



2016 Financial Statements

Our energy for your needs



Our energy for your needs

More value to energy every day.

Centrex Italia S.p.A. is active in the import, sale and trading of natural gas.

The company, operative from October 2008, with sale volumes rising steeply, can rely on a diversified supply portfolio and relevant transport and storage capacity.

Financial Statements
at 31 | 12 | 2016



Balance Sheet
at 31/12/2016

B) Fixed assets

<i>I - Intangible fixed assets</i>		
4) concessions, licenses, trademarks and similar rights	285.100	6.920
6) fixed assets underway and deposits	0	163.370
7) others	109.369	133.734
Total intangible fixed assets	394.469	304.024
<i>II - Tangible fixed assets</i>		
4) other assets	83.997	89.216
Total tangible fixed assets	83.997	89.216
<i>III - Financial fixed assets</i>		
<i>1) equity investments in</i>		
<i>a) subsidiaries</i>		
Total equity investments	1.711.566	510.000
4) derivatives	179.037	0
Total financial fixed assets	1.890.603	510.000
Total fixed assets (B)	2.369.069	903.240

C) Current assets

<i>I - Inventories</i>		
4) finished products and goods	17.597.470	21.488.288
Total inventories	17.597.470	21.488.288
<i>II - Receivables</i>		
<i>1) from customers</i>		
due by the end of the next financial year	99.713.549	92.038.474
Total receivables due from customers	99.713.549	92.038.474
<i>2) from subsidiaries</i>		
due by the end of the next financial year	149.698	18.680
Total receivables due from subsidiaries	149.698	18.680
<i>4) from parent companies</i>		
due by the end of the next financial year	206.794	148.516
Total receivables due from parent companies	206.794	148.516
<i>5-bis) tax credits</i>		
due by the end of the next financial year	2.081.113	1.819.677
Total tax credits	2.081.113	1.819.677

BALANCE SHEET ASSETS

31/12/2016

31/12/2015

5-ter) prepaid taxes	71.823	72.492
5-quater) from others		
due by the end of the next financial year	1.028.211	80.573
Total receivables due from others	1.028.211	80.573
Total receivables	103.251.188	94.178.412

III - Financial assets not classified as fixed assets

5) derivatives	349.951	0
Total financial assets not classified as fixed assets	349.951	0

IV - Cash and cash equivalents

1) bank and postal deposits	3.654.171	2.562.783
3) cash and other cash equivalents	1.253	441
Total cash and cash equivalents	3.655.424	2.563.224

Total current assets (C)	124.854.033	118.229.924
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D) Accruals and deferrals

	159.883	193.084
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Total assets	127.382.985	119.326.248
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BALANCE SHEET LIABILITIES

31/12/2016

31/12/2015

A) Shareholders' equity

I. Share capital	5.000.000	5.000.000
IV. Legal reserve	278.200	209.603
VI -Other reserves, indicated distinctly		
Capital payments	925	925
Various other reserves	34.647	1
Total other reserves	35.572	926
VII - Reserve, hedging of expected financial flows	457.142	0
VIII - Retained earnings (losses)	5.285.798	3.982.446
IX - Profit (loss) for the year	1.919.414	1.371.948
Total shareholders' equity	12.976.126	10.564.923

B) Provisions for risks and charges

2) for taxes, including deferred	3.818	4.000
3) derivatives	290.041	0
4) others	221.327	221.327
Total provisions for risks and charges	515.186	225.327

C) Employee severance indemnity

	170.982	130.090
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D) Payables

4) payables to banks		
due by the end of the next financial year	32.953.122	43.805.775
Total payables to banks	32.953.122	43.805.775
7) trade payables		
due by the end of the next financial year	72.321.127	57.522.184
Total trade payables	72.321.127	57.522.184
9) payables to subsidiaries		
due by the end of the next financial year	335.974	434.323
Total payables to subsidiaries	335.974	434.323

The English version is a translation of the original Italian text for information purposes only. In case of any discrepancy, the original Italian text will apply.

BALANCE SHEET LIABILITIES

31/12/2016

31/12/2015

11) payables to parent companies due by the end of the next financial year	5.821.330	5.281.791
Total payables to parent companies	5.821.330	5.281.791
12) tax payables due by the end of the next financial year	165.010	83.096
Total tax payables	165.010	83.096
13) payables due to pension and social-security institutions due by the end of the next financial year	86.797	73.230
Total payables due to pension and social-security	86.797	73.230
14) other payables due by the end of the next financial year	1.021.212	633.677
due after the end of the next financial year	932.460	570.318
Total other payables	1.953.672	1.203.995
Total payables	113.637.032	108.404.394

E) Accrued expenses and deferred income

	83.659	1.514
Total liabilities	127.382.985	119.326.248

INCOME STATEMENT

31/12/2016

31/12/2015

A) Value of production

1) revenue from sales and services	607.510.834	598.007.541
5) other revenue and income		
others	146.791	89.625
Total other revenues and income	146.791	89.625
Total value of production	607.657.627	598.097.166

B) Cost of production

6) raw and subsidiary materials, consumables and goods	572.878.636	555.100.698
7) services	22.963.810	19.714.322
8) use of third-party assets	272.657	290.424
9) personnel		
a) wages and salaries	2.377.700	1.794.146
b) social security contributions	516.979	373.280
c) employee severance indemnity	110.351	74.143
d) provisions for pensions and similar obligations	86.816	77.139
e) other costs	40.148	30.373
Total personnel costs	3.131.994	2.349.081
10) amortisation, depreciation and write-downs		
a) amortisation of intangible fixed assets	87.383	47.785
b) depreciation of tangible fixed assets	27.127	21.247
d) write-downs of receivables included in current assets and cash and cash on hand	493.741	400.000
Total amortisation, depreciation and write-downs	608.251	469.032
11) changes in inventories of raw and subsidiary materials, consumables and goods	3.890.819	17.340.567
14) other operating expenses	341.565	367.550
Total costs of production	604.087.732	595.631.674
Difference between the value and costs of production (A - B)	3.569.893	2.465.492

C) Financial income and expense

16) other financial income		
d) income other than the above		
others	84.489	48.929
Total income other than the above	84.489	48.929
Total other financial income	84.489	48.929
17) interest and other financial expenses		
from parent companies	0	19.793
others	621.092	582.890
Total interest and other financial expenses	621.092	602.683
17-bis) exchange gains (losses)	(168)	(1.479)
Total financial income and expense (15 + 16 - 17 + - 17-bis)	(536.771)	(555.233)

D) Value adjustments of financial assets and liabilities

18) revaluations		
d) of derivatives	332.125	0
Total revaluations	332.125	0
19) write-downs		
d) of derivatives	550.319	0
Total write-downs	550.319	0
Total value adjustments of financial assets and liabilities (18 - 19)	(218.194)	0

Pre-tax result (A - B + - C + - D)	2.814.928	1.910.259
20) Income taxes for the year: current, deferred and prepaid		
current taxes	895.027	534.726
deferred and prepaid taxes	487	3.585
Total income taxes for the year: current, deferred and prepaid	895.514	538.311
21) Profit (loss) for the year	1.919.414	1.371.948

Cash Flow Statement (indirect method)

A) Financial flows from operating activities (indirect method)

Profit (loss) for the year	1.919.414	1.371.948
Income tax	895.514	538.311
Interest expense/(income)	536.603	553.754

1) Profit (Loss) for the year before income tax,

interest, dividends and capital gains/losses from disposals

Adjustments for non-monetary elements with no

balancing entries in net working capital

Amortisation/depreciation of fixed assets

Value adjustments for derivative assets and liabilities

not involving monetary movements

Other adjustments increasing/(decreasing) non-monetary elements

Total adjustments for non-monetary elements with no**balancing entries in net working capital**

2) Financial flow before changes in net working capital

Changes in net working capital

Decrease/(Increase) in inventories

Decrease/(Increase) in receivables from customers

Increase/(Decrease) in trade payables

Decrease/(Increase) in accrued income and prepaid expenses

Increase/(Decrease) in accrued expenses and deferred income

Other decreases/(increases) in net working capital

Total changes in net working capital

3) Financial flow after changes in net working capital

Other adjustments

Interest received/(paid)

