ENOI S.P.A.

Independent auditor’s report, pursuant to art. 14 of Legislative Decree 27 January 2010, no. 39

Financial statements at 31 March 2020

Ref. no. RC108152020BD0373

This report has been translated into English from the original, that was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

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Independent auditor's report

pursuant to art. 14 of Legislative Decree 27 January 2010, no. 39

To the Shareholders of
ENOI S.p.A.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of ENOI S.p.A. (the Company), which comprise the statement of financial position as of 31 March 2020, the statement of income and the statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 March 2020 and of its financial performance and its cash flows for the year then ended, in accordance with Italian regulations governing financial statements.

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 in accordance with ethical requirements and standards applicable in Italy to the audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of ENOI S.p.A. for the year ended 31 March 2019 were audited by another auditor who, on 11 October 2019, expressed an unmodified opinion on those statements.

Responsibilities of the directors and of the audit committee for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with Italian regulations governing financial statements and, within 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 use of the going concern assumption, as well as for a proper disclosure of matters related to going concern. The directors use the going concern basis of accounting in preparing the financial statements, unless they either intend to liquidate the Company or to cease operations, or have no realistic alternatives but to do so.

The audit committee is responsible for overseeing, within 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 these financial statements.

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. Furthermore:

- we have identified and assessed the risks of material misstatements in the financial statements, whether due to fraud or error; we have designed and performed audit procedures in response to those risks; we have 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 the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- we have 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 have evaluated the appropriateness of accounting principles used, as well as the reasonableness of accounting estimates and related disclosures made by the directors;
- we have reached a conclusion on the appropriateness of the directors' use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubts on the Company's ability to continue as a going concern. If a significant 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 this report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying events and transactions in a manner consistent with a fair presentation.

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

Report on other legal and regulatory requirements

Opinion pursuant to art. 14, paragraph 2, letter e), of Legislative Decree 27 January 2010, no. 39

The directors of ENOI S.p.A. are responsible for the preparation of the report on operations of ENOI S.p.A. as of 31 March 2020, including its consistency with the related financial statements and its compliance with applicable laws and regulations.

We have performed the procedures required by 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 ENOI S.p.A. as of 31 March 2020, and on its compliance with applicable laws and regulations, as well as to declare whether it contains material misstatements.

In our opinion, the report on operations is consistent with the financial statements of ENOI S.p.A. as of 31 March 2020 and complies with applicable laws and regulations.

With respect to the statement pursuant to art. 14 paragraph 2 letter e) of Legislative Decree 27 January 2010, no. 39, issued on the basis of our knowledge and understanding of the entity and its environment obtained in the course of the audit, we have nothing to report.

Milano (Italy), 8 October 2020

BDO Italia S.p.A.

Signed by

Luigi Riccetti
Partner

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ENOI S.P.A.

Tax ID 13107250154 – VAT 13107250154
Piazza Eleonora Duse, 2 20122 Milan
Registered with Economic and Administrative Index (REA) no. MI-1614513
Share Capital €10.200.000 fully paid-up

Report on Operations for the financial statements as at 31/03/2020

Dear Shareholders,

For the year ended 31 March 2020, the company incurred a net loss of €523 thousand, compared with a net profit of €5,013 thousand the previous year. The value of production reached €268,486 thousand compared with €1,439,254 thousand the previous year.

General economic scenario

2019 was marked by a slowdown in the global economy, although increasing signs of stabilisation in the global economic cycle did appear towards the end of the year. The resumption of talks between the US and China, towards the last part of the year, and the non-application of tariffs on US imports of cars and auto parts thereof have given some breathing space to world trade, which, however, remains at relatively low growth rates.
The US is facing a slowdown, with a growth rate of around 2.4%. Gross Domestic Product ("GDP") growth was mainly driven by household consumption, while fixed investments remained substantially stable. Foreign trade has failed to improve and the trade balance remains highly negative, despite the protectionist trade policy implemented by the Trump Administration: the stabilisation of import flows following the increase in duties has in fact been neutralised by the difficulties in growing exports due to the weakness of global trade.
As for the Emerging Markets, the slowdown in China and India continues. China recorded the lowest growth rate since 1992 (6%), also due to the trade war with the US and investments that remain unshakeably weak; at present, the main source of risk is the very high level of debt reached by the economic system and its rapid growth. The economic cycle also remains weak in India. This is mainly due to the heavy slowdown in investment and the contraction of foreign trade, both in terms of exports and imports confirming the sluggish moment of international and domestic demand.
The Russian economy recorded growth, thanks to the strong trend in public spending, private consumption and exports; however, the labour market and wage trends remain weak. Moreover, the decline in inflation below the target level set by the central bank leaves room for further expansionary monetary policy manoeuvres to support growth.
The UK economy shrank a little, but there is no risk of recession, also because of the withdrawal agreement reached with the EU on "Brexit"; this agreement, before the effective exit from the EU, provides for a transition period to a free trade area that will last approximately one year.
In Europe, the pace of expansion has slowed with a growth rate of around 1.1% in 2019 (compared to 2% in 2018) thanks to the positive contribution of domestic demand, while the foreign component is negative. The manufacturing sector is contracting, unlike the services sector, which is still growing. Within the euro area, Germany, together with Italy, is the economy that suffered the most during 2019, while Spain and France pressed on, although both grew at a lower rate than in 2018.
In Germany, growth was sustained mainly by household consumption and public spending. Investments remained stable overall with, in particular, a positive trend for the construction sector and a setback for investment in capital goods; the contraction of the manufacturing sector also continued during the year, while the services sector remained stable.
In France, the domestic demand made the greatest contribution to the economy, sustained by private and public consumption and, especially, by investments, whose across-the-board growth has affected construction, capital

goods and means of transport; the weakness of the manufacturing sector is also consolidated in France, while the growth of the service sector continues at a good pace.
In Italy, growth in manufacturing activity and sales on international markets remained stagnant, with less than impressive results in exports, mainly due to the drop in intra-EU sales. In this scenario, only activities linked to the construction sector have maintained relatively constant growth rates. The end of 2019 and the beginning of 2020 saw a decline in household consumption, with families more inclined to save, and a drop in industrial investment and stocks which have blocked the production plans of companies.
Since March 2020, the global economy has plunged into a deep recession, with significant reductions in GDP in many countries triggered by severe measures for the limitation of the virus adopted by the governments of the most impacted economies; measures that led to the complete closure of production activities in many sectors and a considerable reduction in travel and mobility, with heavy repercussions on economic systems and employment. Borders were closed and global trade, already weak prior to the outbreak of the pandemic, plummeted. At the same time, governments swiftly enacted broad and innovative support measures to soften the impact, by subsidising workers and businesses, while also burdening the public accounts.
In this context, the economic outlook is very much uncertain. Forecasts are different depending on whether we assume a scenario characterised by a second wave of the spread of the virus or one in which that second wave can be avoided: in the first case, the Organisation for Economic Co-operation and Development (OECD) expects a decline in global GDP of 7.6% in 2020 and a level significantly below pre-COVID levels in 2021 as well; and in this first scenario global trade is expected to fall by 11.4%. Forecasts, in the second, more favourable scenario, point to a contraction of 6% in global GDP in 2020, with a nearly complete recovery to the levels prior to the outbreak of the public health emergency by the end of 2021; with regard to global trade, a decline of 9.5% is expected before growth will resume in 2021. The forecasts of the International Monetary Fund (IMF) are more optimistic. Without distinguishing between two possible scenarios, it expects a downturn of 4.9% in global GDP in 2020 (worse than April forecasts by 1.9 percentage points) and growth of 5.4% in 2021.
In the short term, and in any event until a vaccine becomes available, the greatest challenge for national governments will be to stimulate economic recovery while keeping certain containment measures in place, and dealing with the structural changes that have affected entire sectors. This will require a mix of fiscal, monetary and financial policies which help to reallocate resources amongst the sectors; support the income of workers and businesses in precarious conditions; support employment; facilitate business cash flows: all of this to reduce the economic impact of the pandemic crisis to a minimum.

Performance of the markets in which the Company operates

Oil market:

The average price of Brent dropped by 10.3%, falling from 71.5 USD/barrel in 2018 to 64.1 USD/barrel in 2019. Developments in the trade dispute between the United States and China were the main factor driving price changes during the year. In the first four months of 2019 a bullish trend was observed, favoured by a truce in commercial tensions, by new cuts in production decided by OPEC. Since May 2019, oil prices have been tumbling, influenced by the breakdown in trade negotiations between the United States and China, which has led to an escalation of the trade war with both Countries, which have imposed new duties on traded goods. In the last quarter of the year, prices started to rise again, although it was only in December that they were higher than in 2018, supported by the reopening of negotiations between the United States and China, after the two parties had reached a preliminary understanding on the trade agreement in October, which was then finalised at the end of the year. In view of the limited increase in demand, global supply was abundant, mainly as a result of the continued growth in US production, which averaged 12.3 million barrels per day in 2019 and reached a new record level of 12.9 million barrels per day in December. In this context, OPEC and its allies, led by Russia, have decided to continue with the supply reductions and in December they strengthened their commitment, agreeing to increase the size of the cuts in the first quarter of 2020.
The average price of Brent in the first six months of 2020 stood at 42.2 USD/barrel, down 36.2% compared with the same period in 2019.
After a brief upswing early in the year, supported by geopolitical tensions between the United States and Iran, as well as in Libya, since the end of January prices have plunged. The downturns were triggered by excess supply in the market created following the drop in global demand as a result of the COVID-19 pandemic. The introduction of measures to limit the spread of COVID-19, first in China in January, then in Italy at the end of

February, and then all over the world, blocked a number of production activities and limited movements of people and goods, resulting in sharp drop in oil product consumption like never seen before. In the meanwhile, in March the unsuccessful negotiations between the members of the Organisation of the Petroleum Exporting Countries + (OPEC+) for the extension of production cuts expiring on March 31, drove Saudi Arabia to unleash a price war with the announcement of a significant increase in supply for the following month, causing further downward pressure on prices. Against a backdrop of steady decline in demand, which in April recorded a reduction of roughly 27 million barrels/day compared to the same month of 2019, on 12 April during an extraordinary OPEC+ meeting there was a rapprochement between Saudi Arabia and Russia, which resulted in a new agreement to limit the supply, involving a cut of 9.7 million barrels/day in May and June. In the immediate future, despite the unprecedented size of the cuts, the agreement provided no significant support to prices, due to the evidence of a continuing increase in stocks and fears that storage capacity would run out, especially in the US market.

Natural Gas and LNG Market:

Demand for natural gas in 2019 amounted to 73.7 billion cubic metres, up 1.6 billion cubic metres (+2.2%) compared to 2018. This change is mainly attributable to the growth in the thermoelectric sector, which recorded an increase of 2.5 billion cubic metres (+10.4%) compared to the previous year, mainly due to the economic environment, such as the drop in net imports and hydroelectric production due to the reduced availability of water resources with respect to the previous year.
Gas prices on the main European hubs stood at lower levels than 2018, with annual values dipping by around 38% on average. During the year prices recorded negative economic changes in the first three quarters (-23.4%, -27.2% and -22.8% respectively), while an economic increase of 20.6% was recorded in the fourth quarter as a result of the cooler weather in November. The price of gas on the TTF, Title Transfer Facility, the main European reference hub, stood at an average of 13,4 euro/MWh in 2019, compared to the average of 22.5 euro/MWh in 2018, marking a decrease of 40.5%.
Since the start of the year, the increase in global production by the main exporting countries (including the USA) and the weakening of prices on the Asian market, combined with the strengthening of the use of capacity allocation mechanisms by auction, have favoured LNG arrivals, supporting supply. The abundance of LNG flows that has bombarded the European and domestic market, is a phenomenon that has grown strongly in recent years; this has contributed to strong pressure on market prices with a significant reduction in price levels. During 2019, the price of spot gas in Italy, in concert with the movements recorded from other European hubs, marked a 33.6% contraction compared with last year, settling at EUR 17.0 cent /standard cubic meter.
During the first half of 2020, the demand for natural gas in Italy came to around 35.8 billion cubic meters, a decrease of 10.8% compared with the previous year (-4.3 billion m3). All three main consumption sectors showed considerable declines during the period at issue due to the crisis caused by the pandemic as well as temperatures that were significantly higher than seasonal averages in January, February and April.

Electricity market:

In 2019, gross total demand for electric power came to 319.6 TWh, down by 1.8 TWh (-0.6%) compared with the 2018. In seasonally adjusted and calendar and temperature-adjusted terms, the value was essentially unchanged.
In 2019, net production rose by 4.0 TWh (+1.4%), the productive mix of which was characterised by an increase in the thermoelectric contribution of 2.5 TWh (+1.4%). The recovery in thermoelectric production was mainly helped by a 5.7 TWh (-13.0%) drop in net imports compared with 2018 and 2.9 TWh (-5.8%) drop in hydroelectric production, due to the reduced availability of water resources compared with the previous year.
As regards the price scenario, the time-weighted average (TWA) for the Single National Price (Prezzo Unico Nazionale - PUN in Italian) in 2019 was 52.3 euro/MWh, a decrease of 14.7% compared with the previous year (61.3 euro/MWh). This drop in price compared to 2018 falls within a context of lower demand for electricity and lower costs for the main fuels used for thermoelectric generation (gas, coal).
The gross demand for electric power in Italy during the first half of the year totalled approximately 143.5 TWh (TWh = 1 billion kWh), down 8.9% compared to the same period of last year. A large part of the reduction of 14.1 TWh was caused by the impact of the pandemic on national electricity consumption, which recorded a decline of around 13.1 TWh during the worst period of the outbreak, from March to June.

