ANNUAL REPORT 2018

ENGLISH VERSION

TREMAGI HOLDING

INDEX

STATE-OF-THE-ARTS, CREATIVENESS AND INNOVATION TO BRING ABOUT CHANGE

Keeping on creating.

After more than 10 years we keep on being focused on the same will of the very beginning: creating something beautiful that can last. The spirit that gets across our short history is full of this desire, characterized by the certainty that mistakes and fails are instrumental to a further improvement. In one of his songs, artist Niccolò Fabi writes: “To create, one must be ready to renounce perfection”. A true sentence that tells about a tenacious determination to make things happen. And show the force of positivity. Illumia practices this attitude without, however, renouncing to aim to perfection, notwithstanding the unavoidable difficulties that comes across the one that accepts such an ambitious challenge like being a protagonist in the electric energy sector.

Keeping on investing.

Perfection can be unattainable, but one can’t stop looking for it. The most effective image to describe the only just passed year is the one of our new office building, inserted in an up and coming neighbourhood. On one side our consciousness to be a solid and transparent reality, so well represented by marble and glass our office building is made of, on the other side the surrounding environment, characterized by construction sites and works in progress. The electric energy market looks like this last one: a construction site full of holes, obstacles, mud and dust. All acceptable inconveniences when the aim is a general improvement of the state of affairs. But if the date of completion of works is uncertain, one risks to remain in a state of permanent confusion and difficulties.

Among announced and then denied deregulations, regulations and politic uncertainties, our market looks like this rough road. Illumia lies in the middle of the “works in progress”, in a situation where betting on future is not easy. Notwithstanding, Illumia has chosen to keep on investing, aiming to innovation and development.

This was a year of challenges. But the challenging years are the most important ones, because they offer the possibility to verify what was been created. It is too easy to assess values, identity and culture when everything goes smoothly. It’s in the challenge, when the effort is intense, that the solidity of a company can be verified.

By these solicitation many suggestion came and some important results: a pioneering result and two highly regarded acknowledgements.

STATE-OF-THE ART

in quality and quantity

Always investing, notwithstanding the difficulties of the market, was Illumia's choice. 2018 was the year of implementation of the new informatics end-to-end SAP system: a practical example of a continuous will of innovation, aimed to the development, thus not only an economic investment, but a choice dictated by the will to substantially improve the quality of the present and future customers' service, and make the working process for all the cooperators advance.

CREATIVITY

in problem solving

Creativity does not arise within imagination, but for need. The real creative express at his/her best his/her capacities when he/she faces problems and reality.
In these occurrences the best creative art emerges.
This skill was recognized for Illumia, that was considered one of the 5 more challenging energy brands of the world by the Energy Branding International Price that took place in Iceland. Commitment and continuous research of solutions by each employee of Illumia, allowed to create a unique, creative and challenging environment.

INNOVATION

in heart and mind

Innovation can be intended in many ways. Certainly, it is made of concrete elements, high technology and procedures' renewals. However, according to many experts, deep innovation is made of something more. This "something more" is what the selection board of the Ernst & Young 2018 Businessman of the Year's Award has seen in Illumia, honoured with the first prize for the Digital Transformation category. The explanatory memorandum, the scenario and an attitude that is able to promote change have been the reasons of this Award. Because innovation does not start by call, but requires heads and hearts of the people.

There's need of free and committed people, and a house that have to be built to host this chance.

Marco Bernardi
Presidente Tremagi Holding

THE NEW FACE OF ENERGY

Linus together with the whole Illumia's staff, during the Give&Go 2018.

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

AUDACITY

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.

"To be good is not enough, one must be good for something."

H. Ford

CONFIDENCE

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 .

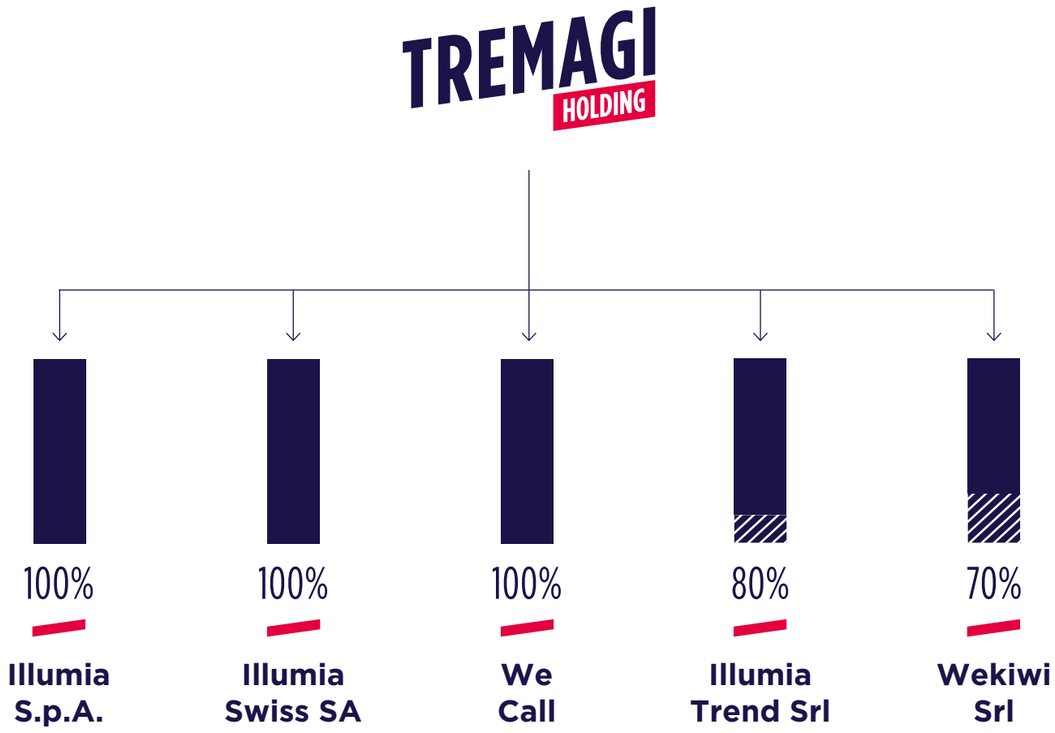
"We are what we take most to heart."

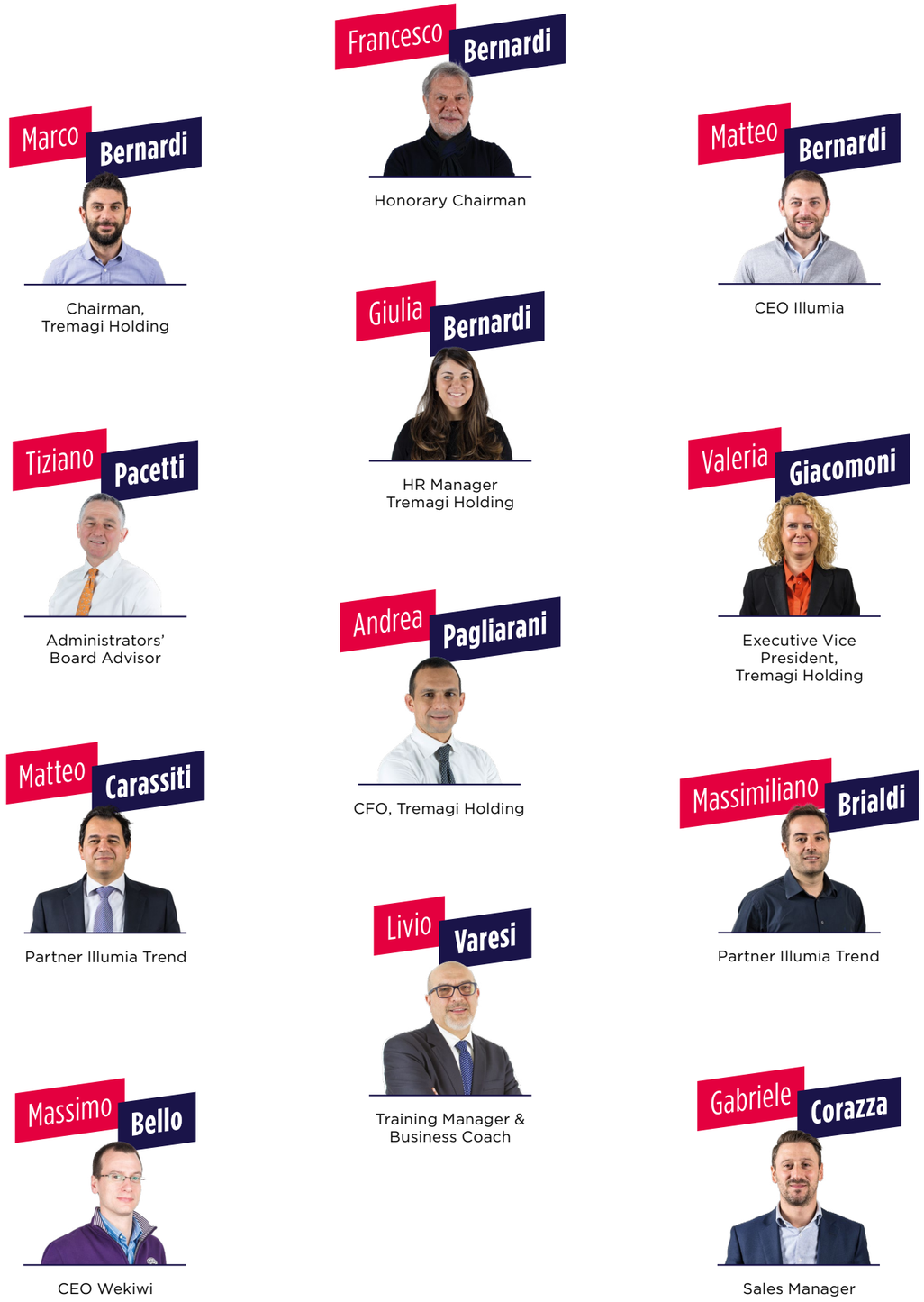
M. Archer

STRUCTURE OF THE GROUP AND CHARGES

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.





ILLUMIA TREND

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 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 #smartenergy hashtag promoted by Wekiwi.

WE CALL

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 800 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.

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.

Another year of possible uncertainty is ahead of us, and in this scenario keeping a clear head is crucial. We will keep on checking dossiers about M&A operations but mainly on experimenting new ideas. So many are the foreseen projects to make more immediate the relationship with our customers.

Whether it's up to internal or external proposals, what counts is to be open to every inspiration that turns up and be brave enough to bet on it. This will be our attitude for the next years.

Marco Bernardi - Staffetta Quotidiana May, 29th 2018

183

Employees
33 years average age

20 M

Ebitda

902 M

Revenue

240.000

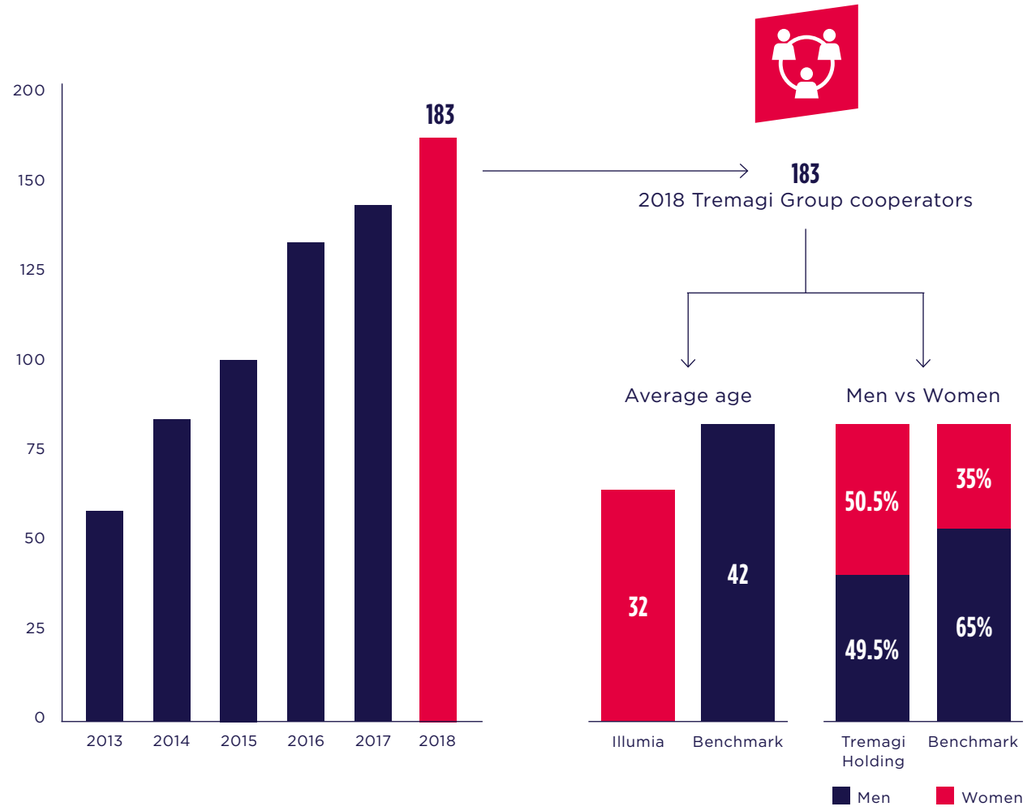
Number of clients

Young, adaptive, inspired.

Young people have enthusiasm, open-mindfulness. And can bridge the experience gap through inspiration.

We remain startups in the attitude, we keep a certain adaptation for what concerns the requests of the market. This approach allows us a competitive advantage in comparison to the slowness of the big enterprises.

Marco Bernardi - QN Economia e lavoro June, 9th 2018



School qualification

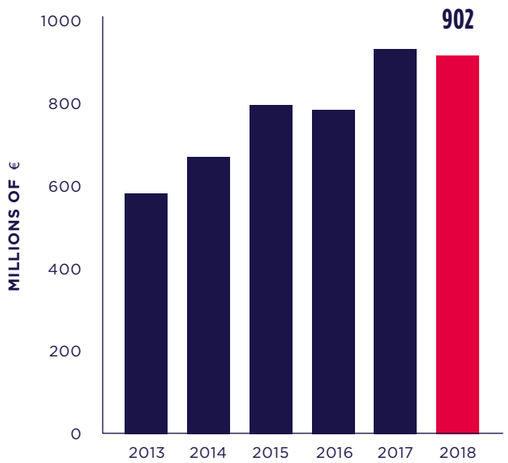
40
Graduation

44
1st Level

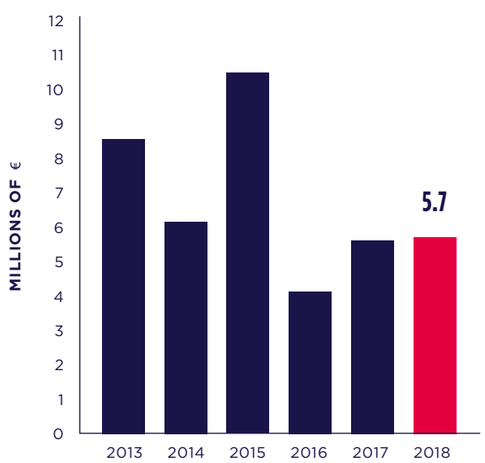
87
2nd Level

12
PhD

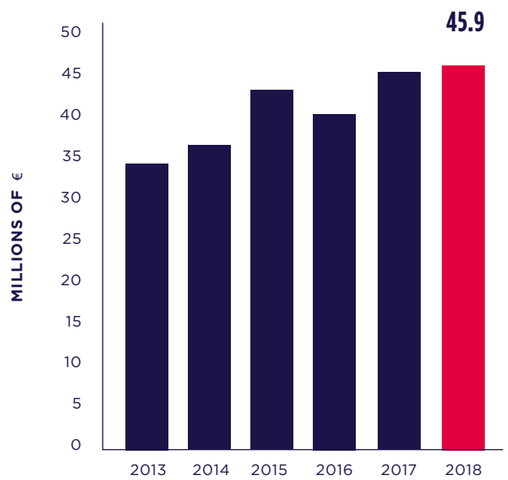
Revenue



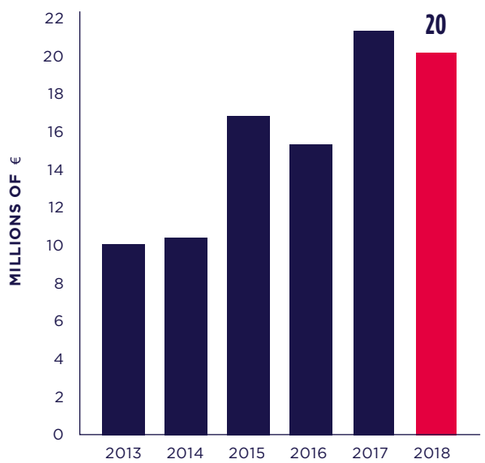
EBIT*



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.

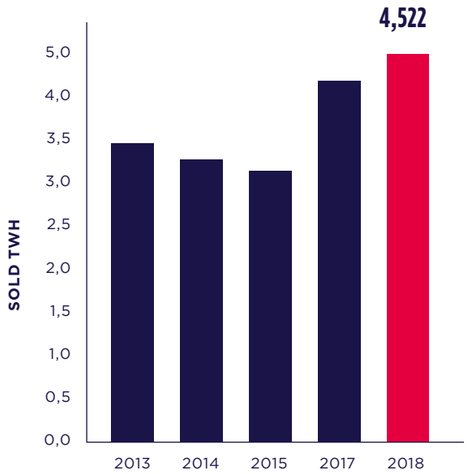
** EQUITY 2017: effect due to the hedge accounting procedures on the ground of the new accounting policies. 2018 is the first balance sheet provided by the Company in accordance to the International Accounting Guidelines IAS/IFRS (the previous balances have been drawn up according to the provision of 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

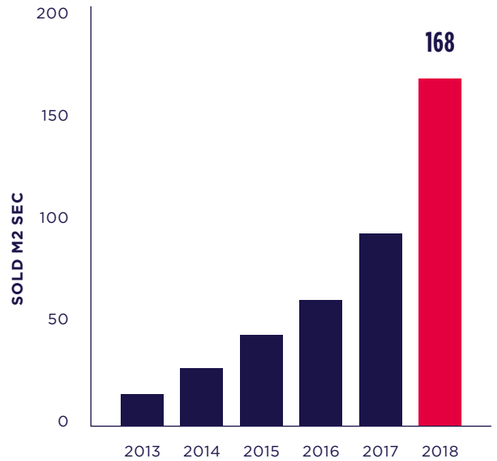
Sales increase, the will to do better increases.

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 ener-gy one, to the sales of LED. An achievement that stepped up our game, inspiring us to give al-ways even the better.

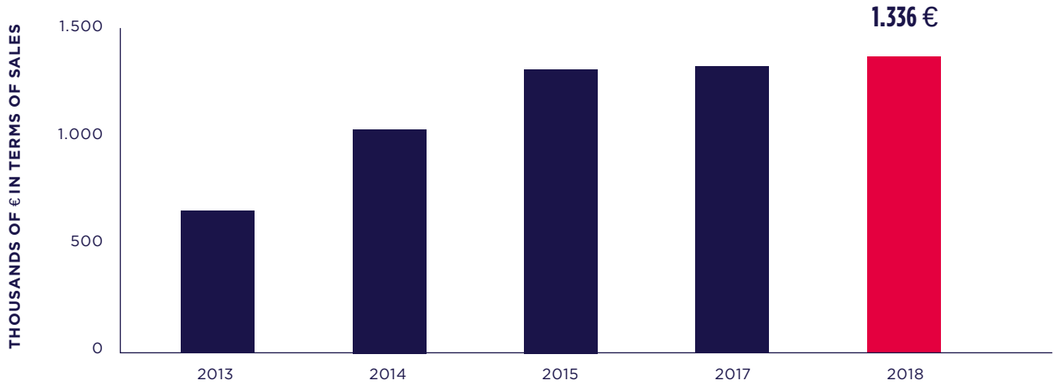
ELECTRIC ENERGY



NATURAL GAS



LED

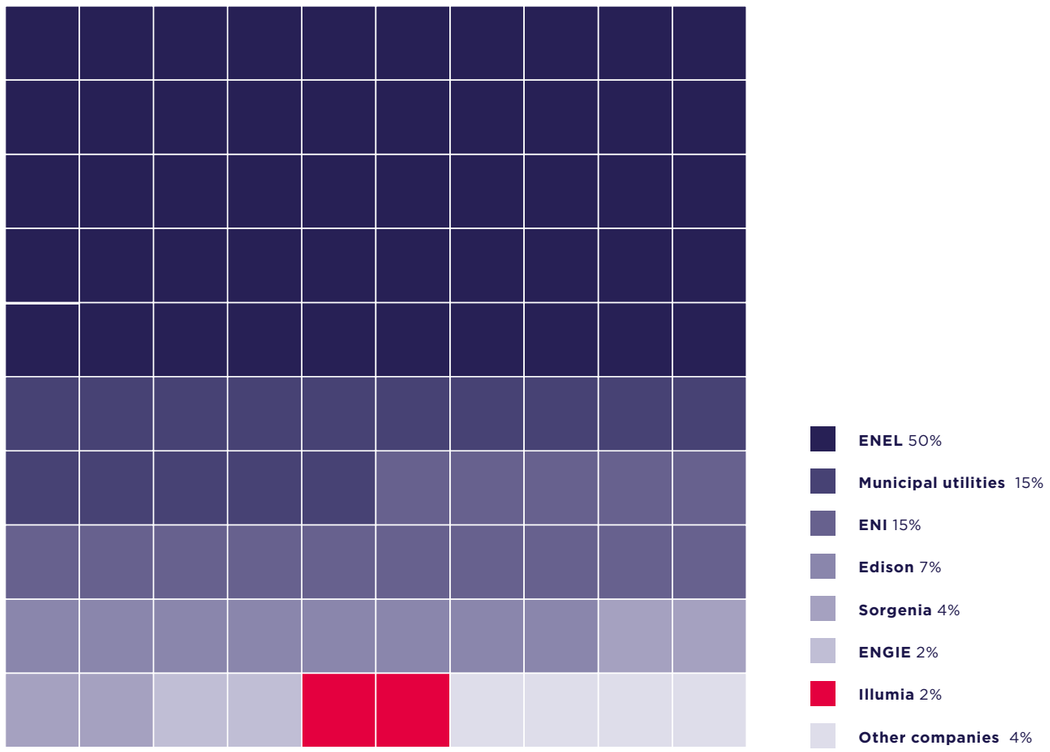


FREE MARKET

Free to control, free to grow up.

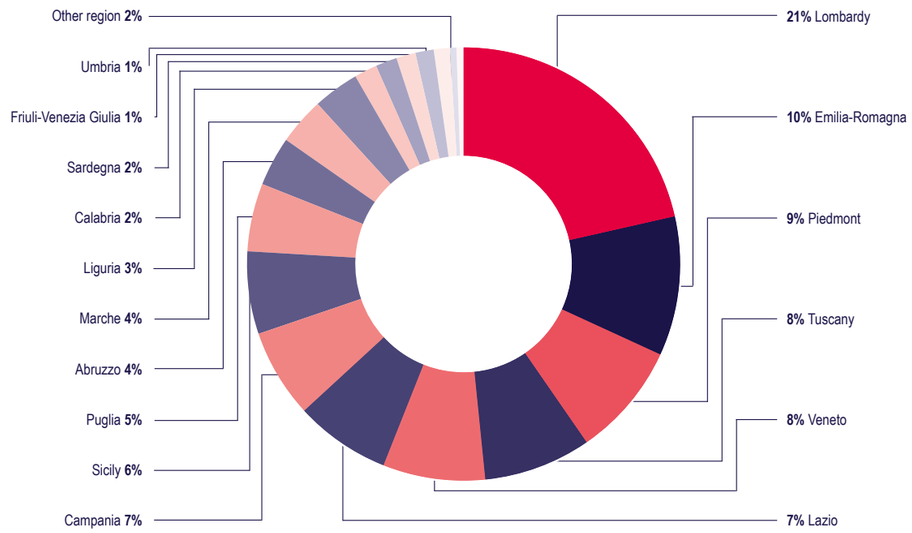
Free market is a wide, unexplored territory, to discover and conquest, by adopting the right action strategy. For Illumia the password is “control”, by defending our sector of market and seizing the offered opportunities, thus creating new business possibilities and proposing solutions no one has still thought to.

RETAIL FREE MARKET



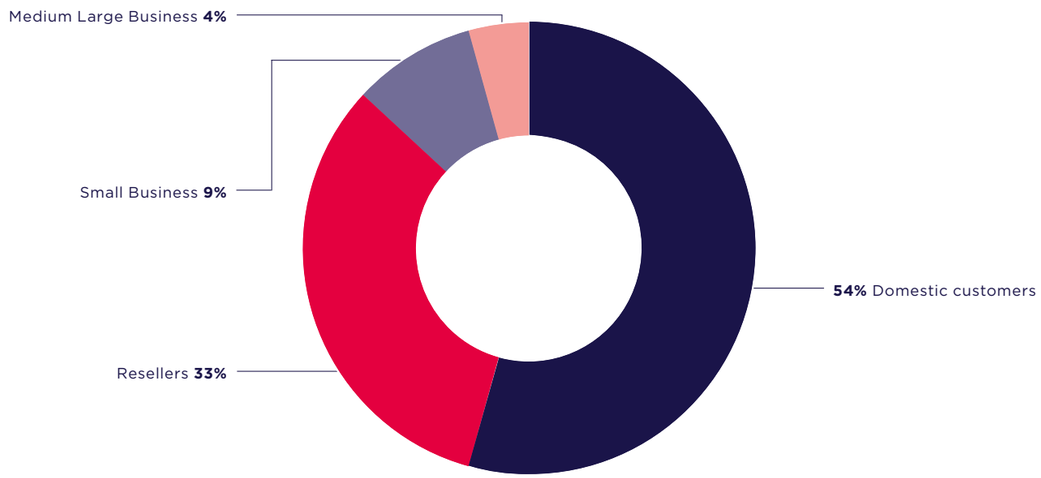
Source: Tremagi operation on ARERAS 2016 data

2018 Customers’ portfolio per region



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

2018 Customers’ portfolio per segment (nr. of supply points)



STATE OF THE ART IS AT HOME

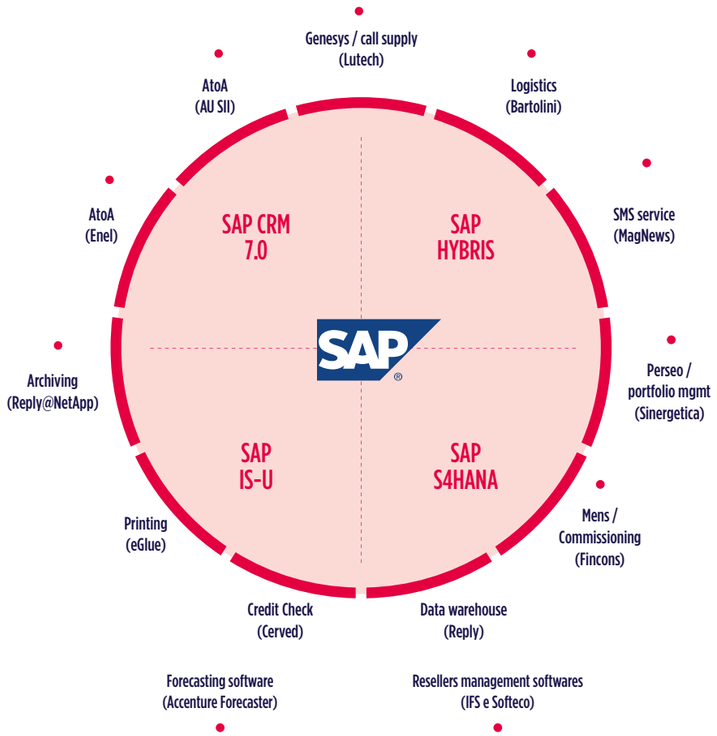
SAP integrated solutions: efficiency and cost reduction to support development and innovation.

A complex sector as the one of the utilities requests a continuous updating and will in order 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 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, Illumia CEO – Business Insider, March, 22nd 2019

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 taylor-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**
- **Gross Annual Earnings paid through Company Welfare** (3%)
- **Flexible working hours**

"An environment is created where our staff member is not afraid of going wrong, but feels protected. He/she fosters a sense of belonging, is encouraged and then takes part in first person to the process of innovation. Indeed, the welfare itself contributes to the formation of a company culture."

Marco Bernardi - QN Economia & Lavoro. July, 9TH 2018

Game room at the office seat of Illumia.

EVENTS TO GROW

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

Illumia is primarily involved in the growth of its cooperators, by involving them in special events 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 events aimed to make better the life of people in need.

We are proud and grateful to be able to keep on supporting realities from an economical, but firstly human point of view, committed to make our territory better.

Marco Bernardi - Urban Post – April, 17th 2018

Imprese riuscite

A series of conventions to support no-profit organizations that help ill and disabled children on our territory: these are the ones organized by Illumia together with FAAC, MACRON, BOLOGNA FC 1909 and other companies. High-profile sportsmen were involved, like Marco di Vaio, former Bologna Calcio soccer player and Mauro Bergamasco, Italian rugby champion. In three years our crow-funding reached the amount of 70.000 €.

Giallo Dozza

In 2017 we have taken the field at the side of Giallo Dozza, Bologna correctional house rugby team, to support each player in their most important game: to get back a social dignity, keeping on putting their uttermost effort in it.

Give and Go

Give&Go starts to bring the staff members out of their offices and make them part of what happens in the other departments. A company-dedicated day, made more special by famous presences like Marco Bellinelli, Italian NBA star and Linus, artistic director of Radio Deejay air broadcasting agency.

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 grant easiness to the access to the service at the other operators' level, at 98,4% in comparison to the 99,4% competitors' average.

Reduced waiting time.

We've dramatically reduced 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 a 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 (Small to Medium Enterprises) aims to meet their real requirements. Indeed, it provides:

A dedicated consultant.

A person that 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 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 answers 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 grants 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 Energy Managers in the definition of operations, purchase and financial cover to be activated in order to protect one’s company from unexpected increases.

OUR SMART PRODUCTS

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

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

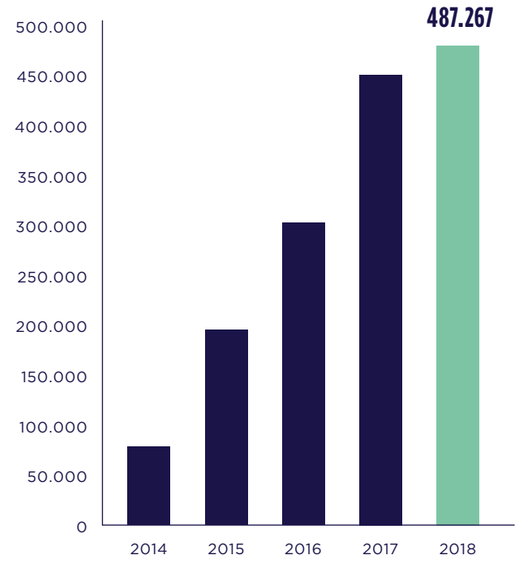
LED

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 to 300 kg per year.

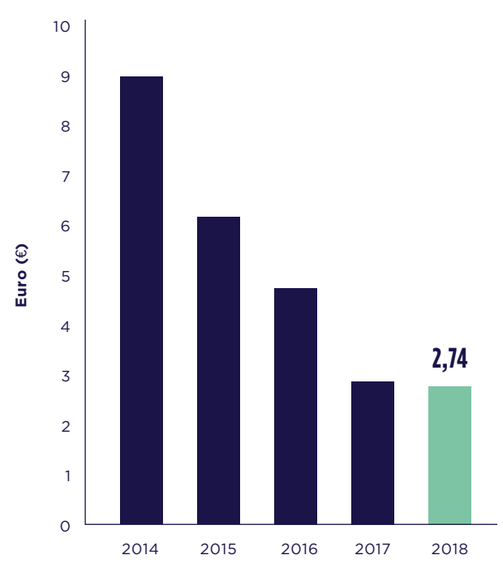
We want to spread this new energy on the whole Italy, passing from 849 to 1.000 sales points.

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

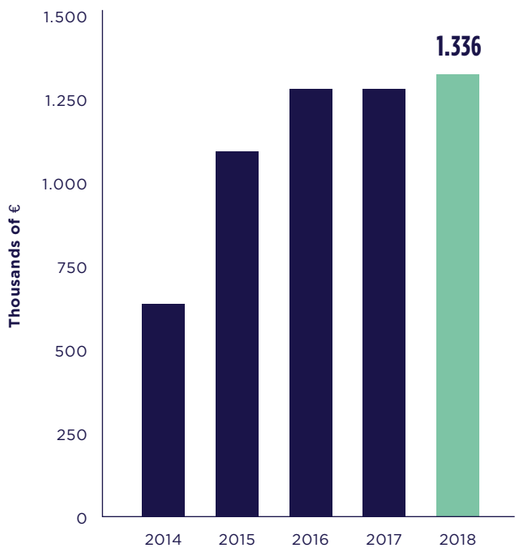
Sold led units



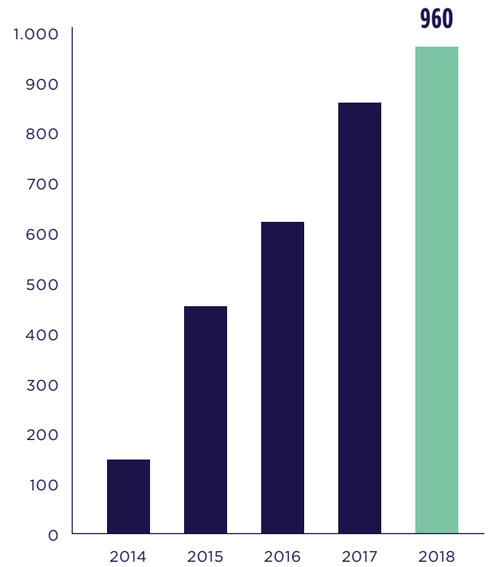
Middle price for leds



Led revenue



Led sales points



BATTERIES

One of our smart products, conceived to have always more energy at hand. Illumia bets 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 by riding an electric bicycle, that can cut costs and reduce the environmental impact.

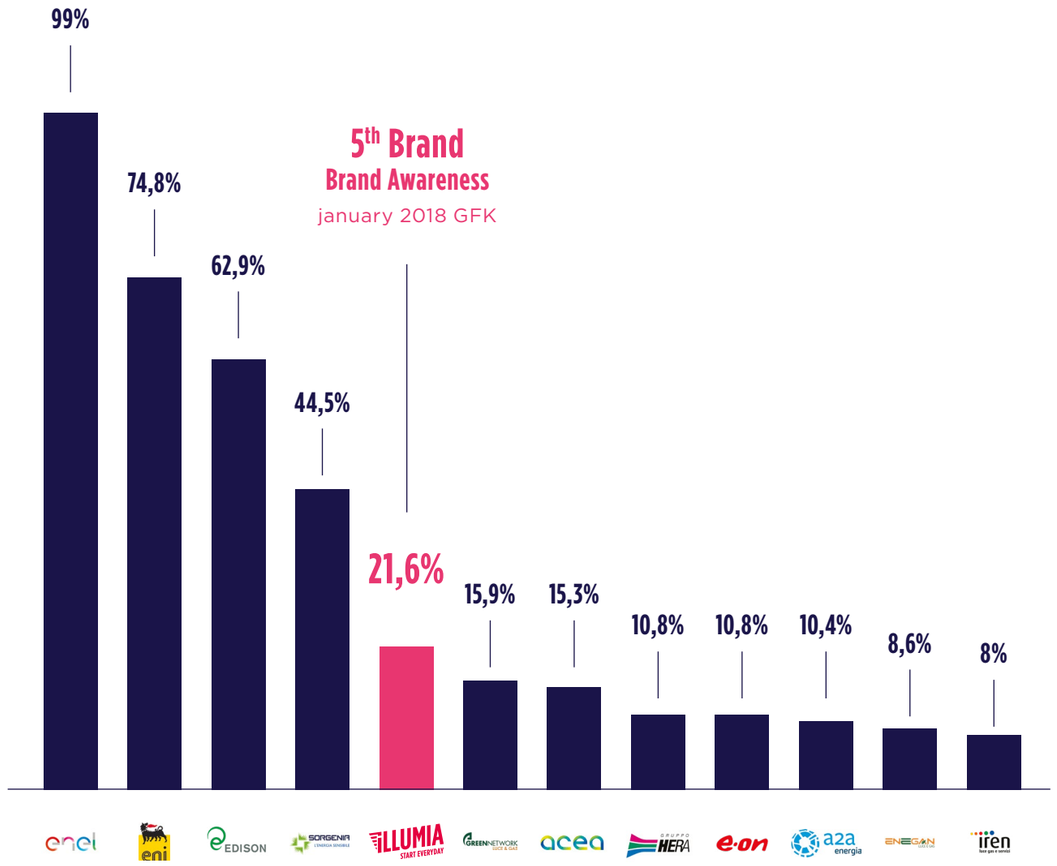
Thus, Illumia Revolution was developed: a bicycle for every need, from a folding e-bike, to a city bike or a mountain bike for sportive people. By choosing one of these models, the customer can use energy in a smart and mindful way, obtaining to reset bills to zero until two years.