(Income tax paid)

Other collections/(payments)

Total other adjustments**Financial flow from operating activities (A)****13.346.155****19.779.995**

CASH FLOW STATEMENT (INDIRECT METHOD)

31/12/2016

31/12/2015

B) Financial flows from investment activities

Tangible fixed assets		
(Investments)	(21.908)	(70.183)
Intangible fixed assets		
(Investments)	(177.828)	(272.405)
Financial fixed assets		
(Investments)	(1.201.566)	(510.000)

Financial flow from investment activities (B)	(1.401.302)	(852.588)
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C) Financial flows from financing activities

Third party funding		
Increase/(Decrease) in short-term payables due to banks	(10.852.653)	(19.237.948)
Equity		
Other minor changes	(1)	0

Financial flow from financing activities (C)	(10.852.654)	(19.237.948)
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Increase (decrease) in cash and cash equivalents (A ± B ± C)	1.092.199	(310.541)
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Cash and cash equivalents at the beginning of the year


Bank and postal deposits	2.562.784	2.872.186
Cash and cash equivalents on hand	441	1.580
Total cash and cash equivalents at the beginning of the year	2.563.225	2.873.766

Cash and cash equivalents at year end

Bank and postal deposits	3.654.171	2.562.784
Cash and cash equivalents on hand	1.253	441
Total cash and cash equivalents at year end	3.655.424	2.563.225

MILAN, 27 February 2017

For the Board of Directors
The Chief Executive Officer
Michele Libutti



Notes to the
Financial Statements
at 31/12/2016

EXPLANATORY NOTES, FIRST PART

Introduction

The financial statements, subject to your review and approval, reported a profit for the year of Euro 1,919,414.

The company is not subject to management and coordination by the sole shareholder pursuant to article 2497 of the Italian Civil Code.

Business activities

As is well known, your company's purpose is to create and use energy and gas production plants, the strategic structuring of energy and gas supply contracts, as well as creating distribution structures, the sale and distribution of oil and natural gas products, and the purchase and sale of energy and natural gas.

Structure and content of the Annual Financial Statements

The financial statements for the year ending 31/12/2016, consisting of the Balance Sheet, Income Statement, Cash Flow Statement and Explanatory Notes, correspond with the entries in the accounting records kept regularly and were prepared in compliance with the provisions found in articles 2423 and 2423-bis of the Italian Civil Code, as well as the accounting standards and recommendations prepared by the Italian Accounting Body (OIC).

The financial statements were prepared on a going concern basis.

The structure complies with that outlined in the Italian Civil Code in articles 2424 and 2425, on the basis of the presuppositions found in article 2423-ter, while the Explanatory Notes, which are an integral part of the Annual Financial Statements, comply with the content envisaged in articles 2427, 2427-bis and all the other provisions which refer to the same.

The entire document, in its constituent parts, was prepared to offer a true and accurate representation of the Company's equity and financial situation, as well as its economic results during the year, providing additional information complementary to this goal when necessary.

Pursuant to article 2423-ter, the amount for the previous financial year is indicated for each item.

The structure and composition of the Annual Financial Statements was amended by Italian Legislative Decree 139/2015 (implementation of Directive 34/2013), which also updated certain measurement criteria. The Italian Accounting Body (OIC) consequently revised the accounting standards in effect, issuing an updated version of these in 2016.

Below we note the main changes issued:

- cash flow statement required for certain categories of businesses;
- introduction of the criteria of substance prevailing over form;
- introduction of the criteria of relevance (and therefore, materiality);
- amendments to the measurement of derivatives and recognition in new items;
- introduction of the amortised cost criteria for investment securities, receivables and payables maturing after the financial year;
- amendment of the amortisation criteria for goodwill based on useful life;
- elimination of memorandum accounts appended to the Balance Sheet, with the consequent introduction of a similar disclosure in the Notes;
- elimination of extraordinary costs and revenues in the Income Statement;
- indication of relationships with companies subject to control by parent companies (equity investments, receivables, payables, costs and revenues);
- elimination of research and advertising costs from intangible fixed assets;
- transfer of the item Own Shares from assets to Shareholders' equity, with a negative sign.

Pursuant to OIC 29, the changes in the accounting standards involve retroactive application at the start of the previous Financial Year. Therefore, the figures from the financial statements of the previous year have been adjusted to take into account both the new structure of the Financial Statements and the new accounting standards.

Hence, in the Financial Statements for the current financial year, the following reclassifications were made:

- *Memorandum accounts* appended to the Balance Sheet were eliminated;
- *Derivatives* were recognised;
- *Receivables and payables maturing after 12 months*, when required, were recognised using the amortised cost criteria, on an accrual basis.

With regard to information relative to the Company's economic and financial performance and relationships and transactions occurring with related parties, please refer to the Report on Operations.

Accounting standards

In compliance with the provisions in article 2423-bis of the Italian Civil Code, the following standards were observed when preparing the Financial Statements:

- the valuation of individual items was performed in compliance with the general principles of prudence and on a going concern basis, as well as bearing in mind the substance of the transaction or contract;
- only profits effectively realised during the year were recognised;

- income and expenses accruing during the year were indicated, regardless of their actual date of payment;
- risks and losses accruing during the year were taken into account, even if only discovered after the end of the year;
- heterogeneous elements included in the various items of the financial statements were measured distinctly.

The measurement criteria foreseen in article 2426 of the Italian Civil Code were kept unaltered with respect to those adopted in the previous financial year, with the exception of those outlined above.

The Annual Financial Statements, as well as these Notes, were prepared in Euro.

Measurement criteria adopted

In preparing these Financial Statements, the measurement criteria envisaged in article 2426 of the Italian Civil Code were applied.

Intangible fixed assets

Intangible fixed assets were recognised at the cost of acquisition, including directly attributable accessory expenses. The relative amounts were recognised net of amortisation rates, systematically calculated on the basis of the rates indicated below, taking their residual possibilities of use into account.

Start-up and expansion costs, with long-term benefits were recognised under assets with the consent of the Board of Statutory Auditors and are amortised over a period of five years.

Industrial patent rights and intellectual property rights, licenses, concessions and trademarks were amortised with an annual rate of 33% for assets with an estimated useful life of three years, and with a rate of 20% for assets with an estimated useful life of five years.

Improvements to third-party assets are amortised according to rates that depend on the duration of the contract.

Pursuant to point 5) of article 2426, we note that no dividends were distributed that exceeded available reserves able to cover the amount of said non-amortised costs.

Fixed assets for which the value as of the reporting date was found to be permanently lower with respect to the value as determined above were recognised at this lower value. If the reasons for the write-down cease to exist in future years, it is not maintained, with the exception of goodwill.

Tangible fixed assets

Tangible fixed assets are recognised in the Financial Statements at the acquisition cost. This cost includes accessory expenses, but not directly attributable costs.

The relative amounts are recognised net of depreciation rates, systematically calculated based on the rates indicated below, in relation to their residual possibility of use, taking into consideration the use, destination and economic/technical duration of the assets.

Description	Rate applied
Plants and machinery (office and electronic machines)	20%
Other assets	20%

No changes were made to depreciation rates relative to the previous financial year.

Fixed assets for which the value as of the reporting date was found to be permanently lower with respect to the value as determined above were recognised at this lower value. If the reasons for the write-down cease to exist in future years, it is not maintained.

Financial fixed assets

Financial fixed assets consisting of equity investments in subsidiaries were measured using the cost method, including accessory charges. The book value is determined on the basis of the purchase or subscription price or the value attributed to the assets transferred.

The cost as determined above is reduced when lasting losses in value are determined. If the reasons for the adjustment made cease to exist, the value of the equity investment is restored up to the purchase cost.

The value determined in this way is not higher than the value that would be determined applying the criteria envisaged in article 2426, paragraph 4 of the Italian Civil Code.

Receivables

Receivables were recognised based on the assumed realisable value, through the allocation of a specific provision for impairment, to which an amount corresponding to the risk of not collecting the receivables recognised in the financial statements is allocated annually, in relation to general economic conditions and the relative sector, as well as the origins of the debtor.