General business performance

Turnover and sales:
Turnover for the gas business totalled €1.3 billion and the volumes traded came to 1.38 billion standard cubic metres; turnover for the power business totalled €29 million and trading volumes reached 613 thousand MWh. Gas turnover dropped by 82% compared with the previous year due to the reduction in volumes and the average selling price. Power turnover dropped by 78% compared with the previous year, due to the reduction in volumes and the average selling price. The contraction in gas volumes is linked to the transfer of the business unit to the subsidiary Alpherg, which resulted in the downsizing of Enoi's operations. Enoi still carries out some operations for which Alpherg has yet to obtain licenses, permits, or where it has better positioning.

Gas and power, transmission and storage portfolio
The portfolio of gas and power procurement comprises short-term purchase contracts; there are no contracts spanning multiple years. These are mainly spot contracts to buy and sell certain counterparties including Alpherg and for using the transmissions in the portfolio. The transmission and storage portfolio instead comprises mostly multi-year contracts. The multi-year transmission portfolio for the year just ended had a capacity of 1.9 billion cubic metres. These were used with spot logic in the purchase and sale of gas, i.e. the capacity was transferred on a monthly basis at market values to other companies. The storage portfolio comprises multi-year capacity in Germany for volumes of approximately 0.13 billion cubic metres per year. The storage capacity was transferred in full before the start of the season to other operators, maximising the market spread and optional value.

Financial performance and position

Key financial figures

The Company's reclassified income statement is presented below on a comparative basis with that for the previous year (amounts are stated in Euro thousands):

€'000	31/03/2020	31/03/2019
Net revenues	268,974	1,441,427
Cost of sold goods	(272,486)	(1,431,381)
Derivative financial instruments	912	2,780
Value of operative production	**(2,601)**	**12,826**
Overheads	(3,010)	(5,906)
Gross operating margin (EBITDA)	**(5,611)**	**6,921**
Amortisation, depreciation, write-downs and provisions	(971)	(565)
Financial income and expense	444	(1,614)
Extraordinary income / (losses)	(65)	16
Result before tax	**(6,202)**	**4,758**
Income taxes	5,678	255
Net result	**(523)**	**5,013**

The decrease in revenues was due to the development path chosen by the Group. At present, turnover is generated by several trading activities in addition to those related to transmissions in the portfolio. The volumes of gas traded fell significantly compared with the previous year. A substantial increase in turnover is not expected in the coming years unless new activities are introduced.
91% of turnover was achieved on export markets (in particular Holland, Germany and Austria) and 9% on the Italian market.
The value of production during the year (revenues from gas and *power* sales net of costs incurred for purchases of raw material, transmission and storage costs, and other service costs) came to a negative €2.6 million. In general, the result was affected by the unfavourable performance of some location spreads during the year, although there is the positive impact of the sale of storage capacity for the 2020/21 financial year to consider.
Overheads were on average higher than in previous years due to non-recurring costs such as legal fees for

arbitration on multi-year contracts and some financial advisory services.
In application of accounting standard OIC 32, at year end, a provision of €737 thousand was set aside for derivatives not considered as hedges by the accounting standard. The amount was booked to item "D) Financial asset adjustments". This same item also includes the release of provisions made last year in the amount of €175 thousand.
"Amortisation/depreciation, impairment and provisions" includes amortisation/depreciation for the period in the amount of €204 thousand, the prudent provision made for the impairment of the equity investment held in Enoi Energie GmbH for €100 thousand, the provision for doubtful debt in the amount of €67 thousand, and the provision for risks in the amount of €600 thousand. This latter represents an estimate of the losses that could be recorded over the coming years by the negative performance of certain multi-year transmission and storage contracts.

Financial income and expense were as follows:

€'000	**31/03/2020**	**31/03/2019**
Financial income	793	575
Financial expenses	(465)	(2.158)
Exchange profit & loss	116	(31)
Total	**444**	**(1.614)**

Financial expense including factoring commission in the period under review came to €-465 million (€- 2.1 million last year) and decreased by 78.5% followingthe reduction in the use of bank credit facilities.

"Net contingencies" include costs and revenues relative to previous years.

Main balance sheet figures

The company's reclassified balance sheet is presented below on a comparative basis with that for the previous year (amounts are stated in Euro thousands).

€'000	**31/03/2020**	**31/03/2019**
Net intangible fixed assets	1,253	1,412
Net tangible fixed assets	3	0
Financia assets	39,855	39,955
Fixed capital assets	**41,110**	**41,366**
Trade receivables third parties	8,637	22,124
Trade receivables Group companies	11,612	64,360
Other receivables	22,219	12,393
Prepayments and accrued income	587	458
Current assets	**43,055**	**99,335**
Trade payables third parties	(6,832)	(27,753)
Trade payables Group companies	(24,797)	(61,769)
Prepayment	(2,039)	(353)
Tax and social securities payables	(67)	(160)
Other payables	(176)	(256)
Accrued expenses and deferred income	(356)	(208)
Current payables	**(34,267)**	**(90,499)**
Net working capital	**8,788**	**8,836**
Employee leaving indemnity	(51)	(35)
Provision for risck	(6,967)	(7,135)
Non current payables	**(7,019)**	**(7,171)**
Invested capital	**42,880**	**43,032**
Shareholder's equity	(48,755)	(44,477)
Net long term financial position	5,395	7,622
Net short term financial position	480	(6,178)
Equity and net financial indebtness	**(42,880)**	**(43,032)**

Fixed capital, in the amount of €41.1 million, decreased mainly as a result of:

- impairment of the equity investment held in Enoi Energie GmbH for €100 thousand;
- amortisation/depreciation of fixed assets for €204 thousand;
- acquisitions of intangible and tangible fixed assets for €48 thousand.

For more information, please refer to the Notes.

The provisions for risks and charges include the provision for derivatives (€5.7 million for hedging instruments), €719 thousand for the deferred tax provision, and €600 thousand for a provision made for risks relating to the estimate of costs that could arise from an ongoing dispute with a third party.

Shareholders' Equity came to €48.7 million (€44.5 million last year) and decreased due to the loss for the year of €523 thousand and increased due to the change in the reserve for projected cash flow hedges, which increased from a negative €3,467 thousand as at 31 March 2019 to a positive €1,634 thousand at 31 March 2020.

Details of the net financial position at 31/03/2020 determined by the Directors are shown below (in Euro thousands).

€'000	**31/03/2020**	**31/03/2019**
Liquid funds	2.746	5.941
Financial receivables third parties	6.452	7.241
Financial receivables Group companies	10.136	8.312
Other financial assets	5	5
Liquid funds and financial receivables	**19.339**	**21.499**
Amounts due to banks (within 12 months)	(3.073)	(4.820)
Financia payables Group companies	(15.786)	(22.857)
Financial debts (within 12 months)	**(18.859)**	**(27.677)**
Net financial position (within 12 months)	**480**	**(6.178)**
Financial receivables third parties (due after one year)	5.395	7.622
Net financial position (due after one year)	**5.395**	**7.622**
Net financial position	**5.875**	**1.444**

The positive net financial position for €5.9 million includes not only cash held at banks and bank payables relative to overdrafts granted, but also:

- financial receivables due from third parties for €6.5 million (which include: deposits held with third parties to hedge margin calls and security deposits held by third parties for a total of €1.6 million, the receivable due for excise duty refunds following the disposal of end customer business of €2.4 million and the short-term financial receivable due to Compago for €2.5 million);
- the financial receivable due to the subsidiary Spienergy, aimed at supporting the power business, of €10.1 million;
- financial payable due to the subsidiary Alpherg for 15.8 million, accrued through a portfolio management contract that Alpherg entered into with ENOI on gas market areas and the power portfolio in which Alpherg has never, since the very beginning, been present.
- the long-term financial receivable due to Compago for €4.7 million;
- the medium/long-term security deposits of €688 thousand.

Subsequent events

In July 2020, the Company sold to the company COMPAGO S.r.l. its stake in Compagnia Energetica Italiana S.p.A., representing 19% of the share capital with a book value of €875 thousand.
There may be a substantial change in the activities carried out by the branch ENOI CZ. The end customer portfolio has become less strategic within the group so contracts were not renewed for the coming years. The possibility of becoming a sales consultant for other companies is currently being assessed.

In July 2020, the articles of association were amended to include the participation in the wholesale telecom market, in particular for voice, SMS and data services. To test the waters, the Company could start this activity to check whether the right conditions exist in its trading and business culture for the development of the portfolio, as already experimented by other companies in the energy sector.

Outlook

Following the reorganisation of the Group, Enoi will continue to trade in gas with a view to optimising its medium/long-term assets (storage and transmission), having sold the portfolio to the subsidiary Alpherg.
A financial/economic valuation is under way on the opportunity to develop, also by way of a partnership, of a LNG portfolio on spot markets.
It is noted that thanks to the improvement in spreads, already since last year, Enoi has transferred its storage capacity for FY 2020/21 in relation to two long-term contracts, achieving a positive result.
Enoi’s turnover may settle at around €250 thousand in the year ending at 31 March 2021.
COVID-19 is not expected to have an impact on ENOI, owing to the nature of its business and the fact that it does not have end customers.
The subsidiary Alpherg is mainly focussed on marketing natural gas and downsizing the power business. It has completed a good part of the sales campaign for the next heating season and, as a result, the procurement of natural gas for its gas client portfolio.
The subsidiary Marketz offers high value-added services for managing the gas and power portfolio mainly of the Group companies. It provides operations, logistics and IT system services to the Group and third parties. This makes it possible to rely on a highly professional service at optimised fixed costs also for Enoi.
Instead, after the September 2018 sale of Spienergy's end customers business unit, Spienergy will continue to be the supplier only for the residual power portfolio, reducing its financial commitments, which at present are still high since they stem from the end customer target.
In general, the income situation of the Group, as well as of the Company, should improve in the years to come with the development of the subsidiaries and with the drop in the volumes of long-term contracts since some are coming to an end.

Governance and organisational context

During the year, the Company continued to review its governance system and to seek to recover the efficiency of its organisational structure, both for the parent company and subsidiaries. In particular, attention was paid to reviewing and improving the risk measurement and management procedures, to developing the Planning and Control (Management Control) Department and improving the counterparty risk management tools.
Please note that the Company has adopted an Organisational, Management and Control Model pursuant to Italian Legislative Decree no. 231/01 (the “Model”), which is periodically updated in line with corporate and legislative evolution.
Moreover, the company has established and appointed its own Supervisory Body (“SB”), a single-member external body that reports to the Board of Directors whose main duty is to oversee the implementation of the company's compliance Model, its adequacy and any opportunities for update.
At the same time as adopting the above “Model”, the Company also adopted a Code of Ethics setting out the general ethical principles, the reference values, i.e. the rules of conduct towards the main stakeholders. The document has been prepared to make sure that the Group's fundamental ethical values are clearly defined and constitute the basic element of the business culture, as well as the standard of conduct of all its collaborators in carrying out business and their activities.

Risk management

Information is provided below on the use of financial instruments, insofar as relevant to the valuation of the equity and financial position and risk profile.
During the year, the company contracted several derivatives for the purchase and sale of gas and power in order to make up for fluctuations in gas and power prices. Additionally, forward currency purchase and sale contracts have been concluded in order to make up for the change in exchange rates. The derivatives are not,

therefore, used for speculation, but rather to hedge business risks.
Exposure to financial risks is monitored every day through observation of the purchases/sales portfolio and the impacts on financial exposure (liquidity) it may have. More specifically, the portfolio make-up and changes are identified in respect of changes in currencies or the commodities natural gas and power.

Main business risks

The Company operates in the trading and supply of natural gas with the respective optimisation of the portfolio-based facilities such as storage and transmission, electricity and the remaining part of oil. The main risk classes can be traced to the following categories:

- Market risk: performance of energy commodity prices
- Exchange rate risks, in particular GBP/€on some transmissions related to the UK.
- Credit risk: counterparty breach of contract, deterioration of the credit rating.
- Liquidity risks: financial tension with difficulties experienced in efficiently managing unforeseen positive and negative cash balances.

Market risk and exchange rate risk

The Company has IT methods and systems to monitor exposure to the commodity and exchange risk every day. A synthetic risk indicator (the "VAR") is then adopted, calculated on the company's and subsidiaries' total portfolio and every day, a portfolio result is calculated with the related parameters of sensitivity and exposure to risk.
For the price risk and exchange rates risk, the company adopts a prudent line regarding the managerial risk, calibrating purchases (for example a mix of fixed price spot contracts) with sales. Where necessary and in line with the corporate policies, the company uses hedging instruments, including derivatives, exclusively in order to manage and mitigate risk.

Credit risk

The credit risk is the Company's exposure to potential losses arising from counterparties failing to fulfil their obligations.
Please note that having transferred the business unit to the subsidiary Alpherg, this risk, at present, for Enoi is downsized insofar as it today only performs transactions to optimise assets mainly on the stock market and/or with recognised market operators.

Liquidity risk

The liquidity risk is the risk that the company is unable to obtain the necessary sources of finance to meet its financial commitments.
As at 31/03/2020, the Company has credit facilities of €26 million, which can be used by it and by the subsidiary Alpherg, to which it has handed over almost all its operations.
The Company believes it is able to cope with its financial commitment and adequately mitigate the liquidity risk, insofar as:

- it has adequate credit facilities that have been resolved but not drawn down.
- it expects to reduce its need for such facilities following the reduction in its operations.

Current financial liability includes advances on invoices and loans with a maximum term of 60 days and to date have been fully repaid.