#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 contents for an open dialogue with the online community.

Thanks to a wider and structured communication strategy, the presence of Illumia on the socials has increased.

In 2018 we focused our efforts in the creation of a community. The contents, created to encourage the interactions of the visitors, allowed us to enhance the brand awareness and increase the website conversion rate.

Each social account was managed in a different way, conceived according to the specific features of the channel itself: original brand contents and the setting-up of commercial campaigns, have allowed the development of reliable and engaging editorial plans.

Facebook: account characterized by an informal and fresh approach, according to the younger target of Illumia. New advertisement formats were used, like advertising videos, 360° videos, surveys and creation of columns set to creative storytelling besides commercial promotions.

Instagram: opened in 2017, the Instagram account became more important. The account reproduces the Facebook's approach and make use of some specific tools of the platform to increase the interaction with the visitors. Surveys, games, stories and videos contributed to the creation of a coherent and varied account.

LinkedIn: an editorial monthly plan to dialogue with the wider business community in the world. On this social the tone of voice is more professional, but always smart and capturing, respecting the communication style of Illumia.

Twitter: this account represents a communication channel to reach media and stakeholder. The contents are mainly editorial links about the sector to be re-twitted and news concerning the company, reported through a friendly and trustable tone of voice.

Illumia's followers increased without resorting to fan acquisition campaigns. The attention given to the dialogue with the community and the creation of original contents contemplate our will to bring actually new energy, also cultural, to the Country.

ALWAYS CONNECTED

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

ENERGY TO 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 but also steerd towards the future, just like Illumia.

Incontri Esistenziali

Existential Meetings

Exhibitions and concerts, shows and debates, where important issues are dealt, from the future of the young people to the Faith. All these are the Existential Meetings. Illumia hosts and promotes these events, believing in the power of debate and the energy that culture brings with itself.

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 matter.

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.

CONSUMERS PROTOCOL

Last year we have started an important cooperation with two consumers associations: Codacons (Associations Coordination for the Defense of the Customers) and MDC - Movimento della 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.

Moreover, we became the only Italian operator that publishes the actually authorized telephone numbers. After having undersigned a contract by phone contact, our customers can verify the reliability of the agency and report unfair practices by recording on Illumia's official website the number they have been called from.

QUALITY OFFICE

The regulations in force require that all the agents respect few but crucial rules for the consumer protection in daily work. The Code of Conduct for the Trade established by the ARERA(Authority for the Regulation of the Energy Networks) and the Consumer Code are the regulations to be observed. In order to make these regulations understandable by everybody, we've established a Quality Office.

This new department lays down the exhaustive guidelines for the agents, controls the sales' quality and supplies materials and support tools to all the affiliated agencies, guiding them to the adoption of the correct procedures.

ENERGY TO WIN

We have received important awards and rewards. 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.

Marco Bernardi, Chairman of illumia, Businessman of the year EY 2018 Cathegory "Digital Transformation"

EY
Building a better working world

"For having created a real continuous innovation and experimentation laboratory, able to impose itself as the first Italian Family Business in the energy and gas retail market."

Finalist at the Energy Branding International award Cathegory "Challenger"

CHARGE
ENERGY BRANDING

In a shortlist of 80 companies, Illumia is the first Italian brand to receive this acknowledgement.

FINANCIAL STATEMENTS

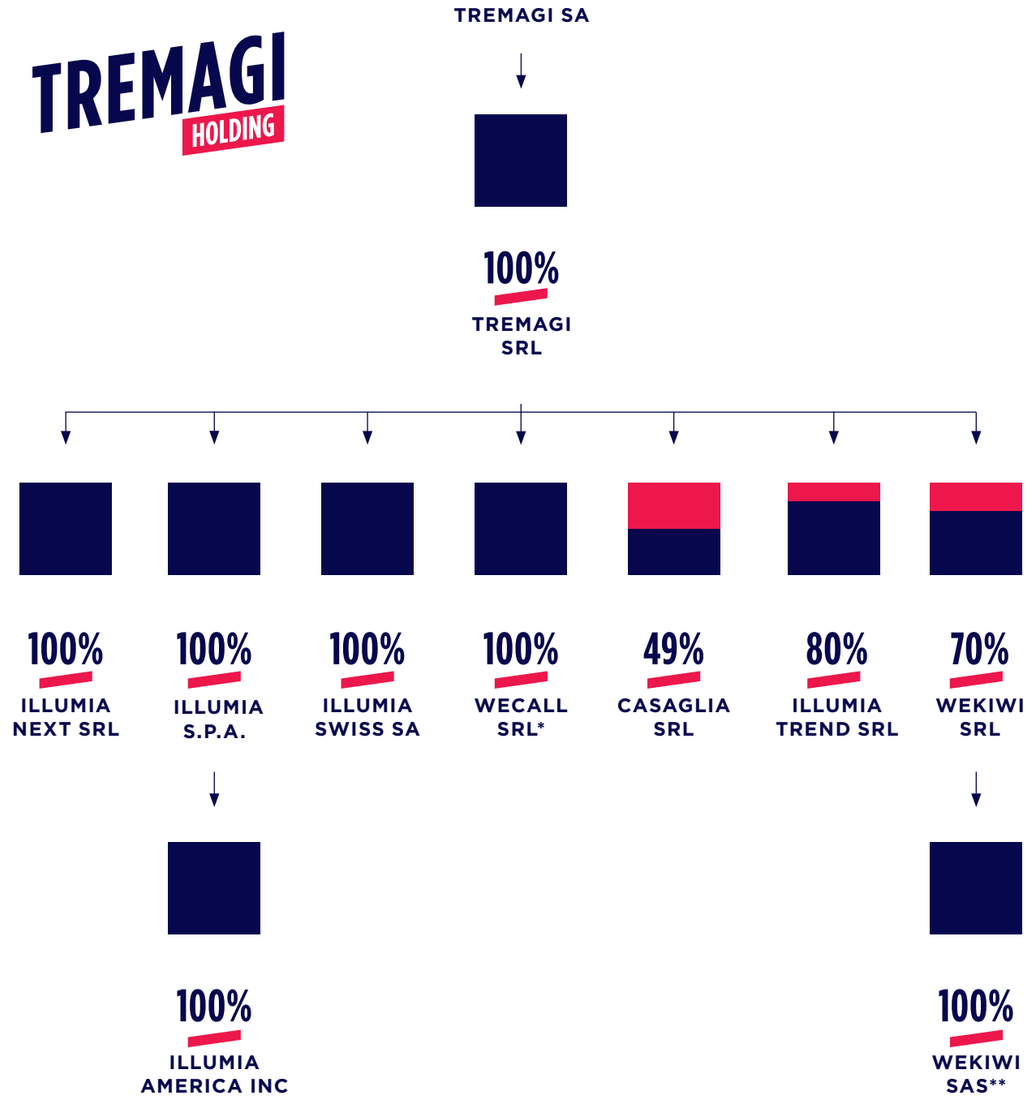
1

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 2018 are audited by the Audit firm PricewaterhouseCoopers S.p.A., as per the engagement assigned by the Quotaholders' Meeting held on 4 April 2016 / (2016-2018) under Legislative Decree no. 39 of 27 January 2010.



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 S.p.A.

1. REPORT ON OPERATIONS

Dear Quotaholders,

The financial year ended 31 December 2018 closed with a profit of Euro 2,952 thousand, 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 notes to the financial statements.

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 company 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.

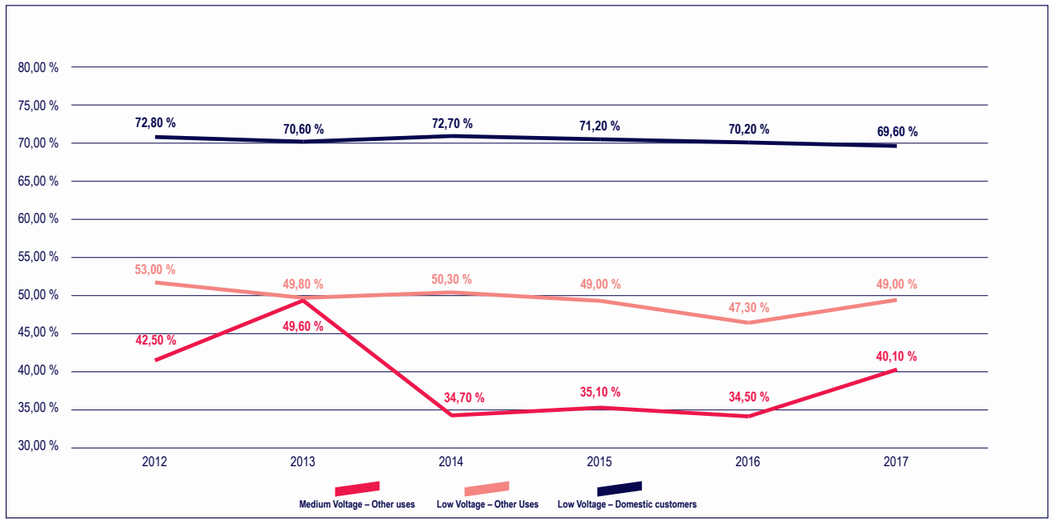
The company has been operating in the electricity trading sector since 2003, and its corporate purpose mainly consists of the following:

- 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.

For Illumia 2018 was a positive year in terms of higher energy and gas sales volumes. While its overall turnover increased, the effect was offset by a decrease in the system charges (oneri di sistema) on the bills. The energy sector's stability continues to be affected by political uncertainty, thus resulting in a lack of a regulatory framework. With the advent of the new Government, the termination of the Greater Protection (Maggior Tutela) tariff scheme, and therefore the deregulation of the market, have been postponed once again. The new effective date for the application of the free market regime is now 1 July 2020. This postponement has 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.

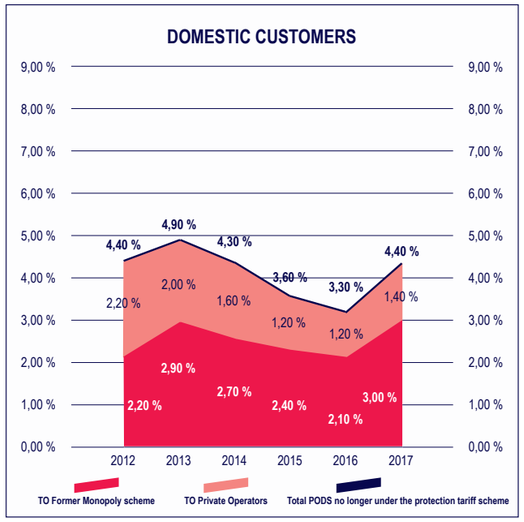
Both events are well described by the latest Retail Market Survey conducted by ARERA (Autorità di Regolazione per Energia Reti e Ambiente, Italian Regulatory Authority for Energy, Networks and Environment). In particular, the C3 index, which represents the free market share held by the top three corporate groups, has stood at 70% from 2012 to date (table 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 4% 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 1.4% of consumers chose an operator unrelated to an incumbent group out of 4.4% who shifted from the protected market towards the free market in 2017. This clearly prevailing real "drag effect" was observed in a similar fashion even during previous years (Table 4.7 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 391 in 2017 and involving 476 operators. In 2012 there were 219 groups, showing an increase of almost 80% (Table 4.1 of the Retail Market Survey).

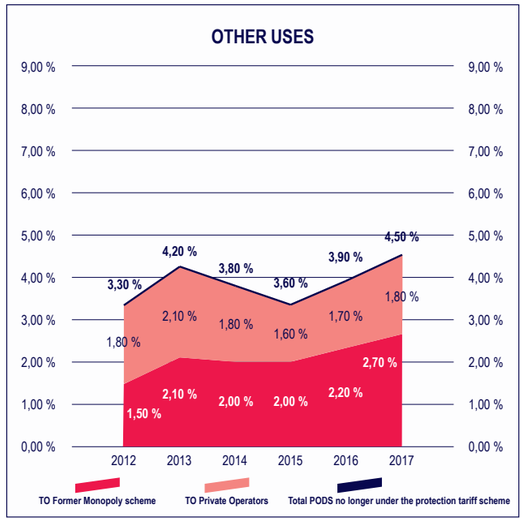
C3 Index



Source: Table 4.3 – Customers that no longer make use of services under the protection tariff scheme – 2017 Retail market survey report

Shifts from Protected Market to Free Market





Number of operators

Tabella 4.1 Corporate groups tranding in electricity at a regional levele in the free market and related changes - years 2012 to 2017

GROUPS OPERATING IN	2012		2013		2014		2015		2016		2017	
	N°	%	N°	%	N°	%	N°	%	N°	%	N°	%
1 region	60	27%	65	25%	64	23%	63	19%	71	19%	69	18%
Between 2 and 5 region	39	18%	54	21%	55	20%	78	23%	71	19%	64	16%
Between 6 and 10 region	24	11%	35	13%	41	15%	57	17%	56	15%	52	13%
Between 11 and 16 region	33	15%	27	10%	37	13%	39	12%	49	13%	55	14%
Between 16 and 20 region	63	29%	79	30%	83	30%	98	29%	126	34%	151	39%
Total	219	100%	260	100%	280	100%	335	100%	373	100%	391	100%

VARIAZIONI %	Δ 2012-2013		Δ 2013-2014		Δ 2014-2015		Δ 2015-2016		Δ 2016-2017		Δ 2012-2017	
	N°	%	N°	%	N°	%	N°	%	N°	%	N°	%
1 regione	+5	+8%	-1	-2%	-1	-2%	+8	+13%	-2	-3%	+9	+15%
Between 2 and 5 region	+15	+38%	+1	+2%	+23	+42%	-7	-9%	-7	-10%	+25	+64%
Between 6 and 10 region	+11	+46%	+6	+17%	+16	+39%	-1	-2%	-4	-7%	+28	+117%
Between 11 and 16 region	-6	-18%	+10	+37%	+2	+5%	+10	+26%	+6	+12%	+22	+67%
Between 16 and 20 region	+16	+25%	+4	+5%	+15	+18%	+28	+29%	+25	+20%	+88	+140%
Total	+41	+19%	+20	+8%	+55	+20%	+38	+11%	+18	+5%	+172	+79%

SOURCE OF DATA: processing of data provided by operators unde resolution arg/elt 167/08

Within this context, the growth in Illumia's volumes, which was pursued through a strategy aimed at balancing the segments targeted by operators with the channels utilised, becomes even more significant. Total sales volumes in the markets showed an increase compared to 2017:

- \- Electricity: from 4,220 GWh to 4,445,357 (+ 5.3%)

- Gas: from 86 million to 159 million SCMs (+ 76%)

The number of end customers served by the dispatching scheme totalled 227,000, 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 2017:

- Consumer Direct Sales Networks, Micro-businesses: +22%
- Online Sales: +23%
- Toll-Free Inbound Calls: +25%
- Direct sales network – SMEs: 83%

Furthermore, a Retention project was launched within the Group by establishing a new company, WeCall S.r.l., which allowed customer care performances to be improved significantly in just a few months.

The excellent results in terms of sales and the achievement of the Business Plan's ambitious objectives reveal how Illumia's entire organisation has been focused on the implementation of the new information systems. The switch to SAP on 1 January 2019 entailed a set of migration-oriented activities that involved the entire business organisation. This investment puts the company in a position to tackle the challenge of completing the deregulation process and increasing its customer base in a stable and appropriate manner.

As mentioned above, the seating of Italy's new government in 2018 resulted in another year of delay for the termination of the regulated tariff scheme, thereby rendering ineffective the previous Government's Law no. 124/2017 (Annual Market and Competition Law), under which this termination was due to take place on 1 July 2019. The new regulatory framework offers even further support to the actions already taken last year in preparation for frequent and authoritative interaction with the institutions:

1. Participation in the Energy Manifesto, together with key market players and consumer associations, continued to play an important role in the political debate. The holding of 10 round-table seminars throughout Italy with local energy managers for each association highlighted the need for clear rules to be implemented rapidly.

2. The signing of memoranda of understanding with Codacons (Italian Consumer Group) and the Movimento a Difesa del Cittadino (Citizen's Protection Movement) 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. In particular, on this last point, the Antitrust authority ruled in favour of AIGET and imposed severe sanctions on some operators, thus confirming the urgent need to complete the deregulation process. On the other issues mentioned, AIGET made concrete proposals, which were followed up by official positions being taken by the Chamber of Deputies' Production Activities, Trade and Tourism Committee with the approval of Resolution no. 8-00010, which commits the Government to implementing the List of Sellers and Vendors and the reform of the System Charges.

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: 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. Several negotiations were successfully concluded as early as during the period under review, thus allowing the Illumia Swiss front office to carry out its first wholesale energy index trading operations under ISDA contracts on the Swiss, German and Italian electricity markets.

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.

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.

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 Srl, as from 2019. As at 31 December 2018 it was still in its start-up phase, since its objective is to pursue the development of its hardware and software infrastructures 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 lease and management of the company-owned properties. The company is valued using the equity method.

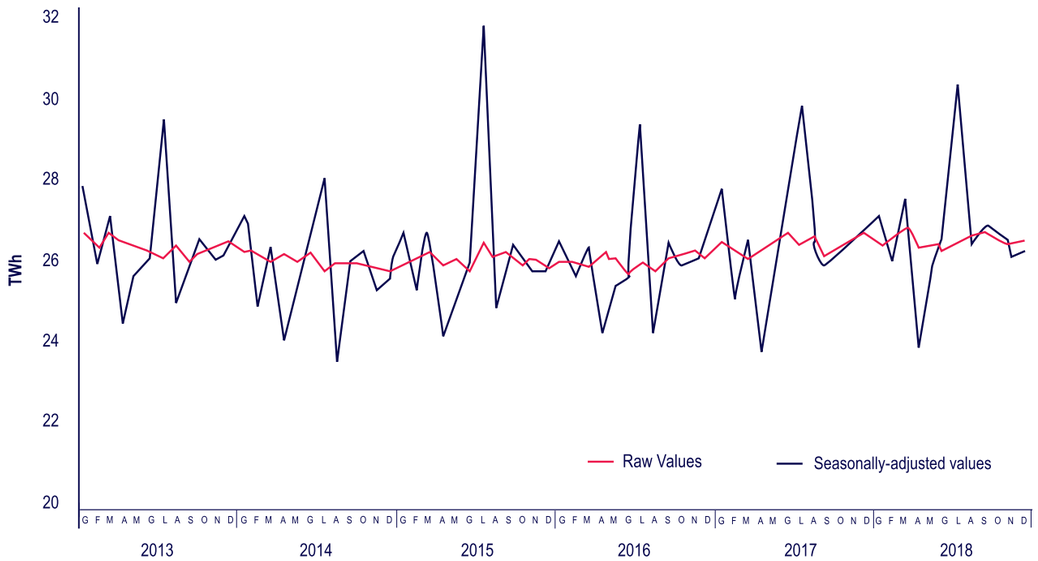
THE RELEVANT SCENARIO

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 AND GAS DEMAND

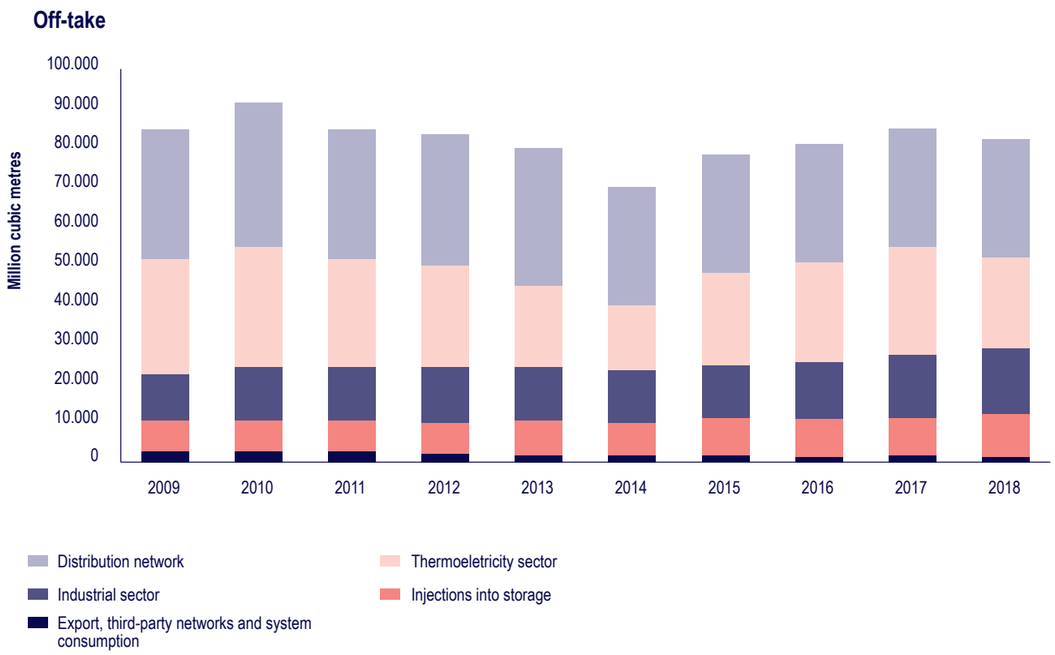
As shown by the "Monthly report on the electricity system – December 2018 Final Data" published by Terna, the demand for electricity in 2018 remained substantially in line with the previous year, showing an increase from 320.4 TWh to 321.9 TWh (+0.4%).

Economic analysis of electricity demand



In 2018 the upward trend in natural gas consumption in Italy recorded over the past three years was interrupted (-3.4%), although remaining well above the low point reached in 2014 (+18%).

Natural gas off-take



SOURCE: GME: Newsletter no.100 - January 2019

The decline was more substantial in the thermoelectricity sector, whose consumption fell by 8.1%, moving back to the 2016 values of 23,390 million m3; this trend appears closely related to the resumption of production of electricity from renewable sources, in particular from hydroelectric power plants, which recovered 30% from the extremely low levels of 2017, as well as to higher imports from the northern border. Consumption in the civil and industrial sectors dropped by just 1%, although remaining at some of the highest levels seen since 2014 (32,294 million m3) and over the past ten years (14,221 million m3), respectively. Exports also fell to 2,221 million m3 (-1.7%), which represents the all-time low and led to a decline of 2.6% in the share of total consumption. In contrast, injections into storage systems increased to their highest levels ever, at 11,963 million m3 (+8.7%).

ENERGY SUPPLY

An analysis of the annual data shows that the production of electricity from renewable sources increased slightly in 2018 compared to 2017 (+1.1%), mainly thanks to a clear recovery in hydroelectric production, which closed out 2018 at +31.2%, with a rise of 11.7 TWh compared to 2017. This increase offsets the decline in PV (-4.7%), wind (-1.4%) and geothermal energy (-1.9%) compared to 2017.

Energy balance

[GWh]	December 2018	December 2017	% 18/17	January-December 18	January-December 17	% 18/17
Hydroelectric energy	3.576	2.282	56,7%	49.275	37.557	31,2%
Thermal energy	16.315	17.966	-9,2%	185.046	200.305	-7,6%
of which Biomass	1.486	1.509	-1,5%	17.683	17.818	-0,8%
Geothermal energy	494	500	-1,2%	5.708	5.821	-1,9%
Wind energy	1.910	2.257	-15,4%	17.318	17.565	-1,4%
Photovoltaic energy	911	861	5,8%	22.887	24.017	-4,7%
Total net production	**23.206**	**23.866**	**-2,8%**	**280.234**	**285.265**	**-1,8%**
Import	3.967	3.662	8,3%	47.179	42.895	10,0%
Export	410	310	32,3%	3.270	5.134	-36,3%
Foreign balance	**3.557**	**3.352**	**6,1%**	**43.909**	**37.761**	**16,3%**
Pumping	232	293	-20,8%	2.233	2.478	**-9,9%**
Electricity demand[1]	**26.531**	**26.925**	**-1,5%**	**321.910**	**320.548**	**0,4%**

[1] Electricity demand = Production + Foreign balance – Pumping Consumption.

SOURCE: TERNA – Monthly report on the electricity system – December 2018 Final Data

GAS SUPPLY

On the supply side, the decline in consumption appears to have mainly been absorbed by natural gas imports, which decreased by 2.6% compared to the previous year, but nevertheless remained significantly higher than the 2014 low, accounting for more than 80% of total supply. Supplies from storage increased by 3%, totalling 11,534 million m3, thus recording a new all-time high for the fourth year in a row, accounting for about 14% of total gas injected into the distribution network (13% in 2017). Domestic production declined both in absolute and percentage terms, reaching an all-time low of 5,123 million m3. The reduction in imports was concentrated at the pipeline entry points; natural gas flows from Africa fell significantly, with those from Algeria dropping by about 10%, coming to just over 17,000 million m3, and those from Libya dropping to the lowest levels of the past seven years (4,467 million m3).

Imports from Russia via Tarvisio were also on the decline, although it remains the entry point showing the highest volumes (29,489 million m3, -2%), while those from Northern Europe were on the rise for the second consecutive year (+6.5%). The growing trend in gas imports from LNG terminals continued, with Cavarzere being the most active, despite reporting a decline of 2% compared to the previous year.

Transported gas balance 2018

	Million m3	TWh	var. tend.
Imports	67.432	713,7	-2,6%
Import by entry points			
Mazara	17.095	180,9	-9,5%
Tarvisio	29.489	312,1	-2,0%
Passo Gries	7.692	81,4	+6,5%
Gela	4.467	47,3	-3,8%
Gorizia	24	**0,3**	-1,2%
Panigaglia (GNL)	883	9,3	+41,4%
Cavarzere (GNL)	6.706	71,0	-2,1%
Livorno (GNL)	1.076	**11,4**	+18,6%
Domestic Production	5.123	54,2	+2,2%
Supply from storage	11.534	122,1	+2,7%
TOTAL GAS INJECTED INTO THE DISTRIBUTION NETWORK	**84.089**	889,9	**-1,9%**
Redeliveries by Snam Rete Gas network	69.905	739,8	-3,5%
Industrial sector	14.221	150,5	-1,0%
Thermoelectricity sector	23.390	247,5	-8,1%
Distribution networks	32.294	341,8	-1,0%
*Exports, third-party networks and system consumption**	2.221	23,5	-1,7%
TOTAL GAS CONSUMPTION	**72.126**	763,3	-3,4%
Injections into storage	11.963	127	+8,7%
TOTAL GAS OFFTAKE	**84.089**	889,9	**-1,9%**

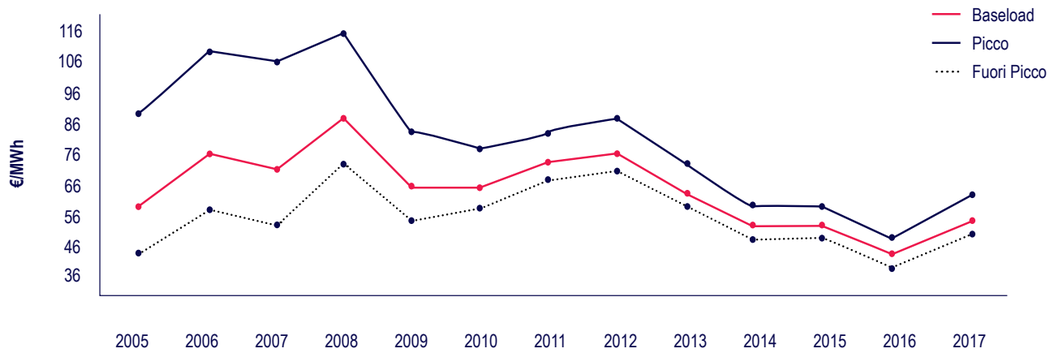
**Includes change in storage/disposal, losses, consumption and gas not accounted for.*

SOURCE: GME: Newsletter no.100 - January 2019

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 2018, is reported below:

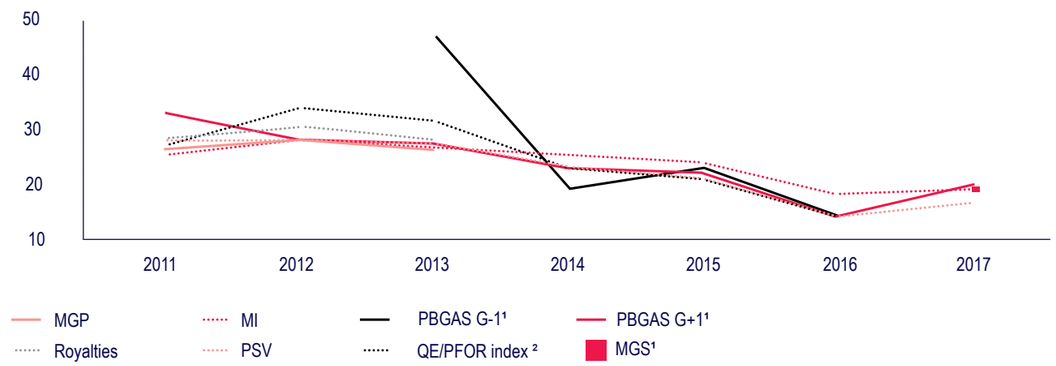
MGP (Mercato del Giorno Prima, Day-Ahead Market) – PUN (Prezzo Unico Nazionale, National Single Price)



SOURCE: GME: Newsletter no.100 - January 2019

After four years, the average energy purchase price (PUN) on the electricity exchange once again exceeded € 60 per MWh, and, on the second increase since the all-time low of 2016, came to € 61.31 per MWh, showing an increase of € 7.36 per MWh compared to 2017 (+13.6%). In particular, this rise was recorded from late February to October (+ € 13 per MWh approximately), reaching its peak in September (+ € 28 per MWh compared to 2017), and was closely linked to a similar trend observed in gas prices at the VTP and to some of the highest domestic purchase levels seen in the last five years (with a few exceptions during the summer months). The bullish effect that these factors had on the price, however, was partly offset by the high levels achieved in terms of renewable energy sales, which were just below the record value of 2014 for hydroelectric power and at an all-time high for wind power.

NATURAL GAS MARKETS, PRICES*



*MGP (*Mercato del Giorno Prima*, Day-Ahead Market) and MI (*Mercato Infragiornaliero*, Intra-Day Market) are continuous trading markets, while Royalties and PB-GAS (*Piattaforma Bilanciamento Gas*, Gas Balancing Platform) are auction markets; the VTP is a quotation and the PFOR** is an index.

¹ In 2016 the data for G+1 and G-1 segments relate to the first three quarters of the year, while those for MGS (*Mercato organizzato per la negoziazione di gas in stocaggio*, Market for the Trading of Gas Stored) and MPL (*Mercato dei Prodotti* Locational, Locational Products Market) relate to the last quarter.

² Until September 2013, QE (*Quota Energetica* Energy Quota) index.

SOURCE: GME: Newsletter no.100 - January 2019

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 by 2020 will lead to interesting opportunities for further growth. Most residential end customers (or even low-voltage commercial users) 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.

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

The Illumia project ranked among the top 10 out of more than 70 candidates at the recent event held by the CIONET community – an association to which many Italian CIOs belong.

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.

COMMUNICATION STRATEGY

The 2018 Communication Plan was geared towards strengthening Brand Awareness as a primary support to sales activities.

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

1. Increasing the number of sponsorships with sales activation through Social Networks

2. Strengthening sales conversion through innovative Digital strategies

INCREASING THE NUMBER OF SPONSORSHIPS

The experience of the Bologna FC football club sponsorship in recent years has helped the Company strengthen its expertise in achieving excellent Brand Awareness results through sponsorships. 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 major sponsorships. The Eurisko analyses, which we commission each year, firmly confirm our ranking as the 5th most popular brand in the electricity sector in Italy.

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;
  - "Selfie da Stadio" (Taking selfies at Stadiums), whereby users can post photos on social media, which are subsequently shown on the big screen during home matches.

- **Sponsorship of the 2018 Cesare Cremonini Tour concert Crew**:

  - For concerts at arenas: an initiative was launched among Illumia's collaborators with the greatest number of social media followers, who were given the opportunity to attend the concerts in exchange for posting a story on Social Networks;
  - For concerts at stadiums: 6 Influencers from the worlds of fashion, sports, and entertainment were selected, who posted their experiences at the various concerts on Instagram.

- **SunRise Bike Sponsorship:**

  This non-competitive cycling event was held in 3 different cities at sunrise: Bologna, Turin and Milan. At the start of each stage, Illumia installed a chit-chat totem where participants could leave video messages, which later became the subject of various videos posted on Social Media.

DIGITAL STRATEGY

The absence of promotional campaigns on television has allowed for a substantial development of the segmentation and promotion strategies on social media channels and, more generally, throughout the digital world. A new partnership focused upon optimising the Customer Experience on digital channels, especially via the Website and on Social Networks, was launched with the London-based company Rock&Growth in 2018. 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. In order to improve online customer experience, the decision was made to test various graphic or layout proposals in A/B mode. This objective was also pursued by redesigning the online subscription process, which allows Electricity or Gas contracts to be entered into in a very simple way, quickly and in full digital mode. The subscription process was then optimised, which now allows the customers to complete their contract in less than 5 minutes, and to obtain a real time confirmation code via SMS. Digital analytics tools were also introduced to monitor the elements critical to customers within the funnel, with the aim of ensuring their quick removal or resolution. Combined with a new promotional offer, these activities have led to a significant increase in online conversion rates and acquisitions. 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.

2018 ILLUMIA SALES OFFERING AND STRATEGY

In addition to the specific analyses carried out by our management control system, our Sales Management conducted major oversight activities and implemented a diverse range of sales proposals, which in turn helped render the customer base more loyal and stable.

The strategic decision made in 2016 to add new optional components to the electricity and natural gas offerings was further strengthened during 2018: one out of every three customers signed in fact a contract with an additional optional service (green energy, carefree option, and the Led Kit).

We implemented the Placet offers (i.e. free market offers on conditions equivalent to protection regime terms) as per the ARERA Resolution, making them an integral part of our sales proposal. Although steadily improving, the results have not measured up to the expectations. From our vantage point, we can say that the lack of value-added services, which is hindered on these types of offers, has rendered them less appealing.