Cash and cash equivalents

This item includes cash and cash equivalents, and monetary deposits in accounts the company holds with credit institutions, all expressed at their nominal value, duly converted into the national currency in the case of accounts in other currencies.

Accruals and deferrals

Accruals and deferrals are determined following the accrual principle.

Relative to multi-year accruals and deferrals, the amount originally recognised was verified and when necessary, appropriate adjustments were made.

Provisions for risks and charges

Provisions are allocated to cover losses or liabilities of a determinate nature, which are certain or likely to exist, but for which at the end of the financial year the amount or date of payment could not be determined.

In measuring these provisions, the general criteria of prudence and accrual were respected, and no generic provisions for risks were established without an economic justification.

TFR (Employee Severance Indemnity)

The provision for TFR (employee severance indemnity) corresponds to the Company's effective commitment relative to each employee, determined in compliance with current legislation and in particular with the provisions of article 2120 of the Italian Civil Code and the collective labour contracts and company annexes.

This liability is subject to revaluation based on indices.

Payables

Payables are expressed at their nominal value and include, when applicable, interest accrued and collectable as of the reporting date.

Payables maturing after 12 months are recognised using the amortised cost criterion, on an accrual basis. This criterion applies to payables arising as of 01 January 2016, as allowed under OIC 19.

Derivatives

Fair value changes in derivatives are recognised in the income statement in section D) "Value adjustments of financial assets and liabilities", while fair value changes in the effective component of derivatives hedging financial flows recognised in shareholders' equity are recognised under the item *Reserve, hedging of expected financial flows*.

Recognition of revenues and costs

Revenues and costs are recognised net of returns, discounts and rebates, as well as of taxes directly associated with the sale of products and provision of services.

Specifically:

- revenues for the provision of services are recognised on the basis of the actual provision and in accordance with the relative contracts. Revenues relative to contract work in progress are recognised in proportion to the progress of the work;
- revenues from the sale of products are recognised at the time ownership is transferred, which normally corresponds with the delivery or shipping of the product;
- costs are recognised based on the accrual principle;
- allocations to provisions for risks and expenses are recognised based on their nature, when possible, in the appropriate class within the income statement;
- financial income and expenses are recognised on an accrual basis.

Inventories

Inventories of "Finished products and goods" made up of quantities of stored gas, are recorded at the lower of the cost of acquisition or manufacture and the realisable value taken from market trends, by applying the average weighted cost method.

Income tax

Income tax for the year is recognised in application of the accrual principle, determined by applying the current provisions under the law and based on an estimate of taxable income. The payable is recognised in the Balance Sheet under the item "tax payables", and the receivable under the item "tax credits".

With reference to the recognition of tax effects deriving from temporal differences between the recognition of economic components in the financial statements and the moment the same become fiscally relevant we note the following.

Deferred taxes are calculated on the basis of temporary taxable differences, applying the tax rate believed to be in effect at the moment said temporary differences generate increases in the taxable base.

Following the prudential standard, prepaid tax assets are calculated on temporary deductible differences, applying the tax rate held to be in effect at the moment said differences generate a decrease in the taxable amount, based on the principle of reasonable certainty that future taxable income will exist in an amount sufficient to reabsorb said changes.

The amount of prepaid taxes is reviewed every year to verify that the reasonable certainty of achieving future taxable income still exists in order to be able to recover the entire amount of prepaid taxes.

The amount of deferred and prepaid taxes is also subject to redetermination in the case of a change in the tax rates originally used.

For corporate tax purposes (IRES), the Company having subscribed the previous year to the "national tax consolidation regimen" pursuant to articles 117 to 129 of the Income Tax Consolidation Act (TUIR), together with the company Weedoo S.p.A., a company controlled for 51%, implies that a single taxable base is calculated for the group of companies subscribing to said regimen, and that only the consolidating company is allocated the obligations relating to the calculation and payment of the Group's corporate income tax, as well as settling the balances and advance payments due for said tax.

The economic relations, together with the reciprocal responsibilities and obligations between the Company and the consolidated company, are set out in the tax consolidation contract for the Group's companies.

Based on the above, current corporate income tax was calculated on an accrual basis, based on the Company's year-end result, not taking into consideration the scope of the tax consolidation regimen, and charged to the latter's income statement, recognised as a payable balancing entry in respect of the consolidating company.

Regional business tax (IRAP) does not fall within the scope of the tax consolidation, and the effects of this tax have therefore only been stated in the Company's income statement according to the regulations that were originally in effect.

EXPLANATORY NOTES, ASSETS

Fixed assets

Intangible fixed assets

The structure of intangible fixed assets and changes during the year are highlighted in the table below.

Financial statement item	Initial balance	Increases	Decreases	Final balance
Concessions, licences, trademarks and similar rights	6.920	337.738	59.558	285.100
Fixed assets underway and deposits	163.370		163.370	
Other intangible fixed assets	133.734		24.365	109.369
Total	304.024	337.738	247.293	394.469

	Start-up and expansion costs	Concessions, licences, trademarks and similar rights	Intangible fixed assets underway and deposits	Other intangible fixed assets	Total intangible fixed assets
Value at start of year					
Historical	8.727	148.331	163.370	232.829	553.257
Amortisation/depreciation (provision for amortisation/depreciation)	8.727	134.722	0	98.645	242.094
Write-downs	0	6.689	0	450	7.139
Book value	0	6.920	163.370	133.734	304.024
Change during the year					
Increase due to acquisitions	0	174.368	0	3.461	177.829
Reclassifications (of book value)	0	163.370	(163.370)	0	0
Amortisation/depreciation during the year	0	59.558	0	27.826	87.384
Total changes	0	278.180	(163.370)	(24.365)	90.445

Value at year end

Historical	8.727	486.069	0	236.290	731.086
Amortisation/depreciation (provision for amortisation/depreciation)	8.727	194.279	0	126.471	329.477
Write-downs	0	6.690	0	450	7.140
Book value	0	285.100	0	109.369	394.469

Intangible fixed assets at 31/12/2016 amounted to Euro 394,469 (Euro 304,024) at the end of the previous financial year) net of amortisation.

This item includes start-up and expansion costs as well as licenses for software and management applications relative to the creation of the ETRM (Energy Trading Risk Management) system, the invoicing system and Customer Relationship Management (CRM), as well as expenses to improve third-party assets.

Changes in intangible fixed assets

The following table indicates changes in intangible fixed assets (article 2427, paragraph 2, of the Italian Civil Code).

Tangible fixed assets

The structure of tangible fixed assets and changes during the year are highlighted in the table below.

Financial statement item	Initial balance	Increases	Decreases	Final balance
Other assets	89,216	21,908	27,127	83,997
Total	89,216	21,908	27,127	83,997

	Plants and machinery	Other tangible fixed assets	Total tangible fixed assets
Value at start of year			
Historical	1,700	186,099	187,799
Amortisation/depreciation (provision for amortisation/depreciation)	1,190	95,985	97,175
Write-downs	510	898	1,408
Book value	0	89,216	89,216
Change during the year			
Increase due to acquisitions	0	21,908	21,908
Amortisation/depreciation during the year	0	27,127	27,127
Total changes	0	(5,219)	(5,219)
Value at year end			
Historical	1,700	208,007	209,707
Amortisation/depreciation (provision for amortisation/depreciation)	1,190	123,112	124,302
Write-downs	510	898	1,408
Book value	0	83,997	83,997

Tangible fixed assets, net of the provision for amortisation/depreciation, came to Euro 83,997 (Euro 89,216 at the end of the previous year).

Changes in tangible fixed assets

The table below indicates the components that were included when determining the net book value in the financial statements (article 2427, paragraph 2, of the Italian Civil Code).

The table below provides a breakdown of the Financial Statements item "other assets", indicating the changes seen in the individual components.

Description	Furniture and fittings	Electronic office machines	Assets other than the above	Total other fixed assets
Historical cost	20.347	142.582	23.169	186.098
Initial provision for amortisation/ depreciation	539	73.207	22.238	95.984
Write-downs in previous years		284	614	898
Balance at start of year	19.808	69.091	317	89.216
Acquisitions during the year	6.101	6.533	9.275	21.909
Amortisation/depreciation during the year	3.116	21.988	2.023	27.127
Rounding	-1			
Final balance	22.792	53.636	7.569	83.997

Financial fixed assets

The item Financial fixed assets consists of equity investments, financial receivables, securities and derivatives as shown in the table below.