Hedging policies

In order to minimise the exposure due to the fluctuation in commodity prices (oil and derivatives) and exchange rates (in particular the dollar, English pound sterling and Swiss franc), the Company hedges its portfolio.
This generates gains or losses that can be booked under "*gas, power and currency hedges*", which has a neutral effect on the period pre-tax result; in actual fact, the hedge expresses an opposite sign to the physical contract (purchase or sale of commodity) to which it is directly correlated.

Main disputes in progress

The main disputes in progress involving the Company refer to regulatory matters and arbitration involving a German storage company applicable to a multi-year contract.

Dispute relating to imbalance activities for 2012, 2013 and 2014

In its judgement no. 1621/2018, the Regional Administrative Court of Milan judged the Resolution passed by the Italian Regulatory Authority for Electricity Gas and Water (AEEGSI) no. 333/2016/R/EEL to be lawful, along with the subsequent implementing provisions, through which:

- the Authority introduced regulations governing the imbalances seen during the period running between 2012 and 2014;
- it subjected Enoi to sample checks amongst the various market operators;
- it required Enoi, for the reference period and by way of imbalance, to pay prices of 508,753 euros, which Enoi paid in three instalments with reservation.

Enoi took action, appealing to the Council of State to reform the judgement of the Regional Administrative Court of Milan of 29 June 2018, no. 1621/2018, which was deposited on 20 October 2018. At present, the date of the hearing has yet to be set; it is likely to be scheduled for next year.
In the event of a successful outcome to the judgement, Enoi will earn the right to have the amount already paid, returned.

Dispute relating to imbalance activities for 2015 and 2016

As regards the regulations governing imbalances for 2015 and 2016, the ARERA has issued resolutions no. 342/2016/E/eel and no. 530/2017/E/eel respectively setting out (i) the "Start of proceedings for the timely adoption of prescriptive measures and the assessment of potential wholesale electricity market abuse in accordance with Regulation (EU) no. 1227/2011 ("REMIT"); and (ii) the "Adoption of a prescriptive order in regard to an input and withdrawal dispatching user in respect of non-diligent planning strategies under the scope of the dispatching service (proceedings started with Authority resolution 342/2016/E/eel) to relieve consumers". Resolution 530/2017 assigned the Company terms of 30 days within which to submit its observations on the prescriptive measures proposed. On 25.08.2017, the Company submitted its observations. The Authority has chosen in any case to issue a prescriptive order forcing Enoi to pay €867,900. The payment order has been suspended by the Council of State with Order no. 4788/2018, in upholding the interim petition lodged in the interests of ENOI. In its judgement no. 1721 of 24 July 2019, the Regional Administrative Court of Milan settled the proceedings, rejecting the Company's petitions. The Company brought an appeal before the Council of State, entered under Gen. Reg. no. 7237/2019, asking that the judgement to be suspended as a precautionary measure and the payment order given with the orders encumbered at first instance. In the hearing held on 26/09/2019, the Council of State upheld the petition for interim protection of the Company, suspending all payments, after posting a first-demand guarantee for the entire amount requested. The merit hearing has been scheduled to take place on 26 November 2020. The directors, supported by the opinion of their lawyers, consider the appeal to be based on procedural and substantive and well-founded complaints; hence the Directors have not made any provision, considering the possible risk of losing the case. Moreover, another post balance sheet event was the publication of judgements of the Council of the State, following the in-depth inquiries, which moved in the direction of accepting the complaints made.

Arbitration in relation to a multi-year storage contract

Please note that the company continues to pursue arbitration with a supplier of a multi-year storage capacity in Germany, seeking a major refund of the tariff paid from January 2016. The reason for the request concerned the changed market conditions, considering the existence of an agreement renegotiation clause. Late 2017, the Chairman of the Arbitration Panel was appointed and during the first few months of 2018, the petition for arbitration filed along with the relevant reasons. In May 2019, witness statements were deposited. A favourable outcome in the arbitration proceedings would have resulted in a significant item of income.
After the balance sheet date, on 8 April 2020, the award was filed at the Lipsia Chamber of Arbitration with which the Company's petitions were rejected. The counterparty has yet to launch the proceedings for the recognition and enforcement of the award in Italy (art 839 of the Code of Civil Procedure), as negotiations are under way between the lawyers of the respective companies to reach an amicable solution.

Other information

In accordance with Art. 2428, last paragraph, of the Italian Civil Code, please note that the activities are carried out in the operative offices of Milan, at Corso Europa, 2, and at the secondary office in Prague, Czech Republic, at Šafránkova 1238/1.

Information about the environment and staff

In accordance with Italian Legislative Decree no. 626/94 as subsequently amended (Italian Legislative Decree no. 81/08), the company has adopted the necessary current procedures on prevention and protection in the workplace, as can be seen from the existing "Risk Assessment Document".
During the year, due checks were carried out on the suitability of the workplace with respect to the provisions of law on the assessment of the nature of the risks, the organisation of work and the implementation of preventive and safety measures (fire risk, video terminals, first aid, micro climate) and it is reported that no further investments in safety have been necessary, as the workplace and offices are already compliant with the various requirements.
Regular staff medical check-ups were carried out, as required by the law, in particular following new hires made during the year and the relevant reports were drawn up by the competent bodies.

Staff

During the year, there were no records or reports of:

- injuries and/or incidents of any entity and nature, at the workplace, involving staff on the payroll and as can be seen from checks with INAIL or entities responsible for such reports;
- occupational diseases involving employees or former employees, which can be traced to or were caused directly by the company's business or work-related stress;
- cases of harassment.

Transactions with subsidiary, associated and parent companies, and subsidiaries of parent companies and with related parties

Information is given on transactions with subsidiary, associated and parent companies and subsidiaries of parent companies and with related parties, in the Notes.

Environment

During the year, no damages were caused to the environment neither in connection with nor directly by the company's business, also taking into account the low impact of the business on the environment.
During the year, our company did not receive any fines or penalties for environmental damage or offences.
During the year, no investment was needed in environmental matters.

Research and development

The company has not carried out any research and development (apart from that preliminary and functional to the development of the proprietary information systems) but instead develops a process of continuous and in-depth analysis of the commodity markets in order to support the purchase and sale process and the debt and financial structures able to pursue the operative objectives.

Treasury shares

As at 31 March 2020, the company holds 3,486,809 treasury shares for a value of €11,592,506, booked under the equity item "Negative treasury share reserve".

Milan, 24 September 2020

FINANCIAL STATEMENTS AS AT 31/03/2020

Balance sheet

Assets	31/03/2020	31/03/2019
B) Fixed assets		
I - Intangible fixed assets		
4) Concessions, licences, trademarks and similar rights	783	1,567
7) Other	1,252,345	1,410,225
Total intangible fixed assets	**1,253,128**	**1,411,792**
II - Tangible fixed assets		
4) Other assets	2,662	-
Total tangible fixed assets	**2,662**	**-**
III - Financial fixed assets		
1) Equity investments:		
a) subsidiaries	38,930,000	39,030,000
d bis) other	924,560	924,560
Total financial fixed assets	**39,854,560**	**39,954,560**
Total fixed assets (B)	**41,110,350**	**41,366,352**
C) Current assets		
II - Receivables		
1) Trade receivables		
- due within one year	8,636,877	22,124,260
- due after one year	-	-
2) From subsidiaries		
- due within one year	21,742,803	72,673,077
- due after one year	-	-
4) From parents		
- due within one year	4,736.00	-
- due after one year	-	-
5bis) Tax receivables		
- due within one year	5,418,707	5,974,981
- due after one year	2,597	2,597
5ter) Deferred tax assets		
- due within one year	1,442,639	2,541,131
- due after one year	8,519,302	3,260,532
5 quarter) From others		
- due within one year	4,390,889	7,473,166
- due after one year	5,395,009	7,622,472
Total receivables	**55,553,560**	**121,672,217**
III - Current financial assets		
4) Other investments	4,952	4,952
5) derivative financial instruments receivable	9,047,981	3,381,051
Total current financial assets	**9,052,933**	**3,386,002**
C) IV - Cash and cash equivalent		
1) Bank and postal accounts	2,743,821	5,940,036
3) Cash-in-hand and cash equivalents	2,412	1,171
Total cash and cash equivalent	**2,746,233**	**5,941,208**
Total current assets (C)	**67,352,726**	**130,999,426**
D) Prepayments and accrued income	**586,810**	**457,922**
Total assets	**109,049,885**	**172,823,700**

Balance sheet

Equity and liabilities	31/03/2020	31/03/2019
A)) Net equity		
I - Share capital	10,200,000	10,200,000
II - Share premium reserve	1,430,524	1,430,524
IV - Legal reserve	2,040,000	2,040,000
VI - Other reserves, with separate mention		
- Extraordinary or optional reserve	52,412,002	52,712,002
- Other sundry reserves	13,490	13,490
VII - Reserve for transactions hedging expected cash flows	1,634,450	(3,466,871)
VIII -Profits (losses) carried forward	(6,860,073)	(11,872,779)
IX - Net profit (loss) for the year	(523,329)	5,012,706
X - Negative reserve for own shares	(11,592,506)	(11,592,506)
Total net equity (A)	**48,754,558**	**44,476,566**
B) Provisions for risks and charges		
2) Defferred tax payables	632,470	-
3) Derivative financial instruments payable	5,735,004	6,935,332
4) Other provisions	600,000	200,000
Total provisions for risks and charges (B)	**6,967,474**	**7,135,332**
C) Employees' leaving entitlement	**51,064**	**35,281**
D) Payables		
4) Bank loans and borrowings		
- due within one year	3,073,010	4,819,507
- due after one year	-	-
6) Prepayment		
- due within one year	2,039,423	353,147
- due after one year	-	-
7) Trade payables		
- due within one year	6,831,993	27,753,388
- due after one year	-	-
9) Payable to subsidiaries		
- due within one year	40,583,122	84,456,797
- due after one year	-	-
11) Payables to parents		
- due within one year	-	169,573
- due after one year	-	-
12) Tax payables		
- due within one year	50,529	145,008
- due after one year	-	-
13) Social security charges payable		
- due within one year	16,692	14,890
- due after one year	-	-
14) Other payables		
- due within one year	326,450	3,256,473
- due after one year	-	-
Total payables (D)	**52,921,219**	**120,968,783**
E) Accrued expenses and deferred income	**355,570**	**207,738**
Total Equity and liabilities	**109,049,885**	**172,823,700**

Profit and loss account

	31/03/2020		31/03/2019	
A) Production revenues:				
1) Turnover from sales and services		267,606,651		1,419,746,675
5) Other revenues and income		879,721		19,507,039
Total other revenues and income (A)		**268,486,372**		**1,439,253,713**
B) Production cost:				
6) Raw materials, consumables, supplies and goods		260,206,264		1,392,791,910
7) Services		14,112,323		42,971,642
8) Use of third party assets		433,302		472,336
9) Personnel expenses:		430,833		1,125,032
a) Wages and salaries	*300,328*		*791,413*	
b) Social security contributions	*114,624*		*277,905*	
c) Employees' leaving entitlement	*15,881*		*55,714*	
10) Amortisation, depreciation and write-downs:		270,693		165,110
a)) Amortisation of intangible fixed assets	*203,195*		*158,086*	
b) Depreciation of tangible fixed assets	*412*		*7,024*	
c) Write-down of trade receivables	*67,085*			
11) Change in raw materials, consumables, supplies and goods		-		504,518
12) Provisions for risks		600,000		200,000
14) Other operating costs		326,763		818,651
Total production cost (B)		**276,380,178**		**1,439,049,201**
Operating profit (A-B)		**(7,893,806)**		**204,512**
C) Financial income and charges:				
15) income from equity investments				
- from subsidiaries				114,549
- from others		469,619		70,300
16) Other financial income:				
c) from securities classified as current assets which are not equity investments		98		-
d) other income				
- from others		323,513		389,745
Total other financial income		**793,230**		**574,595**
17) interest and other financial expense				
- from others		376,024		2,060,179
Total other financial expense		**376,024**		**2,060,179**
17-bis) exchange gains and losses		463,003		3,459,024
Total financial income and expense (C)		**880,209**		**1,973,440**
D) Adjustment to financial assets				
18) revaluations:				
d) of derivative financial instruments		911,791		7,443,337
Total		**911,791**		**7,443,336.90**
19) write-downs:				
a) of investments		100,000		200,000
d) of derivative financial instruments		-		4,663,515
Total		**100,000**		**4,863,514.97**
Total adjustment to financial assets (D)		**811,791**		**2,579,822**
Result before taxes		**(6,201,806)**		**4,757,774**
20) income taxes for the year				
- current		-		-
- deferred (prepaid)		(5,501,826)		(254,932)
- taxes from previous years		-		-
- income resulting from compliance with tax consolidation		(176,651)		-
Total taxes for the year		***(5,678,477)***		***(254,932)***
Profi (Loss) for the year		**(523,329)**		**5,012,706**