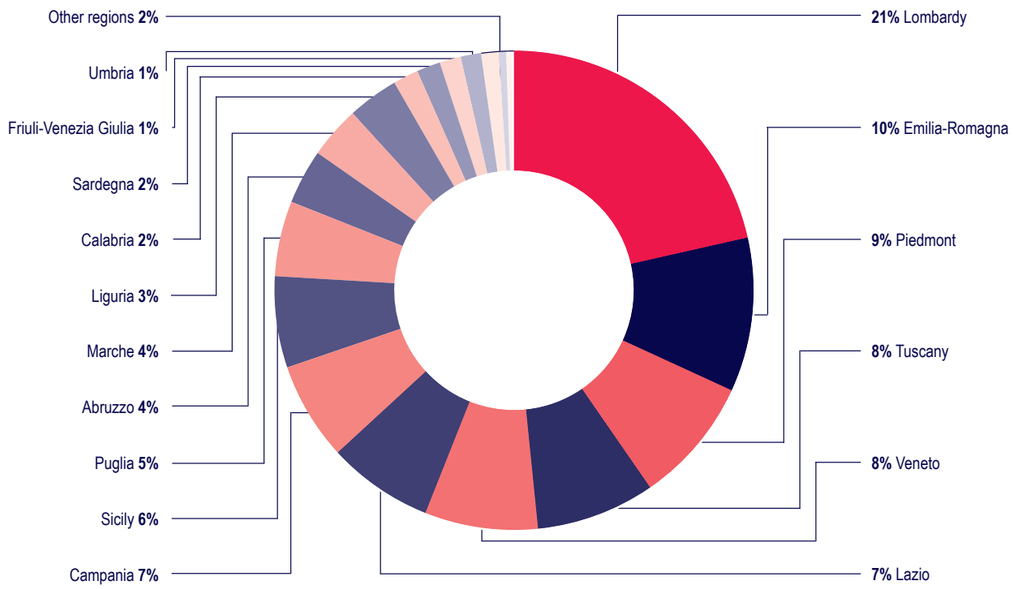
We bolstered our WinBack work aimed at regaining customers lost to other traders, by designing and planning the insourcing of management with specialised resources and dedicated tariffs, with the aim of rendering this new channel a key business asset for 2019.

The online sales channel was strengthened through advertising and promotional investments, which led to a significant increase in acquisitions during the last quarter of the year. The Company's strategic interest in developing this channel's acquisitions stems from lower acquisition costs against a lower number of past-due bills and an increased loyalty on the part of end customers.

A major contribution was given by the appointment of a new strategic professional for the growth of our sales workforce. The Company's recruitment of a Training Manager and Business Coach allowed specific training sessions to be delivered, which were aimed at improving managerial skills in the field of sales.

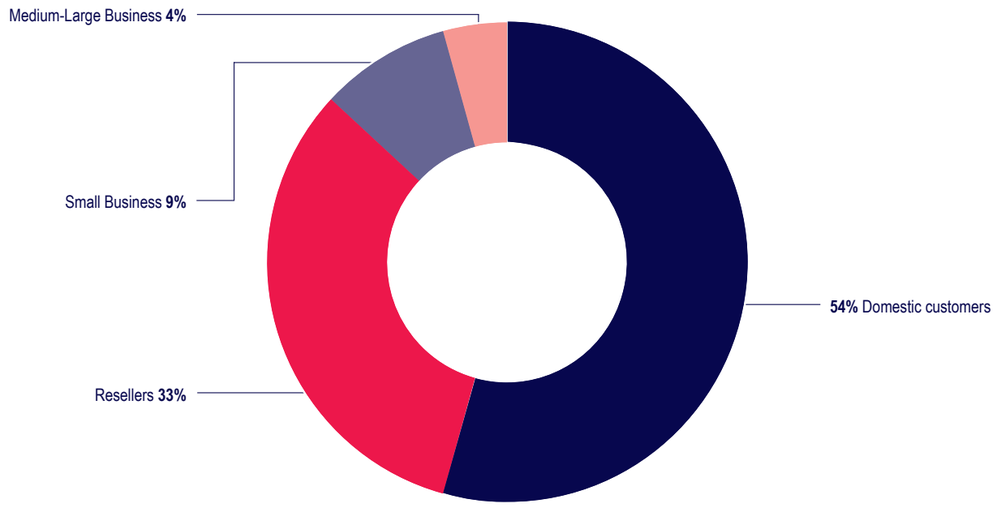
The growth trend in the SME sales channel remained consistent with that of 2017. The customer base holding VAT numbers acquired from the channel increased by 20% over the course of the year, and the number of agents increased from 40 units in January to 65 units in December 2018. The agents were authorised to join the network by 4 District Managers, located in the Emilia, Romagna, Tuscany and Lazio areas. Extremely attractive remuneration and career plans were prepared and presented.

2018 CUSTOMER PORTFOLIO BY 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. A strong expansion of the Reseller portfolio was recorded following the acquisition of the Electra Italia S.p.A. business unit.

2018 CUSTOMER PORTFOLIO BY SEGMENT (No. of supply points):



2018 ENERGY BALANCE

Below is the 2018 Energy Balance of Illumia S.p.A., which shows the physical flows over the past year (in MWh):

ELECTRICITY (MWh)	2018	2017
RETAIL MARKET	1,531,594	1,390,852
TERNA	34,644	36,484
GME	1,356,467	1,091,694
WHOLESALERS	1,522,651	1,700,540
SALES	**4,445,357**	**4,219,570**
GME	737,602	942,504
PLANTS	8,360	35,480
WHOLESALERS	3,699,394	3,241,586
PURCHASES	**4,445,357**	**4,219,570**

The electricity balance shows sales of approximately 4.4 TWh, which were obtained considering the net credit and/or debit positions towards counterparties.

Sales to end-customers amounted to 1.5 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 (17%), Plants (0.2%) and Wholesalers (83%).

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

GAS (SCMs)	2018	2017
RETAIL MARKET	151,136,261	77,482,661
WHOLESALERS	7,711,091	8,663,545
SALES	**158,847,352**	**86,146,206**
PURCHASES AT VTP	158,711,407	85,361,407
OTHER PURCHASES	-	3,962,895
STOCK	135,945 -	3,178,096
PURCHASES	**158,847,352**	**86,146,206**

The volumes of natural gas invoiced amounted to approximately 159 million Cubic Meters (against approximately 86 million in 2017).

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

In 2018 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:

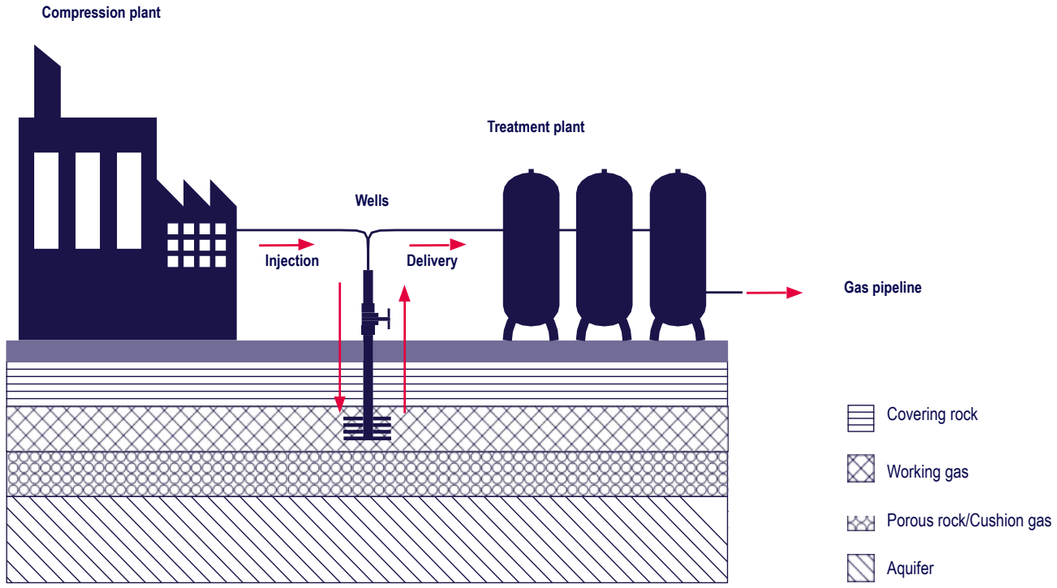
- responding to market gas demand in real time;
- ensuring a high degree of flexibility for the management of the production and transport facilities;
- - ensuring the maintenance of "strategic" reserves to be used exclusively to deal with exceptional situations (particular weather conditions, such as 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.

General storage site scheme (Source: Stogit S.p.A.)



RESULTS OF OPERATIONS AND FINANCIAL PERFORMANCE

The reclassified income statement and balance sheet data for the 2018 financial year, compared to those of the previous years, are provided below (amounts expressed in thousands of Euros). The data for the financial years from 2014 to 2016 do not reflect the effects of the IAS Transition:

€,000		2018	%	2017	%	2016	%	2015	%	2014	%
VALUE OF PRODUCTION (Vp)	**1**	**902,667**	**100%**	**905,748**	**100%**	**785,327**	**100%**	**814,846**	**100%**	**571,656**	**100%**
Costs for raw materials and supplies		697,313	77%	695,745	77%	583,831	74%	592,638	73%	363,050	64%
Change in inventories of raw materials and supplies		148	0%	- 891	0%	177	0%	- 240	0%	- 504	0%
Costs for services		174,652	19%	177,389	20%	164,217	21%	179,301	22%	177,066	31%
Leases and rentals		335	0%	437	0%	2,589	0%	2,681	0%	786	0%
Other operating costs		1,933	0%	1,929	0%	14,004	2%	15,352	2%	14,683	3%
ADDED VALUE	**2**	**28,287**	**3%**	**31,140**	**3%**	**20,509**	**3%**	**25,113**	**3%**	**16,575**	**3%**
Personnel costs (Cp)		8,254	1%	9,967	1%	6,878	1%	5,938	1%	5,132	1%
EBITDA	**3**	**20,033**	**2%**	**21,172**	**2%**	**13,631**	**2%**	**19,175**	**2%**	**11,443**	**2%**
Amortisation, depreciation and impairment (Am)		13,299	1%	14,853	2%	6,337	1%	8,483	1%	5,265	1%
Provisions (Ac)		987	0%	698	0%	3,148	0%	277	0%	40	0%
EBIT (Difference between production value and cost)	**4**	**5,747**	**1%**	**5,621**	**1%**	**4,146**	**1%**	**10,416**	**1%**	**6,138**	**1%**
Financial income and costs (Of)	-	1,222	0%	- 1,512	0%	- 1,033	0%	- 578	0%	- 304	0%
Adjustments to financial assets	-	280	0%	0	0%	- 170	0%	- 3,065	0%	4	0%
PROFIT (LOSS) BEFORE TAX (RAI)	**5**	**4,245**	**0%**	**4,109**	**0%**	**2,943**	**0%**	**6,774**	**1%**	**5,838**	**1%**
Taxes	-	1,293	0%	- 1,881	0%	- 1,148	0%	- 3,264	0%	- 3,847	-1%
PROFIT (LOSS) FOR THE YEAR	**6**	**2,952**	**0%**	**2,228**	**0%**	**1,795**	**0%**	**3,508**	**0%**	**1,991**	**0%**

Euro/000		2018	2017	2016	2015	2014
FIXED ASSETS	**7**	**73,818**	**67,323**	**58,474**	**46,884**	**43,298**
- Property, plant and equipment		29,943	31,865	45,415	34,195	28,881
- Intangible assets		15,509	11,344	6,879	6,014	6,498
- Non-current financial assets		9,385	5,369	6,180	6,675	7,919
- Investment property		18,982	18,745			-
CURRENT ASSETS	**8**	**173,284**	**186,809**	**201,792**	**163,067**	**164,150**
- Receivables from customers due within 12 months	a	110,614	124,860	137,053	123,361	121,479
- Other receivables	b	11,786	11,520	16,204	14,082	19,371
- Current financial assets	c	15,016	8,844	7,130	3,145	1,000
- Cash and cash equivalents	d	31,446	37,400	32,382	15,554	12,164
- Accrued income and prepaid expenses	e	2,313	1,930	7,608	5,322	8,742
- Inventories	f	2,109	2,254	1,416	1,604	1,394

TOTAL ASSETS	**9**	**247,104**	**254,132**	**260,267**
EQUITY	**10**	**45,904**	**42,917**	**36,539**
PROVISIONS FOR RISKS AND CHARGES	11	10,443	11,323	17,439
Employee Severance Pay (TFR)	12	1,871	1,564	1,166
NON-CURRENT LIABILITIES		**26,520**	**29,723**	**31,145**
- Payables to banks and other lenders	15	26,520	29,723	31,145
CURRENT LIABILITIES	**13**	**162,366**	**168,606**	**173,979**
- Payables to banks and other lenders		34,586	35,691	35,500
- Payables to suppliers due within 12 months		107,617	117,464	126,457
- Other payables		17,361	13,560	9,834
- Accrued expenses and deferred income		2,802	1,891	2,189
TOTAL LIABILITIES AND EQUITY	**14**	**247,104**	**254,132**	**260,267**

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 business management.

These include:

- Indicators regarding the Company's financial structure and position,
- Indicators regarding the Company's capital structure and position,
- Indicators regarding the Company's earnings structure and position.

BALANCE SHEET RATIOS		2018	2017	2016	2015	2014
ROE	Profit for the period (6) / Net Equity (10)	6%	5%	5%	9%	6%
ROI	EBIT (4) / Invested Capital (9)	2%	2%	2%	5%	3%
ROS	EBIT (4) / Turnover (1)	1%	1%	1%	1%	1%
ROT	Turnover (1) / Invested Capital (9)	3.65	3.56	3.02	3.88	2.76
EBITDA	EBITDA (3) / Turnover (1)	2%	2%	2%	2%	2%
IMPACT OF NON-CORE OPERATIONS	Profit for the period (6) / EBIT (4)	51%	40%	43%	34%	32%
LEVERAGE	Invested Capital (9) / Net Equity (10)	5.38	5.92	7.12	5.31	6.28
INVESTMENT RIGIDITY	Fixed Assets (7) / Invested Capital (9)	30%	26%	22%	22%	21%
INVESTMENT ELASTICITY	Current Assets (8) / Invested Capital (9)	70%	74%	78%	78%	79%
GLOBAL ELASTICITY	Current Assets (8) / Fixed Assets (7)	2.35	2.77	3.45	3.48	3.79
FINANCIAL AUTONOMY	Net Equity (10) / Invested Capital (9)	19%	17%	14%	19%	16%
PRIMARY MARGIN	Net Equity (10) / Fixed Assets (7)	0.62	0.64	0.62	0.84	0.76
SECONDARY MARGIN	Consolidated sources (10+11+12+15)/ Fixed Assets (7)	1.15	1.27	1.48	1.18	0.89
CURRENT TEST RATIO	Current Assets (8) / Short-term Liabilities (13)	1.07	1.11	1.16	1.05	0.97
QUICK RATIO	Cash and cash equivalents (8a+b+c+d+e) / Short-term Liabilities (13)	1.05	1.09	1.15	1.04	0.96

OTHER INFORMATION

ENVIRONMENTAL INFORMATION

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 Company;
- 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 crucial aspect of the Company's management.

RESEARCH AND DEVELOPMENT ACTIVITIES

During the 2018 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 2019.
The details for each company are provided below:

ILLUMIA SPA:

The company incurred costs totalling Euro 194,457.94 for the development of the projects mentioned above. As regards the total incremental expenditure of Euro 174,375.44, the company intends to benefit from the R&D tax credit envisaged in Article 1, paragraph 35, of Law no. 190 of 23 December 2014, and to use it in accordance with the provisions laid down therein.

ILLUMIA TREND SRL

The company incurred costs totalling Euro 429,114.69 for the development of the projects mentioned above. As regards the total incremental expenditure of Euro 328,325.75, the company intends to benefit from the R&D tax credit envisaged in Article 1, paragraph 35, of Law no. 190 of 23 December 2014, and to use it in accordance with the provisions laid down therein.

WEKIWI SRL

The company incurred costs totalling Euro 86,482.21 for the development of the projects mentioned above. As regards the total incremental expenditure of Euro 86,482.21, the company intends to benefit from the R&D tax credit envisaged in Article 1, paragraph 35, of Law no. 190 of 23 December 2014, and to use it in accordance with the provisions laid down therein.

It is hoped that the success of these innovations will generate good results in terms of turnover, with a favourable impact on the Company's economy.

EMPLOYMENT DATA

During the 2018 financial year, the Tremagi Group employed an average workforce of 165 people against 161 in the previous year.
In 2018 the Group reported an accident at work, which occurred in May, in relation to which appropriate information was provided to the RSPP (Responsabile del Servizio Prevenzione e Protezione, Prevention and Protection Service Manager)

, the employer, and to one of the appointed safety supervisors mentioned in the organisational chart. The worker regularly returned to work on 14 June 2018. 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.

ACQUISITION OF QUOTAS IN PARENT COMPANIES

The Company 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 Company was subject to management and coordination activities on the part of its parent company Tremagi SA, which holds 100% of the quota capital of Tremagi S.r.l.; the highlights of Tremagi SA's last approved financial statements are provided in explanatory note 6.12 to which reference should be made.

PERSONAL DATA PROCESSING IMPACT ASSESSMENT DOCUMENT

With regard to the regulations governing personal data protection, the subsidiary Illumia S.p.A., in its capacity as Data Controller, has verified, also for the financial year to which these Financial Statements refer, whether the minimum safety requirements prescribed to ensure the protection of the company information processed in relation to customers, workers and suppliers, are fully complied with throughout the Group. It also certifies that the formalities required by the Personal Data Protection Code are up to date. In view of the regulatory changes and the final application of the General Data Protection Regulation (Regulation (EU) no. 2016/679 of 27 April 2016) as from 25 May 2018, the aforementioned subsidiary has conformed to the new legislation by updating the documentation used for the processing of personal data, establishing a data processing log, performing a risk analysis for the processing operations carried out, and verifying the reliability of the suppliers and third parties which process data on behalf of Illumia S.p.A.. In particular, the verification of the adequacy of the IT security measures taken in relation to the Company's IT systems is carried out for all companies belonging to the same corporate group that make use of the IT systems of Illumia S.p.A.. Tremagi, as the parent company, takes advantage of this documentation that attests to the full compliance of the data processing operations carried out within the Group company controlled by the Parent Company. This decision confirms a well-established company policy aimed at pursuing an adequate security level in order to prevent unlawful data processing, and even goes beyond the minimum security measures prescribed as strictly mandatory by the legislation. The updated version of the documentation produced is kept on file at the Data Controller's headquarters.

LEGISLATIVE DECREE 231/2001

During the 2018 financial year – with regard to the provisions of Legislative Decree no. 231 of 8 June 2001 governing the "Administrative liability of legal persons, companies, and associations, including unincorporated entities" – the subsidiary Illumia S.p.A. appointed a consulting company (AiComply) to update its organisational model, including the Code of Ethics, for the prevention of the crimes contemplated by the Decree adopted in 2014.
It should be noted that, at present, both the Organisational Model and the Code of Ethics have been formally adopted by Illumia S.p.A. only, although their effects also extend to Tremagi S.r.l. and to other Group companies, despite not having been formally adopted by the same. Moreover, given the nature of the business conducted by this company within the Group, the adoption of these instruments on the part of Illumia S.p.A. makes it possible to adequately manage the responsibilities regulated under Legislative Decree no. 231/2001, thus encouraging full corporate coordination on this subject, even in relation to the activities performed by other Group companies.

2

2. GROUP CONSOLIDATED FINANCIAL STATEMENTS

2.1 INCOME STATEMENT

Income Statement	Notes	31/12/2018	31/12/2017
Revenues from sales	1	900,038	901,849
Other revenues	1	2,629	3,899
Total turnover		**902,667**	**905,748**
Costs for Raw materials	2	697,461	694,854
Costs for services	3	174,987	177,826
Other operating costs	4	1,933	1,929
Personnel costs	5	8,254	9,967
Amortisation of intangible assets	6	8,146	7,269
Depreciation of property, plant and equipment	7	1,242	1,285
Provisions and Impairment	8	5,177	6,997
Operating profit (loss)		**5,467**	**5,621**
Financial income and costs	9	- 1,222	- 1,512
Profit (loss) before tax		**4,245**	**4,109**
Taxes	**10**	**1,293**	**1,881**
Net profit (loss)		**2,952**	**2,228**

Attributable to:	Notes	31/12/2018	31/12/2017
quotaholders of the Parent Company		2,957	2,114
minority quotaholders (wekiwi and trend)		- 5	114

2.2 STATEMENT OF COMPREHENSIVE INCOME

Statement of Comprehensive Income	Notes	31/12/2018	31/12/2017
Net profit (loss) for the year		**2,952**	**2,228**
fair value of derivatives	3	- 184	4,173
Profit/(losses) from translation of financial statements of foreign subsidiaries		257	- 713
components that can be reclassified to P&L		**73**	**3,460**
Discounting-back of Employee Severance Pay (TFR)	5	- 34	- 9
components that CANNOT BE reclassified to P&L		**- 34**	**- 9**
Comprehensive income		**2,991**	**5,679**

Attributable to:	31/12/2018	31/12/2017
quotaholders of the Parent Company	3,023	5,569
minority quotaholders (wekiwi and trend)	- 33	110

2.3 STATEMENT OF FINANCIAL POSITION

	Notes	31/12/2018	31/12/2017
ASSETS			
Non-current assets			
Property, plant and equipment	12	29,943	31,865
Investment property	13	18,982	18,745
Intangible assets	14	15,509	11,344
Equity investments	15	4,910	139
Other non-current assets	16	353	308
Deferred tax assets	17	2,103	1,790
Total non-current assets		**71,799**	**64,191**
Current assets			
Inventories	18	2,109	2,254
Trade receivables	19	111,273	125,160
Current tax assets	20	2,445	4,522
Other current assets	21	13,014	11,761
Derivatives	22	15,016	8,844
Cash and cash equivalents	23	31,446	37,400
Total current assets		**175,303**	**189,941**
- TOTAL ASSETS		**247,104**	**254,132**
EQUITY AND LIABILITIES			
Quota capital and reserves			
Quota capital		2,000	2,000
Reserves		40,762	38,402
Profits (Losses) carried forward		- 628	- 422
Profit (loss) for the year		2,957	2,114
Group equity	**24**	**45,091**	**42,094**
Minority interests		812	823
Total equity	**24**	**45,904**	**42,917**
Non-current financial liabilities	25	27,091	30,477
Employee, agent and director benefits	26	2,604	2,308
Provisions for risks and charges	27	1,198	640
Deferred tax liabilities	28	979	1,252
Total non-current liabilities		**31,872**	**34,677**
Current financial liabilities	29	34,015	34,937
Trade payables	30	113,857	120,044
Current tax liabilities	31	5,358	6,117
Other current liabilities	32	8,565	6,754
Derivatives	33	7,533	8,686
Total current liabilities		**169,328**	**176,538**
TOTAL LIABILITIES		**201,200**	**211,215**
TOTAL EQUITY AND LIABILITIES		**247,104**	**254,132**

4. CASH FLOW STATEMENT	Notes	31/12/2018	31/12/2017
A) Cash flows from operating activities (indirect method)			
Profit (loss) for the year		**2.952**	**2.228**
Income taxes	10	1.293	1.881
Interest expense	9	1.381	-
(Interest income)	9	- 137	1.596
(Capital gains)/losses from disposal of assets	8	280	- 232
1. Profit (loss) for the year before income tax, interest, dividends and capital gains/losses from disposal		**5.769**	**5.474**
Adjustments for cash items without a contra-entry in Net Working Capital			-
Accruals to Provisions	8	987	698
Accrual to the Provision for Employee Severance Pay (TFR)	5	445	373
Accrual to the Provision for Bad Debts	8	3.910	6.299
Amortisation and depreciation of fixed assets	6-7	9.389	8.554
Value adjustments to financial derivative assets and liabilities that do not entail cash movements	22-33	- 7.324	- 1.053
Other non-cash adjustments			- 49
Total adjustments to non-cash items		*7.407*	*14.823*
2. Cash flow before changes in Net Working Capital		**13.176**	**20.297**
Changes in net working capital			
Decrease/(increase) in inventories	18	145	- 837
Decrease/(increase) in receivables from customers	19	11.347	6.233
(Decrease)/increase in payables to suppliers	30	- 9.847	- 8.993
Other changes in Net Working Capital		2.449	8.893
Total changes in Net Working Capital		*4.093*	*5.297*
3. Cash flow after changes in Net Working Capital		**17.269**	**25.594**
Other adjustments			
Interest collected	9	137	181
Interest (paid)	9	- 1.381	- 1.470
(Income tax paid)	10	- 999	- 1.003
(Use of provisions)		- 713	- 2.967
(Use of Employee Severance Pay and amounts of Employee Severance Pay paid)		- 138	- 188
(Use of the Provision for Bad Debts)		- 1.011	- 796
Total other adjustments		- *4.106*	- *6.242*
Cash flow from operating activities (A)		**13.163**	**19.351**
B) Cash flows from investing activities			
Property, plant and equipment and intangible assets (investments)	*12-13-14*	- *10.990*	- *10.456*
Property, plant and equipment and intangible assets (disinvestments)	12-13-14	5.519	- 1.152
Non-current financial assets (investments)	15	- 9.372	48
Cash flow from investing activities (B)		**- 14.843**	**- 11.560**
C) Cash flows from financing activities			
Borrowed capital			
Increase (decrease) in payables to banks		- 1.468	- 2.021
(Decrease)/increase in payables to other lenders		- 2.841	- 39
Cash flow from financing activities (C)		**- 4.308**	**- 2.060**
Other changes		*34*	- *713*
Increase (decrease) in cash and cash equivalents (A + B + C)		**- 5.954**	**5.018**
Cash and cash equivalents at 1/1/2017		*37.400*	*32.382*
Bank and postal deposits		37.387	32.373
Money and cash on hand		13	9
Cash and cash equivalents at 31/12/2018		*31.446*	*37.400*
Bank and postal deposits		31.432	37.387
Money and cash on hand		15	13
Net Liquidity		**- 5.954**	**5.018**

2.4 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	TOTAL
BALANCE AT 01/01/2017	**2,000**	**400**	**35,321**	**- 4,203**	**544**	**706**	**1,755**	**36,523**	**714**	**37,237**
Allocation of the result at 31/12/2016			2,721	-	966	-	1,755	**- 0**	-	**- 0**
Translation differences			- 713				-	**713**	-	**713**
Otehr changes (IAS 19 Reserve)					-	5	-	**5**	- 5	**- 10**
Profit (Loss) for FY 2017							2,114	**2,114**	114	**2,228**
Cash Flow Hedge Reserve				4,173				**4,173**		**4,173**
BALANCE AT 31/12/2017	**2,000**	**400**	**37,329**	**- 30**	**- 422**	**702**	**2,114**	**42,094**	**823**	**42,917**
Allocation of the result at 31/12/2017			2,320	-	206	-	2,114	**- 0**	-	**0**
Translation differences			257					**257**		**257**
Otehr changes			- 3		-	29	-	**32**	- 5	**- 37**
Profit (Loss) for FY 2018							2,957	**2,957**	- 5	**2,952**
Cash Flow Hedge Reserve			-	184			-	**184**	-	**184**
BALANCE AT 31/12/2018	**2,000**	**400**	**39,903**	**- 214**	**- 628**	**673**	**2,957**	**45,091**	**812**	**45,904**

EXPLANATORY NOTES

2.5 GENERAL BASIS OF PREPARATION

The 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 Standard Interpretations Committee (SIC).

In particular, these are the first financial statements prepared by the Company in accordance with the IAS/IFRS, as the Company applied, in fact, the Italian civil law provisions and the relevant accounting principles issued by the Italian Accounting Board (Organismo Italiano per la Contabilità, OIC) in the preparation of its previous financial statements. In accordance with IFRS 1, the transition date was 1 January 2017 and the financial statement schedules for the 2017 financial year have therefore been restated in accordance with the IAS/IFRS for comparative purposes.

For a complete and comprehensive description of the transition to IAS/IFRS (First Time Adoption - FTA), with particular regard to the standards and options applied by the Company upon first time adoption, reference should be made to the section on the "Transition to IAS/IFRS", which is attached hereto, forms an integral part hereof and analytically provides all the information required by IFRS 1, the standard governing the first time adoption of the International Financial Reporting Standards.

The Financial Statements have been drawn up on the assumption of the Company's ability to continue to operate as a going concern 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 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 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.

2.6 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 2018 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 Group's Subsidiaries 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 company 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 2018, 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	%	31/12/2017	Increases	Decreases	31/12/2018
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**			**101,297**
Illumia Next Srl	100%	50,000			50,000
We Call Srl	**100%**	-	**10,000**		**10,000**
Total equity investments in subsidiaries		7,075,356	10,000	-	7,085,356

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 31/12/2018	EQUITY AT 31/12/2018	Profit (loss) for the year	%
Illumia SpA	Bologna – via de' Carracci 69/2	2.000.000	14.529.404	3.850.770	100%
Wekiwi Srl	**Bologna – via de' Carracci 69/2**	**10.000**	**370.810**	**330.822**	**70%**
Illumia Trend Srl	Bologna – via de' Carracci 69/2	115.000	3.701.407	- 551.513	80%
Illumia Swiss SA	**Lugano – Via Cantonale, 19**	**91.963**	**844.915**	**- 861.756**	**100%**
Illumia Next Srl	Bologna – via de' Carracci 69/2	50.000	49.073	- 579	100%
We Call Srl	**Bologna – via de' Carracci 69/2**	**10.000**	**10.156**	**156**	**100%**
Illumia America Corp	11 Broadway, Suite 368 – New York 10004	$ 7.570.000	$ 6.625.567	- 156.027	100%
Wekiwi SAS	**Avenue F.D. Roosvelt, 49 Bis - Paris 75008**	**10.000**	**- 52.290**	**- 62.290**	**100%**

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.

The difference between the cost of the equity investment and the value of equity in the financial statements at 31 December 2018 does not constitute a permanent impairment loss, since we are dealing with a Start-up company that had become profitable as of 31 December 2018.

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. Several negotiations were successfully concluded as early as during the period under review, thus allowing the Illumia Swiss front office to carry out its first wholesale energy index trading operations under ISDA contracts on the Swiss, German and Italian electricity markets.

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.

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.

ILLUMIA AMERICA CORP

The difference between the cost of the equity investment and the value of equity in the financial statements at 31 December 2018 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. As at 31 December 2018 it was still in its start-up phase, since its objective is to pursue the development of its hardware and software infrastructures and the recruitment of its human resources.

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

Equity investments in associates	%	31/12/2017	Increases	Decreases	31/12/2018
Casaglia Srl	49%	-	5,000,000	280,000	4,720,000
Total equity investments in other companies		-	5,000,000	280,000	4,720,000

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 corporate purpose consists of the lease and operation of company-owned properties and is valued using the equity method.

The decrease of Euro 280 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. Since this decrease essentially constitutes a write-down, it has been stated among "Provisions and impairment" through profit or loss.

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

As at 31 December 2018, the Tremagi Group also held the following equity investments, in other companies, in percentages equal to or less than 5%, excluding that in Mondo Energia, which was equal to 10%:

- Mondo Energia S.r.l.
- Banco Popolare di Verona
- Banca di Bologna
- Emilbanca Credito Cooperativo
- Cassa di Risparmio di Ravenna
- We Sii S.r.l.
- Italian Fight Wear S.r.l.
- Its4Kids S.r.l.
- BHS S.r.l.

The quota held in Mondo Energia S.r.l. regards an agency that has belonged to Illumia S.p.A.'s indirect sales network for many years. In addition to consulting services, the company is also engaged in the promotion and sale of energy products for businesses, and has a wide-reaching network of sales agents operating mainly in central Italy.

2.7 CHANGES IN INTERNATIONAL ACCOUNTING STANDARDS

Except as stated below in relation to the accounting standards, amendments and interpretations applicable from 1 January 2018, 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 2017.

Accounting standards, amendments and interpretations endorsed by the European Union, applicable from 1 January 2018, which have been applied for the first time in the consolidated financial statements for the financial year ended 31 December 2018

IFRS 15 – Revenue from Contracts with Customers. This document, which was published by the IASB on 28 May 2014 and endorsed by the European Union on 22 September 2016, requires an entity to recognise revenue when control over goods or services is transferred to its customers, at an amount that reflects the consideration to which an entity expects to be entitled in exchange for said products or services. In order to achieve this objective, the new revenue recognition model establishes a five-step process: (i) identify the contract with a customer, defined as an agreement between two or more parties that creates enforceable rights and obligations; (ii) identify the services (performance obligation, or "PO") in the contract; (iii) determine the consideration (transaction price), or rather the amount of consideration to which an entity expects to be entitled in exchange for the supply of goods or the provision of services to the customer; (iv) allocate the consideration linked to the performance of the service, carried out based on "stand-alone selling prices"; v) recognise revenue when the performance obligations are satisfied through the transfer of goods or services. The standard provides specific indicators to identify the ways the POs can be satisfied: a) "Over a period of time", indicating specific methods for measuring work progress; b) "At a point in time", indicating the fulfilment of the PO at a given time. The new standard also requires additional information concerning the nature, amount, timing and uncertainty relating to the revenues and cash flows deriving from contracts with customers. On 12 April 2016, the IASB also published amendments to the standard: Clarifications to IFRS 15 "Revenue from Contracts with Customers", which were also applicable from 1 January 2018. These amendments are intended to clarify how to identify the company as the "Principal" or "Agent" and how to determine whether licensing revenues should be deferred for the term of the license itself. The Group decided to apply the Full Retrospective Approach upon IAS Transition, and therefore, it also adjusted the comparative data at 31 December 2017. The impact for the Group is broadly described in the Appendix on "Tremagi Group's Transition to IAS/IFRS Standards."

IFRS 9 – Financial Instruments. On 24 July 2014 the IASB published the final document representing the completion of the comprehensive revision of IAS 39, which was divided into the following three phases: "Classification and Measurement", "Impairment", and "General Hedge Accounting." The document sets out new criteria for the classification and measurement of financial assets and liabilities. In particular, as regards financial assets, the new standard uses a single approach, based on the way in which financial instruments are managed (business models) and the characteristics of the financial assets' contractual cash flows (SPPI, Solely Payment of Principal and Interest), in order to determine their accounting policy, thus replacing the various rules laid down in IAS 39. The three new categories for financial assets introduced by the new standard are: (i) Hold To Collect (HTC), for financial instruments valued at amortised cost, which the management holds in order to collect contractual cash flows; (ii) Fair Value Through Other Comprehensive Income (FVTOCI), when the management aims both to hold the instrument in order to collect contractual cash flows and to exploit the possibility of sale; and (iii) Fair Value Through Profit or Loss (FVTPL), a residual category for which management has the creation of a trading portfolio as a business model. For financial liabilities, on the other hand, the main amendment concerns the accounting treatment of fair value changes of a financial liability designated as measured at fair value through profit or loss, in case where they are due to a change in the credit rating of the financial liability itself. According to the new standard, these changes must be recognised in Other Comprehensive Income (OCI), without no longer being taken to profit or loss. The main new developments regarding hedge accounting are:

- changes in the types of transactions qualifying for hedge accounting; in particular, the non-financial asset/liability risks eligible for hedge accounting have been expanded;
- changes in the way forward contracts and the options included in hedge accounting relationships are accounted for, in order to reduce income statement volatility;
- changes in the effectiveness test by replacing the current 80-125% parameter-based methods with the principle of the "economic relationship" between hedged items and hedging instruments; furthermore, an assessment of the retrospective effectiveness of the hedging relationship will no longer be required.

The increased flexibility of the accounting rules is offset by additional disclosure requirements for the risk management activities carried out by the entity. The new document includes a single model for impairment of financial assets based on expected losses. The additions to the Amendment to IFRS 9, "Financial instruments - on general hedge accounting", which modifies some paragraphs of IFRS 9, adding Chapter 6 on "Hedge accounting", in order to

make the new standard easier to understand, has been applied since 1 January 2018. The Group applied the new standard retrospectively, thus also adjusting the comparative data at 31 December 2017 upon IAS Transition. While the application of this standard did not have a significant impact on the Group, it has nevertheless been broadly described in the Appendix on "Tremagi Group's Transition to IAS/IFRS."

Amendment to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. This Amendment was issued by the IASB on 12 September 2016 and endorsed by the European Union on 3 November 2017. The amendment addresses the concerns raised regarding the application of IFRS 9 to financial instruments prior to the introduction of the new insurance contract standards. Moreover, two options are given for entities that enter into insurance contracts with reference to IFRS 4: i) an option that allows entities to reclassify certain costs or revenues arising from certain financial assets from the income statement to the statement of comprehensive income; ii) a temporary exemption from the application of IFRS 9 for entities whose core business consists of entering into agreements as described in IFRS 4. The adoption of this standard did not have any impact on the Group's consolidated financial statements.