Financial statement items	Initial balance	Increases	Decreases	Final balance
Equity investments in:				
a) subsidiaries	510.000	1.201.566		1.711.566
Derivatives		179.037		179.037
Total	510.000	1.380.603		1.890.603

Below we provide information and detailed tables for the individual items.

Changes in equity investments and investment derivatives

Equity investments recognised in the fixed assets represent lasting and strategic investments by the Company. Their total value at 31/12/2016 came to Euro 1,711,566 (Euro 510,000 at the end of the previous year).

The table below indicates the components that were included when determining the net book value in the financial statements (article 2427, paragraph 2, of the Italian Civil Code).

	Equity investments in subsidiaries	Total equity investments	Other securities	Derivatives
Value at start of year				
Historical	510.000	510.000	0	0
Book value	510.000	510.000	0	0
Change during the year				
Increase due to acquisitions	1.201.566	1.201.566	0	0
Reclassifications (of book value)	0	0	0	179.037
Total changes	1.201.566	1.201.566	0	179.037
Value at year end				
Historical	1.711.566	1.711.566	0	179.037
Book value	1.711.566	1.711.566	0	179.037

Details on equity investments in subsidiaries

Equity investments in subsidiaries are measured at the purchase cost.

Pursuant to article 2427, paragraph 5 of the Italian Civil Code, below we provide information on equity investments in subsidiaries, held directly or indirectly, and recognised under financial fixed assets.

Name	City, if in Italy, or foreign country	Tax ID no. (for Italian companies)	Share capital in Euro	Profit (loss) last financial year, in Euro	Shareholders' equity in Euro	Stake held in Euro	Stake held as a %	Book value or corresponding receivable
Weedoo S.p.A.	Milan	08961560961	1.000.000	(795.477)	2.423.523	510.000	51,00%	1.711.566
Total								1.711.566

The increase is due to an additional capital payment benefiting the subsidiary Weedoo S.p.A., to allow Weedoo S.p.A. to purchase 75% of the equity of SMG S.r.l.

The equity investment in Weedoo S.p.A. is a strategic and lasting investment for the Company. We note that the book value, corresponding to the purchase cost, is greater than the relative stake held in the company's shareholders' equity.

The subsidiary Weedoo S.p.A. carried out an impairment test on its investment in SMG S.r.l. in order to determine the greater of the purchase price or the stake held in the shareholders' equity.

Current assets

Inventories

Pursuant to article 2427, paragraph 4 of the Italian Civil Code, below we provide a breakdown of the item in question.

	Value at start of year	Change during the year	Value at year end
Finished products and goods	21.488.288	(3.890.818)	17.597.470
Total inventories	21.488.288	(3.890.818)	17.597.470

Note that the criteria adopted to measure individual items led to the recognition of values that are not significantly different from the current costs of the assets determined as of the reporting date (article 2426, paragraph 10, Italian Civil Code).

Receivables recognised in current assets

Changes and maturity of receivables recognised in current assets

Below we note the structure, changes and maturity of receivables recognised in the current assets (article 2427, paragraphs 4 and 6, Italian Civil Code).

	Value at start of year	Change during the year	Value at year end	Portion due within the year	Portion due after 12 months	Of which with a residual duration exceeding 5 years
Receivables due from customers recognised in current assets	92.038.474	7.675.075	99.713.549	99.713.549	0	0
Receivables due from subsidiaries recognised in current assets	18.680	131.018	149.698	149.698	0	0
Receivables due from parent companies recognised in current assets	148.516	58.278	206.794	206.794	0	0
Tax credits recognised in current assets	1.819.677	261.436	2.081.113	2.081.113	0	0
Prepaid tax assets recognised in current assets	72.492	(669)	71.823			
Receivables due from others recognised in current assets	80.573	947.638	1.028.211	1.028.211	0	0
Total receivables recognised in current assets	94.178.412	9.072.776	103.251.188	103.179.365	0	0

Receivables are booked at their nominal value and are stated at their estimated realisable value. The adjustment of the nominal value of receivables with respect to their estimated realisable value is obtained by using the appropriate bad debt provision - determined through a valuation of the specific and generic risk of collectability - and by taking into consideration the general economic and industry conditions.

The increase in receivables due from customers is due to an increase in turnover in 2016, compared to the same period of the previous year.

The items Receivables due from parent companies of Euro 206,794 and receivables due from subsidiaries of Euro 149,698 include only trade receivables.

The item Receivables due from others includes receivables for security deposits in the amount of Euro 1 million, relative to Gestore dei Mercati Energetici S.p.A. The same deposit was replaced in January 2017 with a surety issued by a bank with a rating accepted by the Gestore dei Mercati Energetici S.p.A.

The item Receivables for prepaid taxes, standing at Euro 71,823, refers to IRES [corporate income tax] and IRAP [regional business tax] credits, detailed below in these explanatory notes.

The item Tax credits consists of VAT receivables for Euro 1,989,290, excise tax credits and other for Euro 91,589 and other receivables for Euro 235.

Breakdown of receivables in current assets by geographic area

Receivables in current assets break down as follows based on the geographic area in which the debtor operates (article 2427, paragraph 6, Italian Civil Code):

Geographic area	Italy	Europe	Rest of the world	Total
Receivables due from customers recognised in current assets	72.416.625	21.550.983	5.745.941	99.713.549
Receivables due from subsidiaries recognised in current assets	149.698	-	-	149.698
Receivables due from associates recognised in current assets	-	-	-	0
Receivables due from parent companies recognised in current assets	-	206.794	-	206.794
Tax credits recognised in current assets	2.081.113	-	-	2.081.113
Prepaid tax assets recognised in current assets	71.823	-	-	71.823
Receivables due from others recognised in current assets	1.028.211	-	-	1.028.211
Total receivables recognised in current assets	75.747.470	21.757.777	5.745.941	103.251.188

The adjustment of the nominal value of the receivables to the estimated realisable value was achieved by means of a specific allowance for doubtful receivables which during the year underwent the following changes:

Description	Initial balance	Utilizations	Provisions	Final balance
Provision for write-downs of receivables in current assets	700.000		493.741	1.193.741

Financial assets not classified as fixed assets

Changes in financial assets not classified as fixed assets

Below is a table indicating the structure and changes in financial assets not classified as fixed assets (article 2427, paragraph 4, Italian Civil Code).

	Value at start of year	Change during the year	Value at year end
Derivatives not classified as fixed assets	0	349.951	349.951
Total financial assets not classified as fixed assets	0	349.951	349.951

Cash and cash equivalents

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

	Value at start of year	Change during the year	Value at year end
Bank and postal deposits	2.562.783	1.091.388	3.654.171
Cash and other cash equivalents	441	812	1.253
Total cash and cash equivalents	2.563.224	1.092.200	3.655.424

Accrued income and prepaid expenses

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

	Value at start of year	Change during the year	Value at year end
Accrued income	0	1.553	1.553
Prepaid expenses	193.084	(34.754)	158.330
Total accrued income and prepaid expenses	193.084	(33.201)	159.883

Description	Previous financial year	Current financial year	Change
Prepaid expenses:	193.084	158.330	-34.754
- for technical consulting	51.978	35.693	-16.285
- for sureties	47.491	49.272	1.781
- for databases	42.582	45.314	2.732
- for credit insurance	24.942	0	-24.942
- for employee insurance	13.990	8.617	-5.373
- for car leasing fees and other	12.101	19.434	7.333
Accrued income:		1.553	1.553
- others		1.553	1.553
Total	193.084	159.883	-33.201

EXPLANATORY NOTES, LIABILITIES AND SHAREHOLDERS' EQUITY

Shareholders' equity

Changes in shareholders' equity items

Shareholders' equity, at the end of the year, amounted to Euro 13,871,640, showing the following changes (article 2427, paragraph 4, Italian Civil Code).