Statement of Cash Flows

A) Cash flow deriving from income management	**mar-20**	**mar-19**
Profit (loss) for the year	<523,329>	5,012,706
Income tax	<5,678,477>	<254,932>
Interest expense/(interest income)	<880,209>	<1,973,440>
Capital (gains)/Losses deriving from disposal of assets	0	<17,806,340>
1) Profit (loss) for the year before income tax, interest, dividends and capital gains/losses on disposals	**<7,082,015>**	**<15,022,006>**
Adjustments for non-monetary elements which had no equivalent entry in net current assets		
Provisions made	682,967	255,714
Amortisation/depreciation of fixed assets	203,608	165,110
Value adjustments of financial assets and liabilities and of derivative financial instruments entailing no monetary transactions	<911,791>	<2,779,822>
Write-downs from impairment	100,000	200,000
Total adjustments for non-cash items that had no counterpart in net working capital	***74,783***	***<2,158,998>***
2) Cash flow before changes in net working capital	**<7,007,232>**	**<17,181,004>**
Changes in working capital		
Decrease/(Increase) in inventories	-	504,517
Decrease/(Increase) in receivables due from third party customers and subsic	66,169,256	100,434,165
Increase/(Decrease) in payables due to third party suppliers and subsidiaries	<57,893,364>	<87,884,109>
Decrease/(Increase) in accrued income and prepaid expenses	<128,888>	819,126
Increase/(Decrease) in accrued expenses and deferred income	147,833	<307,199>
Other decreases/(Other Increases) in working capital	2,610,361	<1,967,429>
Change in net working capital	***10,905,197***	***11,599,072***
3) Cash flow after changes in net working capital	**3,897,966**	**<5,581,932>**
Other adjustments		
Interest collected/(paid)	1,080,209	2,180,440
(Income tax paid)	-	-
(Use of provisions)	<200,098>	<2,668,711>
Total other adjustments	***880,110***	***<488,271>***
Cash flow from income management (A)	**4,778,076**	**<6,070,203>**
B) Cash flow from investments		
(Increase) decrease in Intangible fixed assets	<44,532>	<469,872>
(Increase) decrease in Tangible fixed assets	<3,075>	29,294
(Increase) Decrease in Financial fixed assets	-	<5,000,000>
Cash flow from investing activities (B)	**<47,606>**	**<5,440,577>**
C) Cash flow from lending		
Third party funds		
Increase/(decrease) in short-term payables to banks	<1,746,497>	<30,688,189>
Increase/(Decrease) in other financial payables/receivables	<5,878,947>	27,024,148
Own funds		
Dividends paid	<300,000>	-
Cash flow from lending (C)	**<7,925,444>**	**<3,664,042>**
Increase/(decrease) in liquid funds (A ± B ± C)	**<3,194,974>**	**<15,174,822>**
Opening cash and cash equivalents	5,941,208	21,116,030
Closing cash and cash equivalents	2,746,233	5,941,208

Notes
to the financial statements as at 31 March 2020

The financial statements as at and for the year ended 31 March 2020 show a profit of €523 thousand, net of amortisation/depreciation and impairment for €271 thousand, provision for risks in the amount of €600 thousand, financial asset value adjustments of €811 thousand and after recognising prepaid tax for €5,502 thousand.

Business

The company ENOI S.p.A. (hereinafter the "Company" and/or "ENOI") has the marketing of natural gas and power as its core business, both in Italy and export, as wholesaler. The company also manages all associated trading and logistics operations, such as transmission and storage, in addition to the management of equity investments.

Group

ENOI is a member of the Alrescha Investimenti Group (hereinafter the "Group").
The Company direct controls the following companies, which carry out commercial businesses that complement the Company's own core business:

- Marketz S.p.A.
- Alpherg S.p.A.
- Spienergy S.p.A.
- ENOI Energie Gmbh

The company Alrescha Investimenti S.r.l., which holds the majority of the shares of ENOI, will draft the consolidated financial statements. For more information, please refer to the paragraph entitled "Basis of presentation".

On 27 August 2012, after having obtained a licence from the competent authorities to operate on the Czechoslovakian gas market, a permanent establishment of ENOI S.p.A. was established in the Czech Republic. Therefore, in this corporate year too, the accounting data of ENOI S.p.A. incorporates the accounting data of the foreign branch.

Significant events during the year

No events considered material occurred during the year.

Significant subsequent events

In July 2020, the Company sold to the company COMPAGO S.r.l. its stake in Compagnia Energetica Italiana S.p.A., representing 19% of the share capital with a book value of €875 thousand.

Business performance and operation as a going concern

As specified above, the financial statements as at 31 March 2020 show a loss of €523 thousand.
As required by the accounting standards and in light of the EBIT achieved, the directors have carefully assessed the suitability of the assumption of operation as a going concern when preparing the financial statements.
In terms of income, comforted by the results expected from the economic and financial plans for the next few years, despite the reduction in the business volumes envisaged as deriving from the conferral which took place last year, the directors believe that they will manage to obtain positive results, also thanks to the Group

reorganisation operations that took place during the last year and which will make a significant contribution towards strengthening the Company's economic, equity and financial position.

From a financial point of view, the company's net financial position has improved with respect to last year, mainly due to the recovery of the financial commitments made for core business (security deposits) transferred to Alpherg starting October 2018 and the improvement in working capital partially offset by the EBIT booked during the year. Taking into account the envisaged reduction of the need for financial backing as a consequence of the mentioned future decline in operations, the Company in any case has sufficient funds and credit facilities authorised and not drawn down to guarantee that it can meet its financial commitments.
Finally, from an equity point of view, we note that the company has equity held to be adequate to its business. In light of the foregoing, the directors have prepared the financial statements considering the business as operating as a going concern.

Basis of preparation

Enoi's financial statements are prepared in compliance with the provisions of Articles 2423 *et seq.* of the Italian Civil Code, interpreted and supplemented by the accounting standards issued by the *Organismo Italiano di Contabilità* (the "OIC Accounting Standards") and comprise the following documents: Balance Sheet, Income Statement, Statement of Cash Flows and Notes prepared in compliance with the provisions of Articles 2424, 2424 bis, 2425 and 2425 bis and ter of the Italian Civil Code.
These Notes are prepared in accordance with the provisions of Articles 2427 and 2427-bis of the Italian Civil Code.
These financial statements have been prepared in compliance with the Italian Civil Code, taking into account the regulatory changes introduced by Italian Legislative Decree no. 139/2015, applicable to financial statements for years starting on or after 1 January 2016 and the consequent update of the Italian Accounting Standards issued by the Organismo Italiano di Contabilità ("OIC").
For each item of the Balance Sheet, Income Statement, Statement of Cash Flows, the corresponding figures for the previous year, are also given. If the items are not comparable, those relating to the previous financial year have been adjusted, providing all relevant comments in the Notes, on the significant circumstances.
The Statement of Cash Flows shows the positive or negative changes to liquid funds recorded during the year and has been prepared using the indirect method, according to the model envisaged by accounting standard OIC 10.
In accordance with Art. 2423, paragraph 5 of the Italian Civil Code, the amounts of the Balance Sheet, Income Statement and Statement of Cash Flows are expressed in "units of euros", while the amounts in the Notes are in thousands of euros, unless otherwise specified; items with a balance of "zero" this year and the previous year are not included in the statements.
In application of the principle of relevance pursuant to Art. 2423, paragraph 4 of the Italian Civil Code, the Notes omit the comments on the items of the financial statements, even if specifically envisaged by Art. 2427 of the Italian Civil Code or other provisions, in cases where the amount of these items and the relative information are irrelevant to providing a truthful and correct representation of the Company's financial and equity position and economic result.
Significant events that took place after year end, related party transactions and the proposed allocation of the period result are described in specific paragraphs of these Notes. Moreover, as a result of the changes made to the financial statements with the abolition of the memorandum accounts in the balance sheet, the total amount of commitments, guarantees and potential liabilities not resulting from the balance sheet, guarantees and potential liabilities not resulting from the balance sheet are described in a specific paragraph of these Notes.
With a view to rationalising and increasing the efficiency of the processes for the preparation of financial statements and in accordance with Article 27 of Italian Legislative Decree no. 127/1991 (paragraphs 3 and 4) and with OIC 27, the Company has availed itself of the exemption from preparing the consolidated financial statements for the financial year ended at 31 March 2020, as the requirements for exoneration from this obligation were met given that consolidated financial statements are prepared at a higher level, including Enoi and its subsidiaries. The Group's consolidated financial statements are prepared by the parent company Alrescha Investimenti S.r.l. (hereinafter "Alrescha"), to which you are referred for more complete information.

Basis of preparation

The items of the financial statements were measured in accordance with general concepts of prudence and accrual basis for accounting, on a going concern basis;
As regards the going concern assumption, account was taken of the specific and extraordinary "Temporary provisions on the principles for the preparation of financial statements" introduced by art. 7 of Law-Decree no. 23 of 8.04.2020, in order to neutralise/mitigate the consequences and repercussions that the public health emergency caused by the COVID-19 pandemic will have on the national and world economy and, as a result thereof, on the financial statements of many companies.
Pursuant to art. 2423-bis, paragraph 1, point 1-bis of the Italian Civil Code, the items were recognised and presented taking into account the substance of the transaction or contract, where compatible with the provisions of the Italian Civil Code and OIC accounting standards.
A standard of prudence was applied resulting in individual measurement of the elements composing the single asset and liability items, to avoid offsetting among losses which should have been recognised and income not to recognise as they were not realised. More specifically, gains are recorded only if they have been realised by the year end date, while account is taken of risks and losses for the year, even if they have come to light subsequent to year end.
The application of the accrual principle meant that the effect of the transactions and the other events has been recorded in the accounts and allocated to the accounting period to which said transactions refer and not to the period when the related collections and payments actually took place.
The accounting principles have not been changed with respect to the previous year, in order to ensure that the company's financial statements are comparable over time.
The preparation of the financial statements requires the use of estimates which affect the reported values of assets and liabilities and the relative financial disclosures. The actual results may differ from these estimates. The estimates are reviewed periodically and the effects of the changes, unless they are due to flawed estimates, have been entered in the income statement in the period for which they are necessary and appropriate, if these changes affect only that year, and also in subsequent years if the changes affect both the current period and those following.

Exceptions

During the year, no exceptional cases arose that would have made recourse to the exceptions to the valuation criteria, pursuant to Article 2423, paragraph 4 of the Italian Civil Code. Also, no revaluations of assets were carried out during the year in accordance with special applicable laws.

Measurement criteria

The criteria applied in the measurement of elements of the financial statements and in the value adjustments comply with the provisions of the Italian Civil Code and the indications contained in the accounting standards issued by the Organismo Italiano di Contabilità (Italian Accounting Standards Setter). They have not changed from those used in the previous year.
Pursuant to article 2427, paragraph 1, no. 1 of the Italian Civil Code, details are provided under the items on the most significant measurement bases adopted in compliance with the requirements laid down in art. 2426 of the Italian Civil Code, with specific reference to those items on the financial statements which by law may be subject to different measurement bases and adjustment criteria or for which no specific criteria are set.
The continuity of application of the accounting policies over time is fundamental for ensuring comparability of the Company's financial statements between different periods.

Intangible fixed assets

Intangible fixed assets are entered, with the consent of the Board of Auditors, where envisaged, at purchase or production cost and stated net of amortisation. The purchase cost also includes accessory costs. The cost of production includes all directly related costs and other costs, for a portion that can reasonably be allocated, relative to the production period and until the point when the fixed asset can be used.

Expenses spanning multiple years, which include start-up and expansion costs and TAG transmission rights, are entered when their future utility is shown, when there is an objective correlation with the related future benefits to be enjoyed by the Company and when their potential recovery can be estimated with reasonable certainty.
Leasehold improvements and incremental expenses are entered amongst intangible fixed assets when they cannot be separated from the assets themselves; otherwise they are entered amongst the specific items of property, plant and equipment.
Intangible assets, comprising concessions, licences and trademarks, are entered under the balance sheet assets only if individually identifiable and the cost can be estimated with sufficient reliability.
Intangible fixed assets are amortised on a straight line basis and the portion of amortisation posted on each year refers to the allocation of the cost incurred over the entire useful life. Amortisation starts when the asset is available and ready for use. The systematic nature of the amortisation is functional to the correlation of the expected benefits.
Intangible fixed assets are amortised on a straight-line basis as follows:

- start-up and extension costs are amortised over five financial years;
- concessions and licences are amortised over three years in connection with their expected duration or in any case with reference to their residual possible use;
- leasehold improvements are amortised over the lesser period between that of future useful life of the expenses incurred and the residual rental term, considering any renewal period if this depends on the tenant;
- expenses incurred for purchasing TAG transmission rights are amortised over twenty years (which is the duration of the contract).

Property, plant and equipment

Property, plant and equipment are recorded at purchase cost, including accessory expenses, and adjusted by the corresponding accumulated depreciation.
Costs incurred to extend, modernise or improve the structural elements of a tangible fixed asset, including the changes made to increase its suitability for the purpose for which it was purchased, are capitalised if they result in a significant, measurable increase in production capacity, safety or useful life. If these costs do not produce such effects, they are treated as routine maintenance and charged to the period income statement.
The portions of depreciation allocated to the income statement have been calculated systematically, using the rates held to be representative of the estimated economic-technical life of the assets.
The annual depreciation rates were as follows: electrical and telephone systems, faxes, computers and air conditioning 20%, motor vehicles 25% and furnishing from 12% to 15%.
Property, plant and equipment classified as held for sale are reclassified amongst current assets only if they can be sold at their current conditions, the sale looks to be highly likely and is expected to be concluded shortly. These fixed assets are not depreciated and are instead measured at the lesser of net book value and realisation value as can be seen from market performance.
property, plant and equipment are written back, up to the limits of their recoverable amount, only where special laws so require or permit.

Impairment losses of tangible and intangible assets

In the presence, at the reporting date, of impairment loss indicators of intangible and tangible assets, the recoverable value thereof is estimated.
If the recoverable value, intended as the higher of value in use and the fair value, net of sales costs, is lower than the corresponding net book value, the assets are written down.
The write-down is not carried over to following years if the reasons for the adjustment no longer apply. The reversal is carried out within the limits of the value that the asset would have had if the impairment loss had never taken place, that is, taking into account depreciation that would have been made in the absence of the write-down. It is not possible to restore the write-down of goodwill and deferred charges.