Amendment to IFRS 2 - Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2). These amendments were published by the IASB on 20 June 2016. The document provides some clarifications regarding the recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics, and how to account for amendments to the terms and conditions of a share-based payment that modify its classification from cash-settled to equity-settled. The adoption of this standard did not have any impact on the Group's consolidated financial statements.

Amendment to IFRS 40 - Transfers of Investment Property. The amendment, which was issued by the IASB on 8 December 2016, provides as follows: (i) paragraph 57 of IAS 40 is amended to stipulate that an entity must only transfer a property from, or to, the investment property category when there is evidence of its change of use; (ii) the list of examples indicated in paragraph 57 (a) – (d) is redefined as a non-exhaustive list of examples. The adoption of this standard did not have any impact on the Group's consolidated financial statements.

Amendment to IFRIC 22 - Foreign Currency Transactions and Advance Consideration. The document was issued by the IASB on 8 December 2016, and addresses foreign currency transactions in the event that an entity recognises a non-monetary asset or liability arising from the payment or receipt of an advance before the entity recognises the relative asset, cost, or revenue. The provisions are not applicable to taxes or insurance or reinsurance contracts. The adoption of this standard did not have any impact on the Group's consolidated financial statements.

"Annual improvements to IFRS Standards - 2014-2016 Cycle" were issued by the IASB on 8 December 2016. The work concerned: (i) IFRS 1: the short-term exemptions provided for in paragraphs E3–E7 were eliminated, as they had served their intended purpose; (ii) IFRS 12: it was clarified that the disclosure requirements in the standard, except for those in paragraphs B10–B16, must apply to the entities listed in paragraph 5, which are classified as "held for sale", "held for distribution" or "discontinued operations", in accordance with IFRS 5; (iii) IAS 28: it was clarified that the option to measure an investment in an associate or a joint venture held by a venture capital company at fair value through profit or loss, is available for each investment in associates or joint ventures upon initial recognition; iv) amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures. The amendments specify that IFRS 9 must be applied for long-term receivables due from an associate or joint venture that essentially constitute a part of the investment in the associate or joint venture. The adoption of this standard did not have any impact on the Group's consolidated financial statements.

Accounting standards, amendments, and interpretations endorsed by the European Union, applicable from 1 January 2019, which have not been adopted by the Group in advance

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 (the 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 endorsed by the European Union on 31 October 2017 and will be applicable from 1 January 2019. Based on the current progress of the ongoing internal analysis carried out on the main existing contracts, which is aimed at obtaining the basic information necessary to determine the effects of this new standard in terms of financial position and results of operations, it emerges that, according to an initial estimate of the impact of the transition, the value of the initial financial liability, to be recognised at 1 January 2019, would fall within a range of between Euro 300 and Euro 1,000 thousand.

Amendment to IFRS 9 - 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. Based on a preliminary analysis, the possible future adoption of this standard is not expected to have any impact on the Group's consolidated financial statements.

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 provisions of IFRIC 23 will be applicable from the financial periods commencing on or after 1 January 2019. This standard was endorsed in October 2018. Based on a preliminary analysis, the possible future adoption of this standard is not expected to have any significant impact on the Group's consolidated financial statements.

Amendment to IAS 28 - Long-term Interests in Associates and Joint Ventures. On 12 October 2017 the IASB issued the Amendment to IAS 28 to clarify the application of IFRS 9- Financial Instruments in relation to long-term interests in associates or joint ventures for which the equity method is not applied. The provisions of the Amendment to IAS 28 will be applicable from financial periods commencing on or after 1 January 2019. Based on a preliminary analysis, the possible future adoption of this standard is not expected to have any significant impact on the Group's consolidated financial statements.

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

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 consolidated 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 will be applicable from the financial periods commencing on or after 1 January 2019. Based on a preliminary analysis, the possible future adoption of this standard is not expected to have any significant impact on the Group's consolidated financial statements.

IFRS 14 - Regulatory Deferral Accounts. On 30 January 2014 the IASB published IFRS 14, which only allows entities that are first-time adopters of the IFRS to continue to recognise the amounts subject to rate regulation according to the accounting standards previously adopted. The standard has not yet been endorsed by the European Union. Based on a preliminary analysis, the possible future adoption of this standard is not expected to have any significant impact on the Group's consolidated financial statements.

"Annual improvements to IFRS Standards - 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. The amendments will be applicable from 1 January 2019, with early adoption permitted. Based on a preliminary analysis, the possible future adoption of this standard is not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. On 11 September 2014, the IASB published these amendments, establishing their effective date as 1 January 2016, and postponing their date of first-time adoption to a date yet to be determined. The amendments to IAS 28 - Investments in Associates and Joint Ventures (2011) and IFRS 10 - Consolidated Financial Statements were issued to resolve an existing conflict between the requirements of IAS 28 and IFRS 10. The IASB and the interpretations committee also concluded that it is necessary to recognise a full gain or loss arising from the loss of control over an entity, regardless of whether or not the entity is housed in a subsidiary company. Based on a preliminary analysis, the possible future adoption of this standard should not have any significant impact on the Group's consolidated financial statements.

Amendments 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 possible future adoption of this standard is not expected to have any significant impact on the Group's consolidated financial statements.

Amendments 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 standard is not expected to have any significant impact on the Group's consolidated 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 from annual periods commencing on or after 1 January 2020. Based on a preliminary analysis, the possible future adoption of this standard is not expected to have any significant impact on the Group's consolidated 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 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 cost. 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.

Below are the amortisation rates of intangible assets:

Description	Rate
Licenses	20 %
Other intangible assets	20 %

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.

These rates are reported below:

Description	Rate
Operating assets - Buildings	3 %
Plant and Machinery	8 % -15%
Industrial and commercial equipment	15 %
Other Assets: Non-operating furniture and furnishings	15 %
Other Assets: Office furniture and furnishings	12 %
Other Assets: Other property, plant and equipment	15 %
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.

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.

LEASES

Lease agreements are classified as finance leases when the terms and conditions of the contract are such as to substantially transfer all the ownership risks and rewards to the lessee. The assets subject to finance leases are stated among property, plant and equipment, and are recognised at their fair value on the date of acquisition, or, if less, at the present value of the minimum lease payments, and are amortised based on their estimated useful life in the same way as for company-owned assets. The corresponding liability to the lessor is included in the statement of financial position. Lease payments are broken down into principal and interest, while financial costs are charged directly to the income statement for the financial period. All other agreements are regarded as operating leases, and any related costs for lease payments are recognised according to the terms and conditions laid down in the contract.

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.

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.

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 Group's Financial Statements 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 company'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;
- 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), 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, 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 year, 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 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 or variable price rates to customers. In order to refine its portfolio's hedging profile, the Company 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 and PAR 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 Group'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 have been 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. These contracts are therefore considered as derivatives for all purposes, and, as such, 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 Company'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 Company'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 instrument'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 were 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 Group 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 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, as from the financial year ended 31 December 2017, the company opted to renew the consolidated tax regime under Articles 117 and ff. of Presidential Decree no. 917/1986. The option for group taxation is valid for the three-year period from 2017 to 2019, and includes Tremagi S.r.l., Illumia S.p.A., Illumia Trend S.r.l. and Wekiwi 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 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 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 Company'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 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 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 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 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 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

Derivative financial instruments on both interest rates and exchange rates, derived from market prices, are measured by the Company at fair value. 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 Company'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 year.

2.11 FINANCIAL RISK MANAGEMENT

Due to the use of financial instruments, the Company 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 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.

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 bank and insurance guarantees amounting to Euro 22 million in order to guarantee the regular collection of related trade receivables.

The Company 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 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

31/12/2018		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**

31/12/2017		Expected outflows			
		Within 1 year	From 1 year to 5 years	Beyond 5 years	Totals
Financial liabilities	65,414	35,120	28,950	1,344	65,414
Trade payables	120,044	120,044			120,044
Other liabilities	12,871	12,871			12,871
Financial instruments	8,686	8,686			8,686
Total	**207,015**	**176,721**	**28,950**	**1,344**	**207,015**

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 Company'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 Group 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 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 Group 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 Group 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 Group 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 reference point for the company, 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's business units.

2.12 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 2018 and 2017.

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	8.892	-	-	**8.892**			
Derivatives	-	-	15.016	**15.016**		15.016	
Cash and cash equivalents	31.446	-	-	**31.446**			

31.12.2017	Amortised Cost	Fair Value through Equity	Fair Value through Profit or Loss	Total	L1	L2	L3
Trade Receivables	125.160	-	-	**125.160**			
Other Current assets	6.839	-	-	**6.839**			
Derivatives		-	8.844	**8.844**		8.844	
Cash and cash equivalents	37.400	-	-	**37.400**			

31.12.2018	Amortised Cost	Fair Value through Profit or Loss	Total	L1	L2	L3
Non-current Financial Liabilities	26.520	-	**26.520**			
Current Financial Liabilities	34.586	-	**34.586**			
Trade Payables	113.857	-	**113.857**			
Derivatives	-	7.533	**7.533**		7.533	

31.12.2017	Amortised Cost	Fair Value through Profit or Loss	Total	L1	L2	L3
Non-current Financial Liabilities	30,477	-	**30,477**			
Current Financial Liabilities	34,937	-	**34,937**			
Trade Payables	120,044	-	**120,044**			
Derivatives	-	8,686	**8,686**		8,686	

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 2018, the Company operations were performed in the following operating segments:

Electricity Segment: the Group 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 segment: 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:

2018	Electricity	GAS	Other activities
Revenues	785.853.751	112.651.146	1.533.049
Direct Costs	- 745.108.243	- 98.041.178	- 1.039.852
PROFIT MARGIN	**40.745.508**	**14.609.967**	**493.197**

2017	Electricity	GAS	Other activities
Revenues	751.717.586	148.765.674	1.366.000
Direct Costs	- 698.335.728	- 144.362.137	- 1.823.000
PROFIT MARGIN	**53.381.858**	**4.403.537**	**- 457.000**

2.14 EXPLANATORY NOTES TO THE FINANCIAL STATEMENT SCHEDULES

1. REVENUES FROM SALES AND SERVICES

Description	31/12/2018	31/12/2017	Changes
Revenues from sales and services	900,038	901,849	- 1,811
Other revenues and income	2,629	3,899	- 1,270
TOTAL	**902,667**	**905,748**	**- 3,081**

This item, amounting to € 902,667, against a balance of € 905,748 recorded in the Financial Statements for the previous year, showed a decrease of € 3,081.

Below is a breakdown by business segment:

Description	31/12/2018	31/12/2017
Revenues from Electricity	785.854	751.718
Revenues from Gas	112.651	148.766
Revenues from LEDs	1.430	1.366
Other revenues	104	-
TOTAL	**900.038**	**901.849**

Below is the breakdown of revenues from core operations by geographical area (all the operations carried out abroad were of a gross market type, and did not, therefore, involve end customers):

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**

Description	Italy	Foreign countries	Total
Revenues from Electricity	665,231	76,127	741,358
Revenues from Gas	80,886	78,239	159,125
Revenues from LEDs	1,366	-	1,366
Other revenues	-	-	-
TOTAL	**747,483**	**154,366**	**901,849**

"Other revenues and income" mainly consisted of:

- Contingent assets of € 1,345 arising from appropriations for invoices to be received from electricity and gas suppliers and distributors as at 31 December 2017 for amounts greater than those actually owed;
- Compensation from distributors for € 235;
- A release of the provision for risks and charges for € 312, due to excess allocation. For further details, reference should be made to the information provided in the explanatory notes commenting on the "Provision for risks and charges.".

Revenues were impacted by IFRS 15 for € 517, since the revenues relating to connecting new customers to the grid and passed on to the latter in their bills were deferred based on the Company's average churn rate. At the same time, given that these are "pass-through" items, these costs were capitalised and amortised over the same period of time, since they were considered as being incurred to gain or perform contracts with customers, in accordance with the provisions of paragraphs 91 and 95 of IFRS 15.

2. COSTS FOR RAW MATERIALS

Description	31/12/2018	31/12/2017	Changes
Costs for Raw materials	697,461	694,854	2,607
TOTAL	**697,461**	**694,854**	**2,607**

This item, amounting to € 697,461, against a balance of € 694,854 recorded in the financial statements for the previous year, showed an increase of € 2,607 due to both the greater quantities traded during the year and a rise in prices.

This item mainly consists of the purchase cost of electricity, gas and LEDs, as well as of any related additional charges for subsidiaries Illumia S.p.A. and Illumia Swiss SA, since the other companies within this area exclusively account for purchases of stationery and/or fuels for non-material amounts.

Below is the related breakdown:

Description	31/12/2018	31/12/2017	Changes
Raw materials, supplies and consumables	697,313	695,745	1,568
Change in inventories of raw materials	148	- 891	1,039
TOTAL	**697,461**	**694,854**	**2,607**

In detail:

Description	31/12/2018	31/12/2017	Changes
Purchases for electricity	619,005	620,246	- 1,241
Purchases for gas	77,268	73,676	3,592
Purchases for LEDs	682	1,397	- 715
Others	358	426	- 68
TOTAL	**697,313**	**695,745**	**1,568**

Below is the breakdown of changes in inventories:

Description	Opening balance	Closing balance	Changes
Change in GAS inventories	1,094	- 1,234	- 140
Change in inventories of Finished Products	1,104	- 817	287
TOTAL	**2,198**	**- 2,051**	**148**

3. COSTS FOR SERVICES

Description	31/12/2018	31/12/2017	Changes
Costs for services	174,987	177,826	- 2,839
TOTAL	**174,987**	**177,826**	**- 2,839**

This item, amounting to € 174,987, against a balance of € 177,826 recorded in the financial statements for the previous year, showed a decrease of € 2,839.

This item mainly consists of costs for energy transmission and dispatching on the part of Illumia S.p.A.

They can be summarised as follows:

Description	Balance at 31/12/2018	Balance at 31/12/2017	Changes
Costs for transmission and additional charges	122.540	121.750	790
Dispatching costs	15.531	16.384	- 853
Technical, administrative, tax, debt collection, portfolio and notarial advice	6.224	5.640	584
Expenses for agents	2.348	3.311	- 963
Bank commissions expense	2.536	2.721	- 185
Travelling expenses for employees, collaborators, directors	442	479	- 37
Postal and telefphone charges	1.136	1.309	- 173
Fees due to statutory and independent auditors	219	173	46
Fees due to collaborators (plus contributions) and temporary staff	74	61	13
Fees due to directors	8	8	-
Entertainment expenses	332	379	- 47
Advertising and sponsorships	724	833	- 109
Call center	2.038	2.331	- 293
Insurance	517	791	- 274
Canteen	108	117	- 9
Maintenance	529	775	- 246
Conferences and training	2	115	- 113
Operating costs - European Union	14.743	17.978	- 3.235
Charges - Acquirente Unico	51	22	28
IT costs	1.641	1.146	494
Other overheads	2.922	1.090	1.833
Leases	87	102	- 15
Miscellaneous rentals	235	311	- 75
TOTAL	**174.987**	**177.826**	**- 2.839**

4. OTHER OPERATING COSTS

Description	31/12/2018	31/12/2017	Changes
Other operating costs	1,933	1,929	4
TOTAL	**1,933**	**1,929**	**4**

These costs can be broken down as follows:

Description	31/12/2018	31/12/2017	Changes
Membership fees	438	383	55
Contingent liabilities	822	1,030	- 208
Taxes and duties	505	400	105
Charity	52	64	- 13
Books and magazines	3	3	0
Fines and penalties	1	1	0
Medical and health care	9	9	0
Gifts	16	8	8
Certifications	1	1	0
Capital losses from disposals	29	20	9
Other costs	57	10	47
TOTAL	**1,933**	**1,929**	**4**

Contingent liabilities are given by incorrect estimates with respect to the appropriations set aside during the previous year.

5. PERSONNEL COSTS

Description	31/12/2018	31/12/2017	Changes
Personnel costs	8,254	9,967	- 1,714

This item is broken down as follows:

Description	31/12/2018	31/12/2017	Changes
Wages and salaries	6,080	8,115	- 2,034
Social security contributions	1,585	1,478	106
Employee severance pay	445	373	72
Other costs	143	1	142
TOTAL	**8,254**	**9,967**	**- 1,714**

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

- A decline arising from the R&D Tax credit relating to the 2018 financial year, which was charged as a reduction in "wages and salaries" since it entirely related to costs incurred for personnel involved in research and development activities;
- A lower cost associated with variable remuneration components during the 2018 financial year

It should also be noted that "other costs" related to the Company Welfare schemes in place as from the 2018 financial year.

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. 22 below, led to a change of € -34 in the reserve for actuarial gains, which was charged through comprehensive income.

6. AMORTISATION OF INTANGIBLE ASSETS

Description	31/12/2018	31/12/2017	Changes
Amortisation of intangible assets	8,146	7,269	877
TOTAL	**8,146**	**7,269**	**877**

In detail:

Amortisation of intangible assets	31/12/2018	31/12/2017	Changes
Concessions, licences, trademarks and similar rights	323	227	96
Fixed assets	7,823	7,042	781
TOTAL	**8,146**	**7,269**	**877**

The increase in intangible assets mainly related to the amortisation of capitalised commission costs. For more details, reference should be made to the explanatory note no. 14 below.

7. DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Description	31/12/2018	31/12/2017	Changes
Depreciation of property, plant and equipment	1,242	1,285	- 43
TOTAL	**1,242**	**1,285**	**- 43**

This item is broken down as follows:

Depreciation of property, plant and equipment	31/12/2018	31/12/2017	Changes
Land and buildings	418	401	17
Plant and machinery	63	43	20
Other assets	762	842	- 80
TOTAL	**1,242**	**1,285**	**- 43**

8. PROVISIONS AND WRITE-DOWNS

Description	31/12/2018	31/12/2017	Changes
Provisions and Impairment	5,177	6,997	- 1,820
TOTAL	**5,177**	**6,997**	**- 1,820**

This item regards:

- An accrual of € 3,910 to the provision for bad debts. The provision set aside for the year was the result of the prudent assessment of the current credit risk on the positions still outstanding at 31 December 2018;
- A provision of € 387 set aside for stamp duty in relation to the existing investment properties, for which reference should be made to the explanatory note no. 13 below;
- A write-down of € 280 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;
- A provision of € 600 set aside for donations to employees.

9. FINANCIAL INCOME AND COSTS

Description	31/12/2018	31/12/2017	Changes
Financial income and costs	- 1,222	- 1,512	290

This item is broken down as follows:

Description	31/12/2018	31/12/2017	Changes
Income from parent companies	-	53	- 53
Financial income	137	181	- 44
Interest and financial costs	- 1,381	- 1,596	216
Foreign exchange gains or losses	21	- 149	171
TOTAL	**- 1,221**	**- 1,512**	**290**

Below is the breakdown of the main items:

Financial income	31/12/2018	31/12/2017	Changes
Bank interest income	16	10	6
Interest income from customers	79	158	- 79
Other interest income	42	13	29
TOTAL	**137**	**181**	**- 44**

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

Interest and financial costs	31/12/2018	31/12/2017	Changes
Bank interest expense	54	80	- 26
Interest expense on bank loans	959	1.138	- 179
Interest expense for UTF*	0	0	0
Interest expense from other lenders	139	205	- 66
Interest expense on guarantee deposits	4	-	4
Other interest expense	225	173	52
TOTAL	**1.381**	**1.596**	**- 215**

*UTF, Uffici Tecnici di Finanza = Italian Customs Agency's Technical Finance Offices

Interest and financial costs showed a decrease which was mainly due to the reduced use of bank debt.

10. INCOME TAXES FOR THE YEAR

Description	31/12/2018	31/12/2017	Changes
Taxes	1,293	1,881	- 588

Income taxes are broken down as follows:

Description	31/12/2018	31/12/2017	Changes
Current taxes	1,616	1,393	223
Deferred tax liabilities	- 67	- 13	- 54
Deferred tax assets	- 256	501	- 757
TOTAL	**1,293**	**1,881**	**- 588**

CURRENT TAXES

With effect from the financial year ended 31 December 2017, the Group joined the tax consolidation scheme by option in accordance with Articles 117 and ff. of Presidential Decree no. 917/1986. The option for group taxation is valid for the three-year period from 2017 to 2019, and includes Tremagi S.r.l., Illumia S.p.A., Illumia Trend S.r.l. and Wekiwi 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. The other companies which have joined the statutory consolidation, but not the tax consolidation, have prepared their direct tax calculations 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	Total
Charges from tax consolidation	89	1,616	20	- 359	-			1,366
Income taxes	-	-	- 32	1	1	4	3	- 23
IRAP* tax	31	221	21	-	-			273
TOTAL	**120**	**1,837**	**9**	**- 358**	**1**	**4**	**3**	**1,616**

*IRAP, Imposta Regionale sulle Attività Produttive = Regional Production Activity Tax

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 2017 and 31 December 2018 arose from the following temporary differences:

Deferred tax assets						24%	4.82%			
	Value at 31/12/2017	IAS ADJUSTMENTS	Increases	Decreases	Value at 31/12/2018	IRES tax	IRAP tax	Final Credit	Initial Credit	Impact through P&L
Accrual to the Provision for Bad Debts	5,045,619	-	1,967,534	- 868,811	6,144,342	1,474,642	-	1,474,642	1,210,948	263,694
Building depreciation 7/12	33,376	-	33,376	-	33,376	8,010	-	8,010	8,010	-
Provisions and impairment	639,788	-	2,108,000	- 639,788	2,108,000	505,920	18,653	524,573	184,387	340,186
Default interest expense	53,302	-	5,706	- 53,302	5,706	1,369	-	1,369	12,792	- 11,423
IAS reversal of Intangible Assets	-	924,373	-	- 924,373	-	-	-	-	263,248	- 263,248
Past losses	377,111	-	56,299	360,876	72,534	17,408	-	17,408	90,507	- 73,098
Total	**6,149,196**	**924,373**	**4,170,915**	**- 2,125,398**	**8,363,958**	**2,007,350**	**18,653**	**2,026,003**	**1,769,893**	**256,111**

Deferred tax liabilities					24%	4.82%			
	Value at 31/12/2017	Increases	Decreases	Value at 31/12/2018	IRES tax	IRAP tax	Final Debt	Initial Debt	Impact through P&L
Default interest income not collected	463,910	28,711	306,173	186,448	44,748		44,748	111,338	- 66,591
Total	**463,910**	**28,711**	**306,173**	**186,448**	**44,748**	**-**	**44,748**	**111,338**	**- 66,591**

11. PROPERTY, PLANT AND EQUIPMENT

Balance at 31/12/2018	Balance at 31/12/2017	Changes
29,943	31,865	- 1,922

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

Description	Historical cost 31/12/2017	Increases	Decreases	Historical cost 31/12/2018
Land and buildings	27,019	48	-	27,067
Plant and machinery	807	13	-	820
Other assets	6,999	393	1,086	6,306
Fixed assets under construction and advances	1,100	15	1,100	15
Total gross property, plant and equipment	**35,925**	**469**	**2,186**	**34,208**

Description	Depreciation Fund 31/12/2017	Increases	Decreases	Depreciation Fund 31/12/2018
Land and buildings	764	418	-	1,182
Plant and machinery	236	63	-	299
Other assets	3,059	774	1,050	2,784
Fixed assets under construction and advances	-	-	-	-
Total Depreciation Fund for property, plant and equipment	**4,060**	**1,255**	**1,050**	**4,265**

Description	NET BOOK VALUE 31/12/2017	NET BOOK VALUE 31/12/2018
Land and buildings	26,255	25,885
Plant and machinery	571	520
Other assets	3,939	3,522
Fixed assets under construction and advances	1,100	15
Total Property, Plant and Equipment	**31,865**	**29,943**

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 € 5,394,037;
- Property in Bologna at Via Albertazzi no. 32, for a value of € 3,640,949;

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 € 543,560, depreciated;
- Property and land of the new Illumia S.p.A. headquarters located in Bologna, at Via de' Carracci no. 69/2, 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 loan for use, which were sold to end customers during the year.

FIXED ASSETS UNDER CONSTRUCTION AND ADVANCES

The decrease of € 1,100,000 was attributable to the failure to conclude the agreement for the purchase of a residential property located in Bologna (BO), for which a preliminary purchase contract was entered into on 10 November 2017, which was registered under no. 8154, series 3, on 28 November 2017 and for which advance payments had been made during the 2017 financial year. It should be noted that this amount was later included in the agreement for the purchase of the quotas of Casaglia S.r.l., which is described in explanatory note 14 "Equity investments" below; therefore this decrease was not recognised through profit or loss for the period, but under the value of the equity investment.

12. INVESTMENT PROPERTY

Balance at 31/12/2018	Balance at 31/12/2017	Changes
18,982	18,745	237

In detail:

Description	Balance at 31/12/2018	Balance at 31/12/2017
INVESTMENT PROPERTY	13,371,693	13,134,962
INVESTMENT PROPERTY UNDER CONSTRUCTION	5,610,077	5,610,077
TOTAL	**18,981,770**	**18,745,039**

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

Description	Investment Property	Furnishing	Plant	Total NBV in the accounts	FV	Delta
Property located in Carloforte	6.238.421	428.009	37.979	6.704.409	6.744.000	39.592
Property located in Fossombrone	2.064.041	16.095		2.080.136	2.485.000	404.864
Property located in New York	5.069.231	298.129		5.367.360	5.676.856	309.496
Total investment property	**13.371.693**	**742.233**	**37.979**	**14.151.905**	**14.905.856**	**753.952**

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.

Opening Balance	Costs for 2018
Maintenance	35,816
Insurance	33,154
Utilities	1,874
Taxes	42,337
Balance at 31/12/2018	**113,181**

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;

- improvements made to the Property covered by the preliminary contract, amounting to € 1,323,077.

14. INTANGIBLE ASSETS

Balance at 31/12/2018	Balance at 31/12/2017	Changes
15,509	11,344	4,165

Description	Historical cost 31/12/2017	Increases	Decreases	Reclassification	Historical cost 31/12/2018
Concessions, licences, trademarks and similar rights	2,217	238	-	-	2,455
Fixed assets under development and advances	1,613	3,602	-	32	5,184
Other intangible assets	17,667	9,790		32	27,488
Total gross intangible assets	**21,498**	**13,630**	**-**	**-**	**35,128**

Description	Amortisation Fund 31/12/2017	Increases	Decreases	Reclassification	Amortisation Fund 31/12/2018
Concessions, licences, trademarks and similar rights	1,253	320	-	-	1,573
Fixed assets under development and advances	-	-			-
Other intangible assets	8,902	9,145			18,046
Total intangible assets	**10,154**	**9,465**	**-**	**-**	**19,619**

Description	NBV 31/12/2017	NBV 31/12/2018
Concessions, licences, trademarks and similar rights	965	883
Fixed assets under development and advances	1,613	5,184
Other intangible assets	8,766	9,442
Total intangible assets	**11,344**	**15,509**

CONCESSIONS, LICENSES AND TRADEMARKS

This item mainly relates to the purchase of the software licenses for the programs for managing the following activities:

- The provision of ELECTRICITY and GAS to end customers;

- The sale of goods to resellers;

- Commissioning - data-entry of active contracts into the system, with the related calculation of monthly commissions payable to agents.

INTANGIBLE ASSETS UNDER DEVELOPMENT AND ADVANCES

This item and the related increase for the period mainly related to advances paid to external suppliers for the implementation of the new SAP software, which became operational from 2019.

OTHER INTANGIBLE ASSETS

This item includes the increase in the historical cost for the period, which was determined by:

- the upgrading of IT systems, namely of the DWH (Data-Warehouse) environment used to prepare management reports in support of strategic decisions, and analytical reports in support of business activities;

- the capitalisation of commission costs;

- the capitalisation of costs incurred to connect new customers to the grid.

Both the commission cost and the costs incurred to connect new customers to the grid are amortised over a period of 3 years, which is considered to represent the average life of the customers, based on the Group's historical data.

15. EQUITY INVESTMENTS

Balance at 31/12/2018	Balance at 31/12/2017	Changes
4,910	139	4,771

In detail:

Description	31/12/2018	31/12/2017	Changes
Equity investments in associates	4,720	-	4,720
Equity investments in other companies	190	139	51
TOTAL	**4,910**	**139**	**4,771**

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

Equity investments in associates	%	31/12/2017	Increases	Decreases	31/12/2018
Casaglia Srl	49%	-	5,000	280	4,720
Total equity invstments in other companies		-	5,000	280	4,720

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 € 280 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. Since this decrease essentially constitutes a write-down, it has been stated among "Provisions and impairment" in the income statement.

EQUITY INVESTMENTS IN OTHER COMPANIES

Equity investments in other companies	%	31/12/2017	Increases	Decreases	31/12/2018
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		**139**	**51**	**-**	**190**

Minority interests consist of investments in Credit Institutions that provide credit facilities to the Group.

The increases for the year were attributable to the acquisition of a 5% quota in Its4Kids S.r.l. on 27 December 2018. This acquisition allowed the Group to enter the sector of innovative Start-Ups operating in the energy industry.

16. OTHER NON-CURRENT ASSETS

Balance at 31/12/2018	Balance at 31/12/2017	Changes
353	308	45

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

17. DEFERRED TAX ASSETS

Balance at 31/12/2018	Balance at 31/12/2017	Changes
2,103	1,790	314

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. 11 "Income taxes for the year", to which reference should be made.

18. INVENTORIES

The decrease of € 143,938 compared to the previous year is determined as follows:

Balance at 31/12/2018	Balance at 31/12/2017	Changes
2,109	2,254	- 145

In detail:

Description	31/12/2018	31/12/2017	Changes
Raw materials, supplies and consumables	1.234	1.094	140
Finished products and goods for resale	817	1.104	- 287
Advances	60	56	4
TOTAL	**2.109**	**2.254**	**- 144**

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 an external logistics provider.

3. "Advances": these related to supplies of LEDs with the Company's main foreign suppliers, which will be delivered during 2019.

19. TRADE RECEIVABLES

Balance at 31/12/2018	Balance at 31/12/2017	Changes
111,273	125,160	- 13,887

In detail:

Description	31/12/2018	31/12/2017	Changes
receivables from customers	110,614	124,860	- 14,246
receivables from parent companies	659	300	359
TOTAL	**111,273**	**125,160**	**- 13,887**

The table below reports the breakdown of receivables at 31 December 2018 based on the geographical area of the debtor:

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**

In 2017:

Description	Italy	Foreign Countries	TOTAL
receivables from customers	116,050	9,260	125,310
receivables from parent companies	-	300	300
TOTAL	**116,050**	**9,560**	**125,610**

RECEIVABLES FROM CUSTOMERS

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

However, during the 2018 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	31/12/2018	31/12/2017	Changes
Gross receivables from customers	131,368	142,264	- 10,896
Provision for bad debts	- 20,754	- 17,854	- 2,900
TOTAL	**110,614**	**124,410**	**- 13,796**

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

Description	31/12/2017	Accruals	Uses	31/12/2018
Provision for bad debts	17,854	3,910	- 1,010	20,754
TOTAL	**17,854**	**3,910**	**- 1,010**	**20,754**

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

- past due receivables exceeding € 15,000, determining presumed losses for each situation of uncollectibility;
- receivables of less than € 15,000, 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.

The analysis of receivables outstanding at 31 December 2018 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 approximately € 5 million, as determined below:

Ageing of trade receivables	31/12/2018 (in €/mil.)	% 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	46.8	36%	- 46.8	-	-	-
Past due amounts > €/th. 1!	7.1	5%	-	- 3.9	- 1.5	1.7
Past due amounts < €/th. 15	27.1	21%	-	- 16.8	- 7.1	3.2
Invoices to be Issued	50.3	38%	- 50.3	-	-	-
Total	**131.4**	**100%**	**- 97.1**	**- 20.8**	**- 8.5**	**5.0**

As regards the amount of receivables that became due during the year, totalling € 9 million, it should be noted that:

- the company has prudently proceeded with a write-down of 5% relating to the general analysis;
- an amount of € 4.7 million have been past due for less than 30 days, and are therefore substantially recoverable, as they are 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.

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

Ageing of trade receivables	31/12/2018 (in €/mil.)
Amounts past due for 0 to 30 days	4,7
Amounts past due for 31 to 180 days	1,4
Amounts apst due for 181 to 360 days	2,9
Amounts past due for more than 360 days	25,2
Total	**34,3**

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

RECEIVABLES FROM PARENT COMPANIES

Description	31/12/2018	31/12/2017	Changes
Receivables from parent companies	659	300	359

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

Balance at 31/12/2018	Balance at 31/12/2017	Changes
2,445	4,522	- 2,077

In detail:
Tax receivables are broken down as follows:

Description	31/12/2018	31/12/2017	Changes
VAT credit	868	3,269	- 2,401
Receivables from customs offices for excise duty advances	266	1,047	- 781
Withholding tax and other credits	339	73	266
Income tax receivables	364	133	231
R&D credit	608	-	608
TOTAL	**2,445**	**4,522**	**- 2,077**

21. ALTRE ATTIVITÀ CORRENTI

Balance at 31/12/2018	Balance at 31/12/2017	Changes
13,014	11,761	1,253

In detail:

Description	31/12/2018	31/12/2017	Changes
Suppliers on account of advances	1,199	1,211	- 12
Receivables from JAO	1,537	1,438	99
ECC deposits	3,674	2,016	1,658
Other receivables	169	244	- 75
Accrued Income	1,223	782	441
Prepaid expense on suppliers' invoices accruing in future financial years	887	984	- 97
Prepaid costs for sureties	203	164	39
TOTAL	**8,892**	**6,839**	**2,053**

*ECC = European Commodity Clearing

Receivables from JAO (Joint Allocation Office) related to advance payments made to the operator Capacity Allocation Service Company EU S.A. against the purchase of transmission capacity at the French/Italian and Swiss/Italian borders, which were carried out through participation in online auctions for the acquisition of rights for the 2019 financial year.

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.

Furthermore, receivables amounting to € 4.1 million were due from the Parent Company Tremagi SA, which were generated following a transfer of shares in July 2013.

22. DERIVATIVES

Balance at 31/12/2018	Balance at 31/12/2017	Changes
15,016	8,844	6,171

These mainly consist of OTC derivatives and contracts for differences (entered into on ISDA standards) for which the fair value was determined by applying level two envisaged in 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.

23. CASH AND CASH EQUIVALENTS

Balance at 31/12/2018	Balance at 31/12/2017	Changes
31,446	37,400	- 5,954

In detail:

Description	31/12/2018	31/12/2017	Changes
Bank and postal deposits	31,432	37,387	- 5,955
Money and cash on hand	15	13	2
TOTAL	**31,446**	**37,400**	**- 5,954**

As at 31 December 2018 "Cash and cash equivalents" consisted of money and cash on hand of € 15 thousand and of deposits of € 31,432 million held with credit institutions, which are subject to restrictions and are then freely available.