	Value at start of year	Allocation of profit for the previous year		Other changes			Profit for the year	Value at year end
		Attribution of dividends	Other allocations	Increases	Decreases	Re-classifications		
Share capital	5,000.000	0	0	0	0	0		5,000.000
Legal reserve	209.603	0	68.597	0	0	0		278.200
Other reserves								
Capital payments	925	0	0	0	0	0		925
Various other reserves	1	0	0	34.648	(1)	0		34.647
Total other reserves	926	0	0	34.648	0	0		35.572
Reserve, hedging of expected financial flows	0	0	0	457.142	0	0		457.142
Retained earnings (losses)	3,982.446	0	1,303.352	0	0	0		5,285.798
Profit (loss) for the year	1,371.948	0	1,371.948	0	0	0	1,919.414	1,919.414
Total shareholders' equity	10.564.923	0	0	491.790	(1)	0	1.919.414	12.976.126

Availability and use of shareholders' equity

In particular, we provide details relative to the reserves which make up shareholders' equity, specifying their origins and nature, possibility of use and limits on distribution, as well as any utilisation during previous years (article 2427, paragraph 7-bis, Italian Civil Code):

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

	Amount	Origin/nature	Possibility of use	Portion available	Summary of utilisation in three previous financial years	
					to cover losses	for other reasons
Share capital	5,000,000	C		0	0	0
Legal reserve	278,200	U	B	278,200	0	0
Statutory reserves	0			0	0	0
Other reserves						
Capital payments	925	U	A,B,C,	925	0	0
Various other reserves	34,647	U	A,B,C,	34,647	0	0
Total other reserves	924			0	0	0
Reserve, hedging of expected financial flows	491,790	U		0	0	0
Retained earnings	5,285,798	U	A,B,C,	5,286,723	0	0
Total	11,056,712			5,600,495	0	0
Non-distributable portion	278,200			278,200		
Remaining distributable portion				5,322,295		

*Key: A: for capital increase, B: to cover losses, C: for distribution to shareholders
D: for other statutory requirements E: other*

At 31/12/2016, share capital was fully subscribed and paid up.

Provisions for risks and charges

The structure and changes in the individual items are shown in the table below (article 2427, paragraph 4, Italian Civil Code).

	Provision for pensions and similar obligations	Provisions for taxes, including deferred	Derivatives	Other provisions	Total provisions for risks and charges
Value at start of year	0	4.000	0	221.327	225.327
Change during the year					
Financial year provision	0	0	290.041	0	290.041
Utilisation for the year	0	0	0	0	0
Other changes	0	(182)	0	0	(182)
Total changes	0	(182)	290.041	0	289.859
Value at year end	0	3.818	290.041	221.327	515.186

Provisions for taxes include liabilities for deferred taxes of Euro 3,818.

Details relative to the provision for deferred taxes can be found in the section within these Notes on exposure to the effects of deferred taxes.

The present table provides details on the item relative to other provisions for risks and charges, as well as the changes occurring with respect to the previous financial year (article 2427, paragraph 7, Italian Civil Code).

Description	Previous financial year	Current financial year	Change
Other provisions for risks and charges	221.327	221.327	
Total	221.327	221.327	

The provision for charges refers for Euro 221,327 to the allocation relevant to a potential liability due to Stoccaggi Gas Italia (Stogit) relevant to an appeal, presented by Stogit, pending at the Regional Court of Lombardy relevant to the annulment of the AEEGSI resolution 144/2014/R/gas.

Employee severance indemnity

The provision allocated represents the actual amount owed by the company, as at 31/12/2016, to employees in the workforce at said date, net of advances paid.

The structure and use are both detailed in the table below (article 2427, paragraph 4, Italian Civil Code).

	Employee severance indemnity
Value at start of year	130.090
Change during the year	
Financial year provision	110.351
Utilisation for the year	69.459
Total changes	40.892
Value at year end	170.982

The TFR payable for ceased employment contracts, for which payment expired prior to the end of the financial year or will expire in the subsequent financial year, was recognised under item "14) Other payables" in the Balance Sheet. This does not include portions of TFR relative to premiums maturing during the year.

Payables

Changes in payables and maturity

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

	Value at start of year	Change during the year	Value at year end	Portion due within the year	Portion due after 12 months	Of which with a residual duration exceeding 5 years
Payables to banks	43.805.775	(10.852.653)	32.953.122	32.953.122	0	0
Trade payables	57.522.184	14.798.943	72.321.127	72.321.127	0	0
Payables to subsidiaries	434.323	(98.349)	335.974	335.974	0	0
Payables to Parent Companies	5.281.791	539.539	5.821.330	5.821.330	0	0
Tax payables	83.096	81.914	165.010	165.010	0	0
Payables due to pension and social-security	73.230	13.567	86.797	86.797	0	0
Other payables	1.203.995	749.677	1.953.672	1.021.212	932.460	0
Total payables	108.404.394	5.232.638	113.637.032	112.704.572	932.460	0

Payables due to banks as at 31/12/2016, amounting to Euro 32,953,122 – maturing within one year – include loans for commercial transactions totalling Euro 20,803,238, and a documentary advance stated in the financial statements for Euro 12,149,884.

Trade payables of Euro 72,321,127 are recognised net of commercial discounts.

The nominal value of these payables was adjusted due to returns and rebates (billing adjustments), consistent with the amount defined with the counterparty.

Payables due to subsidiaries consist entirely of payables associated with tax consolidation.

The payable due to the parent company Centrex Energy & Gas AG is of commercial nature.

The item Tax payables includes payables for withholding taxes for independent and employed staff.

The item "Other payables" consists mainly of the payable due to employees for Euro 1,929,892; the short-term portion refers to entitlements accrued within the year, and deferred salaries and holidays, while the portion beyond twelve months refers to entitlements due but for which the right to collect will be executed in the following years. The previous effect of discounting was recognised under Other Shareholders' Equity Reserves (Euro 34,648).

Breakdown of payables by geographic area

We also provide an informational table on the breakdown of payables based on the geographic area in which the creditor operates.

Geographic area	Italy	Europe	Rest of the world	Total
Payables to banks	32.953.122	-	-	32.953.122
Trade payables	36.893.826	29.748.916	5.678.385	72.321.127
Payables to subsidiaries	335.974	-	-	335.974
Payables due to parent companies	-	5.821.330	-	5.821.330
Tax payables	165.010	-	-	165.010
Payables due to pension and social-security	86.797	-	-	86.797
Other payables	1.953.672	-	-	1.953.672
Payables	72.388.401	35.570.246	5.678.385	113.637.032

Accrued expenses and deferred income

Below is an indication of the breakdown and changes in the item in question (article 2427, paragraph 7, Italian Civil Code).

	Value at start of year	Change during the year	Value at year end
Accrued expenses	1.514	5.699	7.213
Deferred income	0	76.446	76.446
Total accrued expenses and deferred income	1.514	82.145	83.659

EXPLANATORY NOTES, INCOME STATEMENT

A) Value of production

Below we provide a breakdown of the value of production, as well as the changes seen in the individual items with respect to the previous year:

Description	Previous financial year	Current financial year	Change
Revenue from sales and services	598.007.541	607.510.834	9.503.293
Other revenue and income	89.625	146.791	57.166
Total	598.097.166	607.657.627	9.560.461

Breakdown of revenue from sales and services by business sector

The breakdown of revenues by business sector is not significant.

Breakdown of revenue from sales and services by geographic area

The breakdown of revenues by geographic area is not significant.

Cost of production

The table below provides information relative to the structure and changes in the item "Cost of production".

Description	Previous financial year	Current financial year	Change	Change %
Raw materials, consumables and goods for resale	555.100.698	572.878.636	17.777.938	
Services	19.714.322	22.963.810	3.249.488	
Use of third-party assets	290.424	272.657	-17.767	
For personnel:				
a) wages and salaries	1.794.146	2.377.700	583.554	
b) social security contributions	373.280	516.979	143.699	
c) employee severance indemnity	74.143	110.351	36.208	
d) provisions for pensions and similar obligations	77.139	86.816	9.677	
e) other costs	30.373	40.148	9.775	
Amortisation, depreciation and write-downs:				
a) intangible fixed assets	47.785	87.383	39.598	
b) tangible fixed assets	21.247	27.127	5.880	
d) write-downs on receivables in current assets	400.000	493.741	93.741	
Changes in inventories of raw materials, consumables and goods for resale	17.340.567	3.890.819	-13.449.748	
Other operating expenses	367.549	370.214	2.665	
Total	595.631.674	604.087.732	8.456.058	

Costs for raw and subsidiary materials, consumables and goods

They are strictly related to the information shown in the Report on Operations.