Financial fixed assets

Equity investments, debt securities intended as permanent investments for the company made by the management team and as long as the Company is effectively able to hold them for a prolonged period of time, are classified under financial fixed assets. Otherwise, they are entered as current assets. Changes in intended purpose between fixed asset and current asset, or vice versa, are noted according to valuation criteria, specific to the portfolio of origin.
Receivables are classified to financial fixed assets and current assets on the basis of the criterion of their allocation in respect of the core business and, therefore, regardless of maturity, financial receivables are classified as financial fixed assets whilst trade receivables are classified under current assets. The receivable valuation criterion is explained below.
Equity investments are initially recognised at purchase or establishment cost, inclusive of accessory costs. Accessory costs consist of costs directly allocated to the transaction, such as, for example, banking and financial intermediation costs, commission, expenses and tax.
The book value of equity investments is increased due to share capital increases applied in exchange for payment or waiver of receivables by the shareholder. Free share capital increases do not increase the value of the equity investments.
If equity investments have been impaired at the reporting date, their carrying value is reduced to the lower recoverable value, which is determined on the basis of the future benefits expected for the Company until the zeroing of the carrying value. If the Company is obliged to cover losses incurred by investee companies, a provision may need to be made to liabilities in order to cover its portion of the negative equity of the investee company.
If, in subsequent years, the reasons for the impairment no longer apply, the value of the equity investment is restored to the maximum of the original cost.

Financial assets which do not constitute fixed assets

Securities - Equity investments

Equity investments are initially entered at purchase cost, including accessory expenses, and thereafter valued individually at the lesser of purchase cost and realisation cost, as can be seen from market performance. If all or part of the basis for the adjustment should cease, due to the recovery of market value, the value of the equity investments is restored up to cost.

Receivables

Receivables are booked at amortised cost, taking into account the time factor and within the limit of their assumed realisation value; they are therefore stated on the Balance Sheet net of the related provision for impairment (or “doubtful debt”), considering each individual credit position, held adequate to cover the losses due to a reasonable forecast of amounts that will not be able to be collected.
If the transaction interest rate does not differ significantly from the market rate, the receivable is initially booked at nominal amount, net of all premiums, discounts, bonuses and including any costs that can be directly attributed to the transaction that generated the receivable. Transaction costs, any commission income and expense and any difference between the opening value and the nominal value at maturity are spread over the duration of the receivable using the effective interest method.
When the interest rate of the transaction seen from the contractual conditions is instead significantly different from the market rate, the receivable (and corresponding revenue in the event of commercial transactions) is initially booked at a value equal to the current value of future cash flows plus any transaction costs. The rate used to discount future flows is the market rate.
In the case of receivables arising from commercial transactions, the difference between the initial figure at which the receivable is booked, as thus determined, and the end value, is noted in the income statement as financial income throughout the duration of the receivable using the effective interest rate criterion.
In the case of financial receivables, the difference between liquid funds disbursed and the current value of future cash flows, determined using the market interest rate, is recorded amongst the financial income and expense of the income statement at the time of initial recording, except where the substance of the transaction or contract do not suggest that the component is of a different nature. Thereafter, interest income accruing on

the transaction is calculated at the effective interest rate and allocated to the income statement with a counter-entry for the receivable value.
The value of receivables is reduced further for amounts received, both by way of principal and interest, and for any impairment to take the receivables back to their assumed realisation value, or for losses.
The Company assumes the effects deriving from the application of amortised cost or discounting to be irrelevant when the receivables are due within 12 months, also taking into account all contractual and substantive considerations in place at the booking of the receivable and the transaction costs and any difference between the opening value and nominal value at maturity are insignificant in value. In this case, discounting has been omitted, interest has been calculated at nominal value and the transaction costs have been entered amongst deferrals and amortised on a straight-line basis throughout the duration of the receivable, adjusting nominal interest income.
The Company has availed itself of the faculty granted by Article 12, paragraph 2 of Italian Legislative Decree no. 139/2015, not to apply the amortised cost and, jointly, any discounting to items linked to transactions that took place before 1 April 2016. Therefore, the new criteria, as explained in these Notes, to which reference is made, have not been applied to all receivables and payables retroactively.

Liquid funds

These represent the cash at bank and post office and cheques, as well as the cash and equivalents in hand at year end. Cash at bank and post office and cheques are valued at assumed realisation value, cash and stamp duty at nominal value and foreign currency funds are valued at the exchange rate in force as at year end.

Accruals and deferrals

Accruals represent portions of income and costs pertaining to the year but which will reach financial expression in later years.
Deferrals are respectively portions of costs and income that have their financial expression during the year or in previous years, but which pertain to one or more subsequent years.
Therefore, only the portions of costs and income that are common to two or more years are recognised under these items, the amount of which varies due to physical time or economic benefits.
At the end of each year, the conditions are verified that led to the initial recording and, if necessary, any appropriate adjustments are made to the value. More specifically, in addition to the passing of time, for accrued income, the assumed realisation value is considered, whilst for deferred expenses, the existence of the future economic benefit correlated with the deferred costs, is considered.

Provisions for risks and charges

Provisions for risks and charges represent specific, certain or probable liabilities, with indeterminate date of occurrence or amount. In particular, provisions for risks represent liabilities with a specific nature and probable existence, the values of which are estimated, while provisions for charges represent liabilities of specific nature and certain existence, estimated in the amount or date of occurrence, related to obligations already undertaken at the reporting date, but that will be recorded in subsequent years.
Provisions made for risks and charges are entered into the income statement amongst the items of operating assets to which the operation refers, with the criterion of classification by nature of costs prevailing. The amount of allocations to provisions is measured with reference to the best estimate of costs, including legal fees, at each reporting date and is not subject to discounting. If the measurement of allocations results in the determination of a range of variability of values, the allocation represents the best estimate feasible between the maximum and minimum limits of the range of variability of values.
The subsequent use of the provisions is carried out directly and only for expenses and liabilities for which the provisions were originally established. Any negative differences or exceeding amounts with respect to the actual expenses incurred are recorded in the income statement in accordance with the original allocation.

Employee severance indemnity (TFR)

Employee severance indemnity (TFR) is the provision to which the subordinate worker is entitled in any case of cessation of the contract of employment, in accordance with Art. 2120 of the Italian Civil Code and considering the regulatory changes made by Italian Law no. 296 of 27 December 2006. It coincides with total indemnities accrued, considering all forms of continuous remuneration, net of the advances disbursed and partial advances disbursed by virtue of collective or individual contracts or company agreements for which reimbursement has not been requested. The liability for TFR is equal to the amount that would be due to employees in the event that as at the reporting date, the contract of employment had ceased. The amounts of TFR relative to contracts of employment that have already ceased at the reporting date and for which payment is made the following year, are classified under payables.

Payables

These are booked at face value, amended for returns or invoice adjustments.
Trade payables are initially entered when significant risks, expenses and benefits connected with ownership, have been transferred. Payables relative to services are recorded when the services have been provided. Financial payables and those arising for reasons other than the purchase of goods and services are noted when the company has an obligation towards the counterparty. In the event of early extinguishing, the difference between the residual amount of the payable and the total outlay in relation to the extinguishing is noted in the income statement amongst financial income/expense.
Trade payables due beyond 12 months from initial booking are measured at amortised cost, taking the time factor into account. If the interest rate of the transaction is not significantly different from market rate, the payable is initially booked at nominal value net of all transaction costs and premiums, discounts and bonuses directly deriving from the transaction that generated the payable. These transaction costs, such as accessory costs to obtain loans, any commission income and expense and any difference between the opening value and the nominal value at maturity are spread over the duration of the payable using the effective interest method.
When the interest rate of the transaction seen from the contractual conditions is instead significantly different from the market rate, the payable (and corresponding cost in the event of commercial transactions) is initially booked at a value equal to the current value of future cash flows and taking into account any transaction costs. The rate used to discount future flows is the market rate.
In the case of payables arising from commercial transactions, the difference between the initial figure at which the payable is booked, as thus determined, and the end value, is noted in the income statement as financial expense throughout the duration of the payable using the effective interest rate criterion. In the case of financial payables, the difference between liquid funds disbursed and the current value of future cash flows, determined using the market interest rate, is recorded amongst the financial income and expense of the income statement at the time of initial recording, except where the substance of the transaction or contract do not suggest that the component is of a different nature. Thereafter, interest expense accruing on the transaction is calculated at the effective interest rate and allocated to the income statement with a counter-entry for the payable value.
The value of the payables is thereafter reduced for the amounts paid, both by way of principal and interest.
The Company assumes the effects deriving from the application of amortised cost and discounting to be irrelevant when the payables are due within 12 months, also taking into account all contractual and substantive considerations in place at the booking of the payable and the transaction costs and any difference between the opening value and nominal value at maturity are insignificant in value. In this case discounting has been omitted and interest calculated at nominal value and the transaction costs entered amongst deferrals and amortised on a straight-line basis throughout the duration of the payable, adjusting nominal interest expense.
The Company has availed itself of the faculty granted by Article 12, paragraph 2 of Italian Legislative Decree no. 139/2015, not to apply the amortised cost and, jointly, any discounting to items linked to transactions that took place before 1 April 2016. Therefore the new criteria, as explained in these Notes, to which reference is made, have not been applied to all receivables and payables retroactively.

Current, deferred and prepaid income tax

Current tax is calculated on the basis of a realistic forecast of period taxable income, determined in accordance with the provisions of tax legislation and applying the tax rates in force at the reporting date. The related tax payable is noted on the balance sheet at nominal value, net of down payments made, withholdings applied and tax credits that can be offset and have not been requested as refund. If the down payments, withholdings and credits should exceed the amount of tax due, the relevant tax receivable is entered.

Deferred and prepaid income tax is calculated on the cumulative amount of all temporary differences existing between the value of the assets and liabilities determined using the statutory valuation criteria and their tax-recognised value.
Deferred and prepaid income tax is noted in the year in which the temporary differences emerge and is calculated applying the tax rates in force in the year in which the temporary differences reverse, if such rates have already been defined at the reference date of the financial statements; otherwise, it is calculated at the rates in force on the financial statements reference date.
Prepaid taxes on temporary deductible differences and on the benefit connected with carry-forward of tax losses are recorded and remain on the balance sheet only if their future recovery is reasonably certain, through a forecast of taxable income or availability of sufficient temporary differences in taxable income in the years when the prepaid tax credit will be reversed.
Deferred and prepaid taxes are offset on the balance sheet when the requirements for this are met (possibility and intention of offsetting) and the balance thereof is recorded in the specific items under current assets in the case of an asset and under the reserves for risks and charges in the case of a liability.
The notes provide a statement showing temporary differences that have led to the recording of prepaid and deferred tax, specifying the rate applied and the changes with respect to the previous year, the amounts debited or credited on the income statement or as shareholders' equity and the items excluded from the calculation, as well as the amount of prepaid tax booked in relation to period losses or losses of previous years and the amount of tax not yet booked.
Please note that the Company has adhered to the Group tax consolidation system, which also involves the subsidiaries Alpherg S.p.A., Marketz S.p.A. and Spienergy S.p.A.

Recognition of revenues, income, costs and expenses

Revenue and income and costs and expenses were indicated net of returns, discounts, rebates and premiums, as well as taxes directly connected with the sale of products and the provision of services, in compliance with an accrual and prudent basis. Revenues from product sales are recognised upon transfer of ownership, which is normally identified with the delivery or shipment of goods (on the basis of the carrier appointments).
Financial and service revenues are recognised on an accrual basis.
Revenue and income and costs and expenses related to transactions in foreign currency are calculated at the spot rate on the date when the relative transaction is made.
Industrial and financial costs are recognised on an accrual basis.

Derivatives

In order to cope with the risk of changes in exchange rates and the prices of goods, during the year, derivative contracts have been stipulated to hedge gas and power purchases and sales, as well as forward currency transactions (forward purchases and sales, in particular of the pound sterling and US dollar).
A derivative is a financial instrument or other contract with the following three characteristics:

- its value varies as a consequence of the variation of a given interest rate, price of financial instruments, price of goods, exchange rate, price or rate index, credit rating or credit index or other variable, as long as, in the event of a non-financial variable, said variable is not specific to one of the contractual counterparties (sometimes called the underlying);
- it does not require a net initial investment or it requires a net initial investment that is lower than that required for other types of contracts from which a similar response would be expected to changes in market factors;
- it is settled at a future date.

Goods purchase and sale contracts that give one or other of the contracting parties the right to proceed with the liquidation of the contract in cash or by means of other financial instruments are also considered derivatives, except where the following conditions are all met:

- the contract has been stipulated and is kept to satisfy the needs in terms of purchasing, selling or using goods;
- the contract is intended for this purpose until its conclusion;
- the contract is expected to be executed through delivery of goods.

Derivatives are recorded as at the contract stipulation date, from which point the company is subject to the related rights and obligations.

In accordance with the provisions of Article 2426, paragraph 1, point 11-bis of the Italian Civil Code and OIC 32, even if derivatives are embedded in other financial instruments, they are measured at fair value both at the date they are initially booked and at each subsequent year end. The entry and change of fair value with respect to the previous year are noted in the financial statements differently depending on whether the derivative transaction is classified (and effectively designated) as a hedge of financial risks or not.

Transactions classified (and designated) as hedges

The company implements transactions in derivatives to cope with the risk of changes in the prices of commodities (gas and power).

Derivatives stipulated to hedge gas and power purchases and sales that are still open at year end are measured at fair value as at the financial year end date; this fair value,

- if positive, is entered under financial assets that are not classed as fixed assets, under "derivative assets" and, offsetting this, it is booked in a specific item of equity called the "reserve for projected cash flow hedges",
- if negative, is entered in a provision for risks and charges under "derivative liabilities" and, offsetting this, it is booked in a specific item of equity called the "reserve for projected cash flow hedges", with a negative sign.