Below is the NFP:

NET FINANCIAL POSITION		31/12/2018		31/12/2017
Cash and cash equivalents		31.446		37.350
Short-term bank debt	-	25.180	-	23.568
Short-term payables to other lenders	-	8.834	-	10.735
Short-term payables ti shareholders		-		-
Short-term Net Financial Position	**-**	**2.568**		**3.047**
Long-term bank debt	-	26.520	-	29.723
Long-term payables to other lenders	-	571	-	754
Long-term payables to shareholders		-		-
Net Financial Position	**-**	**29.659**	**-**	**27.430**

24. EQUITY

Balance at 31/12/2018	Balance at 31/12/2017	Changes
45,904	42,917	2,987

The operations regarding the Group's Equity were closed with a total of € 45,904, recording an increase of € 2,987 compared to the balance of € 42,917 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 12/2017	OTHER CHANGES	PROFIT (LOSS) FOR 2018	EQUITY 12/2018
Tremagi Srl	**33,313**	-	**796**	**34,109**
Elimination of investments in subsidiaries	28,514	-	2,576	31,090
Derecognition of intercompany dividends	**- 22,114**	**- -**	**1,200**	**- 23,314**
Other EQUITY entries	2,381	44	786	3,211
Rounding-off	**- 1**	**- 1**	**- 1**	**- 3**
Group Equity	42,094	43	2,957	45,091
Equity attributable to Minority Interests	823	- 5	- 5	812
Tremagi Srl Group	42,917	38	2,952	45,904

25. NON-CURRENT FINANCIAL LIABILITIES

Balance at 31/12/2018	Balance at 31/12/2017	Changes
26,520	29,723	- 3,203

Below is the breakdown of financial liabilities at 31 December 2018:

Description	31/12/2018
Current portion of loans	18,684
Liabilities held with credit institutions	1,494
Facilities for advances on invoices	5,000
Advances on Bank Direct Debit (RID)	2
Payables to the Factor	8,651
Current portion of Leases	183
TOTAL CURRENT LIABILITIES	**34,015**
Non-current portion of loans	26,520
Non-current portion of Leases	571
TOTAL NON-CURRENT LIABILITIES	**27,091**

Below is the breakdown of loans by maturity:

Bank	Financing Amount	Residual Debt at 31/12/18	Within 12 months	Beyond 12 months and within 5 years	Beyond 5 years	Maturity
UBI Banca	1,500,000	-	-	-	-	26/01/2018
Carisbo	3,000,000	-	-	-	-	10/04/2018
EMILBANCA	2,000,000	-	-	-	-	04/12/2018
Banca Desio	1,500,000	254,073	254,073	-	-	10/06/2019
Mediocredito	13,200,000	-	-	-	-	31/07/2018
BCC	1,000,000	-	-	-	-	21/06/2018
CR Cento	3,000,000	764,688	764,688	-	-	01/08/2019
Banca di Bologna	4,000,000	802,948	802,948	-	-	06/07/2019
B.del Mezzogiorno	10,000,000	5,241,025	2,050,442	3,190,583	-	30/06/2021
EMILBANCA	2,000,000	1,014,119	502,144	511,975	-	24/10/2020
CARIPARMA	5,000,000	1,682,359	1,682,359	-	-	28/10/2019
BANCO BPM	4,000,000	506,128	506,128	-	-	31/03/2019
BPMilano	2,000,000	106,243	106,243	-	-	31/01/2019
MPS	3,500,000	2,097,745	1,398,122	699,623	-	30/06/2020
CR Cento	2,000,000	1,173,724	665,900	507,825	-	01/08/2020
BP Vicenza	2,000,000	1,163,604	664,194	499,410	-	30/09/2020
CARIGE	3,000,000	1,512,190	1,512,190	-	-	31/12/2019
B. Interprovinciale	3,500,000	2,058,355	1,169,018	889,338	-	30/09/2020
UBI Banca	1,000,000	502,685	502,685	-	-	25/10/2019
EMILBANCA	3,000,000	-	-	-	-	16/03/2018
CREVAL	4,000,000	3,976,368	969,982	3,006,386	-	05/10/2022
BANCO BPM	5,000,000	4,566,087	1,641,191	2,924,896	-	30/09/2021
Mediocredito	12,500,000	12,375,688	1,227,493	4,931,693	6,216,502	31/07/2028
UBI Banca	2,000,000	1,828,231	654,345	1,173,886	-	27/09/2021
BPER	2,000,000	1,911,912	991,634	920,278	-	30/11/2020
Caribo	694,940	498,708	39,339	178,766	280,604	01/12/2028
Caricento	2,375,000	116,056	116,056	-	-	20/02/2019
BNL	1,500,000	357,143	214,286	142,857	-	02/08/2020
Caricento	1,000,000	694,546	248,931	445,615	-	01/08/2021
Balance at 31.12.2018	101269940.1	45204626.34	18684390.52	20023130.14	6497105.68	

26. EMPLOYEE SEVERANCE PAY AND OTHER EMPLOYEE BENEFITS

Balance at 31/12/2018	Balance at 31/12/2017	Changes
2,604	2,308	296

In detail:

Description	31/12/2018	31/12/2017	Changes
For pension fund and similar obligations	734	745	- 11
Employee Severance Pay	1,871	1,564	307
TOTAL	**2,604**	**2,308**	**296**

PROVISION FOR EMPLOYEE SEVERANCE PAY (TFR, TRATTAMENTO DI FINE RAPPORTO)

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

Opening Balance		1.564
Uses for disposals	-	109
Accrual in the year		451
IAS 19 adjustments	-	34
Balance at 31/12/2018		1.871

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 2017:

- discount rate: 1.3%
- annual inflation rate: 1.5%
- annual rate of increase in employee severance pay: 2.625%
- 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" periodically and, therefore, the companies no longer have any obligation to their employees.

To summarise, the IAS 19 valuation method provides as follows:

- Severance pay accrued until 31 December 2006 = defined-benefit plan (with actuarial calculation);
- Severance pay paid into supplementary pension funds as from 1 January 2007 = defined-contribution plan. No actuarial calculation is required on this provision.
- Severance pay paid into the treasury fund set up with INPS as from 1 January 2007 = defined-contribution plan. No actuarial calculation is required on this provision.

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' private 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 1.57% was adopted for 31 December 2018.

27. PROVISION FOR RISKS AND CHARGES

Balance at 31/12/2018	Balance at 31/12/2017	Changes
1,198	640	558

Below is the breakdown of changes in the provision:

Description	31/12/2017	Increases	Decreases	31/12/2018
Provision for risks and charges	640	987 -	429	1,198
TOTAL	**640**	**987 -**	**429**	**1,198**

The change for the period was mainly attributable to:

- Uses of € 109,498 for a legal dispute arising from the withdrawal from an office lease agreement, which was concluded under a settlement agreement;
- The release of a € 300,000 surplus for the 2017 provision concerning a legal dispute pending for early withdrawal from an agency agreement;
- An accrual of € 600,000 for donations to employees;
- An accrual of € 387 of the stamp duty in relation to the investment properties under construction described in the explanatory note no. 13 of the statement of financial position, to which reference should be made.

28. DEFERRED TAX LIABILITIES

Balance at 31/12/2018	Balance at 31/12/2017	Changes
979	1,252 -	274

The changes are as follows:

Description	31/12/2017	Increases	Decreases	31/12/2018
Provision for deferred tax liabilities	1,252	- -	274	979
TOTAL	**1,252**	**- -**	**274**	**979**

The "provision for deferred tax liabilities" showed a decrease of € 200,000 due to the release of the provision, and the balance at 31 December 2018 consisted of the total deferred tax liabilities calculated on the temporary differences between statutory values and the corresponding values recognised for tax purposes, reported in this disclosure of the financial statements in the explanatory note no. 11 commenting on the "Income taxes for the year" to which reference should be made.

In addition, an amount of € 898 of the provision in question related to the liability recorded upon the recognition of 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.

29. CURRENT FINANCIAL LIABILITIES

Balance at 31/12/2018	Balance at 31/12/2017	Changes
34,015	34,937 -	922

For details, reference should be made to the explanatory note no. 25.

30. TRADE PAYABLES

Balance at 31/12/2018	Balance at 31/12/2017	Changes
113,857	120,044 -	6,187

This item, compared to the balance of € 120,044 recorded in the financial statements for the previous year, showed a decrease of € 6,187.

In detail:

Description	31/12/2018	31/12/2017
Advances	4,595	1,824
Payables to suppliers	107,617	117,464
Payables to parent company	1,645	756
TOTAL	**113,857**	**120,044**

By geographical area:

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	**69,912**	**43,946**	**113,857**

For 2017:

Description	Italy	Foreign Countries	Total
advances	1,824	-	1,824
payables to suppliers	98,380	19,084	117,464
payables to parent company	-	756	756
TOTAL	**100,204**	**19,840**	**120,044**

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 € 1,645 due to the parent company Tremagi SA for the CNM (Consolidato Nazionale e Mondiale, National and Global Tax Consolidation scheme).

31. CURRENT TAX LIABILITIES

Balance at 31/12/2018	Balance at 31/12/2017	Changes
5,358	6,117	- 758

This item related to:

Description	31/12/2018	31/12/2017	Changes
Payables for excise duties on energy	4,393	5,402	- 1,009
Payables for RAI TV licence fees	211	189	22
IRPEF* tax to be paid to the withholding agent	431	394	37
VAT debt	296	99	197
IRES tax debt	-	23	- 23
IRAP tax debt	21	48	- 27
Others	6	8	- 2
TOTAL	**5,358**	**6,117**	**- 950**

*IRPEF, Imposta sul Reddito delle Persone Fisiche = Personal Income Tax

32. OTHER CURRENT LIABILITIES

Balance at 31/12/2018	Balance at 31/12/2017	Changes
8,565	6,754	1,811

This item related to:

Description	31/12/2018	31/12/2017
Payables to social security institutions	602	570
Payables to others	5,161	4,293
Accrued expenses and deferred income	2,802	1,891
TOTAL	**8,565**	**6,754**

Payables to social security institutions are broken down as follows:

Description	31/12/2018	31/12/2017	Changes
Payables to INPS	266	234	32
Payables to ENASARCO	85	84	1
Payables to INPS - separate management pension scheme	17	-	17
Payables to FIRR*	113	113	- 0
Payables to Supplementary Pension Funds	46	42	4
Social security contributions on deferred remuneration	104	94	10
Payables to INAIL*	5	3	2
TOTAL	**602**	**570**	**32**

*FIRR, Fondo Indennità Risoluzione di Rapporto = Provision for Termination Indemnity

*INAIL, Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro = National Institute for Insurance against Accidents at Work

Payables to others related to:

Description	31/12/2018	31/12/2017	Changes
Payables to personnel and collaborators	727	1,849	- 1,122
Guarante deposits from customers	3,869	2,149	1,720
Credit card	52	42	10
Euler Hermes compensation	480	165	315
Other payables	32	88	- 56
TOTAL	**5,161**	**4,293**	**868**

Below is the breakdown of accrued expenses and deferred income:

Description	31/12/2018	31/12/2017	Changes
Accrued expenses	1,650	1,484	165
Deferred income	1,152	407	745

Deferred income related to revenues for charging grid connection costs to end customers. It is accounted for in the same way as capitalised costs. For more details, reference should be made to the explanatory note no. 14

The balance of accrued expenses mainly consists of remuneration on liability differential margins derived from derivatives entered into with Credit Institutions.

33. DERIVATIVES

Balance at 31/12/2018	Balance at 31/12/2017	Changes
7,533	9,154	- 1,621

These mainly consist of OTC derivatives and contracts for differences (entered into on ISDA standards) for which the fair value was determined by applying level two envisaged in IFRS 13. In particular, the balance at the reporting date of these financial statements related to IRS on loans for € 239 and to derivatives for € 7,294. Specifically, 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.

2.15 RELATED-PARTY TRANSACTIONS

Below is a summary of related-party transactions:

Company name	Receivables at 31/12/2018	Payables at 31/12/2018	Revenues 2018	Costs 2018
Sea	-	530,000	-	1,490,000
Tremagi SA	4,780,896	1,644,764	-	-

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, the guarantees provided by the company amounted to € 40,283 for unsecured loans, as normally required in the operations on the utilities market.

Below is the breakdown:

ILLUMIA

Bank	31/12/2017	INCREASES		DECREASES	31/12/2018
BANCA DI BOLOGNA	495,922	73,252	-	225,000	344,174
BANCO DESIO	2,000,000	-		-	2,000,000
BARCLAYS	100,000	-		-	100,000
BNL	3,260,120	1,000,000	-	2,260,120	2,000,000
BPER	2,800,000	-	-	800,000	2,000,000
BPM	502,530	140,846	-	13,000	630,376
CARICENTO	1,180,085	305,081	-	413,718	1,071,447
CARIGE	6,500,000	-		-	6,500,000
INTESA	4,199,000	150,000		-	4,349,000
CARIM	469,490	202,396	-	229,053	442,832
CREDIT AGRICOLE	200,000	1,000,000		-	1,200,000
ICCREA	2,000,000	-	-	2,000,000	-
UBI	1,500,000	1,000,000		-	2,500,000
UNICREDIT	3,376,641	2,938,914	-	1,222,000	5,093,554
UNIPOL	-	1,000,000		-	1,000,000
Total	**28,583,788**	**7,810,488**	**-**	**7,162,892**	**29,231,384**

ILLUMIA TREND

Bank	31/12/2017	INCREASES		DECREASES	31/12/2018
UNICREDIT	2,986,828	50,000	-	45,000	2,991,828
BPM	1,750,000	-		-	1,750,000
BANCA DI IMOLA/CARIRA	200,000	-		-	200,000
MPS	430,000	-		-	430,000
CARICENTO	265,000	-		-	265,000
EMILBANCA	500,000	-		-	500,000
BANCO BPM	310,000	355,000		-	665,000
BANCA DI BOLOGNA	-	500,000		-	500,000
TOTAL	**6,441,828**	**905,000**	**-**	**45,000**	**7,301,828**

SWISS

Bank	31/12/2017	INCREASES		DECREASES	31/12/2018
BANCA STATO	3,750,000	2,750,000	-	2,750,000	3,750,000
Total	3,750,000	2,750,000	-	2,750,000	3,750,000

In addition to these bank guarantees, the Group also has € 8.3 million in guaranteed loans obtained from insurance companies, thanks to the reliability it has demonstrated on the market over time.

As specified in the paragraph on "Derivatives", energy and gas forward purchase and sale contracts, which are executed in order to meet the Company or 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 positive Fair Value equal to € 6.4 million at 31 December 2018.

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 following page summarises the highlights inferred from Tremagi SA's last approved financial statements at 31 December 2017.

TREMAGI SA
6, Rue Guillarme Schneider
L - 2522 Luxembourg

BALANCE SHEET
Financial year from 01/01/2017 **to** 31/12/2017 (in EUR)

	2017	2016
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	**1.260.722**	**3.052.534**
II. Debtors	1.098.378	742.784
1. Trade debtors	-	406.684
a) becoming due and payable within one year	-	406.684
2. Amounts owed by affiliated undertaking	*755.557*	-
a) becoming due and payable within one year	*755.557*	-
4. Other debtors	*342.821*	*336.100*
a) becoming due and payable within one year	*342.821*	*336.100*
III. Investments	-	2.100.000
3. Other investments	-	*2.100.000*
IV. Cash at bank and in hand	162.344	209.750
TOTAL (ASSETS)	**18.981.018**	**20.772.830**

CAPITAL, RESERVES AND LIABILITIES	2017	2016
A. CAPITAL AND RESERVES	**13.529.131**	**12.904.305**
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	12.869.105	11.544.152
VI. Profit or loss for the financial year	624.826	1.324.953
C. CREDITORS	**5.444.477**	**7.864.416**
4. Trade creditors	408.694	416.872
a) becoming due and payable within one year	*408.694*	*416.872*
6. Amounts owed to affiliated undertakings	5.024.163	5.000.000
a) becoming due and payable within one year	*5.024.163*	*2.700.000*
b) becoming due and payable after more than one year	-	*2.300.000*
8. Other creditors	11.620	2.447.544
a) Tax authorities	11.620	647.544
c) Other creditors	-	1.800.000
i) becoming due and payable within one year	-	1.800.000
D. DEFERRED INCOME	**7.410**	**4.109**
TOTAL (CAPITAL, RESERVES AND LIABILITIES)	**18.981.018**	**20.772.830**

PROFIT AND LOSS ACCOUNT	2017	2016
1. Net turnover	-	-
4. Other operating income	-	1.935.593
5. Raw materials and consumables and other external expenses	- 89.846	- 57.759
a) Raw material and consumables	-	-
b) Other external expenses	*- 89.846*	*- 57.759*
6. Staff costs	- 317	- 745
a) Wages and salaries	-	-
b) Social security costs	- 317	- 745
ii) other social security costs	*- 317*	*- 745*
7. Value adjustments	-	- 3.166
a) in respect of formation expenses and of tangible and intangible fixed assets	-	*- 3.166*
8. Other operating expenses	- 28.178	- 640
9. Income from participating intrerest	17.520	-
a) delivered from affiliated undertakings	*17.520*	-
		-
11. Other interest receivable and similar income	746.028	13.002
a) derived from affiliated undertakings	734.801	1.265
b) other interest and similar income	11.227	11.737
13. Value adjustments in respect of financial assets and of investments held as current assets	-	-
14. Interest payable and similar expenses	- 4.430	- 34.186
b) other interest and similar expenses	*- 4.430*	*- 34.186*
15. Tax on profit or loss	- 2.360	- 376.210
16. Profit or loss after taxation	638.417	1.475.888
17. Other taxes not shown under items 1 to 16	- 13.591	- 150.935
18. Profit or loss for the financial year	624.826	1.324.953

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	31/12/2018	31/12/2017	Changes	Average Number
Executives	3	2	1	3
Office workers	162	159	3	162
Total	165	161	4	165

Workforce	31/12/2017	31/12/2016	Changes	Average Number
Executives	2	3	-1	3
Office workers	159	148	11	151
Total	161	151	10	154

FEES DUE TO DIRECTORS, STATUTORY AND INDEPENDENT AUDITORS

As at 31 December 2018, the accounts opened 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 Srl), were as follows:

- Fees due to statutory auditors 70
- Fees due to directors 1,394

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

- PPricewaterhouseCoopers S.p.A. Amounts for the Audit of Accounts and accounting control 115
- 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 2018 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 2018 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 – 2017 RAI TV Licence Fee grant amounting to € 112,094.16 (on a cash basis);
- Revenue Agency – 2018 RAI TV Licence Fee grant amounting to € 110,000 (matching principle)

OPERATING GRANTS - WEKIWI:

- Revenue Agency – 2017 RAI TV Licence Fee grant amounting to € 7,086.37 (on a cash basis);
- Revenue Agency – 2018 RAI TV Licence Fee grant amounting to € 7,000 (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 no significant events had occurred at the date of approval of these financial statements, which are required to be reported.

Bologna, 29 March 2019

The Chairman of the Board of Directors
MARCO BERNARDI

APPENDIX: TREMAGI GROUP'S TRANSITION TO IAS/IFRS

FIRST TIME ADOPTION

INTRODUCTION TO THE TRANSITION PROCESS

The financial statements at 31 December 2018 are the Tremagi Group's first financial statements prepared in accordance with IAS/IFRS (International Accounting Standards and International Financial Reporting Standards) issued by the IASB and endorsed by the European Union on the same date. 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 Standard Interpretations Committee (SIC). In fact, until 31 December 2017 all of the Group's Financial Statements were prepared in accordance with the civil law rules and the relevant accounting standards issued by the Italian Accounting Board (Organismo Italiano per la Contabilità, OIC).

In accordance with IFRS 1, the standard governing the first time adoption of the International Financial Reporting Standards, the transition date is set at 1 January 2017.

In order to ensure that the transition process is understood, the information required by IFRS 1 is provided below in an analytical manner; this information mainly concerns:

a. the rules applied for the first-time adoption of IAS/IFRS, including the choices regarding the exemptions and exceptions permitted by IFRS 1, and of any other standard that has been applied to the Tremagi Group's consolidated financial statements as from 1 January 2017;

b. the impacts that the transition to the new standards has had on the consolidated financial statements previously submitted by the Group. The following statements, accompanied by the related explanatory notes, have been prepared for this purpose:

   1. the statements of reconciliation of Equity, recognised in accordance with the previously applicable standards, with that reported in accordance with IFRS:

      a. at 1 January 2017, the date of transition to IFRS;

      b. at 31 December 2017, the closing date of the last financial year in which the Financial Statements were prepared using the previously applicable Accounting Standards;

   2. the statement of reconciliation of the Comprehensive Profit/Loss recognised in the Statement of Comprehensive Income in accordance with IFRS at 31 December 2017, the closing date of the last financial year in which the Financial Statements were prepared using the previously applicable Accounting Standards, with the Results of operations for the financial year recognised on the same date in the Income Statement prepared in accordance with the previously applicable Accounting Standards;

   3. the IFRS statements of financial position at 1 January 2017 and at 31 December 2017;

   4. the IFRS Income Statement at 31 December 2017;

   5. the IFRS Cash Flow Statement at 31 December 2017..

It should be noted that the accounting statements and reconciliations referred to in sub-paragraphs b.1 and b.2 above have been prepared exclusively for the purposes of the first-time adoption of IFRS, and therefore do not report the comparative data relating to the corresponding periods of the previous reporting period, nor the related explanatory notes.

The adjustments were determined in full compliance with IAS/IFRS, and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), which were applicable on the reporting date of these financial statements.

STANDARDS ADOPTED FOR THE FIRST-TIME ADOPTION (FTA) OF IFRS AT 1 JANUARY 2017

The standards adopted for the first-time adoption are 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 Standard Interpretations Committee (SIC).

ACCOUNTING OPTIONS ADOPTED UPON FIRST-TIME ADOPTION OF IFRS

The adoption of the IFRS has made it necessary to restate the statements of financial position at 1 January 2017 and at 31 December 2017 as follows:

- all and only the assets and liabilities required to be recognised according to the new standards have been reported;
- all the assets and liabilities referred to in the point above have been measured by applying the IAS/IFRS retrospectively;
- the financial statements' items previously classified according to the provisions of Legislative Decree no. 127/1991 have been reclassified.

With regard to the opening statement of financial position at 1 January 2017, the effects of the adjustment to the assets' and liabilities' values according to IFRS have been recognised in a specific equity reserve.

Furthermore, upon first-time adoption, a series of choices needed to be made among the various options envisaged by each standard, which are described below.

OPTIONAL EXEMPTIONS PRESCRIBED BY IFRS 1 UPON FIRST-TIME ADOPTION (1 JANUARY 2017)

The Group has made use of the optional exemption, prescribed by IFRS 1, given by the possibility of measuring some company-owned properties as at the transition date, i.e. 1 January 2017, at fair value as deemed cost as permitted by IFRS 1. The properties owned by the Group that have not been measured at fair value upon transition are the following:

- The property located in New York (valued at € 5.5 million at 1 January 2017), since the Group did not have an updated expert's report as at the transition date;

- The Group's registered office located at Via de Carracci (valued at € 17 million at 1 January 2017), as it had been recently built and was outfitted as the Group's operational headquarters; the Directors therefore believed that the cost recognised in the financial statements at 31 December 2016 prepared according to the Italian Accounting Board (Organismo Italiano di Contabilità, OIC) accounting principles was representative of the property's value.

All the other properties, located in Fossombrone, Bologna at Via Albertazzi and Via Fossalta and Carloforte, were measured at fair value as deemed cost. This fair value is adequately supported by valuation reports prepared by independent experts appointed for this purpose. The impacts of this accounting method are described in detail in the paragraphs below. Furthermore, it should be noted that, upon the transition to IFRS, the Group deemed it appropriate to proceed with the early adoption of the new accounting standards IFRS 15 and IFRS 9 with impacts from the 2017 financial year, which otherwise would have become effective in 2018. The impacts of the new standards were as follows:

IFRS 9: An increase in the provision for bad debts amounting to approximately € 450 thousand at 31 December 2017 following the calculation of the Expected Credit Losses (ECLs), with particular regard to amounts not yet due, in addition to a tax effect of € 129 thousand, thus resulting in a total negative effect of € 320 thousand on equity.

IFRS 15: The impacts were as follows:

1. Failure to account for costs and revenues for excise duties through profit or loss for approximately € 15.1 million, since, in accordance with the provisions of the new IFRS 15 concerning "Principal versus agents", in this case the Group acts as an "agent", as the credit risk on these excise duties is no longer considered to be a factor favouring "principal" under the standard. Given that the excise duties are entirely "pass-through" items for the Group, their net recognition, through profit or loss, resulted in their full exclusion, without having any impact on the operating result.

2. The capitalisation of "contract procurement costs", amounting to € 5,940 thousand in 2017, of which:

    a. € 233 thousand derived from connecting new customers to the grid during 2017, which were amortised based on the Group's average churn rate, with the deferral of the related revenue over the same period of time. It should be noted that this is also the case of a "pass-through" item, without therefore having any impact on the operating result for the period.

    b. € 5,707 thousand in commissions due to agents for the procurement of new customers, which were also amortised based on the Group's average churn rate. It should be noted that this cost had been previously deferred by the Group according to the Italian GAAPs (Italian Accounting Board OIC principles) over the same period of time, and this accounting method therefore had no impact on the results of operations for the period.

ACCOUNTING TREATMENTS ADOPTED BY THE GROUP FROM AMONG THE OPTIONS PRESCRIBED BY THE IFRS, AND MAIN DIFFERENCES WITH RESPECT TO THE PREVIOUS ACCOUNTING STANDARDS

PROPERTY, PLANT AND EQUIPMENT

Italian GAAPs These are stated at purchase cost, including additional charges, and are depreciated over the period of their useful economic lives.

New international standards After initial recognition at cost, IAS 16 allows for valuation according to the cost model or the revaluation or restatement model (fair value). The Group measures its fixed assets at cost, taking into account any impairment loss, and amortises the difference between the purchase cost and the estimated residual value at the end of their useful lives.

INVESTMENT PROPERTY

Italian GAAPs The financial statement schedule prepared in accordance with the Italian GAAPs does not provide for the category of "investment property", which was therefore accounted for among property, plant and equipment at purchase cost, and was not depreciated, in the absence of any impairment loss, since the residual value at the end of its estimated useful life was substantially in line with its cost, based on specific expert's reports.

New international standards According to IAS 40, investment property can be measured at either cost or revalued cost (fair value). The Group measures its investment property according to the cost method, taking into account any impairment loss, and without making any depreciation when the asset's estimated residual value at the end of its useful life is equal to or greater than the value recorded in the financial statements, based on reports prepared by independent third-party experts for this purpose, as required by the standard. The explanatory notes also highlight the fair values of the aforementioned assets, as also required by the accounting standard. Leasehold improvements representing investment property under construction are reclassified under this item, whereas previously they were recognised among intangible assets.

INTANGIBLE ASSETS

Italian GAAPs Intangible assets are stated at purchase cost, including additional charges, and are amortised over the period of their useful economic lives.

New international standards After initial recognition at cost, IAS 38 allows for measurement according to the cost model or the revaluation or restatement model (fair value). The Group has opted to use the cost model, based on which the Intangible assets are recognised at cost, net of accumulated amortisation and any write-downs for losses in value. With regard to the requirements for the recognition of an element as an intangible asset, the application of the provisions of the new standard has resulted in the reclassification of some leasehold improvements from this category to that of investment property. Furthermore, in accordance with IFRS 15, long-term "contract procurement costs" are also accounted for under this item.

These costs consist of commissions due to agents and the costs incurred for the connection of new meters, which are necessary for the execution of supply contracts with new residential customers. As per industry practice, these assets are amortised based on the average turnover rate of the Group's customers (churn rate), equal to 3 years.

EQUITY INVESTMENTS IN ASSOCIATES

Italian GAAPs These must be valued in the consolidated financial statements using the equity method.
New international standards If the ownership percentage is greater than 20%, with only significant influence being held, without control, these must be valued using the equity method in the Group's consolidated financial statements. While the accounting standard allows for certain exceptions, the directors did not deem these to be applicable to the Group: equity investments in associates were therefore valued using the equity method in the Tremagi Group's consolidated financial statements.

FINANCIAL ASSETS

Italian GAAPs These allow for the valuation of financial assets at amortised cost.
New international standards Depending on the business model and the characteristics of the cash flow associated with the assets in question, financial assets can be measured at either amortised cost, at fair value through comprehensive income, or at fair value through profit or loss. For each type of asset, the ECLs (Expected Credit Losses) are taken into account for the measurement of the presumed realisable value.

INVENTORIES

Italian GAAPs The Group adopted the weighted average cost method for the calculation of the cost of stock inventories.
New international standards For stock inventories, IAS 2 provides for valuation according to either the FIFO or weighted average cost methods, thus excluding the LIFO method permitted by the Italian Accounting Board OIC principles. The Group has opted to maintain the weighted average cost method which was already used in previous periods.

EMPLOYEE SEVERANCE PAY (TFR)

Italian GAAPs These require the liability for Employee Severance Pay (TFR, Trattamento di Fine Rapporto) to be recognised based on the debt accrued as at the reporting date, in compliance with the applicable domestic regulations.
New international standards IAS 19 includes the severance pay accrued up until 31 December 2006 among defined-benefit plans subject to actuarial valuation techniques.

FINANCIAL LIABILITIES

Italian GAAPs These allow for the valuation of financial liabilities at amortised cost.
New international standards These can be valued at either amortised cost or at fair value through profit or loss.

DEFERRED TAXES

Italian GAAPs Deferred tax assets and liabilities must be calculated based on all temporary differences between the carrying amount of an asset and that attributed to it for tax purposes. However, no recognition should be made if there is little probability that the related debt will arise (deferred tax liabilities), or there is no reasonable certainty that sufficient taxable income will arise during the financial periods in which deductible temporary differences will reverse (deferred tax assets).
New international standards IAS 12 does not provide for any particular exceptions to the allocation of deferred tax liabilities; instead, it merely requires the likely existence of sufficient future taxable income for deferred tax assets to be accounted for.

IMPACTS RESULTING FROM THE APPLICATION OF IAS/IFRS TO THE OPENING STATEMENT OF FINANCIAL POSITION AT 1 JANUARY 2017 AND THE STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT AT 31 DECEMBER 2017

The adoption of the IAS/IFRS for the preparation of the Company's financial statements entailed the recognition of a series of impacts on the accounting data prepared according to the previously applicable Italian GAAPs. Therefore, as required by IFRS 1, the financial statements had to be revised based on the latter, the overall effects of which on the equity can be summarised as follows:

TREMAGI GROUP	Overall effects on the consolidated equity attributable to the group and to third parties		
€	OIC	Rettifiche	IAS/IFRS
Financial position at 1 January 2017			
Equity	**36.541.500**	**696.153**	**37.237.653**
Financial position at 31 December 2017			
Equity	**41.506.356**	**1.410.404**	**42.916.760**

STATEMENTS OF RECONCILIATION OF EQUITY AND THE RESULT FOR THE YEAR RECOGNISED IN THE INCOME STATEMENT AND IN THE STATEMENT OF COMPREHENSIVE INCOME

The table below reports a reconciliation of equity as at the transition date (1 January 2017) and the equity and the results of operations at 31 December of the same year, as determined following the application of the Italian GAAPs, and the equity and the result of operations, reported as at the same dates, as determined following the adoption of the IAS/IFRS. The table below also provides a statement of reconciliation of the result recognised in the Income Statement prepared in accordance with the previously applicable Accounting Standards, included in the financial statements for the year ended 31 December 2017, and the result recognised in the Statement of Comprehensive Income prepared in accordance with IFRS for the same financial year. It should therefore be noted that the results of operations shown in the tables below are to be understood as net of any related tax effect.

The explanatory notes, which report detailed comments on the adjustments shown in the statements of reconciliation, are also provided below:

TREMAGI GROUP	Reconciliation of consolidated equity and the consolidated result for the year attributable to the group and to third parties		
Euro	1 January 2017	31 December 2017	
	Equity	Equity	Profit for the period
OIC	**36.541.500**	**41.506.356**	**1.504.982**
1.Start-up and expansion costs - IAS 38	(1.355.523)	(782.419)	573.104
2. Discounting-back of FISC- IAS 37	323.765	416.385	92.620
3. Property IAS 16 and Investment property IAS 40	2.167.296	2.237.050	69.754

TREMAGI GROUP	Reconciliation of consolidated equity and the consolidated result for the year attributable to the group and to third parties		
Euro	1 January 2017	31 December 2017	
	Equity	Equity	Profit for the period
4. Employee Severance Pay (TFR) - IAS 19 R	(140.059)	(160.999)	(11.924)
5. New standards - IFRS 9	(325.326)	(320.310)	5.016
6. Discounting-back - Tremagi SA	(91.953)	(55.460)	36.493
7. Amortised cost	117.955	87.721	(30.234)
8. Leases	0	(11.564)	(11.564)
Total adjustments	**696.153**	**1.410.404**	**723.267**
IFRS – total	**37.237.653**	**42.916.760**	**2.228.249**

TREMAGI GROUP	Reconciliation of the consolidated comprehensive income of the group and of third parties 31/12/2017	
€	31/12/2017	Notes
Profit/(loss) for the period - Italian GAAPs	1.504.982	
Total adjustments	723.267	
Profit/(loss) for the period - IFRS (A)	**2.228.249**	
Profit/(losses) from translation of the financial statements of foreign subsidiaries	(713.365)	**9**
Profit/(losses) from non-hedging derivatives	4.173.240	**10**
Total other comprehensive profits/(losses) that will be subsequently reclassified to profit/(loss) for the year (B):	**3.459.876**	
Accumulated actuarial Gains/(Losses) on defined-benefit plans	(9.016)	**4**
Total other comprehensive profits/(losses) that will not be subsequently reclassified to profit/(loss) for the year (C)	**(9.016)**	
Total comprehensive profits/(losses) (A)+(B)+(C)	**5.679.109**	

EXPLANATORY NOTES

1. **Start-up and expansion costs.** IAS 38 allows an intangible asset to be recognised when the following requirements are met:

   - The asset is identifiable, i.e. it can be separated from the rest of the entity. An intangible asset is "identifiable" if it can be distinguished from goodwill, or is derived from contractual rights that, in turn, can be transferred or separated from the entity, or separated from other rights and obligations.

   - The asset is controlled by, i.e. it is subject to control on the part of the entity. This condition is met when the entity has the power to make use of the future economic benefits obtained from the resource in question, and is also permitted to limit third-party access to these benefits.

   - The asset will generate future economic benefits, which may consist of revenues from the sale of products and services, cost savings, or other benefits resulting from the entity's use of the asset.

Following the analysis carried out, any expenses incurred for the launch of the Illumia and Wekiwi brands were not deemed to meet the requirements listed above, and were therefore expensed through profit or loss. The derecognition of these assets had the following effects:

a. At 1 January 2017: a decrease of € 1,890 thousand in fixed assets, an increase of € 544 thousand in deferred tax assets and a decrease of € 1,356 thousand in equity;

b. At 31 December 2017: a decrease of € 1,094 thousand in intangible assets, an increase of € 312 thousand in receivables for deferred tax assets, and an increase of € 573 thousand in profits.

2. **Provision for Supplementary Clientele Indemnity (FISC, Fondo Indennità Suppletiva di Clientela.** In accordance with the law or the agency agreement, the provision for supplementary clientele indemnity is due to sales agents in the event of the termination of their mandate, except in the case of voluntary resignation, which is nevertheless not frequent. According to IAS 37, this liability must be taken into account when preparing the IFRS financial statements by setting aside a specific provision, since, even if the event is likely to occur (and therefore both its date and occurrence cannot be determined), the right to receive the indemnity is granted under the contract in place with the agent. The liability is therefore due because the obligation is derived from a contract and the obligation's existence is certain, even if its amount is not determined.

In order to estimate the provision, a forward amount is generally quantified, i.e. it is estimated when it becomes probable that the liability will be due and payable, and a quantitative estimate is made of the amount that will most likely be paid out on that date. However, IAS 37 establishes that the amount recognised as an accrual to a provision for risks must represent the best estimate of the expense required to fulfil the obligation existing as at the reporting date of the financial statements. In this regard, IAS 37 states that the provisions must be discounted back in order to reflect the financial component related to the passage of time in the financial statements.

The adoption of the new standard had the following impacts:

a. At 1 January 2017: a decrease of € 454 thousand in the Provision for supplementary clientele indemnity, a decrease of € 131 thousand in receivables for deferred tax assets, and an increase of € 323 thousand in equity;

b. At 31 December 2017: a decrease of additional € 130 thousand in the Provision for supplementary clientele indemnity compared to the value at 1 January 2017, and an increase of € 92 thousand in the result for the period, net of a tax effect of € 37,501.

3. **Property IAS 16 and Investment Property IAS 40.** As permitted by IFRS 1, upon the transition to the international accounting standards, the Group measured the properties it owned at Fair Value as deemed cost as at the transition date. This measurement was adequately supported by specific reports prepared by independent experts. Furthermore, in accordance with IAS 40, the Group also reclassified its properties held for investment purposes, or rather those located in Fossombrone, Carloforte, and New York, to investment property. According to this standard an entity can account for such investment property at either fair value or cost, and this policy choice must be applied consistently to all of its investment properties. The Group proceeded with the measurement of all of its investment properties at cost, including impairment losses, arising from valuation reports prepared by experts with proven technical skills. No depreciation was applied because, since they consisted of valuable properties located in prestigious areas, the Group determined, based on valuation reports prepared for this purpose, that their values will be equal to or greater than their values as at the reporting date of the financial statements at the end of their estimated useful lives. The adoption of the new standard had the following impacts:

   - At 1 January 2017: an increase of € 3,037 thousand in the value of the properties in order to adjust the values of these properties at their fair value (deemed cost), as determined based on valuation reports prepared for this purpose. This increase, net of a tax effect of € 870 thousand, resulted in an increase of € 2,167 thousand in opening equity. It should also be noted that the following reclassifications were carried out:

     a. Reclassification from intangible assets to investment property, for an amount of € 1,454 thousand, for improvements made to the property located in Fossombrone, for which the Company has paid an advance, but this property is not yet owned by the Company since the notarial deed has not yet been drawn up.

     b. Reclassification from property, plant and equipment to investment property, for an amount of € 17,958 thousand, for the properties located in Carloforte, New York, and two properties located in Fossombrone, one of which is not yet owned.