Costs for services

They are closely related, among others, to natural gas transport and storage services.

Personnel costs

The item includes all expenses for personnel, including therein merit pay increases, promotions, automatic cost-of-living increases, the cost of holidays accrued but not taken and legal provisions and collective contracts.

Amortisation/depreciation of intangible and tangible fixed assets

Relative to amortisation and depreciation, we note that these were calculated on the basis of the useful life of the asset and their use in the manufacturing stage.

Please refer to the information found in the relevant section in these Explanatory Notes.

Other operating expenses

The item includes, among others, costs for the uses of databases for Euro 91,294, insurance premiums on receivables for Euro 24,942 and contributions paid to the Authority for Electricity, Gas and Water for Euro 126,767.

Financial income and expense

In compliance with the provisions of point 12) of article 2427 of the Italian Civil Code, we provide details relative to the amount of interest and other financial expenses relative to payables due to banks and others, as well as details of other financial income.

	Current financial year	Previous financial year	Change
(Other income)	34.257	48.929	(14.672)
(financial income from early termination of futures)	50.232		50.232
Total other financial income	84.489	48.929	35.560
Financial expenses	405.732	602.683	(195.591)
Financial expenses from early termination of futures	215.360		215.360
Total interest and other financial expenses	621.092	602.683	18.409
Exchange gains (losses)	168	1.479	(1.311)
Total	536.771	555.233	(18.462)

Other income in the amount of Euro 34,257 is relative to interest on arrears invoiced to customers for late payments and in the amount of Euro 50,232 to financial income due to the closure of forward contracts to purchase and sell gas.

Other financial expense includes Euro 215,360 in charges relative to the closure of forward contracts to purchase and sell gas.

Normalised financial expense comes to Euro 405,732, down significantly relative to the previous year (Euro 602,683).

The result of financial management in the strict sense confirms, again for the most recent financial year, careful credit management and the use of flexible financing appropriate for the business and always negotiated at the best possible market conditions.

Despite the increase in business turnover, the drop in Euribor listings also contributed to the decrease (as the final interest rate is associated with them), as well as commodities prices on international markets.

Interest primarily included loans relative to advances on invoices, documentary advances and financing for importing.

Value adjustments of financial assets and liabilities

The table below provides information relative to the structure and changes in the item "Value adjustments of financial assets and liabilities".

Description	Previous financial year	Change	Current financial year
Revaluations:			
d) of derivatives		332.125	332.125
Write-downs:			
d) of derivatives		550.319	550.319
Total		(218.194)	(218.194)

Measurement of derivatives stipulated relative to proprietary trading activity done at fair value - that is the price that would be received if an asset were sold or that would be paid to dispose of a liability in a regular transaction between market operators on the measurement date.

Pursuant to article 2426, subsection 4 of the Italian Civil Code, fair value is determined with reference to the market value, for financial instruments for which an active market can easily be identified. For prices of raw materials, there are observable market prices.

The observable market price is determined by referring to the gazettes published by recognised providers that provide information services to wholesale market participants.

The recognition in the financial statements reflects the typical (monthly) invoicing of sales and purchases on the HUBs. The mark to market is then recognised using the net-settlement method on a monthly basis.

Income tax for the year: current, deferred and prepaid

Income taxes for the year

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

Description	Previous financial year	Change	Change %	Current financial year
Current taxes	534.726	360.301	67,38	895.027
Deferred taxes	19.994	(11.380)	-56,92	8.614
Prepaid taxes	(16.409)	8.282	-50,47	(8.127)
Total	538.311	357.203		895.514

Tax reconciliation - IRES

Below is a table with the information requested under OIC 25 relative to reconciliation of the tax burden found in the financial statements and the theoretical tax burden.

Description	Value	Taxes
Pre-tax result	2.814.928	
Theoretical tax burden %	27,5	774.105
Temporary differences taxable in subsequent years:		
- interest income on arrears not received	11.857	
Total	11.857	
Temporary differences deductible in subsequent years:		
- statutory auditors' fees	10.920	
- independent auditors' fees	22.500	
Total	33.420	
Reversal of temporary differences from previous financial years:		
- interest on arrears 2014	1.016	
- interest on arrears 2015	13.660	
Total	14.676	
Differences not carried forward into subsequent financial years:		
- car expenses	35.879	
- telephony expenses	10.336	
- fines and penalties	818	
- non-deductible costs	302	
- other increases	284.135	
- IRAP deduction	(32.157)	
- ACE (Italian Economic Growth Aid)	(416.757)	
- other decreases	(70.475)	
Total	(187.919)	
Taxable IRES	2.633.896	
Current IRAP for the year		724.321

Tax reconciliation - IRAP

Below is a table with the information requested under OIC 25 relative to reconciliation of the tax burden found in the financial statements and the theoretical tax burden.

Description	Value	Taxes
IRAP taxable base (A - B + b9 + b10 lett. c) and d) + b12 + b13)	6.701.887	
Costs not relevant for IRAP purposes:		
- other items	22.714	
Revenues not relevant for IRAP purposes:		
- other items	15.918	
Total	6.708.682	
Theoretical tax burden %	3,90	261.638
Deductions:		
- INAIL	5.221	
- Social security contributions	76.322	
- other deductions	2.250.603	
Total		
Taxable IRAP	4.377.079	
Current IRAP for the year		170.706

Explanatory notes, other information**Commitments, guarantees and potential liabilities not found in the balance sheet**

In compliance with the provisions of point 9, paragraph 1, of article 2427 of the Italian Civil Code, the amount of guarantees made by the company, all of which are of a commercial nature, amounts to Euro 38,605,348.

Employment figures

In compliance with the provisions of point 15) of article 2427 of the Italian Civil Code, below we provide information relative to the breakdown of employees as at 31/12/2016.

	Average number
Management	5
Office staff	15
Total employees	20

Fees, advances and loans granted to directors and statutory auditors and commitments undertaken on their account

The following table shows fees, advances, and loans granted to members of the Board of Statutory Auditors, as well as commitments undertaken on their account for the year at 31/12/2016, as required under point 16 of article 2427 of the Italian Civil Code.

	Directors	Statutory Auditors
Fees	0	21.840

Fees to the independent auditor or auditing firm

Pursuant to article 2427, point 16-bis, we provide details on the fees due to the independent auditor (or auditing firm) for services rendered, distinguishing between statutory auditing services and other services.

	Value
Statutory auditing of the annual accounts	45.000
Total fees due to the independent auditor or auditing firm	45.000

Information on transactions with related parties

Pursuant to article 2427, paragraph 22-bis, we note that during the year the Company had business relationships with:

- the subsidiary Centrex Europe Energy & Gas AG;
- the associated company Weedoo S.p.A.;
- the related party SMG S.r.l.;
- the related party Gazprom Marketing & Trading Ltd;
- the related party Gruppo Società Gas Rimini S.p.A.;

referring to trade relations in the context of normal characteristic management activities, relating to the purchase of raw materials and services, and regulated by normal market conditions.

Details on other financial instruments issued by the Company

Pursuant to paragraph 19 of article 2427 of the Italian Civil Code, we note that the company has not issued financial instruments.

Information on equity and loans destined for specific business

No assets were allocated to a specific area of business pursuant to article 2447-bis, subsection 1, letter a) of the Italian Civil Code.

Information on companies preparing consolidated financial statements

For this year, it was decided to exclude Weedoo S.p.A. from consolidation, pursuant to Italian Legislative Decree 127/91, in that the parent company (Centrex Italia S.p.A.) is in turn 100% controlled by another company (Centrex Europe Energy & Gas AG, with registered office in Vienna, Austria) which prepares the financial statements and submits them for auditing based on the laws of another EU member state (Austria).

The Consolidated Financial Statements are available at the registered offices of the parent company Centrex Europe Energy & Gas AG.

Information on derivatives, pursuant to article 2427-bis of the Italian Civil Code

Below is the detailed information requested in article 2427-bis, paragraph 1, no. 1 of the Italian Civil Code.