Transactions not classified (and not designated) as hedges

If the transaction cannot be classified (or is not designated) as a hedge, the changes in fair value are booked to section D) of the income statement "Value adjustments for financial assets and liabilities" and offset in "Provisions for risks and charges" if negative or "Financial assets which do not constitute fixed assets" if positive.

As envisaged by Article 2426, paragraph 1, point 11-bis of the Italian Civil Code, gains deriving from derivatives not designated as hedges are assigned to restricted equity reserves.

Determination of fair value

In order to determine the fair value of the derivatives in the financial statements, the company has defined their main (or most advantageous) market and the most appropriate valuation techniques, taking into account the fair value hierarchical level at which they are classified, the parameters and assumptions that would be used by market participants to determine the price of the derivative, including assumptions regarding risks, assuming that the market participants act to satisfy their economic interests as best possible.

More specifically, in determining fair value, the company mainly uses data that can be observed on the market, minimising use of parameters that cannot be observed, according to the fair value hierarchy defined by OIC 32 and described below.

Level	Description
1	market value (for financial instruments for which an active market can easily be identified)
2	derivative value of the market value of a component of the instrument itself or a similar instrument (if the market value cannot be easily identified for an instrument but can be identified for its components or a similar instrument)
3	value resulting from widely-accepted valuation models and techniques that can assure a reasonable approximation of market value (for instruments for which it is not possible to easily identify an active market)

More specifically, the fair values calculated by the company with reference to its derivatives portfolio, are all level 1 or 2.

Translation policy for values expressed in foreign currency

Assets and liabilities deriving from a transaction in foreign currency are initially recorded in Euro, applying the forward exchange rate between the Euro and the foreign currency at the date of the transaction to the amount in foreign currency.

Monetary items in foreign currencies are converted in the accounts at the spot exchange rate in force at the year end date. The related exchange rate gains and losses are recorded on the period income statement.

Non-monetary assets and liabilities in foreign currency are recorded on the balance sheet at the exchange rate when they are acquired and the exchange rate gains or losses are therefore not recorded separately and independently.
Any net gain deriving from adjustment to year-end exchange rates of items in foreign currency contributes to formation of the result for the year and, on approval of the financial statements and consequent allocation of profit, the part not absorbed by any period losses is stated in a specific reserve.

Subsequent events

Subsequent events altering conditions existing as at the reference date and which require changes to the values of assets and liabilities, in accordance with the provisions of the reference accounting standard, are booked, in compliance with accruals accounting, to reflect the effect that these events have on the equity and financial position and the economic result as at year end. Subsequent events that alter existing situations as at the reporting date, but which do not require changes in the booked values, according to that envisaged by the reference accounting standard, insofar as pertaining to the following year, are not noted in the financial statements but rather explained in the notes if considered necessary for a full understanding of the company's position. The deadline by which the events must take place for them to be considered is the date on which the Directors prepare the draft financial statements, save for cases where events should take place between that date and the date envisaged for approval of the financial statements by the Shareholders' Meeting, such as to have a major impact on the financial statements.

Analysis of the individual financial statement items

FIXED ASSETS

I. Intangible fixed assets

	31/03/2020	31/03/2019	Change
Intangible fixed assets	1,253,128	1,411,792	(158,663)

Analysis of changes to intangible fixed assets

	Concessions, licences, trademarks and similar rights	Other	Total Intangible fixed assets
Value at the beginning of the financial year			
Cost	657,420	2,644,298	4,855,400
Revaluations			
Amortisation (Accumulated amortisation)	(655,853)	(1,234,073)	(3,443,608)
Write-downs			
Book value of previous year	**1,567**	**1,410,225**	**1,411,792**
Changes during the financial year			
Increases due to acquisitions	-	44,532	44,532
Reclassifications (of the book value)			
Decreases for disposals and divestments			
Revaluations made during the financial year			
Amortisation for the year	(783)	(202,412)	(203,195)
Write-downs made during the financial year			
Other changes			
Total changes	(783)	(157,880)	(158,663)
Value at the end of the financial year			
Cost	657,420	2,688,829	3,346,249
Revaluations			
Amortisation (Accumulated amortisation)	(656,637)	(1,436,485)	(2,093,121)
Write-downs			
Book value of current year	**783**	**1,252,345**	**1,253,128**

“Concessions, licenses, trademarks and similar rights” mainly comprises expenses for the purchase software and development of the website.

“Other” mainly includes costs incurred in previous years for purchasing the twenty-year transmission rights of the gas pipe TAG, amortisation of which takes place throughout the concession, over 20 years, as established by contract, and costs incurred for the corporate conferral to Alpherg S.p.A.

No elements indicating impairment of intangible fixed assets were found.

II. Property, plant and equipment

	31/03/2020	31/03/2019	Change
Intangible fixed assets	2,662	-	2,662

Analysis of changes in property, plant and equipment

	Other	Total tangible fixed assets
Value at the beginning of the financial year		
Cost	552,098	552,098
Revaluations		
Amortisation (Accumulated amortisation)	(552,098)	(552,098)
Write-downs		
Book value of previous year	-	-
Changes during the financial year		
Increases due to acquisitions	3,074	3,074
Reclassifications (of the book value)		
Decreases for disposals and divestments		
Revaluations made during the financial year		
Amortisation for the year	(412)	(412)
Write-downs made during the financial year		
Other changes		
Total changes	2,662	2,662
Value at the end of the financial year	2,662	2,662
Cost	555,172	555,172
Revaluations		
Amortisation (Accumulated amortisation)	(552,510)	(552,510)
Write-downs		
Book value of current year	**2,662**	**2,662**

The property, plant and equipment recognised in the financial statements relate to equipment, furnishings, furniture and office equipment, which during the year increased by €3 thousand due to the purchase of new furnishings.

III. Financial fixed assets

	31/03/2020	31/03/2019	Change
Financial fixed assets	39,854,560	39,954,560	(100,000)

Financial fixed assets comprise equity investments in subsidiaries for €38,930 thousand and in other companies for €925 thousand and represent the value of investments considered to be lasting and strategic by the company.

Analysis of changes to financial fixed assets: equity investments

	Subsidiary companies	Other companies	Total
Value at the beginning of the financial year			
Cost	39,230,000	5,874,560	45,104,560
Revaluations			-
Write-downs	(200,000)	(4,950,000)	(5,150,000)
Book value	**39,030,000**	**924,560**	**39,954,560**
Changes during the financial year			
Increases due to acquisitions			
Decreases due to disposals			
Revaluations			
Write-downs	(100,000)		(100,000)
Other changes			
Total changes	**(100,000)**		**(100,000)**
Value at the end of the financial year			
Cost	39,230,000	5,874,560	45,104,560
Revaluations			
Write-downs	(300,000)	(4,950,000)	(5,250,000)
Book value	**38,930,000**	**924,560**	**39,854,560**

The impairment of €100 thousand refers to the subsidiary Enoi Energie GmbH.

Details on equity investments in subsidiaries held directly or through trust companies or third parties

Name	City or country	Share capital in Euro	Profit (loss) for the last financial year in Euro	Shareholders' Equity in Euro	Ownership in Euro	Ownership in %	Book value
Spienergy S.p.A.	La Spezia	1,000,000	(468,962)	4,362,324	4,362,324	100%	3,130,000
Enoi Energie Gmbh	Germania	1,000,000	(28,619)	354,830	354,830	100%	700,000
Marketz S.p.A.	Milano	3,100,000	180,987	15,450,005	15,450,005	100%	15,100,000
Alpherg S.p.A.	Milano	10,000,000	1,019,496	26,681,777	17,788,741	66.67%	20,000,000
							38,930,000

The figures given in the table above refer to the financial statements of the investee companies closed as at 31 March 2020. The shareholders' equity includes the period result.

Article 2426, paragraph 1, point 3) of the Italian Civil Code establishes that financial fixed assets valued with the cost method must be written down if evidence of impairment is seen.

Please note that the shareholders' equity of Alpherg as at 31 March 2020 includes a negative cash flow hedge reserve of €4,471 thousand relative to the fair value of derivatives designated in the accounts as cash flow hedges, in accordance with the provisions of OIC 32.
Please note that the equity investment in Enoi Energie GmbH has been impaired by €100 thousand, as this is the amount that represents the permanent loss considered; the residual difference between the portion of share held in Enoi Energie GmbH and the booked value of the equity investment has been considered as non-permanent and is expected to be reabsorbed through the profits expected for future years, due to the business recovery and reorganisation.
The Directors have impairment tested the value of the equity investments held in Alpherg S.p.A. and Marketz S.p.A. as at the year end date and on the basis of prospective flows; no sign of impairment was seen.

Details on equity investments in other companies

Equity investments in other companies includes:

- the equity investment held in Veneto Banca (138,889 shares) worth €50 thousand. The investment has a subscription value of €5,000 thousand and incorporates previous years' impairment of €4,950 thousand.
- The equity investment held in Compagnia Energetica Italiana, accounting for 19% of its share capital, worth €875 thousand.
  As regards this equity investment, it is noted that it was sold in July 2020 for €875 thousand, i.e. the price of its book value.

<u>CURRENT ASSETS</u>

II. Receivables

	31/03/2020	31/03/2019	Change
Receivables	55.553.559	121.672.217	(66.118.658)

Analysis of changes and maturity of receivables included in current assets

Description	31/03/2019	changes	31/03/2020	Portion falling due within the financial year	Portion falling due beyond the financial year	With a residual duration beyond five years
Trade receivables	22,124,260	(13,487,383)	8,636,877	8,636,877		
From subsidiaries	72,673,077	(50,930,274)	21,742,803	21,742,803		
From parents		4,736	4,736	4,736		
Tax receivables	5,977,578	(556,274)	5,421,304	5,418,707	2,597	
Deferred tax assets	5,801,663	4,160,277	9,961,940	1,442,639	8,519,302	
From others	15,095,639	(5,309,741)	9,785,899	4,390,889	5,395,009	
Total receivable	**121,672,217**	**(66,118,658)**	**55,553,559**	**41,636,652**	**13,916,908**	

"Trade receivables" fell from €22,124 thousand to 8,637 thousand. The reduction is linked to the downsizing of operations following the conferral of the business unit to the subsidiary Alpherg S.p.A.

There are no receivables due beyond 5 years and there has been no concentration of risk.

The adjustment of the nominal value of trade receivables to the assumed realisation value is obtained through a provision made for doubtful debt, in the amount of €4,620 thousand. This provision was adjusted during the year with a provision of €67 thousand.

"*Receivables due from subsidiaries"*, in the amount of €21,743 thousand (€72,673 thousand as at 31/03/2019) includes receivables due from the subsidiary Spienergy S.p.A. for €10,136 thousand, Marketz for €691 thousand, Alpherg for €9,908 thousand and Enoi Energie Gmbh for €21 thousand. These receivables refer to supply contracts for natural gas and electricity and are settled at arm's length. The significant reduction is linked to the downsizing of operations.

It is worth noting that for the companies Alpherg and Marketz, the receivables also include €545 thousand and €139 thousand for adhesion to the tax consolidation scheme.

"Tax receivables" due within 12 months came to €5,421 thousand and mainly comprises:

- claim for refund of excise duties for €2,397 thousand (€3,102 thousand as at 31/03/2019);
- receivables due from the tax authorities for IRAP (Italian regional business tax) for €50 thousand (€50 thousand as at 31/03/2019);
- receivables due from the tax authorities for VAT for €900 thousand (€393 thousand as at 31/03/2019);

- receivables due from the tax authorities for group VAT for €1,518 thousand (€2,444 thousand as at 31/03/2019);
- receivables due from the tax authorities for tax consolidation for €294 thousand (€473 thousand as at 31/03/2019);
- receivables due from the tax authorities for IRES refund due to failure to deduct IRAP from payroll costs from 2007 to 2011, equal to €252 thousand (€252 thousand as at 31/03/2019);

Under "*tax receivables*" due beyond 12 months, the receivable has been entered for state and provincial tax requested as refund in the amount of €3 thousand.

"Prepaid tax" relates to temporary tax differences that can be deducted over the following years and are detailed as follows:

	31/03/2019	31/03/2020			31/03/2020
Description		**Taxable income**	**Rate**	**Tax**	
Directors' fee	1,248	17,500	24.00%	4,200	**4,200**
Provision for risks	48,000	600,000	24.00%	144,000	**144,000**
Allowance for doubtful receivables	664,920	2,770,499	24.00%	664,920	**664,920**
Tax loss	3,318,203	36,372,291	24.00%	8,729,350	**8,729,350**
ACE	325,032	1,354,300	24.00%	325,032	**325,032**
ROL	104,377	434,906	24.00%	104,377	**104,377**
Default interest expense	1,513	7,687	24.00%	1,845	**1,845**
Default interest income	(3,179)	(49,096)	24.00%	(11,783)	**(11,783)**
Derivative financial instruments	1,341,549	-	27.90%	-	**-**
Total	**5,801,664**	**41,508,087**		**9,961,941**	**9,961,941**

"Receivables due from others" within 12 months, mainly include:

- supplier advances for €185 thousand (€334 thousand at 31/03/2019);
- security deposits for €1,705 thousand (€4,883 thousand at 31/03/2019) paid to suppliers of gas, power and gas and power transmission services;
- portion due within 12 months of the financial receivable relative to the transfer of 81% of the shares held in Compagnia Energetica Italiana S.p.A. for €2,500 thousand (€2,206 thousand at 31/03/2019).