As a result of the adjustments described above, the value of investment property at 1 January 2017 then amounted to € 19,412 thousand.

   - At 31 December 2017: an increase of € 70 thousand in net profit due to lower depreciation totalling € 98 thousand and a tax effect of € 28 thousand.

4. **Provisions for personnel.** Employee benefits disbursed upon or after the termination of the employment relationship mainly consist of the Employee Severance Pay (TFR, Trattamento di Fine Rapporto), which is regulated by Italian legislation under Article 2120 of the Italian Civil Code. According to IAS 19 Revised, the severance pay accrued until

31 December 2006 is regarded as a defined-benefit plan, i.e. a formalised scheme of post-employment benefits to be paid out to the employee, which can only be quantified after the employment relationship

has been terminated. It 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 reporting period based on an actuarial calculation. The liability recognised for defined-benefit plans in the financial statements 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 accrued in the financial period in which they occur.

The adoption of the new standard had the following impacts:

a. At 1 January 2017: an increase of € 184 thousand in the employee severance pay liability, an increase of € 44 thousand in deferred tax assets, and the recognition of negative actuarial gains and losses for € 140 thousand;

b. At 31 December 2017: the recognition of negative actuarial gains of € 9 thousand directly in equity, and a decrease of € 12 thousand in the profit for the year, net of the tax effect of € 4 thousand. Based on the adjustments described above, the provision for Employee Severance Pay showed a total increase of € 212 thousand.

5. **New IFRS 9** With regard to the impairment model based on expected credit loss envisaged by IFRS 9, the Group has developed a new credit management model, the retrospective application of which has led to an increase in the provision for bad debts following the calculation of the Expected Credit Losses (ECLs), with particular reference to the amounts not yet due.

The adoption of the new standard had the following impacts:

a. At 1 January 2017: an increase of € 457 thousand in the provision for bad debts, an increase of € 132 thousand in deferred tax assets, and a decrease of € 325 thousand in equity.

b. At 31 December 2017: an increase of € 450 thousand in the provision for bad debts due to lower write-downs for the period amounting to € 7 thousand, which resulted in a positive result of operations of approximately € 5 thousand, net of a tax effect of approximately € 2 thousand. Equity therefore showed a decrease totalling € 320 thousand.

6. **Discounting-back of the Receivable due from the parent company Tremagi SA** While the Italian GAAPs allowed for the application of the amortised cost to account for financial assets arising after 2016, the international accounting standards do not provide for this exception: the Company has therefore applied this criterion to the receivable that was claimed from the parent company Tremagi SA. The impact of this accounting method through equity is due to the fact that this loan is non-interest bearing.

The adoption of the new standard had the following impacts:

a. At 1 January 2017: a decrease of € 129 thousand in the receivable, an increase of € 37 thousand in deferred tax assets, and an impact of € 92 thousand through the opening Equity;

b. At 31 December 2017: A positive effect of € 36 thousand on the profit for the period, net of a tax effect of € 15 thousand. The decrease in the receivable compared to the corresponding value at 1 January 2017 for IAS/IFRS purposes is therefore equal to € 51 thousand.

7. **Amortised cost** The Group has proceeded with the measurement of financial liabilities that arose before 2016 at amortised cost. The impact of this accounting method on equity at 1 January 2017 was equal to € 117 thousand. The provision for deferred tax liabilities generated amounted to € 47 thousand. As at 31 December 2017, the effect on equity was negative for € 87 thousand, deferred tax liabilities were equal to € 35 thousand and the result for the period posted a negative value for € 30 thousand.

8. **Leases.** During 2017, the Group signed a server lease agreement for a total amount of € 953 thousand. The accounting method required by IAS 17 therefore entailed the recognition of an asset for € 937 thousand and a financial debt of € 914 thousand. The impact on the Income Statement for the period was given by the amortisation of € 15 thousand and by the related tax effect of € 4 thousand, for a negative impact of € 11 thousand.

9. **Changes in the translation reserve** The amount relates to the changes in the translation reserve between 1 January 2017 and 31 December 2017 in relation to the conversion of foreign currency items reported in the consolidated accounts of Illumia America. It should be noted that these changes were already reported on the consolidated equity prepared in accordance with the Italian GAAPs (Italian Accounting Board OIC principles).

10. **Changes in the Cash Flow Hedge Reserve** In compliance with the provisions of paragraph 93 of IAS 1, changes in the cash flow hedge reserve between 1 January 2017 and 31 December 2017, equal to € 4,173 thousand, were classified through comprehensive income among the items that will be reclassified to profit or loss. It should be noted that these changes had been already reported in the consolidated equity prepared in accordance with the Italian GAAPs (Italian Accounting Board OIC principles).

IAS/IFRS STATEMENT OF FINANCIAL POSITION AT 1 JANUARY 2017 AND 31 DECEMBER 2017

In addition to the statements of reconciliation provided in the paragraph above, the Balance Sheets at the transition date (1 January 2017) and at 31 December 2017 are also provided below. The following information is provided in the statements:

a. values according to the Italian GAAPs, as reclassified in order to bring them into line with the IAS/IFRS financial statement schedules;

b. adjustments for compliance with the IAS/IFRS;

c. values according to the IAS/IFRS.

Furthermore, appropriate explanatory notes were prepared, which provide disclosures on the effects recognised over the three periods subject to transition for each of the items that reported adjustments following the adoption of the IAS/IFRS.

It should be noted that the columns of OIC 01/01/2017 and 31/12/2017 have been "reclassified" according to the IFRS balance sheet.S.

IAS/IFRS STATEMENT OF FINANCIAL POSITION AT THE TRANSITION DATE (1 JANUARY 2017)

TREMAGI GROUP	Consolidated statement of financial position			
€	OIC 01/01/2017	IAS/IFRS adjustments 01/01/2017	IAS/IFRS 01/01/2017	Notes
Non-current assets				
Property, plant and equipment	45,415,069	(14,920,181)	30,494,888	1
Investment property	0	19,411,813	19,411,813	**2**
Intangible assets	6,879,106	1,312,605	8,191,711	
Equity investments	41,221	0	41,221	**4**
Non-current financial assets	5,793,935	(872,639)	4,921,296	
Deferred tax assets	3,015,754	626,083	3,641,837	
Total non-current assets	**61,145,086**	**5,557,681**	**66,702,767**	
Current assets				
Inventories	1,416,631	0	1,416,631	
Trade receivables	137,403,001	(457,047)	136,945,954	**9**
Current tax assets	6,468,180		6,468,180	
Derivative assets	7,130,150	(6,284,578)	845,572	**10**
Other current assets	14,322,544	(4,666,504)	9,656,040	**5**
Cash and cash equivalents	32,381,776	0	32,381,776	
Total current assets	**199,122,282**	**(11,408,129)**	**187,714,153**	
TOTAL ASSETS	**260,267,368**	**(5,850,448)**	**254,416,920**	
Quota capital	2,000,000	0	2,000,000	
Reserves	32,062,723	706,178	32,768,901	
Profit (loss) for the year	1,754,946	0	1,754,946	
Group equity	35,817,669	706,178	36,523,847	
Minority interests	723,831	(10,025)	713,806	
Total equity	**36,541,500**	**696,154**	**37,237,653**	**6**
Non-current financial liabilities	31,144,611	0	31,144,611	
Employee severance pay and other benefits	2,946,386	(1,014,328)	1,932,058	
Provisions for risks and charges	3,148,000	0	3,148,000	
Deferred tax liabilities	311,668	918,018	1,229,686	
Other non-current liabilities			0	
Total non-current liabilities	**37,550,665**	**(96,310)**	**37,454,355**	**7**

TREMAGI GROUP	Consolidated statement of financial position			
€	OIC 01/01/2017	IAS/IFRS adjustments 01/01/2017	IAS/IFRS 01/01/2017	Notes
Current financial liabilities	35,499,996	(165,713)	35,334,282	**8**
Trade payables	126,863,979	0	126,863,979	
Tax payables	4,621,718	0	4,621,718	
Derivative liabilities	12,198,167	(6,284,578)	5,913,589	**10**
Other current liabilities	6,991,343	0	6,991,343	
Current liabilities	**186,175,203**	**(6,450,292)**	**179,724,911**	
Total Equity and liabilities	**260,267,368**	**(5,850,448)**	**254,416,920**	

IAS/IFRS STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017 - HIGHLIGHTING IAS/IFRS ADJUSTMENTS

TREMAGI GROUP	Consolidated statement of financial position			
€	OIC 31/12/2017	IAS/IFRS adjustments 31/12/2017	IAS/IFRS 31/12/2017	Notes
Non-current assets				
Property, plant and equipment	45.297.862	(13.432.642)	31.865.220	**1**
Investment property	0	18.745.039	18.745.039	**3**
Intangible assets	7.738.158	3.605.577	11.343.735	**2**
Equity investments	139.231		139.231	
Non-current financial assets	5.803.719	(762.267)	5.041.452	**4**
Deferred tax assets	1.439.075	350.661	1.789.736	
Total non-current assets	**60.418.045**	**8.506.368**	**68.924.413**	
Current assets				
Inventories	2.254.278	0	2.254.278	
Trade receivables	125.609.860	(450.000)	125.159.860	**9**
Current tax assets	4.521.976	0	4.521.976	
Derivative assets	9.312.066	(467.848)	8.844.218	**10**
Other current assets	12.773.370	(5.745.742)	7.027.627	**5**
Cash and cash equivalents	37.399.879	0	37.399.879	
Total current assets	**191.871.428**	**(6.195.742)**	**185.207.838**	
TOTAL ASSETS	**252.289.474**	**2.310.625**	**254.132.252**	

TREMAGI GROUP	Consolidated statement of financial position			
€	OIC 31/12/2017	IAS/IFRS adjustments 31/12/2017	IAS/IFRS 31/12/2017	Notes
Quota capital	2.000.000	0	2.000.000	
Reserves	37.278.143	701.535	37.979.677	
Profit (loss) for the year	1.365.629	748.826	2.114.455	
Group equity	40.643.772	1.450.361	42.094.132	
Minority interests	862.584	(39.957)	822.627	
Total equity	**41.506.356**	**1.410.404**	**42.916.759**	**6**
Non-current financial liabilities	29.723.029	754.124	30.477.153	
Employee Severance Pay and other benefits	3.366.010	(1.057.671)	2.308.339	
Provisions for risks and charges	639.788	0	639.788	
Deferred tax liabilities	318.308	933.786	1.252.094	
Other non-current liabilities			0	
Total non-current liabilities	**34.047.135**	**630.239**	**34.677.374**	**7**
Current financial liabilities	34.900.414	36.649	34.937.063	**8**
Trade payables	118.219.937	0	118.219.937	
Tax payables	6.116.560	0	6.116.560	
Derivative liabilities	9.153.973	(467.848)	8.686.125	**10**
Other current liabilities	8.345.099	233.333	8.578.434	**3**
Current liabilities	**176.735.983**	**269.982**	**176.538.120**	
Total Equity and liabilities	**252.289.473**	**2.310.625**	**254.132.252**	

Notes to the IAS/IFRS adjustments. The explanatory notes relating to the IAS/IFRS adjustments are described below for each Balance Sheet item at 31 December 2017:

1. **Property, plant and equipment** This item includes the following IFRS adjustments:

    a. The Group has measured the properties it owns at fair value as deemed cost upon transition. This fair value has been adequately supported by valuation reports prepared by independent experts. This accounting method entailed a revaluation of properties at 1 January 2017 for an amount of € 3,037 thousand, which, net of a tax effect of € 870 thousand, resulted in an increase of € 2,167 thousand in opening equity.

    b. Reclassification from property, plant and equipment to investment property for an amount of € 17,958 thousand at

1 January 2017 (against € 17,520 thousand at 31 December 2017) for the properties located in Carloforte, New York, and two properties located in Fossombrone.

c. In 2017, the Group recognised leased plants for € 937 thousand at 31 December 2017. It should be noted that this agreement was entered into during 2017: consequently, no impacts were reported at 1 January 2017.

2. **Intangible assets.** This item includes the following IFRS adjustments:

   a. The Group expensed, through profit or loss, capitalised start-up and expansion costs relating to the advertising and start-up costs sustained for the launch of the Illumia and Wekiwi brands during previous financial years, totalling € 1,890 thousand at 1 January 2017 and € 1,094 thousand at 31 December 2017. The tax effect was therefore an increase in receivables for deferred tax assets for € 544 thousand at 1 January 2017 and for € 312 thousand at 31 December 2017.

   b. Reclassification from intangible assets to investment property for an amount of € 1,454 thousand at 1 January 2017 (against € 1,225 thousand at 31 December 2017) for improvements made to the property in Fossombrone, for which the Company has paid an advance, but this property is not yet owned by the Group since the notarial deed has not yet been drawn up.

   c. In accordance with the provisions of IFRS 15, and in keeping with the accounting practices of the sector, the long-term deferral on the commissions paid out to agents for new customers and related connection costs, for an amount of € 4,667 thousand at 1 January 2017 and € 5,940 thousand at 31 December 2017, was reclassified among other intangible assets. Consequently, revenues arising from passing on connection costs on the customers' bills were deferred over the same period of time.

3. **Investment property.** The reclassifications described in paragraphs 1 and 2 above led to the recognition of investment property for an amount of € 19,412 thousand at 1 January 2017 and € 18,745 thousand at 31 December 2017 for the properties located in Fossombrone, Carloforte and New York. The difference of € 667 thousand between the amount at 1 January 2017 and that at 31 December 2017 was due to the exchange rate effect on the Illumia America property, which was stated against an entry in changes in the translation reserve recognised in consolidated equity. For more details, reference should be made to the paragraph of the explanatory notes to the statement of comprehensive income.

4. **Other non-current assets.** This item includes the following IFRS adjustments:

   a. Reclassification of premiums paid on policies covering the Provisions for Termination Indemnity (TFM, Trattamento di Fine Mandato) registered in the name of some members of the Board of Directors, from other non-current assets to the provision for termination indemnity (€ 685 thousand at 31 December 2017 and € 744 thousand at 1 January 2017).

   b. Discounting-back of the receivable due from the parent company Tremagi SA, which led to a decrease in other non-current assets equal to € 129 thousand at 1 January 2017 and of € 78 thousand at 31 December 2017.

5. **Other current assets** This regards the reclassification of deferrals relating to commissions due to agents described in paragraph 2 above.

6. **Equity**. For the composition of IAS adjustments, reference should be made to the information provided in the related paragraph.

7. **Non-current liabilities.** This item includes the following IFRS adjustments:

   a. The Group accounted for the provision for Employee Severance Pay in accordance with IAS 19 R. The adoption of the new standard had the following impacts:

      I. At 1 January 2017: an increase of € 184 thousand in the severance pay liability, an increase of € 44 thousand in deferred tax assets, and the recognition of negative actuarial gains and losses of € 140 thousand;

      II. At 31 December 2017: the recognition of negative actuarial gains for € 9 thousand directly in equity, and a decrease of € 12 thousand in the profit for the year, net of a tax effect of € 4 thousand. Based on the adjustments described, the provision for Employee Severance Pay increased by a total amount of € 212 thousand.

   b. Discounting-back of the accrual to the Provision for supplementary clientele indemnity, in accordance with the provisions of IAS 37, for an amount of € 324 thousand at 1 January 2017 and € 585 thousand at 31 December 2017, with a tax effect of € 131 thousand at 1 January 2017 and of € 168 thousand at 31 December 2017.

   c. Reclassification of the asset associated with the premiums paid on policies covering the Termination Indemnities described in paragraph 4 above;

   d. The long-term portion of the lease debt accounted for in accordance with IAS17, for an amount of € 754 thousand at 31 December 2017.

8. **Current financial liabilities.** The change in this item was due to the calculation of the amortised cost for the existing loans entered into before 2016, for an amount of € 167 thousand at 1 January 2017 and of € 123 thousand at 31 December 2017. Furthermore, this account at 31 December 2017 also included the short-term portion of the payable due to leasing companies, for an amount of € 160 thousand.

9. **Trade receivables.** The change in this item was due to the calculation of the Expected Loss on the provision for bad debts in accordance with the new IFRS 9, for an amount equal to € 457 thousand at 1 January 2017 and of € 450 thousand at 31 December 2017.

10. **Derivative assets and liabilities.** This item consists of a reclassification between derivative liabilities and derivative assets carried out for the purpose of recording these items "net by counterparty", since it is the industry practice to offset assets and liabilities arising from these contracts. This reclassification entailed a reduction in derivative assets and liabilities by € 6.3 million at 1 January 2017 and € 493 thousand at 31 December 2017.

IAS/IFRS INCOME STATEMENT AT 31 DECEMBER 2017

To complete the disclosure concerning the reconciliation of the financial statement data according to the Italian GAAPs with those resulting from the adoption of the IAS/IFRS, the Income Statement for the period from 1 January to 31 December 2017 is provided below, complete with the following information:

a. values according to the Italian GAAPs, as reclassified in order to bring them into line with the IAS/IFRS schedules;

b. adjustments for compliance with the IAS/IFRS;

c. values according to the IAS/IFRS.

Furthermore, appropriate explanatory notes were prepared, which provide disclosures on the effects recognised over the period in question for each of the items that reported adjustments following the adoption of the IAS/IFRS.

It should be noted that the column of OIC 01/01/2017 has been "reclassified" according to the IFRS income statement.

TREMAGI GROUP	Consolidated income statement			
€	OIC 31/12/2017	IAS/IFRS adjustments 31/12/2017	IAS/IFRS 31/12/2017	Notes
Revenues from sales and services	**944.317.405**	**(42.468.145)**	**901.849.260**	**1**
Other revenues and income	**3.899.032**	**0**	**3.899.032**	
Total revenues	**948.216.436**	**(42.468.145)**	**905.748.292**	
Costs for raw materials	(721.484.208)	26.630.628	(694.853.581)	**2**
Costs for services	(185.993.426)	8.167.593	(177.825.833)	**3**
Other operating costs	(17.148.767)	15.219.417	(1.929.350)	**1**
Personnel costs:	(8.206.314)	(1.760.779)	(9.967.093)	**3**
Amortisation of intangible assets	(2.197.076)	(5.072.184)	(7.269.260)	**4**
Depreciation of property, plant and equipment	(1.269.076)	(15.886)	(1.284.962)	
Provisions and impairment	(7.004.288)	7.047	(6.997.241)	
Operating profit (loss)	**4.913.281**	**707.692**	**5.620.973**	
Income and costs from equity investments		0	0	
Financial income and costs	(1.821.354)	309.613	(1.511.741)	**5**
Profit (loss) before tax	**3.091.927**	**1.017.305**	**4.109.232**	
Taxes	(1.586.945)	(294.038)	(1.880.983)	
Profit (loss) for the year	**1.504.982**	**723.267**	**2.228.249**	
of which Profit (loss) attributable to minority interests	*139.353*	*25.559*	*113.795*	
of which Profit (loss) attributable to the Group	***1.365.629***	***748.826***	***2.114.455***	

Notes to the IAS/IFRS adjustments. The explanatory notes relating to the IAS/IFRS adjustments are described below for each item of the Income Statement concerned:

1. **Revenues from sales and services.**. This item includes the following IFRS adjustments:

   a. In keeping with industry practice and the provisions of IFRS 15, the Group has arranged for netting costs (previously stated among "other operating costs") and revenues linked to excise duties, for an amount of € 15,219 thousand;

   b. The revenues realised upon the maturity of the SWAP derivative contracts entered into by the Company (for those SWAP contracts that matured during the year and had a positive fair value at maturity), with a view to optimising the price for the purchase of electricity and gas, were reclassified from sales revenues at a lower acquisition cost for an amount of € 27,016 thousand. This reclassification was carried out based on the accounting policy adopted by the Company, which is detailed in the explanatory notes;

   c. In accordance with the provisions of IFRS 15, costs were capitalised and related revenues resulting from the grant due to connecting new customers to the grid were deferred, respectively, for an amount of € 233 thousand.

2. **Costs for raw materials.** Based on the accounting policy detailed in the explanatory notes, the Group has reclassified the impact resulting from the fair value assessment of trading derivative contracts in place as at the reporting date, as well as the revenues described in paragraph 1.b above, to costs for raw materials.

3. **Costs for services**. This item includes the following IFRS adjustments:

   a. Fees due to directors, equal to € 1,761 thousand, have been reclassified to personnel costs;

   b. The reclassification of an amount of € 6,007 thousand from costs for services to amortisation of costs for commissions due to agents, in accordance with industry practice and the provisions of IFRS 15.

   c. The impact through profit or loss arising from the amortised cost of € 67 thousand for commissions paid out;

   d. The impact through profit or loss arising from the discounting-back of the provision for supplementary clientele indemnity, accounted for in accordance with the provisions of IAS37, for an impact of € 130 thousand;

   e. The impact through profit or loss arising from the deferral of costs sustained for connecting new customers to the grid, for an amount of € 350 thousand, as described in paragraph 1.c above;

   f. The increase in costs for services linked to costs that are regarded as not capable of being capitalised according to the international accounting standards, for an amount equal to € 148 thousand.

4. **Amortisation, depreciation and write-downs** The increase in amortisation and depreciation consists of an amount of € 6,007 thousand for the reclassification described above regarding the

economic effect of capitalised commissions, as well as of a remaining amount resulting from the reversal of amortisation of start-up and expansion costs, amounting to approximately € 932 thousand.

5. **Financial income and costs.** This item mainly includes the following IFRS adjustments:

   a. The reclassification of the overall negative fair value delta of trading derivative contracts to costs for the purchase of materials, for € 384 thousand;

   b. The increase in financial costs following the recalculation of the amortised cost of the loans, for € 109 thousand;

   c. The increase of € 17 thousand in financial costs, due to the financial component of the discounting-back of the Employee Severance Pay accounted for in accordance with IAS19 R.

   d. An income of € 51.1 thousand, mainly resulting from the application of the amortised cost to the financial receivable due from Tremagi SA.

THE TABLE BELOW REPORTS THE CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2017, WHICH TAKES INTO ACCOUNT THE CASH FLOWS ADJUSTED FOLLOWING THE ADOPTION OF IAS/IFRS.

TREMAGI GROUP	Consolidated Cash Flow Statement		
€	OIC 31/12/2017	IAS/IFRS Adjustments	IAS/IFRS 31/12/2017
Profit (Loss) for the period	**1.504.982**	**723.267**	**2.228.249**
Income taxes	1.586.945	294.038	1.880.983
(Dividends)			0
Interest expense	1.470.103	126.300	1.596.403
Interest (income)	(180.717)	(51.147)	(231.864)
(Capital gains)/losses from disposal of assets			0
1. Profit (loss) for the year before income tax, interest, dividends and capital gains/losses from disposal	**4.381.313**	**1.092.458**	**5.473.771**
Adjustments for non-cash items without a contra-entry in Net Working Capital			*0*
Accrual to Provisions	698.288		698.288
Accrual to the Provision for Employee Severance Pay	374.422	(1.111)	373.311
Accrual to the Provision for Bad Debts	6.306.000	(7.047)	6.298.953
Amortisation and depreciation of fixed assets	3.466.152	5.088.070	8.554.222

TREMAGI GROUP	Consolidated Cash Flow Statement		
€	OIC 31/12/2017	IAS/IFRS Adjustments	IAS/IFRS 31/12/2017
Value adjustments to derivative financial assets and liabilities that do not involve cash movements	(1.052.869)		(1.052.869)
Other non-cash adjustments	0	(48.667)	(48.667)
Total non-cash adjustments	9.791.993	5.031.244	14.823.237
2. Cash flow before changes in Net Working Capital	**14.173.306**	**6.123.702**	**20.297.008**
Changes in net working capital			*0*
Decrease/(Increase) in inventories	(837.647)		(837.647)
Decrease/(Increase) in receivables from customers	6.233.026		6.233.026
(Decrease)/Increase in payables to suppliers	(8.992.202)		(8.992.202)
Other changes in Net Working Capital	7.578.057	1.315.396	8.893.453
Total changes in Net Working Capital	3.981.234	1.315.396	5.296.630
3. Cash flow after changes in Net Working Capital	**18.154.540**	**7.439.098**	**25.593.639**
Other adjustments			*0*
Interest collected	180.717		180.717
Interest (paid)	(1.470.103)		(1.470.103)
Dividends collected			0
(Income taxes paid)	(1.003.000)		(1.003.000)
(Use of provisions)	(2.966.607)		(2.966.607)
(Use of the Provision for Employee Severance Pay)	(188.054)		(188.054)
(Use of the Provision for Bad Debts)	(795.958)		(795.958)
Total other adjustments	(6.243.005)		(6.243.005)
Cash flow from operating activities (A)	**11.911.536**	**7.439.098**	**19.350.634**
B) Cash flows from investing activities			
Property, plant and equipment and intangible assets (investments)	(3.056.128)	(7.399.960)	(10.456.088)
Property, plant and equipment and intangible assets (disinvestments)	(1.151.869)		(1.151.869)
Non-current financial assets (investments)	48.501		48.501

TREMAGI GROUP	Consolidated Cash Flow Statement		
€	OIC 31/12/2017	IAS/IFRS Adjustments	IAS/IFRS 31/12/2017
Non-current financial assets (disinvestments)			0
Cash flow from investing activities (B)	**(4.159.495)**	**(7.399.960)**	**(11.559.455)**
C) Cash flows from investing activities			
Borrowed capital			0
Increase (decrease) in short-term payables to banks	(2.021.164)	(39.139)	(2.060.303)
Net worth			0
(Dividends (and advances) on dividends) paid			0
Cash flow from financing activities (C)	**(2.021.164)**	**(39.139)**	**(2.060.303)**
Other changes	(712.773)		(712.773)
Increase (decrease) in	**5.018.103**		**5.018.103**
cash and cash equivalents (A+B+C)	32.381.776		32.381.776
Net cash and cash equivalents at the beginning of the period	37.399.879		37.399.879
Change in net cash and cash equivalents	**5.018.103**		**5.018.103**

INDEPENDENT AUDITORS'REPORT

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the sole Shareholder of
Tremagi Srl

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Tremagi Srl (hereinafter also the "Company") and its subsidiaries (hereinafter also the "Tremagi Group") which comprise the consolidated statement of financial position as of 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended and the explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Tremagi Group as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of this report. We are independent of Tremagi Srl pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other aspects

The consolidated financial statements present for comparative purposes the previous year figures prepared in compliance with international accounting standards deriving from the consolidated financial statements as of 31 December 2017 drawn up in compliance with the Italian laws governing the criteria for their preparation. Appendix "Tremagi Group's transition to IAS/IFRS" to the

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explanatory notes shows the effects of the transition to the International Financial Reporting Standards adopted by the European Union and includes the information related to the reconciliation statements envisaged by IFRS 1.

The Company, as required by law, has included in the notes to the consolidated financial statements the key figures of the latest financial statements of the entity which directs and coordinates its activities. Our opinion on the consolidated financial statements of Tremagi Group does not extend to those figures.

Responsibilities of the Directors and the board of statutory auditors for the consolidated financial statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the Directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Tremagi Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- We concluded on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The Directors of Tremagi Srl are responsible for preparing a report on operations of Tremagi Group as of 31 December 2018, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of Tremagi Group as of 31 December 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of Tremagi Group as of 31 December 2018 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bologna, 30 April 2019

PricewaterhouseCoopers SpA

Signed by
Roberto Sollevanti
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

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3. SEPARATE FINANCIAL STATEMENTS OF TREMAGI SRL

3.1 INCOME STATEMENT

Income Statement	notes	31/12/2018	31/12/2017
Revenues from sales	1	5,301,750	4,039,600
Other revenues	1	131,678	905,291
total turnover		**5,433,428**	**4,944,891**
Costs for Raw Materials	2	39,399	27,975
Costs for services	3	2,672,163	2,413,004
Other operating costs	4	82,885	79,009
Personnel costs	5	1,935,838	2,078,094
Amortisation of intangible assets	6	116,588	102,232
Depreciation of property, plant and equipment	6	167,591	208,593
Provisions and Impairment	7	817,000	-
Operating proft (loss)	-	**398,036**	**35,984**
Income and costs from equity investments	8	1,200,000	2,000,000
Financial income and costs	9 -	99,939 -	43,433
Profit (loss) before tax		702,025	1,992,550
Taxes	**10 -**	**94,398**	**101,982**
Net profit (loss)		**796,423**	**1,890,568**

3.2 STATEMENT OF COMPREHENSIVE INCOME

Statement of Comprehensive Income	notes	31/12/2018	31/12/2017
Net profit (loss) for the year		**796,423**	**1,890,568**
other effects through equity		-	-
components that can be reclassified to P&L		-	-
Discounting-back of Employee Severance Pay (TFR)	5 -	8,699 -	1,264
components that CANNOT BE reclassified to P&L	-	**8,699** -	**1,264**
Comprehensive income		**787,724**	**1,889,304**

3.3 STATEMENT OF FINANCIAL POSITION

Statement of financial position	notes	31/12/2018	31/12/2017
ASSETS			
Non-current assets			
Property, plant and equipment	11	10,291,140	11,474,700
Investment property	12	13,912,539	13,905,439
Intangible assets	13	273,496	267,426
Equity investments	14	11,807,956	7,077,956
Deferred tax assets	15	245,589	30,855
Total non-current assets		**36,530,720**	**32,756,376**
Current assets			
Trade receivables	16	811,638	548,239
Current financial assets	17	30,000	-
Current tax assets	18	19,651	44,427
Other current assets	19	4,188,622	5,130,299
Cash and cash equivalents	20	25,509	51,012
Total current assets		**5,075,419**	**5,773,977**
- TOTAL ASSETS		**41,606,139**	**38,530,353**
EQUITY AND LIABILITIES			
Quota capital and reserves			
Quota capital		2,000,000	2,000,000
Reserves		30,914,855	29,140,621
Profits (Losses) carried forward		107,636	
Profit (loss) for the year		796,423	1,890,568
Equity	**21**	**33,818,914**	**33,031,189**
Non-current financial liabilities	22	1,047,841	1,666,452
Employee Severance Pay and other employee benefits	23	432,662	357,181
Provisions for risks and charges	24	537,000	-
Deferred tax liabilities	25	898,269	898,269
Total non-current liabilities		**2,915,772**	**2,921,902**
Current financial liabilities	26	3,450,376	723,474
Trade payables	27	868,432	1,388,905
Current tax liabilities	28	310,459	86,164
Other current liabilities	29	242,186	378,718
Total current liabilities		**4,871,453**	**2,577,261**
TOTAL LIABILITIES		**7,787,225**	**5,499,163**
TOTAL EQUITY AND LIABILITIES		**41,606,139**	**38,530,353**

4. CASH FLOW STATEMENT	Notes	31/12/2018	31/12/2017
A) Cash flows from operating activities (indirect method)			
Profit (loss) for the year		796,423	1,890,569
Income taxes	10	- 94,398	101,982
(Dividends)	8	- 1,200,000	- 2,000,000
Interest expense	9	99,971	95,157
(Interest income)	9	- 32	- 51,736
(Capital gains)/losses from disposal of assets			-
1. Profit (loss) for the year before income tax, interest, dividends and capital gains/losses from disposal		- 398,036	35,973
Adjustments for cash items without a contra-entry in Net Working Capital			
Accruals to Provisions	7	537,000	-
Accrual to the Provision for Employee Severance Pay (TFR)	5	99,510	89,267
Amortisation and depreciation of fixed assets	6	284,179	310,825
Other non-cash adjustments	7	280,000	
Total adjustments to non-cash items		1,200,689	400,092
2. Cash flow before changes in Net Working Capital		802,653	436,065
Changes in net working capital			
Decrease/(increase) in receivables from customers	*16*	*178*	*- 6*
(Decrease)/increase in payables to suppliers	27	115,561	173,271
Other changes in Net Working Capital		1,616,822	- 878,621
Total changes in Net Working Capital		1,732,562	- 705,356
3. Cash flow after changes in Net Working Capital		2,535,214	- 269,291
Other adjustments			
Interest collected	*10*	*32*	*588*
Interest (paid)	10	- 99,971	- 68,398
Dividends collected	8	1,600,000	1,600,000
(Income tax paid)		- 34,965	- 116,231
(Use of provisions)			-
(Use of Employee Severance Pay)		- 24,029	- 58,165
Total other adjustments		1,441,067	1,357,794
Cash flow from operating activities (A)		3,976,281	1,088,504
B) Cash flows from investing activities			
Property, plant and equipment and intangible assets (investments)	*11-12-13*	*- 129,758*	*- 1,332,631*
Property, plant and equipment and intangible assets (disinvestments)	11-12-13		-
Equity investments	14	- 3,994,031	- 52,600
Financial assets (disinvestments)	19	770,000	60,000
Cash flow from investing activities (B)		- 3,353,789	- 1,325,231
C) Cash flows from financing activities			
Borrowed capital			
Increase (decrease) in payables to banks		- 639,297	263,420
Cash flow from financing activities (C)		- 639,297	263,420
Other changes		- 8,699	- 7,313
Increase (decrease) in cash and cash equivalents (A + B + C)		- 25,504	19,379
Cash and cash equivalents at the beginning of the period		51,012	31,633
Cash and cash equivalents at the end of the period		25,509	51,012
Net Liquidity		- 25,503	19,379

3.4 STATEMENT OF CHANGES IN EQUITY

Description	Share Capital	Legal Reserve	Other Reserves: Extraordinary Reserve	Other Reserves: Capital payments from Shareholders	Other Reserves: Surplus Reserve	Other Reserves: IAS Reserve	Profits carried forward	Profit/Loss	Total
01/01/2017	**2,000,000**	**400,000**	**17,661,259**	**8,845,354**	**- 896,697**	**- 387,939**	**-**	**3,519,909**	**31,141,886**
Actuarial gain (losses) on provisions for employee benefits					-	1,264		-	1,264
Allocation of profits			3,519,909				-	3,519,909	-
Profit for the year							107,636	1,782,932	1,890,568
31/12/2017	**2,000,000**	**400,000**	**21,181,168**	**8,845,354**	**- 896,697**	**- 389,203**	**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
31/12/2018	**2,000,000**	**400,000**	**22,964,100**	**8,845,354**	**- 896,697**	**- 397,902**	**107,636**	**796,423**	**33,818,914**

EXPLANATORY NOTES

3.5 GENERAL BASIS OF PREPARATION

The 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 Standard Interpretations Committee (SIC).

In particular, these are the first financial statements prepared by the Company in accordance with the IAS/IFRS, as the Company applied, in fact, the Italian civil law provisions and the relevant accounting principles issued by the Italian Accounting Board (Organismo Italiano per la Contabilità, OIC) in the preparation of its previous financial statements. In accordance with IFRS 1, the transition date was 1 January 2017 and the financial statement schedules for the 2017 financial year have therefore been restated in accordance with the IAS/IFRS for comparative purposes.

For a complete and comprehensive description of the transition to IAS/IFRS (First Time Adoption - FTA), with particular regard to the standards and options applied by the Company upon first time adoption, reference should be made to the section on the "Transition to IAS/IFRS", which is attached hereto, forms an integral part hereof and analytically provides all the information required by IFRS 1, the standard governing the first time adoption of the International Financial Reporting Standards.

The Financial Statements have been drawn up on the assumption of the Company's ability to continue to operate as a going concern 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 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 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.

3.6 CHANGES IN INTERNATIONAL ACCOUNTING STANDARDS

Except as stated below in relation to the accounting standards, amendments and interpretations applicable from 1 January 2018, 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 2017.