For each category of derivatives indicated in the table, we provide information about the significant terms and conditions which may influence the amount, maturities and certainty of future financial flows, and fundamental assumptions behind measurement models and techniques used when fair value is not determined on the basis of market evidence. Changes in fair value reserves occurring during the year are found in the table in the Shareholders' equity section.

The derivatives indicated below fall within proprietary trading activities begun during 2015. The underlying contracts are standards contracts to purchase and sell natural gas.

Portfolio of Proprietary Trading Contracts	Fair value for current financial year	Fair value for previous financial year	Change in IS	Change in SE
Financial instruments not for hedging - year 2015		401.594	(401.594)	401.594
Financial instruments not for hedging - year 2015		(21.719)	21.719	(21.719)
Financial instruments for hedging - year 2015		6.552	(6.552)	6.552
Financial instruments not for hedging - year 2016	310.406		310.406	
Financial instruments not for hedging - year 2016	(142.173)		(142.173)	
Financial instruments for hedging - year 2016	70.714			70.714
Total	238.948	386.427	(218.194)	457.142

Proposal for allocation of profits or to cover losses

Allocation of profit for the year

Pursuant to article 2427, no. 22-septies, the following allocation of the profits for the year is proposed to the shareholders' meeting called to approve the financial statements:

Description	Value
Profit for the year:	
- to the legal reserve	95.971
- retained	1.823.443
Total	1.919.414

Declaration of compliance for the financial statements

MILAN, 27 February 2017

For the Board of Directors
The Chief Executive Officer
Michele Libutti

The undersigned, MICHELE LIBUTTI, in his role as Director, aware of the criminal liabilities foreseen in the case of false declarations, certifies, pursuant to article 147 of Italian Presidential Decree 445/2000, correspondence of the digital file in XBRL format, containing the Balance Sheet, Income Statement, Cash Flow Statement and these Explanatory Notes with that filed in the Company's records.



Report on Operations for
the Financial Statements
at 31/12/2016

Dear Shareholders,

The year ending 31 December 2016 closed with a net profit of Euro 1,919,414.

OPERATING CONDITIONS AND DEVELOPMENT OF ACTIVITIES

As is well known, your company's purpose is to create and use energy and gas production plants, the strategic structuring of energy and gas supply contracts, as well as creating distribution structures, the sale and distribution of oil and natural gas products, and the purchase and sale of energy and natural gas.

Pursuant to article 2428, the activity is carried out at the registered offices in Via Lorenzini 4, Milan and there are no secondary offices.

OPERATING PERFORMANCE¹

General economic trend

During 2016, global growth gradually strengthened from the summer on, but did not translate to a solid recovery in global commerce, contrary to expectations. Support for economic activity could result from the implementation of a fiscal expansion programme by the new US administration, but its characteristics are still uncertain. There is a risk that the recovery of the global economy will be stopped by current protectionist tendencies, as well as possible turbulence in the emerging economies. In the third quarter of 2016, the United States GDP grew better than had been predicted, increasing by 3.5% year-on-year, above all thanks to the contribution of net exports and changes in inventories. The expansion in private consumption remained strong, while investments remained stagnant. Information about the fourth quarter, in particular, relative to the job market and advance indexes, suggests trends are still supported by economic activity.

In Japan, GDP fell by 1.3% year-on-year, suffering from persistent weakness in consumption and investment. The most recent data relative to the autumn months still show an uncertain framework. The expansionary budget measures approved in the summer suggest prospects for relaunching of national demand.

In the United Kingdom, growth remained stable at 2.4% year-on-year, higher than expectations and helping to calm fears about a sharp slowdown following the Brexit vote. Nonetheless, uncertainty about economic effects over the medium term relative to the exit

¹ Information of a general economic and sectoral nature is derived from the following publications:

- Economic Bulletin. Bank of Italy. Issue 1 January 2017
- Forecasts. Prospects for the Italian economy. ISTAT. 21 November 2016
- GME Newsletter (Gestore dei Mercati Energetici, state-owned company promoting renewable energy) No. 100 of January 2017

from the European Union remains high. The British government made the tax consolidation process planned for the next two years less restrictive, with the objective of supporting domestic demand.

In China, growth remained stable even during the summer (6.7% compared to the same period in 2015). The most recent data suggests a moderate strengthening of internal demand components during the fourth quarter, in part due to tax and monetary stimulus. Nonetheless, risks associated with high private-sector and local-government debt remain, as well as risks related to a possible downward correction in real estate prices, which have risen significantly over the last two years. In India, GDP continued to expand quickly (7.3% over the corresponding period), against a notably moderate trend in industrial production. In Brazil, the recession is still severe (-2.9% in the third quarter, from -3.2%) and the overall situation remains uncertain, in part due to the still chaotic political situation.

In Russia, after the recovery of oil prices GDP fell slightly (-0.4%, from -0.6%), strengthening prospects for a return to growth.

In the advanced economies, consumer inflation rose slightly, thanks to easing in the drop in energy prices. Nonetheless, weakness in the basic component remained.

In December, inflation in the United States increased by 2.1%, net of food and energy products it was at 2.2%.

After the presidential election, medium and long-term inflation predictions deriving from prices of financial assets were strengthened. In Japan, inflation rose slightly in November, but still remained at low levels (0.5%). In the United Kingdom, consumer prices rose in December to 1.6%, suffering from the depreciation of the pound.

In December, inflation fell slightly in China (to 2.1%), after three consecutive increases. It continued to fall in India (3.4%), in Brazil (6.3%) and in Russia (5.4%).

Based on assessments issued by the International Monetary Fund (IMF) in January, global production increased by 3.1% in 2016, and will further increase to 3.4% in 2017 and 3.6% in 2018. Compared to the previous October, estimates were revised slightly higher for almost all the largest advanced economies, with the exception of Italy, and slightly lower for most emerging countries. However, for the latter an acceleration in the coming two years is predicted. Forecasts for the advanced economies reflect the positive surprises seen in the third quarter and the benefits expected from the expansive budget policies announced in the United States and Japan. Growth in the emerging economies is likely to suffer from less favourable financial conditions. In Brazil a more modest improvement is expected than that originally suggested in October. India will likely see temporary slowing. China will continue to benefit from the fiscal and monetary expansive policies implemented by the authorities in the short term. The improvement in Russia's prospects is confirmed, as well as for other producers of raw materials.

Oil prices have risen since the end of November, following the agreement on production cuts, to which OPEC and some non-OPEC countries adhered, including Russia. In the first ten days of January, listings hovered around \$54/barrel, the highest level since July

2015. However, the strength of the agreement is still in doubt, due to geopolitical tensions between the countries in the cartel. Effects on prices could be temporary, due to persistent weakness in global demand and the possible recovery of production in the United States, where the amount of new drilling has been growing again since the summer.

Since the start of November, prices for non-energy raw materials have increased, recovering the drop seen during the summer. Prices for industrial metals saw the largest increases, due to the recovery of demand in China and expectations of investments in infrastructure from the new administration in the United States.

In the eurozone, growth in production continues at moderate rates, but gradually strengthening, thanks to the push provided by internal demand components. Uncertainty about the performance of the global economy, in part affected by geopolitical tensions, represents the greatest risk factor for economic activity. Inflation rose in December, beginning to reflect expansive monetary policies, but was still at low levels. At its meeting on 08 December, the Governing Council of the European Central Bank (ECB) extended its asset purchasing programme until at least the end of 2017.

In the third quarter of 2016, GDP in the eurozone increased by 0.3 percent compared to the previous quarter, supported by internal demand components. The contribution provided by household spending, public administration spending and changes in inventories increased, while the support offered by investment fell. Foreign trade deducted 0.1% from the growth in production, reflecting an increase in imports that was slightly higher than the increase in exports. Among the major countries in the area, GDP grew by 0.2% in Germany and France and by 0.3% in Italy.