The amount beyond 12 months refers to the security deposits in cash relative to the contracts stipulated by the company with its suppliers for the gas transmission and storage service and general services for €688 thousand (€693 thousand at 31/03/19) and the medium/long-term portion of the financial receivable relative to the sale of 81% of shares held in Compagnia Energetica Italiana S.p.A. for €4,706 thousand (€6,929 thousand as at 31/03/2019).

The decrease in "Receivables due from others" was mainly due to partial receipt of the security deposits following the downsizing operations in the amount of €3,178 thousand and receipt of the Vendor loan instalment from Compago S.r.l. in the amount of €2,206 thousand.
The financial receivable due from Compago (within and beyond 12 months) is considered to be able to be recovered by the Directors due to the positive current and prospective results of Compagnia Energetica Italiana (a subsidiary of Compago).

Introduction and breakdown of receivables reported as current assets by geographic area

The division of receivables as of 31 March 2020 according to geographic area, is shown in the following table (Article 2427, first paragraph, no. 6, Italian Civil Code).

Description	Trade receivables	receivables from subsidiaries	receivables from parent Company	Tax receivables	Deferred tax assets	receivables from others	Total
AUSTRIA	1,401,750					224,659	1,626,409
BELGIUM	14,865						14,865
FRANCE	21,482.21					110,000	131,482
GERMANY	3,245,526					110,000	3,355,526
GREAT BRITAIN	0					219,080	219,080
ITALY	3,079,451	21,742,803	4,736	5,421,304	9,961,940	7,724,511	47,934,745
LUXEMBOURG	-					99,892	99,892
NORWAY	32,411						32,411
THE NETHERLANDS	1,167						1,167
POLAND						362	362
CZECH REPUBLIC	834,794			-		1,010,633	1,845,428
SAN MARINO	1,050						1,050
SLOVENIA	4,380.67						4,381
SWITZERLAND	-					286,762	286,762
Totale	**8,636,877**	**21,742,803**	**4,736**	**5,421,304**	**9,961,940**	**9,785,899**	**55,553,559**

III. Financial assets which do not constitute fixed assets

	31/03/2020	31/03/2019	Change
Current financial assets	9,052,933	3,386,003	5,666,930

Financial assets which do not constitute fixed assets are as follows

Description	31/03/2020	31/03/2019	Change
Other equity investments	4,952	4,952	-
Derivative financial instruments (receivable)	9,047,981	3,381,051	5,666,930
Total	**9,052,933**	**3,386,003**	**5,666,930**

Other equity investments

This item includes €4,952 in shares of the company Snam S.p.A., acquired during the public offer of sale of Snam Rete Gas S.p.A., the balance of which, i.e. €5 thousand, is unchanged on last year.

Financial derivatives reported as assets

This item includes the positive fair value of derivatives hedging planned transactions, commitments, assets/liabilities classified as due within the next year or derivatives accounted not as hedges (with a fair value of €737 thousand).

Derivatives classified as hedging instruments (with a fair value of €8,311 thousand) have a counter-entry in shareholders' equity under "Reserve for projected cash flow hedges".

Derivatives classified as non-hedging instruments (with a fair value of €737 thousand) have a counter-entry in the income statement under D) 18) "Revaluation of derivatives".

IV. Liquid funds

	31/03/2020	31/03/2019	Change
Cash and cash equivalent	2,746,233	5,941,208	(3,194,974)

Analysis of changes in liquid funds

Description	31/03/2020	31/03/2019	Change
Bank and post office deposits	2,743,821	5,940,036	**(3,196,215)**
Cash and cash equivalents on hand	2,412	1,171	**1,241**
Total	**2,746,233**	**5,941,208**	**(3,194,974)**

The balance represents the liquid funds available and the existence of cash and securities at year end.

Reference is made to the Report on Operations and Statement of Cash Flows for an analysis of the net financial position and changes to such in respect of the previous year.

Accruals and deferrals

	31/03/2020	31/03/2019	Change
Accrued income and prepaid expenses	586,810	457,922	128,888

Analysis of the changes in accrued income and deferred expenses

Description	31/03/2020	31/03/2019	Change
Commissions on sureties	258,183	189,843	68,341
Gas transport and storage	205,408	223,241	(17,833)
Subscriptions	24,970	7,250	17,719
Broker	52,338	11,250	41,088
Other	45,911	26,338	19,573
Total	**586,810**	**457,922**	**128,888**

Shareholders' equity

Introduction and changes in the items of the shareholders' equity

Below is evidence on the changes to shareholders' equity in respect of the two previous years.

Description	Share capital	Legal reserve	Other reserves	Share premium reserve	Reserve for transactions hedging expected	Losses carried forward	Result for the year	Negative reserve for own shares	Total
At the start of the financial year (31/03/18)	**10,200,000**	**2,040,000**	**52,725,492**	**1,430,524**	**(224,671)**	**(16,454,552)**	**4,581,772**	**(11,592,506)**	**42,706,059**
Allocation of the result for the year						4,581,772	(4,581,772)		-
Change in hedging derivatives					(3,242,200)				(3,242,200)
Result for the current year							5,012,706		5,012,706
At the end of the previous year (31/03/19)	**10,200,000**	**2,040,000**	**52,725,492**	**1,430,524**	**(3,466,871)**	**(11,872,779)**	**5,012,706**	**(11,592,506)**	**44,476,566**
Allocation of the result for the year						5,012,706	(5,012,706)		0
Dividend distribution			(300,000)						(300,000)
Change in hedging derivatives					5,101,321				5,101,321
Result for the current year							(523,330)		(523,330)
At the end of the current year (31/03/20)	**10,200,000**	**2,040,000**	**52,425,492**	**1,430,524**	**1,634,450**	**(6,860,073)**	**(523,330)**	**(11,592,506)**	**48,754,557**

The share capital is made up of 10,200,000 ordinary shares, each with a nominal value of €1.

The table below reports (gross of the related tax effect) the change to the item "A) VII "Reserve for projected cash flow hedges" during the year, until 31 March 2020.

Changes to "Reserve for projected cash flow hedges"

Description	gross value	tax effect	net value
Closing balance as at 31 March 2019	(4,808,420)	1,341,549	(3,466,871)
Changes in shareholders' equity in the year	7,075,341	(1,974,020)	5,101,321
Closing balance as at 31 March 2020	**2,266,921**	**(632,471)**	**1,634,450**

Origin, possibility of use and distribution of shareholders' equity items

	Amount	Possibility of use	Available portion
Share capital	10,200,000	A	
Share premium reserve	1,430,524	A,B,C	1,430,524
Legal reserve	2,040,000	B	
Extraordinary reserve	52,412,002	A,B,C	40,819,496
Other reserves	13,490	A,B	13,490
Reserve for transactions hedging expected cash flows	1,634,450		
Profit (loss) carried forward	(6,860,073)		
Negative reserve for own shares	(11,592,506)		
Total	**49,277,887**		**42,263,510**
Restricted portion			6,873,563
Distributable residual portion			35,389,947

(*) A: for capital increase; B: to cover losses; C: for distribution to the shareholders

Item A) VII "Reserve for projected cash flow hedges" includes the effectiveness accrued on derivatives designated in the accounts as cash flow hedges in accordance with the provisions of OIC 32; this value is positive for €1,634 thousand at 31 March 2020 and is stated net of the related tax effect (gross value of €2,267 thousand – €632 thousand with the tax effect).

The amount of the restricted portion includes the reserve pursuant to Art. 2426, point 8-bis) of the Italian Civil Code of €13,490 as well as the loss of previous years carried forward.

Provisions for risks and charges

	31/03/2020	31/03/2019	Change
Provisions for risks and charges	6,967,474	7,135,332	(167,858)

Description	31/03/2019	Increases	Uses	Releases	31/03/2020
Defferred tax payables	-	632,470			632,470
Provision for derivative financial instruments payable	6,935,332	5,735,004		(6,935,332)	5,735,004
Other provisions	200,000	600,000	(200,000)		600,000
Total	**7,135,332**	**6,967,474**	**(200,000)**	**(6,935,332)**	**6,967,474**

The provisions for derivatives include a provision for the fair value of derivatives classified as hedges, in the amount of €5,735 thousand, with a counter-entry under Shareholders' equity in the item "Reserve for projected cash flow hedges".

The deferred tax provision reflects the tax effect on derivatives for hedging in the amount of €632 thousand.

The other provisions refer to the amount set aside in consideration of the estimate of costs that could arise from an ongoing dispute with a third party.

Provision for post-employment benefits

	31/03/2020	31/03/2019	Change
Employee leaving indemnity (TFR)	51,064	35,281	15,783

Analysis of changes in employee severance indemnity

Value at the beginning of the financial year	**35,281**
Provision for the year	15,882
Use in the year	(99)
Totale variazioni	**15,783**
Value at the end of the financial year	**51,064**

This item represents the actual amount owed by the company, as at 31 March 2020, to employees in the workforce at said date, net of advances paid.

This increase consists of a provision made for the year while the reduction relates to substitute tax.

Payables

	31/03/2020	**31/03/2019**	**Change**
Payables	52,921,219	120,968,783	(68,047,565)

Payables are valued at their face value and their due date is divided up as follows (Article 2427, first paragraph, no. 6, Italian Civil Code).

Analysis of changes and maturity of payables

Descrizione	**31/03/2019**	**Change**	**31/03/2020**	**portion due within the year**	**portion due beyond the year**	**portion due beyond 5 years**
payables to banks	4,819,507	(1,746,497)	3,073,010	3,073,010		
advance payments	353,147	1,686,275	2,039,423	2,039,423		
trade payables	27,753,388	(20,921,396)	6,831,993	6,831,993		
payables due to subsidiaries	84,456,797	(43,873,674)	40,583,122	40,583,122		
payables due to parent company	169,573	(169,573)	-	-		
tax payables	145,008	(94,479)	50,529	50,529		
payables due to welfare and social security	14,890	1,802	16,692	16,692		
other payables	3,256,473	(2,930,023)	326,450	326,450		
Total	**120,968,783**	**(68,047,565)**	**52,921,219**	**52,921,219**		

"*Payables to banks*" decreased from €4,820 thousand at 31 March 2019 to €3,073 thousand at 31 March 2020. This item includes overdrafts for advances in the amount of €3,073 thousand due within 12 months. The decrease is due to less use of bank facilities.

"*Down payments*" increased from €353 thousand as at 31 March 2019 to €2,039 thousand as at 31 March 2020 and refers to down payments received from third party counterparties on invoices falling due in April 2020.

"*Payables due to Suppliers*" decreased from €27,753 thousand as at 31 March 2019 to €6,832 thousand as at 31 March 2020. The decrease compared with the previous year was due to the downsizing of operations.

"*Payables due to subsidiaries*" decreased from €84,457 thousand as at 31 March 2019 to €40,583 thousand as at 31 March 2020. This item comprises:

- €5 thousand (€106 thousand at 31/03/2019) relative to trade payables for supplies of gas and power to Spienergy S.p.A.
- €599 thousand (€271 thousand as at 31/03/2019) for adhesion to the tax consolidation in regard to the subsidiary Spienergy S.p.A.
- €2,655 thousand relative to trade payables due to the subsidiary Marketz (€1,421 thousand as at 31/03/19)
- €14,524 thousand relative to trade payables due to the subsidiary Alpherg (€57,846 thousand as at 31/03/19)

- €15,786 thousand (€22,857 as at 31/03/2019) relative to the portfolio management contract that Alpherg has concluded with Enoi on market areas in which Alpherg has not been able to be present from the very start.
- €7,013 thousand deriving from Group VAT due to the subsidiary Alpherg (€1,829 thousand as at 31/03/2019).

"*Tax payables*" decreased from €145 thousand as at 31 March 2019 to €50 thousand as at 31 March 2020, and includes payables due to the tax authorities for tax withholdings on income from employment for €8 thousand (€12 thousand as at 31 March 2019), payables due to tax authorities for withholdings on dividends for €7 thousand.

The decrease was due to a reduction in the tax payables of the branch in the Czech Republic (€132 thousand as at 31 March 2019).

"*Payables due to welfare and social security institutions*" in the amount of €17 include payables for employee social security contributions.

"*Other payables*", in the amount of €326 thousand as at 31 March 2020, mainly includes payables due to employees for deferred months' salaries, such as the thirteenth, fourteenth, holidays, reduced working hours, related contributions, bonuses and expense notes in the amount of €78 thousand (€59 thousand as at 31 March 2019), security deposits in the amount of €150 thousand (€3,000 thousand as at 31 March 2019) and payables due to directors and auditors in the amount of €87 thousand (€171 thousand as at 31 March 2019).

Introduction and breakdown of payables by geographic area

The breakdown of payables as of 31 March 2019 according to geographic area, is shown in the following table (Article 2427, first paragraph, no. 6, Italian Civil Code).

Description	payables due to banks	advance payments	trade payables	payables due to subsidiaries	tax payables	payables due to welfare and social security institutions	other payables	Total
Austria			26,069					26,069
Belgium			383,746					383,746
France			327,597					327,597
Germany			5,321,490					5,321,490
UK	384,393		7,577					391,969
Italy	2,688,617	68,130	(271,601)	40,583,122	15,565	13,917	286,624	43,384,375
Luxembourg		1,962,700	549,549					2,512,249
Norway			3,510					3,510
Netherlands			124,416					124,416
Poland			8,986					8,986
Czech Republic		8,592	329,406		34,964	2,775	39,826	415,564
Slovenia			1,982					1,982
Switzerland			18,152					18,152
USA			1,114					1,114
Total	**3,073,010**	**2,039,423**	**6,831,993**	**40,583,122**	**50,529**	**16,692**	**326,450**	**52,921,219**

Accruals and deferrals

	31/03/2020	31/03/2019	Change
accruals and deferred	355,570	207,738	147,832

These are adjusting entries of the year, calculated on an accrual basis.
As of 31 March 2020, there were no accruals or deferrals with a residual duration of more than five years.
The following is a breakdown of the item:

Description	31/03/2020	31/03/2019	Variazione
Insurance	-	3,750	**(3,750)**
Other accrued expenses	355,570	203,988	**151,582**
Totale	**355,570**	**207,738**	**147,832**

"Other accrued expenses" mainly includes office rental fees in the amount of €271 thousand and gas transmission costs relative to the Czech Republic Branch and allocated on an accrual basis to the current year for €84 thousand.