Accounting standards, amendments and interpretations endorsed by the European Union, applicable from 1 January 2018, which have been applied for the first time in the separate financial statements of Illumia S.p.A. for the financial year ended 31 December 2018

IFRS 15 – Revenue from Contracts with Customers. This document, which was published by the IASB on 28 May 2014 and endorsed by the European Union on 22 September 2016, requires the Company to recognise revenue when control over goods or services is transferred to its customers, at an amount that reflects the consideration to which an entity expects to be entitled in exchange for said products or services. In order to achieve this objective, the new revenue recognition model establishes a five-step process: (i) identify the contract with a customer, defined as an agreement between two or more parties that creates enforceable rights and obligations; (ii) identify the services (performance obligation, or "PO") in the contract; (iii) determine the consideration (transaction price), or rather the amount of consideration to which an entity expects to be entitled in exchange for the supply of goods or the provision of services to

the customer; (iv) allocate the consideration linked to the performance of the service, carried out based on "stand-alone selling prices"; v) recognise revenue when the performance obligations are satisfied through the transfer of goods or services. The standard provides specific indicators to identify the ways the POs can be satisfied: a) "Over a period of time", indicating specific methods for measuring work progress; b) "At a point in time", indicating the fulfilment of the PO at a given time. The new standard also requires additional information concerning the nature, amount, timing and uncertainty relating to the revenues and cash flows deriving from contracts with customers. On 12 April 2016, the IASB also published amendments to the standard: Clarifications to IFRS 15 "Revenue from Contracts with Customers", which were also applicable from 1 January 2018. These amendments are intended to clarify how to identify the Company as the "Principal" or "Agent" and how to determine whether licensing revenues should be deferred for the term of the license itself. The Group decided to apply the Full Retrospective Approach upon IAS Transition, and therefore, it also adjusted the comparative data at 31 December 2017. The impact for the Group is broadly described in the Appendix on "Tremagi S.r.l.'s Transition to IAS/IFRS Standards."

IFRS 9 – Financial Instruments. On 24 July 2014 the IASB published the final document representing the completion of the comprehensive revision of IAS 39, which was divided into the following three phases: "Classification and Measurement", "Impairment", and "General Hedge Accounting." The document sets out new criteria for the classification and measurement of financial assets and liabilities. In particular, as regards financial assets, the new standard uses a single approach, based on the way in which financial instruments are managed (business models) and the characteristics of the financial assets' contractual cash flows (SPPI, Solely Payment of Principal and Interest), in order to determine their accounting policy, thus replacing the various rules laid down in IAS 39. The three new categories for financial assets introduced by the new standard are: (i) Hold To Collect (HTC), for financial instruments valued at amortised cost, which the management holds in order to collect contractual cash flows; (ii) Fair Value Through Other Comprehensive Income (FVTOCI), when the management aims both to hold the instrument in order to collect contractual cash flows and to exploit the possibility of sale; and (iii) Fair Value Through Profit or Loss (FVTPL), a residual category for which management has the creation of a trading portfolio as a business model. For financial liabilities, on the other hand, the main amendment concerns the accounting treatment of fair value changes of a financial liability designated as measured at fair value through profit or loss, in case where they are due to a change in the credit rating of the financial liability itself. According to the new standard, these changes must be recognised in Other Comprehensive Income (OCI), without no longer being taken to profit or loss. The main new developments regarding hedge accounting are:

- changes in the types of transactions qualifying for hedge accounting; in particular, the non-financial asset/liability risks eligible for hedge accounting have been expanded;

- changes in the way forward contracts and the options included in hedge accounting relationships are accounted for, in order to reduce income statement volatility;

- changes in the effectiveness test by replacing the current 80-125% parameter-based methods with the principle of the "economic relationship" between hedged items and hedging instruments; furthermore, an assessment of the retrospective effectiveness of the hedging relationship will no longer be required.

The increased flexibility of the accounting rules is offset by additional disclosure requirements for the risk management activities carried out by the Company. The new document includes a single model for impairment of financial assets based on expected losses. The additions to the Amendment to IFRS 9, "Financial instruments - on general hedge accounting", which modifies

some paragraphs of IFRS 9, adding Chapter 6 on "Hedge accounting", in order to make the new standard easier to understand, has been applied since 1 January 2018. The Group applied the new standard retrospectively, thus also adjusting the comparative data at 31 December 2017 upon IAS Transition. While the application of this standard did not have a significant impact on the Group, it has nevertheless been broadly described in the Appendix on "Tremagi S.r.l.'s Transition to IAS/IFRS."

Amendment to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. This Amendment was issued by the IASB on 12 September 2016 and endorsed by the European Union on 3 November 2017. The amendment addresses the concerns raised regarding the application of IFRS 9 to financial instruments prior to the introduction of the new insurance contract standards. Moreover, two options are given for Companies that enter into insurance contracts with reference to IFRS 4: i) an option that allows the Companies to reclassify certain costs or revenues arising from certain financial assets from the income statement to the statement of comprehensive income; ii) a temporary exemption from the application of IFRS 9 for Companies whose core business consists of entering into agreements as described in IFRS 4. The adoption of this standard did not have any impact on the Company's consolidated financial statements.

Amendment to IFRS 2 - Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2). These amendments were published by the IASB on 20 June 2016. The document provides some clarifications regarding the recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics, and how to account for amendments to the terms and conditions of a share-based payment that modify its classification from cash-settled to equity-settled. The adoption of this standard did not have any impact on the Company's consolidated financial statements.

Amendment to IFRS 40 - Transfers of Investment Property. The amendment, which was issued by the IASB on 8 December 2016, provides as follows: (i) paragraph 57 of IAS 40 is amended to stipulate that an entity must only transfer a property from, or to, the investment property category when there is evidence of its change of use; (ii) the list of examples indicated in paragraph 57 (a) – (d) is redefined as a non-exhaustive list of examples. The adoption of this standard did not have any impact on the Company's consolidated financial statements.

Amendment to IFRIC 22 - Foreign Currency Transactions and Advance Consideration. The document was issued by the IASB on 8 December 2016, and addresses foreign currency transactions in the event that an entity recognises a non-monetary asset or liability arising from the payment or receipt of an advance before the entity recognises the relative asset, cost, or revenue. The provisions are not applicable to taxes or insurance or reinsurance contracts. The adoption of this standard did not have any impact on the Company's consolidated financial statements.

"Annual improvements to IFRS Standards - 2014-2016 Cycle" were issued by the IASB on 8 December 2016. The work concerned: (i) IFRS 1: the short-term exemptions provided for in paragraphs E3–E7 were eliminated, as they had served their intended purpose; (ii) IFRS 12: it was clarified that the disclosure requirements in the standard, except for those in paragraphs B10–B16, must apply to the entities listed in paragraph 5, which are classified as "held for sale", "held for distribution" or "discontinued operations", in accordance with IFRS 5; (iii) IAS 28: it was clarified that the option to measure an investment in an Associate or a Joint Venture held by a venture capital Company at fair value through profit or loss, is available for each investment in associates or joint ventures upon initial recognition; iv) amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures. The amendments specify that IFRS 9 must be applied for long-term receivables due from an Associate or Joint Venture that essentially constitute a part of the investment in the Associate or Joint Venture. The adoption of this standard did not have any impact on the Company's consolidated financial statements.

Accounting standards, amendments, and interpretations endorsed by the European Union, applicable from 1 January 2019, which have not been adopted by the Group in advance

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 (the 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 endorsed by the European Union on 31 October 2017 and will be applicable from 1 January 2019. Based on the current progress of the ongoing internal analysis carried out on the main existing contracts, which is aimed at obtaining the basic information necessary to determine the effects of this new standard in terms of financial position and results of operations, it emerges that, according to an initial estimate of the impact of the transition, the value of the initial financial liability, to be recognised at 1 January 2019, would fall within a range of between Euro 300 and Euro 1,000 thousand.

Amendment to IFRS 9 - 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. Based on a preliminary analysis, the possible future adoption of this standard is not expected to have any impact on the Company's consolidated financial statements.

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 provisions of IFRIC 23 will be applicable from the financial periods commencing on or after 1 January 2019. This standard was endorsed in October 2018. Based on a preliminary analysis, the possible future adoption of this standard is not expected to have any significant impact on the Company's consolidated financial statements.

Amendment to IAS 28 - Long-term Interests in Associates and Joint Ventures. On 12 October 2017 the IASB issued the Amendment to IAS 28 to clarify the application of IFRS 9- Financial Instruments in relation to long-term interests

in Associates or Joint Ventures for which the equity method is not applied. The provisions of the Amendment to IAS 28 will be applicable from financial periods commencing on or after 1 January 2019. Based on a preliminary analysis, the possible future adoption of this standard is not expected to have any significant impact on the Company's consolidated financial statements.

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

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 consolidated 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 will be applicable from the financial periods commencing on or after 1 January 2019. Based on a preliminary analysis, the possible future adoption of this standard is not expected to have any significant impact on the Company's consolidated financial statements.

IFRS 14 - Regulatory Deferral Accounts. On 30 January 2014 the IASB published IFRS 14, which only allows entities that are first-time adopters of the IFRS to continue to recognise the amounts subject to rate regulation according to the accounting standards previously adopted. The standard has not yet been endorsed by the European Union. Based on a preliminary analysis, the possible future adoption of this standard is not expected to have any significant impact on the Company's consolidated financial statements.

"Annual improvements to IFRS Standards - 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. The amendments will be applicable from 1 January 2019, with early adoption permitted. Based on a preliminary analysis, the possible future adoption of this standard is not expected to have any significant impact on the Company's consolidated financial statements.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. On 11 September 2014, the IASB published these amendments, establishing their effective date as 1 January

2016, and postponing their date of first-time adoption to a date yet to be determined. The amendments to IAS 28 - Investments in Associates and Joint Ventures (2011) and IFRS 10 - Consolidated Financial Statements were issued to resolve an existing conflict between the requirements of IAS 28 and IFRS 10. The IASB and the interpretations committee also concluded that it is necessary to recognise a full gain or loss arising from the loss of control over an entity, regardless of whether or not the entity is housed in a subsidiary company. Based on a preliminary analysis, the possible future adoption of this standard should not have any significant impact on the Company's consolidated financial statements.

Amendments 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 possible future adoption of this standard is not expected to have any significant impact on the Company's consolidated financial statements.

Amendments 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 standard is not expected to have any significant impact on the Company's consolidated 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 from annual periods commencing on or after 1 January 2020. Based on a preliminary analysis, the possible future adoption of this standard is not expected to have any significant impact on the Company's consolidated 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.

3.7 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 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 cost. 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.

Below are the amortisation rates of intangible assets:

Description	Rate
Licenses	20 %
Other intangible assets	20 %

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.

These rates are reported below:

Description	Rate
Operating assets - Buildings	3 %
Plant and Machinery	8 % -15%
Industrial and commercial equipment	15 %
Other Assets: Non-operating furniture and furnishings	15 %
Other Assets: Office furniture and furnishings	12 %
Other Assets: Other property, plant and equipment	15 %
Other Assets: telephone systems, 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.

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.

LEASES

Lease agreements are classified as finance leases when the terms and conditions of the contract are such as to substantially transfer all the ownership risks and rewards to the lessee. The assets subject to finance leases are stated among property, plant and equipment, and are recognised at their fair value on the date of acquisition, or, if less, at the present value of the minimum lease payments, and are amortised based on their estimated useful life in the same way as for company-owned assets. The corresponding liability to the lessor is included in the statement of financial position. Lease payments are broken down into principal and interest, while financial costs are charged directly to the income statement for the financial period. All other agreements are regarded as operating leases, and any related costs for lease payments are recognised according to the terms and conditions laid down in the contract.

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 at Equity, 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), 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, 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 year, 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:

- 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, as from the financial year ended 31 December 2017, the Company opted to renew the consolidated tax regime under Articles 117 and ff. of Presidential Decree no. 917/1986. The option for group taxation is valid for the three-year period from 2018 to 2019, and includes Tremagi S.r.l., Illumia S.p.A., Illumia Trend S.r.l. and Wekiwi 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.

3.8 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.

3.9 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

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.

The Company is not subject significantly to the credit risk since it claims most of its receivables from Group Companies.

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.

3.10 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 2018 and 2017.

31.12.2018	Amortised Cost	Fair Value through Equity	Fair Value through P&L	Total
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

31.12.2017	Amortised Cost	Fair Value through Equity	Fair Value through P&L	Total
Non-current financial assets	**4,922,271**			**4,922,271**
Trade Receivables	548,239			548,239
Other Current Assets	**208,028**			**208,028**
Cash and cash equivalents	51,012			51,012

31.12.2018	Amortised Cost	Fair Value through P&L	Total
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**

31.12.2017	Amortised Cost	Fair Value through P&L	Total
Non-current Financial Liabilities	**1,666,452**		**1,666,452**
Current Financial Liabilities	723,474		723,474
Trade Payables	**1,388,905**		**1,388,905**

3.11 EXPLANATORY NOTES TO THE FINANCIAL STATEMENT SCHEDULES

1. REVENUES FROM SALES AND SERVICES

Description	31/12/2018	31/12/2017	Changes
Revenues from sales	5,301,750	4,039,600	1,262,150
Other revenues	131,678	905,291	- 773,613

Compared to the balance of € 4,039,600 recorded in the Financial Statements for the previous year, revenues from sales, amounting to € 5,301,750, showed an increase of € 1,262,150, mainly as a result of the adjustment to the fees for administrative services, due to the greater complexity of the Group Compan.

Administrative Services delivered to all of the Group Companies consist of:

- 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.

The decrease in "other revenues" was due to the fact that the Company passed the costs of the SAP licenses on to the Subsidiaries in 2017. This is a non-recurring cost which was not sustained during the 2018 financial year.

2. COSTS FOR RAW MATERIALS

Description	Balance at 31/12/2018	Balance at 31/12/2017	Changes
Costs for Raw Materials	39,399	27,975	11,424

These mainly consist of the purchase costs for fuel and stationery.

3. COSTS FOR SERVICES

Description	Balance at 31/12/2018	Balance at 31/12/2017	Changes
Costs for services	2,672,163	2,413,004	259,159

In detail:

Description	31/12/2018	31/12/2017	Changes
Maintenance	163,237	67,844	95,393
Utilities	38,481	39,503	- 1,022
Travelling expenses	53,624	49,759	3,865
Canteen	27,307	21,912	5,395
Training	8,835	22,659	- 13,823
Advice	1,953,040	1,790,960	162,079
Fees due to Collaborators	7,892	17,618	- 9,726
Statutory and Independent Auditors	72,515	57,590	14,925
Insurance	39,253	43,550	- 4,297
Bank commissions	17,623	23,452	- 5,829
Others	31,286	15,478	15,808
HQ lease	244,309	244,736	- 427
Miscellaneous rentals	14,762	17,943	- 3,180
TOTAL	**2,672,163**	**2,413,004**	**259,159**

4. OTHER OPERATING COSTS

Description	Balance at 31/12/2018	Balance at 31/12/2017	Changes
Other operating costs	82,885	79,009	3,876

This item, which amounted to € 82,885, against a balance of € 79,009 recognised in the Financial Statements for the previous year, showed an increase of € 3,876, as follows:

Description	31/12/2018	31/12/2017	Changes
Deductible taxes and duties	42,794	45,286	- 2,492
Social security contributions	10,991	14,088	- 3,097
Employee Severance Pay	23,060	13,003	10,057
Other costs	6,040	6,632	- 592
TOTAL	**82,885**	**79,009**	**3,876**

5. PERSONNEL COSTS

This item is broken down as follows:

Description	31/12/2018	31/12/2017	Changes
Wages and salaries	1,434,772	1,650,662	- 215,889
Social security contributions	369,196	337,342	31,853
Employee Severance Pay	99,510	89,267	10,243
Other costs	32,360	823	31,537
TOTAL	**1,935,838**	**2,078,094**	**- 142,256**

The decrease of € 142,256 in personnel costs was due to the lower cost recorded during the year for the variable components of the 2018 remuneration.

The provision for employee severance pay, equal to € 99,510, 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 € (8,699) in the reserve for actuarial gains, which was charged through comprehensive income.

6. AMORTISATION AND DEPRECIATION OF FIXED ASSETS

Description	Balance at 31/12/2018	Balance at 31/12/2017	Changes
Amortisation of intangible assets	116,588	102,232	14,356
Depreciation of property, plant and equipment	167,591	208,593	- 41,002
TOTAL	**284,179**	**310,825**	**- 26,646**

For details, reference should be made to the paragraphs on "Intangible Assets" and "Property, Plant and Equipment" of the statement of financial position.

7. PROVISIONS AND IMPAIRMENT

Description	Balance at 31/12/2018	Balance at 31/12/2017	Changes
Provisions and Impairment	817,000	-	817,000

This item regards:

- A provision set aside for stamp duty in relation to the existing investment properties, for which reference should be made to the explanatory note no. 11 of the statement of financial position;
- A write-down 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;
- A provision set aside for donations to employees.

8.INCOME AND COSTS FROM EQUITY INVESTMENTS

Description	Balance at 31/12/2018	Balance at 31/12/2017	Changes
Income and costs from equity investments	1,200,000	2,000,000	- 800,000

The balance related to dividends amounting to € 1,200,000 distributed by Subsidiary Illumia S.p.A., as resolved on 12 September 2018.

9. FINANCIAL INCOME AND COSTS

Description	Balance at 31/12/2018	Balance at 31/12/2017	Changes
Financial income and costs	- 99,939	- 43,422	- 56,517

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	Balance at 31/12/2018	Balance at 31/12/2017	Changes
Taxes	- 94,398	101,982	- 196,381

As already mentioned above, with effect from the financial year ended 31 December 2018, the Company renewed the tax consolidation scheme by option in accordance with Articles 117 and ff. of Presidential Decree no. 917/1986. The option for group taxation is valid for the three-year period from 2017 to 2019, and includes Tremagi S.r.l., Illumia S.p.A., Illumia Trend S.r.l. and Wekiwi S.r.l., with Tremagi SA serving as the consolidating company.

The income taxes are broken down as follows:

Description	31/12/2018	31/12/2017	Changes
Current taxes	14,998	48,017	- 33,019
Deferred tax liabilities	- 214,733	43,101	- 257,835
Income and costs from tax consolidation	105,337	10,864	94,473
TOTAL	**- 94,398**	**101,982**	**- 196,381**

Below is the breakdown of this balance:

IRES (CORPORATE INCOME) TAX

Tax Consolidation - 24% Tax rate	Taxable income	IRES tax
PROFIT (LOSS) BEFORE TAX	717,969	197,441
Increases	1,248,228	343,263
Decreases	- 1,231,361	- 338,624
Taxable income	734,835	202,080
Aid to Economic Growth and Interest expense transferred by Tremagi to consolidation	256,919	70,653
Taxable income, net of Aid to Economic Growth	477,917	114,700

IRAP (REGIONAL PRODUCTION ACTIVITY) TAX

IRAP tax - 4.65% Tax rate	Taxable income	IRAP tax
IRAP taxable income	2,354,802	109,498
Increases	63,166	2,937
Decreases	- 1,756,486	- 81,677
Taxable income	661,481	30,492

DEFERRED TAXATION

Deferred tax assets	Value at 31/12/2017	Increases	Decreases	Value at 31/12/18	IRES tax	IRAP tax	Final Credit	Initial Credit	Impact through P&L
Accrual to donations	-	150,000	-	150,000	36,000		36,000	-	36,000
Impairment of Equity Investments	-	280,000		280,000	67,200	-	67,200	-	67,200
Accrual to Stamp Duty	-	387,000	-	387,000	92,880	18,653	111,533	-	111,533
Effects of IAS Transition	30,855	-	-	30,855			30,855	30,855	
Total	30,855	817,000	-	847,855	196,080	18,653	245,589	30,855	214,733

11. PROPERTY, PLANT AND EQUIPMENT

Balance at 31/12/2018	Balance at 31/12/2017	Changes
10,291,140	11,474,700	- 1,183,560

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

Description	Historical cost at 31/12/2017	Increases	Decreases	Historical cost at 31/12/2018
Land and Buildings	9,707,716	33,000	-	9,740,716
Plant and machinery	261,443	12,783	-	274,226
Other assets	1,770,032	23,248	-	1,793,280
Fixed assets under construction and advances	1,100,000	15,000	1,100,000	15,000
Total gross property, plant and equipment	**12,839,191**	**84,031**	**1,100,000**	**11,823,222**

Description	Depreciation Fund 31/12/2017	Increases	Decreases	Depreciation Fund 31/12/2018
Land and Buildings	129,170	16,203	-	145,373
Plant and machinery	146,190	20,572	-	166,762
Other assets	1,089,131	130,816	-	1,219,947
Fixed assets under construction and advances	-	-	-	-
Total property, plant and equipment	**1,364,491**	**167,591**	**-**	**1,532,082**

Description	NET BOOK VALUE 31/12/2017	NET BOOK VALUE 31/12/2018
Land and Buildings	9,578,546	9,595,343
Plant and machinery	115,253	107,464
Other assets	680,901	573,333
Fixed assets under construction and advances	1,100,000	15,000
Total property, plant and equipment	**11,474,700**	**10,291,140**

LAND AND BUILDINGS

This item, equal to € 9,595,343, is made up of the properties valued according to IAS16, namely:

- Property in Bologna at Via Albertazzi no. 48, for a value of € 5,399,037;
- Property in Bologna at Via Albertazzi no. 32, for a value of € 3,668,949.

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 € 527,357, has been depreciated.

PLANT AND MACHINERY

This item, equal to € 107,464, is made up of the plant and machinery installed at the properties mentioned above.

OTHER ASSETS

This item, equal to € 573,333, mainly consists of furniture and furnishings.

FIXED ASSETS UNDER CONSTRUCTION AND ADVANCES

The decrease of € 1,100,000 was attributable to the failure to conclude the agreement for the purchase of a residential property located in Bologna (BO), for which a preliminary purchase contract was entered into on 10 November 2017, which was registered under no. 8154, series 3, on 28 November 2017 and for which advance payments had been made during the 2017 financial year. It should be noted that this amount was later included in the agreement for the purchase of the quotas of Casaglia S.r.l., which is described in explanatory note 14 "Equity investments" below; therefore this decrease was not recognised through profit or loss for the period, but under the value of the equity investment.

12. INVESTMENT PROPERTY

Balance at 31/12/2018	Balance at 31/12/2017	Changes
13,912,539	13,905,439	7,100

In detail:

	Balance at 31/12/2018	Balance at 31/12/2017
INVESTMENT PROPERTY	8,302,462	8,295,362
INVESTMENT PROPERTY UNDER CONSTRUCTION	5,610,077	5,610,077
TOTAL	**13,912,539**	**13,905,439**

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	6.238.421	428.009	37.979	6.704.408	6.744.000	39.592
Property located in Fossombrone	2.064.041	16.095		2.080.136	2.485.000	404.864
Total investment property	**8.302.462**	**444.104**	**37.979**	**8.784.544**	**9.229.000**	**444.456**

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 2018
Maintenance	35,816
Insurance	32,525
Utilities	1,504
Taxes	9,116
Total	78,961

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

Balance at 31/12/2018	Balance at 31/12/2017	Changes
273,496	267,426	6,070

Below are the changes in intangible assets:

Description	Historical cost 31/12/2017	Increases	Decreases	Historical cost 31/12/2018
Concessions, licences, trademarks and similar rights	50,905	6,000	-	56,905
Fixed assets under development and advances	47,736	10,200		57,936
Other intangible assets	441,093	106,458		547,551
Total gross intangible assets	**539,734**	**122,658**	**-**	**662,392**

Description	Amortisation Fund 31/12/2017	Increases	Decreases	Amortisation Fund 31/12/2018
Concessions, licences, trademarks and similar rights	40,467	7,480	-	47,947
Fixed assets under development and advances	-	-		-
Other intangible assets	231,842	109,108		340,950
Total intangible assets	**272,309**	**116,588**	**-**	**388,897**

Description	NBV 31/12/2017	NBV 31/12/2018
Concessions, licences, trademarks and similar rights	10,438	8,958
Fixed assets under development and advances	47,736	57,936
Other intangible assets	209,253	206,602
Total intangible assets	**267,427**	**273,496**

CONCESSIONS, LICENSES AND TRADEMARKS – SOFTWARE EXPENSES

This item of € 8,958, regards the Navision accounting program and the Zucchetti personnel attendance recording and management program.

INTANGIBLE ASSETS UNDER DEVELOPMENT AND ADVANCES

This item of € 57,936 mainly concerns advance payments made during the financial year for the implementation of the new SAP management software, which will enter into service during 2019.

OTHER INTANGIBLE ASSETS

This item mainly regards the improvements made to the IT systems currently used, such as Navision and Zucchetti.

14. EQUITY INVESTMENTS

Equity investments	Balance at 31/12/2018	Balance at 31/12/2017
in Subsidiaries	7,085,356	7,075,356
in Associates	4,720,000	-
in Other Companies	2,600	2,600
TOTAL	11,807,956	7,077,956

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

Equity investments in subsidiaries	%	31/12/2017	Increases	Decreases	31/12/2018
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**			**101,297**
Illumia Next Srl	100%	50,000			50,000
We Call Srl	**100%**	-	**10,000**		**10,000**
Total equity investments in subsidiaries		7,075,356	10,000	-	7,085,356

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 31/12/2018	EQUITY AT 31/12/2018	Profit (loss) for the year	%	Book value
Illumia SpA	Bologna – via de' Carracci 69/2	2,000,000	14,529,404	3,850,770	100%	6,132,333
Wekiwi Srl	**Bologna – via de' Carracci 69/2**	**10,000**	**370,810**	**330,822**	**70%**	**661,610**
Illumia Trend Srl	Bologna – via de' Carracci 69/2	115,000	3,701,407	- 551,513	80%	130,117
Illumia Swiss SA	**Lugano – Via Cantonale, 19**	**91,963**	**844,915**	- **861,756**	**100%**	**101,297**
Illumia Next Srl	Bologna – via de' Carracci 69/2	50,000	49,073	- 579	100%	50,000
We Call Srl	**Bologna – via de' Carracci 69/2**	**10,000**	**10,156**	**156**	**100%**	**10,000**

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.

The difference between the cost of the equity investment and the value of equity in the financial statements at 31 December 2018 does not constitute a permanent impairment loss, since we are dealing with a Start-up company that had become profitable as of 31 December 2018.

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. Several negotiations were successfully concluded as early as during the period under review, thus allowing the Illumia Swiss front office to carry out its first wholesale energy index trading operations under ISDA contracts on the Swiss, German and Italian electricity markets.

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.

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.

EQUITY INVESTMENTS IN ASSOCIATES

Equity investments in Associates	%	31/12/2017	Increases	Decreases	31/12/2018
Casaglia Srl	49%	-	5,000,000	280,000	4,720,000
Total equity investments in other companies		-	5,000,000	280,000	4,720,000

On 12 October 2018 Tremagi S.r.l. acquired from BMC management S.r.l. a 49% quota in Casaglia S.r.l. for an amount of Euro 5,000 thousand. The corporate purpose consists of the lease and operation of company-owned properties and is valued using the equity method. The decrease of Euro 280,000 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. Since this decrease essentially constitutes a write-down, it has been stated among "Provisions and impairment" through profit or loss.

EQUITY INVESTMENTS IN OTHER COMPANIES

Equity investments in other companies	%	31/12/2017	Increases	Decreases	31/12/2018
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.

15. DEFERRED TAX ASSETS

Balance at 31/12/2018	Balance at 31/12/2017	Changes
245,589	30,885	214,704

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.

16. TRADE RECEIVABLES

Balance at 31/12/2018	Balance at 31/12/2017	Changes
811,638	548,239	263,399

These mainly consist of receivables due from subsidiary Illumia S.p.A.

17. CURRENT FINANCIAL ASSETS

Balance at 31/12/2018	Balance at 31/12/2017	Changes
30,000	-	30,000

This item regards the interest-bearing loan granted to subsidiary Wekiwi SAS.

18. CURRENT TAX ASSETS

Balance at 31/12/2018	Balance at 31/12/2017	Changes
19,651	**44,427 -**	**24,776**

This item, compared to the balance of € 44,427 recorded in the financial statements for the previous year, showed a decrease of € 24,776, mainly due to a reduction in the VAT credit.

19. OTHER CURRENT ASSETS

Balance at 31/12/2018	Balance at 31/12/2017	Changes
4,188,622	5,130,299 -	941,677

This item mainly related to receivables due from the Parent Company Tremagi SA, which were generated following a transfer of shares in July 2013.

20. CASH AND CASH EQUIVALENTS

Description	Balance at 31/12/2018	Balance at 31/12/2017	Changes
Bank and postal deposits	24,441	50,422 -	25,981
Money and cash on hand	1,067	590	477
TOTAL	**25,509**	**51,012 -**	**25,503**

As at 31 December 2018 "Cash and cash equivalents" consisted of money and cash on hand of € 1,067 and of deposits of € 24,441 held with credit institutions, which are subject to restrictions and are then freely available.

Below is the NFP:

NET FINANCIAL POSITION	31/12/2018	31/12/2017
Financial Receivables	30,000	-
Cash and cash equivalents	25,509	51,012
Short-term bank debt	- 700,376	- 721,063
Payables to other lenders	-	2,411
Payables to subsidiaries	- 2,750,000	
Short-term Net Financial Position	- 3,394,867	- 672,462
Long-term payables to banks	- 1,047,841	- 1,666,452
Net Financial Position	- 4,442,709	- 2,338,914

21. EQUITY

Description	Balance at 31/12/2018	Balance at 31/12/2017	Changes
Equity	33,818,914	33,031,189	787,724

The operations regarding the Company's Equity were closed with a total of € 33,818,914, recording a net increase of € 787,724 compared to the balance of € 33,031,189 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	*22,964,100*	*Profits*	*A-B-C*	
Other reserves - Reserve for quotaholders' capital payments	*8,845,354*	*Profits*	*A-B*	
Other reserves - Reserve subject to tax relief	- *978,143*	*Measurement*		
Other reserves - Surplus reserve	*81,446*	*Profits*	*A-B-C*	
Other reserves - IAS reserves	- *397,902*	*Measurement*		
Profits / (Losses) carried forward	*107,636*	*Measurement*		
Profit / (Loss) for the year	*796,423*		*A-B-C*	
TOTAL	**33,818,914**			

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 16 April 2018 for the approval of the financial statements for the financial year ended 31 December 2017 resolved to allocate the profit for the period, amounting to € 1,782,932, to Extraordinary Reserve.

22. NON-CURRENT FINANCIAL LIABILITIES

Description	Balance at 31/12/2018	Balance at 31/12/2017	Changes
Non-current financial liabilities	1,047,841	1,666,452	- 618,611

Below is the breakdown of financial liabilities at 31 December 2018:

Description	31/12/2018	31/12/2017
Debt current account	81,765	-
Current portion of loans	618,611	721,063
Short-term loan from subsidiary	2,750,000	-
Payables to other lenders	-	2,411
TOTAL CURRENT LIABILITIES	**3,450,376**	**723,474**
Non-current portion of loans	1,047,841	1,666,452
TOTAL NON-CURRENT LIABILITIES	**1,047,841**	**1,666,452**

Bank	Financing amount	Residual Debt at 31/12/2018	Within 12 months	Beyond 12 months and within 5 years	Beyond 5 years	Maturity
Caribo	694,940	498,708	39,339	178,766	280,604	01/12/2028
Caricento	2,375,000	116,056	116,056	-	-	20/02/2019
BNL	1,500,000	357,143	214,286	142,857	-	02/08/2020
Caricento	1,000,000	694,546	248,931	445,615	-	01/08/2021
Balance at 31.12.2018	**5,569,940**	**1,666,452**	**618,611**	**767,238**	**280,604**	

23. EMPLOYEE SEVERANCE PAY AND OTHER EMPLOYEE BENEFITS

Description	Balance at 31/12/2018	Balance at 31/12/2017	Changes
Employee Severance Pay and other employee benefits	432,662	357,181	75,481

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

Opening balance	357,181
Use for resignation	- 21,480
Accrual in the year	88,263
IAS 19 adjustments	8,699
Balance at 31/12/2018	432,662

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 2017:

- discount rate: 1.3%
- annual inflation rate: 1.5%
- annual rate of increase in employee severance pay: 2.625%

- 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" periodically and, therefore, the companies no longer have any obligation to their employees.

To summarise, the valuation method under IAS 19 – Employee Benefits used in accordance with the Italian Accounting Board (Organismo Italiano di Contabilità, OIC) and ASSIREVI (Associazione Italiana di Revisori Contabili, Italian Association of Independent Auditors) rulings, it can be stated as follows:

- Severance pay accrued until 31 December 2006 = defined-benefit plan (with actuarial calculation);

- Severance pay paid into supplementary pension funds as from 1 January 2007 = defined-contribution plan. No actuarial calculation is required on this provision;

- Severance pay paid into the treasury fund set up with INPS as from 1 January 2007 = defined-contribution plan. No actuarial calculation is required on this provision.

24. PROVISIONS FOR RISKS AND CHARGES

Description	Balance at 31/12/2018	Balance at 31/12/2017	Changes
Provisions for risks and charges	537,000	-	537,000

For details, reference should be made to the explanatory note no. 7.

25. DEFERRED TAX LIABILITIES

Description	Balance at 31/12/2018	Balance at 31/12/2017	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.

26. CURRENT TAX LIABILITIES

Description	Balance at 31/12/2018	Balance at 31/12/2017	Changes
Current financial liabilities	3,450,376	723,474	2,726,902

For details, reference should be made to the explanatory note no. 21.

27. TRADE PAYABLES

Description	Balance at 31/12/2018	Balance at 31/12/2017	Changes
Trade payables	868,432	1,388,905 -	520,473

This item, compared to the balance of € 1,388,905 recorded in the financial statements for the previous year, showed a decrease of € 520,473, mainly due to the repayment of the debt outstanding at 31 December 2017.

28. CURRENT TAX LIABILITIES

Description	Balance at 31/12/2018	Balance at 31/12/2017	Changes
Current tax liabilities	310,459	86,164	224,295

This item related to:

- the payable of € 105,334 due to the parent company Tremagi SA for the 2018 CNM (Consolidato Nazionale e Mondiale, National and Global Tax Consolidation) scheme. The Company renewed the tax consolidation scheme by option in accordance with Articles 117 and ff. of Presidential Decree no. 917/1986. The option for group taxationis valid for the three-year period from 2017 to 2019, and includes Tremagi S.r.l., Illumia S.p.A., Illumia Trend S.r.l. and Wekiwi S.r.l., with Tremagi SA serving as the tax 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;

- The 2018 IRAP tax debt of € 2,710;

- The VAT debt of € 128,076;

- The IRPEF (Personal Income) tax debt of € 74,339 to be paid in the capacity as withholding agent.

29. OTHER CURRENT LIABILITIES

Description	Balance at 31/12/2018	Balance at 31/12/2017	Changes
Other current liabilities	242,186	378,718 -	136,532

This item related to:

- Payables due to social security institutions amounting to € 84,140;
- Payables due to employees amounting to € 144,363;
- Accrued expenses amounting to € 13,683.

3.12 RELATED-PARTY TRANSACTIONS

Below is a summary of related-party transactions:

Company name	Receivables at 31/12/2018	Payables at 31/12/2018	Revenues 2018	Costs 2018
Illumia S.p.A.	785,216	2,724,870	4,713,100	350,883
Illumia Trend S.r.l.	**9,699**		**402,100**	
Wekiwi S.r.l	366		120,300	
Tremagi SA	**4,122,271**	**105,334**		
Illumia Swiss SA	11,300		62,500	
WE Call	**33,680**		**3,020**	
Wekiwi SAS	750		750	

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.

3.13 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 highligted:

Description	Balance at 31/12/2018	Balance at 31/12/2017	Changes
Collateral	10,150,000	10,150,000	-

"Collateral" relates in fact to the mortgage on the company-owned property.
In order to obtain unsecured credits, the Subsidiaries have been counter-guaranteed by corporate guarantees issued by Tremagi S.r.l., specifically:

- Illumia S.p.A. for an amount of € 152,554,000;
- Illumia Trend for an amount of € 8,582,500;
- Illumia Swiss for an amount of € 5,000,000.