INCOME STATEMENT

Before examining the individual items, it is noted that the comments on the general trend of revenues and costs are provided, within the scope of the Report on Operations.

Value of production

	31/03/2020	31/03/2019	Change
Value of production	268,486,372	1,439,253,713	(1,170,767,342)

Description	31/03/2020	31/03/2019	Change
Income from sales and services	267,606,651	1,419,746,674	(1,152,140,023)
Other revenue and income	879,721	19,507,039	(18,627,318)
Total	**268,486,372**	**1,439,253,713**	**(1,170,767,342)**

The decrease in revenues is due to the lesser operations as a result of the conferral of the business unit to the subsidiary Alpherg.

This item also includes income from derivative contracts for the purchase and sale of gas and power, stipulated during the year to hedge the risk of changes in the price of gas and power equal to €3,393 thousand (€9,887 thousand as at 31 March 2019).

"Other revenues" came to a total of €880 thousand (€19,507 thousand as at 31/03/2019) and mainly includes the charge-back of vehicle tax for €38 thousand (€62 thousand as at 31/03/2019), revenues for charge-backs of rental costs for €333 thousand to the Group companies (€181 thousand as at 31/03/2019) and revenues for charge-backs of the costs of sureties to Alpherg for €337 thousand.

The decrease in "other revenues" was due to the fact that in the previous year this item mainly included the capital gain realised from the conferment of the subsidiary Alpherg S.p.A. for €17,806 thousand.

Revenues according to category of activity

asset categories	period current value
Sale of gas and power	261,484,415
Gas and power transmission sale	6,122,236
Total	**267,606,651**

Details and breakdown of revenues from sales and services by geographic area

geographical area	period current value
Italy	24,183,051
Export	243,423,600
Total	**267,606,651**

Operating costs

	31/03/2020	31/03/2019	Change
Operating costs	276,380,178	1,439,555,532	(1,163,175,354)

Description	31/03/2020	31/03/2019	Change
Raw and ancillary materials and goods	260,206,264	1,392,791,910	(1,132,585,646)
Services	14,112,322	43,477,975	(29,365,652)
Use of third party assets	433,302	472,336	(39,034)
Payroll costs	430,833	1,125,032	(694,199)
Amortisation of intangible fixed assets	203,195	158,086	45,109
Depreciation of tangible fixed assets	412	7,024	(6,612)
Write-down of trade receivables	67,085	-	67,085
Change in inventories of raw materials	-	504,518	(504,518)
Risk provisions	600,000	200,000	400,000
Other operating costs	326,763	818,651	(491,888)
Total	**276,380,178**	**1,439,555,532**	**(1,163,175,354)**

Cost of raw materials

Description	31/03/2020	31/03/2019	Change
Cost of gas purchase	230,649,900	1,265,938,914	(1,035,289,014)
Costs for the purchase of electricity	29,475,551	126,711,424	(97,235,873)
Other costs	80,813	141,572	(60,759)
Total	**260,206,264**	**1,392,791,910**	**(1,132,585,646)**

As for revenues, the decrease in costs for raw materials is linked to the lesser operations as a result of the conferral of the business unit to the subsidiary Alpherg.

Costs for services

Description	31/03/2020	31/03/2019	Change
Trasportation costs gas	6,568,921	21,670,709	(15,101,788)
Storage costs gas	4,305,743	8,807,861	(4,502,118)
Trasportation costs power	609,756	6,731,624	(6,121,868)
Costs for trading, reporting and IT services	-	1,794,015	(1,794,015)
Gas intermediation and brokers	753,840	1,274,736	(520,896)
Power intermediation and brokers	39,040	136,951	(97,911)
Commission for guarantees	64,009	655,787	(591,778)
Bank and factoring commission	24,590	98,634	(74,044)
Telematic services	145,846	405,178	(259,332)
Software charges	1,998	7,278	(5,280)
Utilities	15,159	27,745	(12,586)
Other costs	1,583,421	1,867,457	(284,036)
Total	**14,112,323**	**43,477,975**	**(29,365,651)**

Costs for transmission and storage services, just like costs for brokerage and intermediation, have dropped due to the lower volumes processed as a result of downsizing operations.

The costs for trading, reporting and IT services provided by the subsidiary Marketz S.p.A. starting in 2019/2020 will drop considerably as a result of the downsizing of operations.

"Commission on security guarantees" and "Factoring and banking commission" decreased €592 thousand in respect to the previous year, due to the lower use of facilities during the current year.

"Other costs" mainly includes the costs incurred for legal, financial and tax consultancy for €909 thousand (€1,068 thousand at 31 March 2019), fees to auditors, directors and auditing costs for €155 thousand (€285 thousand at 31 March 2019), insurance costs for €39 thousand (€171 thousand at 31 March 2019).

Costs for leased assets

"Costs for leased assets" decreased from €472 thousand as at 31 March 2019 to €433 thousand as at 31 March 2020 and mainly comprises rental costs including condominium expenses of €391 thousand and vehicle hire costs for €39 thousand

Payroll costs

"Payroll costs" decreased from €1,125 thousand as at 31 March 2019 to €430 thousand as at 31 March 2020; the reduction is due to the reduction in the workforce due to the transfer of employees into the newly-established Alpherg S.p.A. starting October 2018**.**

Amortisation, depreciation and write-downs

This item includes amortisation/depreciation of tangible and intangible fixed assets for €204 thousand (€165 thousand as at 31 March 2019); the increase is due to the long term costs incurred for establishing Alpherg S.p.A.

During the year, the provision for doubtful debt was adjusted by an amount of €67 thousand.

Risk provisions

This item includes a provision of €600 thousand for the ongoing dispute with a third party.

Other operating costs

Description	**31/03/2020**	**31/03/2019**	**Change**
AEEGSI contributions and association expenses	126,127	242,437	(116,310)
Competition guarantor contribution	104,489	125,200	(20,711)
Other tax	4,541	19,442	(14,900)
Vehicle tax	-	71,166	(71,166)
Chamber of Commerce annual fees	10,186	13,065	(2,879)
Fines and sanctions	33,157	11,847	21,310
Registration tax	1,938	-	1,938
Entertainment expenses and gifts	280	1,660	(1,380)
Donations and contributions	5,395	-	5,395
Losses on receivables	-	106,325	(106,325)
Contingent liabilities	13,213	196,669	(183,455)
Other	27,437	30,841	(3,404)
Total	**326,763**	**818,651**	**(491,889)**

Financial income and expense

	31/03/2020	**31/03/2019**	**Change**
Financial income and expense	880,208	2,479,771	(1,599,562)

Description	31/03/2020	31/03/2019	Change
income from investments	469,619	184,849	284,770
Income from securities entered as current assets	98	0	98
Income other than the above	323,513	389,745	(66,233)
Financial interest and expense	(376,025)	(1,553,847)	1,177,821
Exchange gains (losses)	463,003	3,459,023	(2,996,020)
Total	**880,208**	**2,479,771**	**(1,599,562)**

Income other than the above

Description	31/03/2020	31/03/2019	Change
Interest on bank current accounts	320	355	(35)
Late payment interest	45,007	48,140	(3,133)
Other interest income	278,186	341,250	(63,063)
Total	**323,513**	**389,745**	**(66,231)**

Sundry interest income mainly includes the financial income on the loan to Compago

Interest and other financial expenses

Description	31/03/2020	31/03/2019	Change
Late payment interest	108,924	94,493	14,431
Interest and commissions on short-term loans	266,936	1,401,527	(1,134,591)
Factoring interest expense	-	57,775	(57,775)
Other	165	52	113
Total	**376,025**	**1,553,847**	**(1,177,821)**

The reduction in short-term financial expense and interest is connected with a lesser use of facilities than last year.

Exchange gains and losses

The breakdown of this item is as follows:

Description	31/03/2020	31/03/2019	Change
Exchange gains	1,356,935	4,189,508	(2,832,573)
Exchange losses	(893,932)	(730,485)	(163,447)
Total	**463,003**	**3,459,023**	**(2,996,020)**

Exchange gains and losses allocated to the income statement are realised at year end hence no reserve needs to be entered pursuant to Art. 2426, point 8-bis) of the Italian Civil Code.

Value adjustments of financial assets

Description	31/03/2020	31/03/2019	Change
Write-back of derivatives	911,791	7,443,337	(6,531,546)
Write-down of equity investments	(100,000)	(200,000)	100,000
Write-down of derivatives	0	(4,663,515)	4,663,515
Total	**811,791**	**2,579,822**	**(1,768,031)**

This item includes the release of the provisions made last year for the recording of the negative fair value of the derivatives for €175 thousand. Moreover, this item also includes revenue relating to derivatives, realised during the year, not able to be considered as hedges in accordance with the accounting standard for a total net amount of €737 thousand, plus the write-down of the equity investment in the subsidiary Enoi Energie GmbH for €100 thousand.

Period current, deferred and prepaid income tax

	31/03/2020	31/03/2019	Change
Income tax	5,678,478	254,932	5,423,546

Description	31/03/2020	31/03/2019	Change
Deferred (prepaid) tax:			
IRES	5,501,826	254,932	5,246,894
IRAP			
Tax consolidation income	176,651	-	176,651
Total	**5,678,478**	**254,932**	**5,423,546**

Reconciliation between actual tax charge and the theoretical tax charge (IRES)

Description	Value	Tax
Pre-tax result	(6,201,807)	
Theoretical tax charge (%)	24%	
Taxable temporary differences in subsequent years:		
Interest income on arrears	(38,706)	
	(38,706)	
Temporary differences deductible in subsequent financial years:		
Directors' fees	17,500	
Provision for sundry risks	600,000	
	617,500	
Reversal of temporary differences from previous years		
Interest expense on arrears	(904)	
Release of provisions for risks	(200,000)	
Directors' fees	(5,200)	
	(206,104)	
Differences not carried forward into subsequent financial years		
Vehicle costs	43,944	
Telephone expenses	566	
write-down of equity investments	100,000	
Contingent liabilities	101,518	
interest expense	111,473	
Other taxes	33,157	
Other non-deductible costs	7,451	
Exchange profit &loss	(32,001)	
Dividends	(446,138)	
	(80,030)	
	(5,909,147)	

Calculation of taxable IRAP

Description	Value	Tax
Difference between value and cost of production	(7,893,806)	
Costs not relevant for IRAP purposes:		
- Payroll costs	430,833	
- Provision for risks	600,000	
- Write-down of trade receivables	67,085	
	(6,795,888)	
Theoretical tax charge (%)	3.90%	
Timing difference deductible in subsequent years:		
Other changes:		
- Costs & remuneration art. 11 - 1 b) D. Lgs N. 446	75,250	
- Other non-deductible costs	135,149	
- Use of provisions for risks and charges	(200,000)	
Portion of value of production realised abroad	(1,169,257)	
IRAP tax base	(5,616,232)	
Period current IRAP	3.90%	

Other information - Notes

Employment data

The average workforce, divided by category, has not changed compared to the previous year, and includes:

Description	31/03/2020	31/03/2019	Change
Executives	1	1	-
Middle managers	1	1	-
White-collar employees	2	2	-
Total	**4**	**4**	**-**

The company applies the national collective bargaining agreement for the commercial sector.

Directors’ and auditors’ fees

In accordance with the law, the total fees due to directors and the auditing body are indicated below (Article 2427, first paragraph, point 16 of the Italian Civil Code).

	Value
Directors' fees	80,000
Auditors’ fees	35,000
Total	**115,000**

Information about the fees for the statutory audit or the independent auditing firm

In accordance with the law, please note the year's fees for the services provided by the independent auditing firm or entities belonging to its network:

	Value
Independent auditor	19,500
Total	**19,500**

Commitments and guarantees not recorded on the Balance Sheet

In compliance with the provisions of Art. 2427, first paragraph, point 9) of the Italian Civil Code, the following information is supplied on the commitments, guarantees and potential liabilities not resulting from the balance sheet:

- bank bonds given by the company as a guarantee of its contracts for the purchase, transmission and storage of gas and power for €9,438 thousand;
- bank bonds given by the company as a guarantee of the contractual commitments of subsidiaries for the purchase, transmission and storage of gas and power for €11,595 thousand;
- guarantee given to third parties on behalf of Compagnia Energetica for €3,000 thousand;
- commitments made by the company comprising the fixed cost of multi-year transmission and storage contracts (Italy and Export) relative to the period 2020/2025 already stipulated at 31 March 2020 equal to €36,532 thousand.

Related party transactions

Below are details of related party transactions that took place during the year:

Descrizione €'000	Alpherg S.p.A.	Spienergy Spa	Marketz S.p.A.	Alrescha Investimenti Srl	CEI Spa	Compago Srl
Trade receivables	9,363	10,136	552	5	317	
Financial receivables	545		139			7,207
Group VAT receivables			986			
Trade payables	(14,525)	(5)	(2,655)			
Group VAT payables	(7,013)					
Financial payables	(15,786)	(599)				
Revenues	149,212	3,380	292	5	292	197
Costs	(142,317)	(56)	(36)	(158)		

All transactions are settled at arm's length.

Allocation of period result

The Shareholders' Meeting is asked to carry forward the loss to next year.