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 following page summarises the highlights inferred from Tremagi SA's last approved financial statements at 31 December 2017.

TREMAGI SA
6, Rue Guillarme Schneider
L - 2522 Luxembourg

BALANCE SHEET
Financial year from 01/01/2017 **to** 31/12/2017 (in EUR)

	2017	2016
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	**1.260.722**	**3.052.534**
II. Debtors	1.098.378	742.784
1. Trade debtors	-	406.684
a) becoming due and payable within one year	-	406.684
2. Amounts owed by affiliated undertaking	*755.557*	-
a) becoming due and payable within one year	*755.557*	-
4. Other debtors	*342.821*	*336.100*
a) becoming due and payable within one year	*342.821*	*336.100*
III. Investments	-	2.100.000
3. Other investments	-	*2.100.000*
IV. Cash at bank and in hand	162.344	209.750
TOTAL (ASSETS)	**18.981.018**	**20.772.830**

CAPITAL, RESERVES AND LIABILITIES	2017	2016
A. CAPITAL AND RESERVES	**13.529.131**	**12.904.305**
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	12.869.105	11.544.152
VI. Profit or loss for the financial year	624.826	1.324.953
C. CREDITORS	**5.444.477**	**7.864.416**
4. Trade creditors	408.694	416.872
a) becoming due and payable within one year	*408.694*	*416.872*
6. Amounts owed to affiliated undertakings	5.024.163	5.000.000
a) becoming due and payable within one year	*5.024.163*	*2.700.000*
b) becoming due and payable after more than one year	-	*2.300.000*
8. Other creditors	11.620	2.447.544
a) Tax authorities	11.620	647.544
c) Other creditors	-	1.800.000
i) becoming due and payable within one year	-	1.800.000
D. DEFERRED INCOME	**7.410**	**4.109**
TOTAL (CAPITAL, RESERVES AND LIABILITIES)	**18.981.018**	**20.772.830**

PROFIT AND LOSS ACCOUNT	2017	2016
1. Net turnover	-	-
4. Other operating income	-	1.935.593
5. Raw materials and consumables and other external expenses	- 89.846	- 57.759
a) Raw material and consumables	-	-
b) Other external expenses	*- 89.846*	*- 57.759*
6. Staff costs	- 317	- 745
a) Wages and salaries	-	-
b) Social security costs	- 317	- 745
ii) other social security costs	*- 317*	*- 745*
7. Value adjustments	-	- 3.166
a) in respect of formation expenses and of tangible and intangible fixed assets	-	*- 3.166*
8. Other operating expenses	- 28.178	- 640
9. Income from participating intrerest	17.520	-
a) delivered from affiliated undertakings	*17.520*	-
		-
11. Other interest receivable and similar income	746.028	13.002
a) derived from affiliated undertakings	734.801	1.265
b) other interest and similar income	11.227	11.737
13. Value adjustments in respect of financial assets and of investments held as current assets	-	-
14. Interest payable and similar expenses	- 4.430	- 34.186
b) other interest and similar expenses	*- 4.430*	*- 34.186*
15. Tax on profit or loss	- 2.360	- 376.210
16. Profit or loss after taxation	638.417	1.475.888
17. Other taxes not shown under items 1 to 16	- 13.591	- 150.935
18. Profit or loss for the financial year	624.826	1.324.953

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	31/12/2018	31/12/2017	Changes	Average number
Executives	1	0	1	1
Office workers	38	39	-1	39
Total	39	39	0	40

Workforce	31/12/2017	31/12/2016	Changes	Average number
Executives	0	0	0	1
Office workers	39	35	4	38
Total	39	35	4	39

FEES DUE TO DIRECTORS AND STATUTORY AUDITORS

Fees due to directors and statutory auditors:

- 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 2018 financial year, except for the acquisition of 49% of Casaglia S.r.l. described in the paragraphs above.

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 no significant events had occurred at the date of approval of these financial statements, which are required to be reported.

AGREEMENTS NOT RESULTING FROM THE BALANCE SHEET

There are no agreements not resulting from the Balance Sheet which could significantly affect the Company's financial position, results of operations and cash flows pursuant to Article 2427, paragraph 22-ter, of the Italian Civil Code.

CONCLUSIONS AND PROPOSED ALLOCATION OF PROFITS OR LOSS COVERAGE

These financial statements, which consist of the Balance Sheet, the Income Statement, the Cash Flow Statement and the Notes to the Financial Statements, provide 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 € 796,422.88 is the result of the financial statements for the 2018 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 2018 financial year.

The Chairman of the Board of Directors invites you to approve the financial statements for the financial year ended 31 December 2018 in the figures stated, as well as the accompanying explanatory notes, and to allocate the resulting profit of € 796,422.88 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, 29 March 2019

The Chairman of the Board of Directors
MARCO BERNARDI

APPENDIX: TREMAGI S.R.L.'S TRANSITION TO IAS/IFRS

FIRST TIME ADOPTION

INTRODUCTION TO THE TRANSITION PROCESS

The financial statements at 31 December 2018 are the first financial statements of Tremagi prepared in accordance with IAS/IFRS (International Accounting Standards and International Financial Reporting Standards) issued by the IASB and endorsed by the European Union on the same date. 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 Standard Interpretations Committee (SIC). In fact, until 31 December 2017 the Company's Financial Statements were prepared in accordance with the civil law rules and the relevant accounting standards issued by the Italian Accounting Board (Organismo Italiano per la Contabilità, OIC).

In accordance with IFRS 1, the standard governing the first time adoption of the International Financial Reporting Standards, the transition date is set at 1 January 2017.

In order to ensure that the transition process is understood, the information required by IFRS 1 is provided below in an analytical manner; this information mainly concerns:

a. the rules applied for the first-time adoption of IAS/IFRS, including the choices regarding the exemptions and exceptions permitted by IFRS 1, and of any other standard that has been applied to the financial statements of Tremagi as from 1 January 2017;

b. the impacts that the transition to the new standards has had on the financial statements previously submitted by the Company. The following statements, accompanied by the related explanatory notes, have been prepared for this purpose:

    1. the statements of reconciliation of Equity, recognised in accordance with the previously applicable standards, with that reported in accordance with IFRS:

    2. at 1 January 2017, the date of transition to IFRS;

    3. at 31 December 2017, the closing date of the last financial year in which the Financial Statements were prepared using the previously applicable Accounting Standards;

    4. the statement of reconciliation of the Comprehensive Profit/Loss recognised in the Statement of Comprehensive Income in accordance with IFRS at 31 December 2017, the closing date of the last financial year in which the Financial Statements were prepared using the previously applicable Accounting Standards, with the Results of operations for the financial year recognised on the same date in the Income Statement prepared in accordance with the previously applicable Accounting Standards;

    5. the IFRS statements of financial position at 1 January 2017 and at 31 December 2017;

    6. the IFRS Income Statement at 31 December 2017;

    7. the IFRS Cash Flow Statement at 31 December 2017.

It should be noted that the accounting statements and reconciliations referred to in sub-paragraphs b.1 and b.2 above have been prepared exclusively for the purposes of the first-time adoption of IFRS, and therefore do not report the comparative data relating to the corresponding periods of the previous reporting period, nor the related explanatory notes.

The adjustments were determined in full compliance with IAS/IFRS, and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), which were applicable on the reporting date of these financial statements.

STANDARDS ADOPTED FOR THE FIRST-TIME ADOPTION (FTA) OF IFRS AT 1 JANUARY 2017

The standards adopted for the first-time adoption are 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 Standard Interpretations Committee (SIC).

ACCOUNTING OPTIONS ADOPTED UPON FIRST-TIME ADOPTION OF IFRS

The adoption of the IFRS has made it necessary to restate the statements of financial position at 1 January 2017 and at 31 December 2017 as follows:

- all and only the assets and liabilities required to be recognised according to the new standards have been reported;
- all the assets and liabilities referred to in the point above have been measured by applying the IAS/IFRS retrospectively;
- the financial statements' items previously classified according to the provisions of Legislative Decree no. 127/1991 have been reclassified.

With regard to the opening statement of financial position at 1 January 2017, the effects of the adjustment to the assets' and liabilities' values according to IFRS have been recognised in a specific equity reserve.

Furthermore, upon first-time adoption, a series of choices needed to be made among the various options envisaged by each standard, which are described below.

OPTIONAL EXEMPTIONS PRESCRIBED BY IFRS 1 UPON FIRST-TIME ADOPTION (1 JANUARY 2017)

The Company has made use of the optional exemption, prescribed by IFRS 1, given by the possibility of measuring the company-owned properties as at the transition date, i.e. 1 January 2017, at fair value as deemed cost as permitted by IFRS 1. This fair value is adequately supported by valuation reports prepared by independent experts appointed for this purpose.

ACCOUNTING TREATMENTS ADOPTED BY THE COMPANY FROM AMONG THE OPTIONS PRESCRIBED BY THE IFRS, AND MAIN DIFFERENCES WITH RESPECT TO THE PREVIOUS ACCOUNTING STANDARDS

PROPERTY, PLANT AND EQUIPMENT

- *Italian GAAPs These are stated at purchase cost, including additional charges, and are depreciated over the period of their useful economic lives.*

- *New international standards* After initial recognition at cost, IAS 16 allows for valuation according to the cost model or the revaluation or restatement model (fair value). The Company measures its fixed assets at cost, taking into account any impairment loss.

INVESTMENT PROPERTY

- *Italian GAAPs* The financial statement schedule prepared in accordance with the Italian GAAPs does not provide for the category of "investment property", which was therefore accounted for among property, plant and equipment at purchase cost, and was not depreciated, in the absence of any impairment loss, since the residual value at the end of its estimated useful life was substantially in line with its cost, based on specific expert's reports.

- *New international standards* According to IAS 40, investment property can be measured at either cost or revalued cost (fair value). The Company measures its investment property according to the cost method, taking into account any impairment loss, and without making any depreciation when the asset's estimated residual value at the end of its useful life is equal to or greater than the value recorded in the financial statements, based on reports prepared by independent third-party experts for this purpose, as required by the standard. The explanatory notes also highlight the fair values of the aforementioned assets, as also required by the accounting standard. Leasehold improvements representing investment property under construction are reclassified under this item, whereas previously they were recognised among intangible assets.

INTANGIBLE ASSETS

- *Italian GAAPs* Intangible assets are stated at purchase cost, including additional charges, and are amortised over the period of their useful economic lives.

- *New international standards* After initial recognition at cost, IAS 38 allows for measurement according to the cost model or the revaluation or restatement model (fair value). The Company has opted to use the cost model, based on which the Intangible assets are recognised at cost, net of accumulated amortisation and any write-downs for losses in value. With regard to the requirements for the recognition of an element as an intangible asset, the application of the provisions of the new standard has resulted in the reclassification of some leasehold improvements from this category to that of investment property.

EQUITY INVESTMENTS IN ASSOCIATES

- *Italian GAAPs* These allow for the Equity investments in Associates to be measured alternatively according to the methods of Equity or adjusted Cost of permanent impairment losses.

- *New international standards* If the ownership percentage is greater than 20%, with only significant influence being held, without control, these can be valued at cost, at fair value or using the equity method. The fair value criterion can be adopted only if the present value of the investee can be observed in an active market. The Company has opted for the valuation at equity.

FINANCIAL ASSETS

- *Italian GAAPs* These allow for the valuation of financial assets at amortised cost.

- *New international standards* Depending on the business model and the characteristics of the cash flow associated with the assets in question, financial assets can be measured at either amortised cost, at fair value through comprehensive income, or at fair value through profit or loss. For each type of asset, the ECLs (Expected Credit Losses) are taken into account for the measurement of the presumed realisable value.

EMPLOYEE SEVERANCE PAY (TFR)

- *Italian GAAPs* These require the liability for Employee Severance Pay (TFR, Trattamento di Fine Rapporto) to be recognised based on the debt accrued as at the reporting date, in compliance with the applicable domestic regulations.

- *New international standards* IAS 19 includes the severance pay accrued up until 31 December 2006 among defined-benefit plans subject to actuarial valuation techniques.

FINANCIAL LIABILITIES

- *Italian GAAPs* These allow for the valuation of financial liabilities at amortised cost.

- *New international standards* These can be valued at either amortised cost or at fair value through profit or loss.

DEFERRED TAXES

- *Italian GAAPs* IDeferred tax assets and liabilities must be calculated based on all temporary differences between the carrying amount of an asset and that attributed to it for tax purposes. However, no recognition should be made if there is little probability that the related debt will arise (deferred tax liabilities), or there is no reasonable certainty that sufficient taxable income will arise during the financial periods in which deductible temporary differences will reverse (deferred tax assets).

- *Nuovi principi internazionali* IAS 12 does not provide for any particular exceptions to the allocation of deferred tax liabilities; instead, it merely requires the likely existence of sufficient future taxable income for deferred tax assets to be accounted for.

IMPACTS RESULTING FROM THE APPLICATION OF IAS/IFRS TO THE OPENING STATEMENT OF FINANCIAL POSITION AT 1 JANUARY 2017 AND THE STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT AT 31 DECEMBER 2017

The adoption of the IAS/IFRS for the preparation of the Company's financial statements entailed the recognition of a series of impacts on the accounting data prepared according to the previously applicable Italian GAAPs. Therefore, as required by IFRS 1, the financial statements had to be revised based on the latter, the overall effects of which on the equity can be summarised as follows:

TREMAGI SRL	Overall effects on equity		
€	OIC	Adjustments	IAS/IFRS
Financial position at 1 January 2017			
Equity	**31.529.825**	**(387.939)**	**31.141.886**
Financial position at 31 December 2017			
Equity	**33.312.757**	**(281.567)**	**33.031.189**

STATEMENTS OF RECONCILIATION OF EQUITY AND THE RESULT FOR THE YEAR RECOGNISED IN THE INCOME STATEMENT AND IN THE STATEMENT OF COMPREHENSIVE INCOME

The table below reports a reconciliation of equity as at the transition date (1 January 2017) and the equity and the results of operations at 31 December of the same year, as determined following the application of the Italian GAAPs, and the equity and the result of operations, reported as at the same dates, as determined following the adoption of the IAS/IFRS. The table below also provides a statement of reconciliation of the result recognised in the Income Statement prepared in accordance with the previously applicable Accounting Standards, included in the financial statements for the year ended 31 December 2017, and the result recognised in the Statement of Comprehensive Income prepared in accordance with IFRS for the same financial year. It should therefore be noted that the results of operations shown in the tables below are to be understood as net of any related tax effect.

The explanatory notes, which report detailed comments on the adjustments shown in the statements of reconciliation, are also provided below:

TREMAGI SRL	Reconciliation of equity and the result for the year		
euro	1 January 2017	31 December 2017	
	Equity	Equity	Profit for the period
OIC	**31.529.825**	**33.312.757**	**1.782.932**
1. Investment property – IAS 40	(268.673)	(198.919)	69.754
2. Employee Severance Pay (TFR) – IAS 19 R	(27.313)	(27.189)	1.388
3. Discounting-back- Tremagi SA	(91.953)	(55.460)	36.493
Total adjustments	**(387.939)**	**(281.567)**	**107.636**
IFRS – total	**31.141.886**	**33.031.189**	**1.890.568**

TREMAGI SRL	Reconciliation of the comprehensive income 31/12/2017
€	31-dic-17
Profit/(loss) for the period - Italian GAAPs	1.782.932
Total adjustments	107.636
Profit/(loss) for the period - IFRS (A)	**1.890.568**
Profit/(losses) from translation of the financial statements of foreign subsidiaries	
Profit/(losses) from non-hedging derivatives	
Total other comprehensive profits/(losses) that will be subsequently reclassified to profit/(loss) for the year (B):	**0**
Accumulated actuarial Gains/(Losses) on defined-benefit plans	(1.264)
Total other comprehensive profits/(losses) that will not be subsequently reclassified to profit/(loss) for the year (C)	**(1,264)**
Total comprehensive profits/(losses) (A)+(B)+(C)	1,889,304

EXPLANATORY NOTES

11. **Investment Property.** .As permitted by IFRS 1, upon the transition to the international accounting standards, the Company measured the properties it owned at Fair Value as deemed cost as at the transition date. This measurement was adequately supported by specific reports prepared by independent experts. Furthermore, in accordance with IAS 40, the Company also reclassified its properties held for investment purposes, or rather those located in Fossombrone and Carloforte, to investment property. According to this standard an entity can account for such investment property at either fair value or cost, and this policy choice must be applied consistently to all of its investment properties. The Company proceeded with the measurement of all of its investment properties at cost, including impairment losses, arising from valuation reports prepared by experts with proven technical skills. No depreciation was applied because, since they consisted of valuable properties located in prestigious areas, the Company determined, based on valuation reports prepared for this purpose, that their values will be equal to or greater than their values as at the reporting date of the financial statements at the end of their useful lives.

The adoption of the new standard had the following impacts:

a. At 1 January 2017: a decrease of € 12,828 thousand in property, plant and equipment and related increase of € 12,582 thousand in investment property, as well as a reduction of € 269 thousand in Equity in order to bring the values of these properties into line with their values in the valuation reports prepared for this purpose. In addition, it should be noted that an amount of € 1,454 thousand was reclassified from intangible assets to investment property under construction, relating to improvements made to the property located in Fossombrone, for which the Company has paid an advance, but this property is not yet owned by

the Company since the notarial deed has not yet been drawn up. The overall value of investment property then amounted to € 13,905 thousand at 1 January 2017.

b. At 31 December 2017: an increase of € 70 thousand in net profit due to lower depreciation totalling € 98 thousand and a tax effect of € 28 thousand.

12. **Provisions for personnel.** Employee benefits disbursed upon or after the termination of the employment relationship mainly consist of the Employee Severance Pay (TFR), which is regulated by Italian legislation under Article 2120 of the Italian Civil Code. According to IAS 19 Revised, the severance pay accrued until 31 December 2006 is regarded as a defined-benefit plan, i.e. a formalised scheme of post-employment benefits to be paid out to the employee, which can only be quantified after the employment relationship has been terminated. It 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 reporting period based on an actuarial calculation. The liability recognised for defined-benefit plans in the financial statements 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 accrued in the financial period in which they occur.

The adoption of the new standard had the following impacts:

a. *At 1 January 2017: an increase of € 36 thousand in the employee severance pay liability, an increase of € 9 thousand in deferred tax assets and an impact of € 27 thousand through opening Equity;*

b. *At 31 December 2017: the recognition of negative actuarial gains of € 1,264 directly in equity, an increase of € 1,388 in the profit for the year, net of the tax effect of € 438. Based on the adjustments described above, the provision for Employee Severance Pay showed a total increase of € 36 thousand.*

13. **Discounting-back of the Receivable due from the parent company Tremagi SA** While the Italian GAAPs allowed for the application of the amortised cost to account for financial assets arising after 2016, the international accounting standards do not provide for this exception: the Company has therefore applied this criterion to the receivable that was claimed from the parent company Tremagi SA. The impact of this accounting method through equity is due to the fact that this loan is non-interest bearing.

The adoption of the new standard had the following impacts:

- At 1 January 2017: a decrease of € 129 thousand in the receivable, an increase of € 37 thousand in deferred tax assets, and an impact of € 92 thousand through the opening Equity;

- At 31 December 2017: A positive effect of € 36 thousand on the profit for the period, net of a tax effect of € 15 thousand. The decrease in the receivable compared to the corresponding value at 1 January 2017 for IAS/IFRS purposes is therefore equal to € 51 thousand.

IAS/IFRS STATEMENT OF FINANCIAL POSITION AT 1 JANUARY 2017 AND 31 DECEMBER 2017

In addition to the statements of reconciliation provided in the paragraph above, the Balance Sheets at the transition date (1 January 2017) and at 31 December 2017 are also provided below. The following information is provided in the statements:

h. values according to the Italian GAAPs, as reclassified in order to bring them into line with the IAS/IFRS financial statement schedules;

i. adjustments for compliance with the IAS/IFRS;

j. values according to the IAS/IFRS.

Furthermore, appropriate explanatory notes were prepared, which provide disclosures on the effects recognised over the three periods subject to transition for each of the items that reported adjustments following the adoption of the IAS/IFRS.

It should be noted that the columns of OIC 01/01/2017 and 31/12/2017 have been "reclassified" according to the IFRS balance sheet.

IAS/IFRS STATEMENT OF FINANCIAL POSITION AT THE TRANSITION DATE (1 JANUARY 2017)

TREMAGI SRL	Statement of financial position			
€	OIC 01/01/2017	IAS/IFRS adjustments 01/01/2017	IAS/IFRS 01/01/2017	Notes
Non-current assets				
Property, plant and equipment	23.359.413	(12.827.919)	10.531.494	**1**
Investment property	0	13.905.439	13.905.439	**1**
Intangible assets	1.647.302	(1.454.077)	193.225	**1**
Equity investments	6.636.563	0	6.636.563	
Non-current financial assets	5.060.172	(128.876)	4.931.296	**2**
Deferred tax assets	0	45.548	45.548	
Total non-current assets	**36.703.451**	**(459.885)**	**36.243.566**	
Current assets				
Inventories	0	0	0	
Trade receivables	145.270	0	145.270	
Current tax assets	84.794	0	84.794	
Derivative assets	0	0	0	

TREMAGI SRL	Statement of financial position			
€	OIC 01/01/2017	IAS/IFRS adjustments 01/01/2017	IAS/IFRS 01/01/2017	Notes
Other current assets	186.981	0	186.981	
Cash and cash equivalents	31.633	0	31.633	
Total current assets	**448.677**	**0**	**448.677**	
TOTAL ASSETS	**37.152.127**	**(459.885)**	**36.692.243**	
		(2.194.771)	36.692.243	
Quota capital	2.000.000	0	2.000.000	
Reserves	26.009.916	(387.939)	25.621.977	
Profit (loss) for the year	3.519.909	0	3.519.909	
Group equity	31.529.825	(387.939)	31.141.886	
Minority interests	0	0	0	
Total equity	**31.529.825**	**(387.939)**	**31.141.886**	**3**
Non-current financial liabilities	1.448.104	0	1.448.104	
Employee severance pay and other benefits	290.184	35.938	326.123	**4**
Provisions for risks and charges	0	0	0	
Deferred tax liabilities	978.143	(107.884)	870.259	
Other non-current liabilities			0	
Total non-current liabilities	**2.716.432**	**(71.945)**	**2.644.487**	
Current financial liabilities	683.144	0	683.144	
Trade payables	1.674.166	0	1.674.166	
Tax payables	328.228	0	328.228	
Derivative liabilities	0	0	0	
Other current liabilities	220.333	0	220.333	
Current liabilities	**2.905.871**	**0**	**2.905.871**	
Total Equity and liabilities	**37.152.127**	**(459.885)**	**36.692.243**	

IAS/IFRS STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017 - HIGHLIGHTING IAS/IFRS ADJUSTMENTS

TREMAGI SRL	Statement of financial position			
€	OIC 31/12/2017	IAS/IFRS adjustments 31/12/2017	IAS/IFRS 31/12/2017	Notes
Non-current assets		31/12/2017		
Property, plant and equipment	24.433.619	(12.958.919)	11.474.700	**1**
Investment property	0	13.905.439	13.905.439	**1**
Intangible assets	1.492.739	(1.225.313)	267.426	**1**
Equity investments	7.077.956	0	7.077.956	
Non-current financial assets	5.000.000	(77.729)	4.922.271	**2**
Deferred tax assets	0	30.855	30.855	
Total non-current assets	**38.004.314**	**(325.667)**	**37.678.647**	
Current assets			0	
Inventories	0	0	0	
Trade receivables	548.239	0	548.239	
Current tax assets	44.427	0	44.427	
Derivative assets	0	0	0	
Other current assets	208.027	0	208.027	
Cash and cash equivalents	51.012	0	51.012	
Total current assets	**851.705**	**0**	**851.705**	
TOTAL ASSETS	**38.856.019**	**(325.667)**	**38.530.352**	
Quota capital	2,000,000	0	2,000,000	
Reserves	29,529,825	(389,204)	29,140,621	
Profit (loss) for the year	1,782,932	107,636	1,890,568	
Group equity	33,312,757	(281,567)	33,031,189	
Minority interests	0	0	0	
Total equity	**33,312,757**	**(281,567)**	**33,031,189**	**3**
Non-current financial liabilities	1,666,452	0	1,666,452	
Employee Severance Pay and other benefits	321,406	35,775	357,181	**4**
Provisions for risks and charges	0	0	0	
Deferred tax liabilities	978,143	(79,874)	898,269	

TREMAGI SRL	Statement of financial position			
€	OIC 31/12/2017	IAS/IFRS adjustments 31/12/2017	IAS/IFRS 31/12/2017	Notes
Other non-current liabilities	0	0	0	
Total non-current liabilities	**2,966,001**	**(44,099)**	**2,921,902**	
Current financial liabilities	723,474	0	723,474	
Trade payables	1,388,905	0	1,388,905	
Tax payables	86,164	0	86,164	
Derivative liabilities	0	0	0	
Other current liabilities	378,718	0	378,718	
Current liabilities	**2,577,261**	**0**	**2,577,261**	
Total Equity and liabilities	**38,856,019**	**(325,667)**	**38,530,352**	

Notes to the IAS/IFRS adjustments. The explanatory notes relating to the IAS/IFRS adjustments are described below for each Balance Sheet item at 31 December 2017:

1. **Property, plant and equipment, Investment Property and Intangible Assets**. The Company has reclassified, among investment property, the properties owned for investment purposes and located in Carloforte and Fossombrone, as well as the costs incurred for the acquisition of an additional residential property located in Fossombrone, for which a preliminary purchase contract has been entered into, but for which the notarial deed has not yet been drawn up. In relation to this property, the Company has incurred costs for leasehold improvements equal to € 1,454 thousand at 1 January 2017, which have also been reclassified to investment property. Therefore, property, plant and equipment continue to classify only the properties that are functional to the company's business, including those used by employees and directors. The total amount of investment property is then equal to € 13,905 thousand (the same value at 1 January 2017 and at 31 December 2017).

2. **Other non-current assets.** They recorded a change due to the discounting-back of the receivable claimed from parent company Tremagi SA.

3. **Equity.** For the composition of IAS adjustments, reference should be made to the information provided in the related paragraph.

4. **Non-current liabilities.** The Company has made additions to the provision for Employee Severance Pay (TFR) according to the calculation required by IAS 19 R, for a negative impact on equity which was equal to € 27 thousand at 1 January 2017, net of a tax effect of € 9 thousand. The Provision for Employee Severance Pay at 1 January 2017 then showed an increase of € 36 thousand (the same impacts at 31 December 2017).

IAS/IFRS INCOME STATEMENT AT 31 DECEMBER 2017

To complete the disclosure concerning the reconciliation of the financial statement data according to the Italian GAAPs with those resulting from the adoption of the IAS/IFRS, the Income Statement for the period from 1 January to 31 December 2017 is provided below, complete with the following information:

k. values according to the Italian GAAPs, as reclassified in order to bring them into line with the IAS/IFRS schedules;

l. adjustments for compliance with the IAS/IFRS;

m. values according to the IAS/IFRS.

Furthermore, appropriate explanatory notes were prepared, which provide disclosures on the effects recognised over the period in question for each of the items that reported adjustments following the adoption of the IAS/IFRS.

It should be noted that the column of OIC 01/01/2017 has been "reclassified" according to the IFRS income statement.

TREMAGI SRL	Income statement			
€	OIC 31/12/2017	IAS/IFRS adjustments 31/12/2017	IAS/IFRS 31/12/2017	Notes
Revenues from sales and services	**4.039.600**	**0**	**4.039.600**	
Other revenues and income	**905.291**	**0**	**905.291**	
Total revenues	**4.944.891**	**0**	**4.944.891**	
Costs for raw materials	(27.975)	0	(27.975)	
Costs for services	(2.673.004)	260.000	(2.413.004)	**1**
Other operating costs	(79.009)	0	(79.009)	
Personnel costs:	(1.823.857)	(254.237)	(2.078.094)	**1**
Amortisation of intangible assets	(199.996)	97.764	(102.232)	**2**
Depreciation of property, plant and equipment and investments	(208.593)	0	(208.593)	
Provisions and impairment	0	0	0	
Operating profit (loss)	**(67.543)**	**103.527**	**35.984**	
Income and costs from equity investments		0	0	
Financial income and costs	1.909.356	47.211	1.956.567	**3**
Profit (loss) before tax	**1.841.813**	**150.737**	**1.992.550**	
Taxes	(58.881)	(43.101)	(101.982)	
Profit (loss) for the year	**1.782.932**	**107.636**	**1.890.568**	
of which Profit (loss) attributable to minority interests	*-*	*-*	*0*	
of which Profit (loss) attributable to the Group	***1.782.932***	***107.636***	***1.890.568***	

Notes to the IAS/IFRS adjustments. The explanatory notes relating to the IAS/IFRS adjustments are described below for each item of the Income Statement concerned:

6. **Costs for services and Personnel costs.** These items include the reclassification, from costs for services to personnel costs, concerning the fees due to directors for an amount of € 260 thousand. Personnel costs also include the impact of accounting for the Employee Severance Pay (TFR) as required by IAS 19 for an amount of about € 6 thousand.

7. **Amortisation, depreciation and write-downs.** Amortisation and depreciation recorded a reduction of € 98 thousand due to the failure to amortise costs for improvements made to the property located in Fossombrone, for which the notarial deed has not yet been drawn up and has been reclassified to investment property under construction. According to the Italian GAAPs, (OIC), these costs were reclassified as "leasehold improvements" among intangible assets and were then subject to amortisation. According to IAS/IFRS, these costs must be directly charged to the asset to which they relate and, therefore, they have been also reclassified to investment property under construction. These reclassification has then entailed the failure to depreciate them during the period according to the accounting treatment adopted.

8. **Financial income and costs.** An income of € 47.2 thousand, mainly resulting from the application of the amortised cost to the financial receivable due from Tremagi SA.

THE TABLE BELOW REPORTS THE CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2017, WHICH TAKES INTO ACCOUNT THE CASH FLOWS ADJUSTED FOLLOWING THE ADOPTION OF IAS/IFRS.

TREMAGI SRL	Cash Flow Statement		
	TREMAGI SRL		
€	Italian GAAPs	IAS/IFRS Adjustments	IAS/IFRS
Profit (Loss) for the period	**1,782,933**	**107.636**	**1.890.569**
Income taxes	58.881	43.101	101.982
(Dividends)	- 2.000.000		- 2.000.000
Interest expense	91.221	3.936	95.157
Interest (income)	- 589	- 51.147	- 51.736
(Capital gains)/losses from disposal of assets			-
1. Profit (loss) for the year before income tax, interest, dividends and capital gains/losses from disposal	**- 67.554**	**103.527**	**35.973**
			-
Adjustments for non-cash items without a contra-entry in Net Working Capital			-
Accrual to Provisions	-		-
Accrual to the Provision for Employee Severance Pay	95.030	- 5.763	93.203
Accrual to the Provision for Bad Debts	-		-
Amortisation and depreciation of fixed assets	408.589	- 97.764	310.825

TREMAGI SRL	Cash Flow Statement		
	TREMAGI SRL		
Value adjustments to derivative financial assets and liabilities that do not involve cash movements			-
Other non-cash adjustments	-		-
Total non-cash adjustments	503.619	-103.527	404.028
2. Cash flow before changes in Net Working Capital	**436.065**	**-**	**436.065**
			-
Changes in net working capital			-
Decrease/(Increase) in inventories	-		-
Decrease/(Increase) in receivables from customers	- 6		- 6
(Decrease)/Increase in payables to suppliers	173.271		173.271
Decrease/(Increase) in accrued income and prepaid expenses	- 22.110		- 22.110
(Decrease)/Increase in accrued expenses and deferred income	4.920		4.920
Other changes in Net Working Capital	- 861.431		- 861.431
Total changes in Net Working Capital	- 705.356		- 705.356
3. Cash flow after changes in Net Working Capital	**- 269.291**		**- 269.291**
Other adjustments			-
Interest collected	588		588
Interest (paid)	- 68.398		- 68.398
Dividends collected	1.600.000		1.600.000
(Income taxes paid)	- 116.231		- 116.231
(Use of provisions)			-
(Use of the Provision for Employee Severance Pay)	- 58.165		- 58.165
(Use of the Provision for Bad Debts)	-		-
Total other adjustments	1.357.794		1.357.794
Cash flow from operating activities (A)	1.088.503		1.088.503
B) Cash flows from investing activities			**-**

TREMAGI SRL	Cash Flow Statement		
	TREMAGI SRL		
Property, plant and equipment and intangible assets (investments)	- 1.332.631		- 1.332.631
Property, plant and equipment and intangible assets (disinvestments)			
Non-current financial assets (investments)	- 52.600		- 52.600
Non-current financial assets (disinvestments)	60.000		60.000
Cash flow from investing activities (B)	- 1.325.231		- 1.325.231
C) Cash flows from financing activities			**-**
Borrowed capital			-
Increase (decrease) in short-term payables to banks	268.342		268.342
Payables to other lenders	- 4.922		- 4.922
			-
Net worth			-
(Dividends (and advances) on dividends) paid	-		-
Cash flow from financing activities (C)	263.420		263.420
Other changes	- 7.313		- 7.313
Increase (decrease) in cash and cash equivalents (A+B+C)	19.379	-	19.379
Net cash and cash equivalents at the beginning of the period	31.633	-	31.633
Net cash and cash equivalents at the end of the period	51.012	-	51.012
Change in net cash and cash equivalents	19.379	-	19.379

BOARD OF STATUTORY AUDITORS' REPORT

TREMAGI S.r.l. società a socio unico

** ** **

RELAZIONE DEL COLLEGIO SINDACALE

al BILANCIO AL 31/12/2018

Signori soci,

con la presente relazione il Collegio Sindacale riferisce sulla propria attività per l'esercizio chiuso al 31 dicembre 2018, 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 per la prima volta secondo i principi contabili internazionali ISA/IFRS. Ai fini comparativi sono stati riclassificati i dati corrispondenti dell'esercizio precedente in conformità ai predetti principi contabili internazionali ISA /IFRS. In appendice al bilancio sono riportati gli effetti della transizione ed i prospetti di riconciliazione previsti dal IFRS 1.

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;

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;

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 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 2018 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.

Il Collegio Sindacale ha rinunciato ai termini previsti dall'art.2429 Codice Civile per la messa a disposizione del bilancio da parte del Consiglio di Amministrazione.

Per quanto precede il Collegio Sindacale esprime parere favorevole all'approvazione del bilancio d'esercizio al 31 dicembre 2018 e non ha obiezioni da formulare in merito alla proposta di destinazione dell'utile.

Bologna, 30/4/2019

Il Collegio Sindacale

Andrea Berti – Presidente

Alberto Collina – Sindaco Effettivo

Sara Businelli – Sindaco Effettivo

INDEPENDENT AUDITORS'REPORT

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the sole Shareholder of
Tremagi Srl

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Tremagi Srl (hereinafter also the "Company"), which comprise the statement of financial position as of 31 December 2018, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flows statement for the year then ended and the explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other aspects

The financial statements present for comparative purposes the previous year figures prepared in compliance with international accounting standards deriving from the financial statements as of 31 December 2017 drawn up in compliance with the Italian laws governing the criteria for their preparation. Appendix "Tremagi S.r.l.'s transition to IAS/IFRS" to the explanatory notes shows the effects of the transition to the International Financial Reporting Standards adopted by the European Union and includes the information related to the reconciliation statements envisaged by IFRS 1.

pwc

The Company, as required by law, has included in the notes to the financial statements the key figures of the latest financial statements of the entity which directs and coordinates its activities. Our opinion on the financial statements of Tremagi Srl does not extend to those figures.

Responsibilities of the Directors and the board of statutory auditors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the Directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- We concluded on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The Directors of Tremagi Srl are responsible for preparing a report on operations of the Company as of 31 December 2018, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Tremagi Srl as of 31 December 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of Tremagi Srl as of 31 December 2018 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bologna, 30 April 2019

PricewaterhouseCoopers SpA

Signed by

Roberto Sollevanti
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers


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