In Italy, after the growth in GDP during the summer quarter, the available information suggests that the recovery in the economy continued in the autumn, although at a slower rate than in the previous period, driven by increased investments and an increase in household spending. Prospective figures are in line with the continuation of a moderate expansion in economic activity again in the first quarter of this year. In the third quarter of 2016, GDP by 0.3% compared to the previous period, as in the eurozone as a whole. Investments returned to an upward trend (0.8%), after the stagnation seen in the second quarter, driven by purchases of machinery and equipment and, above all, means of transport. Family spending slowed, in particular for durable goods and semi-durable goods. Inflation, measured by the change over twelve months from the harmonised consumer price index, rose in December to 0.5% (from 0.1% in November).

Upward pressures derived mainly from the increase in prices of fresh food products and air-based transport services, as well as the easing of the drop in energy product prices. Overall, in 2016 inflation was -0.1%. Net of the most volatile components, the figure was a positive 0.5%.

Development of demand and trends in the markets in which the company operates

2016 was the umpteenth drop in average annual prices seen for the main European energy commodities, which fell in a fairly generalised manner to their lowest level since 2010. However, the trends observed during the year saw a slight but progressive recovery in prices after the lows seen in January, which led to moderately upward expectations expressed in futures for 2017. The growth seen in the last quarter on the gas and electricity markets was particularly significant, which in the latter case was partially associated with tensions on the French market.

The downward trends seen in the last three years relative to international oil prices continued in 2016. Nonetheless a moderate progressive recovery in prices was seen, starting with the minimum values recorded in January and ending with the maximum values in December. In particular, in Europe, the Brent price fell to \$43/bbl (-17%), oscillating between \$30/bbl at the start of the year and \$53/bbl towards the end of 2016. The infra-annual trend was also reflected in expectations on the futures markets, which are slightly bullish for 2017. Similar trends were seen on prices for petroleum derivatives, with an annual average of around \$391/MT for diesel (-20% over 2015), and \$205/MT for fuel oil (-20%), with growth prospects in the next year estimated at around a few percentage points higher than prices in December. The sole exception to the overall bearish trends was seen in the coal market. Here, in 2016 the price broke the four year pattern of decline, settling in Europe at around \$58/MT (+2%).

The trend appears to be the consequence of a progressive push during the year that between November and December brought prices, at the monthly level, to their highest levels since 2013; the peak of a recovery that the futures markets appear to be gradually pushing into 2017. The EUR/USD exchange rate did not affect imports of the above cited fuels into Europe, where the annual average of 1.1 remained perfectly stable with respect to the previous year, not altering the trends observed in commodities. Nonetheless, also relative to the exchange rate, a bearish trend was seen in the final quarter of the year, bringing the Euro down to a rate of \$1.05, a value that was also confirmed in expectations for 2017.

European market

In the main European gas hubs, the negative trend seen over the last two years continued, with listings in 2016 that ranged between Euro 13.8/MWh for TTF (-30%) and Euro 15.7/MWh for PSV (-29%). However, this trend seemed to be interrupted in the final quarter of the year in which, also due to the typical seasonal recovery, prices rose to Euro 17-20/MWh, with these levels also confirmed in the expectations for the winter periods of 2017. Italian prices, while replicating the monthly trends in other continental countries, were the highest in Europe, maintaining a spread of around Euro 2/MWh with the TTF.

Italian market

Continuing the turnaround seen in 2015, in 2016 the consumption of natural gas recorded another increase (+4.9%), translating into 70,396 million cubic metres (745.0 TWh). Consumption in the civil sector fell slightly to 31,434 million cubic metres (-0.5%), partially

due to warmer winter temperatures. On the other hand, consumption in the thermo-electric sector, benefiting from the significant reduction in renewable production and electricity imports at historic lows, rose to the highest levels of the last four years, at 23,336 million cubic metres, rising sharply for the second consecutive year (+12.1%). A turnaround was seen in industrial consumption, which also rose to the highest levels of the last four years, with 13,357 million cubic metres (+4.4%). Exports also rose, amounting to 2,269 million cubic metres (+19.3%), and injection into storage systems again reached a record level of 11,188 million cubic metres (+2.6%).

From a supply perspective, domestic production, down 13.7%, dropped to 5,567 million cubic metres, while the natural gas imports continued to rise, amounting to 65.29 million cubic metres (+6.6%). Looking at entry points, imports of Algerian gas at Mazara increased, with volumes more than doubling with respect to 2015 (18,872 million cubic metres, +159.8%). On the other hand, imports from other entry points fell, including those coming from Russia in Tarvisio (28,235 million cubic metres, -5.9%), which nonetheless remain the most important. Among LNG terminals, Cavarzere dropped to 5,721 million cubic metres sent to the network (-1.6%), while the Livorno and Panigaglia terminals rose, although with modest quantities. Growth was similarly seen in distribution from storage systems, which reached the highest level in the last eleven years with 10,988 million cubic metres (+3.7%); the stock of gas stored on the last day of the year rose to 9,033 million cubic metres, a slight increase over the same day in 2015 (+0.5%).

The annual price for natural gas at the PSV [Virtual Exchange Point] – which decreased by Euro 6.29/MWh (-28.4%) compared to 2015 – fell to Euro 15.85/MWh, the lowest since 2010. In 2016, the natural gas markets – managed by GME – exchanged 47.5 million MWh, equal to 6.4% of total natural gas demand (6.9% in 2015). Most of this (64.4%) was in the G+1 segment of the Gas Balancing Platform (BP-GAS).

It should be noted that as of 01 October 2016, the new natural gas market regulations took effect, as did the new Gas Balancing Platform Regulations (BP-Gas Regulations), amended in order to start the balancing system under the transitional structure pursuant to article 2, subsection 2.1 of resolution 312/2016/R/GAS, which also envisages the disposal of the assets of the two segments G+1 and G-1, and the start of the Stored Gas Market (SGM) and Location Products Market (LPM). Relative to the new regulatory framework for the Day Ahead Market (DAM-GAS), after two years of inactivity, 0.3 million MWh were exchanged, all in the last three months, at an average price of Euro 19.26/MWh, in line with the price on the PSV during the same period (Euro 19.15/MWh). Also on the Intraday Market (ID-GAS), transactions registered came to 7.1 million MWh, with a decisive increase over the previous year, again in this case showing a significant increase in liquidity during the final part of the year, which accounted for over 97.4% of volumes. The average price was Euro 18.72/MWh, a 23.2% decrease over 2015. In the first three months of operations, the new Stored Gas Market (MGS) of the BPGAS saw 3.3 million MWh exchanged. Volumes exchanged between operators, totalling 1.9 million MWh, represented 59.6% of total amounts exchanged, while SNAM Rete Gas activities involved 1.0 million MWh in sales and 0.3 million MWh of purchases. The average monthly price was Euro 18.69 MWh, slightly

lower than the listing on PSV in the last quarter. In the new Locational Products Market (LPM), which envisages the activation of sessions "called" by SNAM Rete Gas, no sessions were called. In the G+1 Sector of the Balancing Platform (BP-Gas), which ceased operations at the end of September, 30.6 million MWh were traded (i.e. 64.4% of the total traded on markets managed by the GME), up by 4.6% compared to the first nine months of 2015. On the other hand, the average price continued to drop, amounting to Euro 15.11/MWh during the first nine months of the year, a decrease of 34.5% with respect to the same period in 2015, and essentially in line with the PSV price (Euro 14.76/MWh during the same period).

Competitors' behaviour

The natural gas market has already developed significant competition among operators, which will only become fiercer, thanks to further opening of markets upstream in the supply chain.

It therefore appears plausible that the trend to redefine market prices in favour of stronger participants will become stronger over the medium term, accompanied by an overall reduction in the number of operators. 2016 continued the turnaround in natural gas consumption relative to domestic and thermo-electric consumption, already begun in 2015. On the other hand, the gas sector's difficulty of returning to growth in the industrial sector was again confirmed.

Relative to Italy, 2016 was a complex year as the difficult economic situation continued, although with a slight improvement.

Consequently, the market now presents a clear situation of oversupply, resulting from the ongoing stagnation of demand, which creates competitive pressures on the markets, creating difficulties especially for "Midstreamers", the operators that operate mainly as wholesalers.

Main legislative references and most significant changes in the year of the financial statements

BALANCING

- 312/2016/R/gas. This resolution approved the Integrated Gas Balancing Law (TIBG), implementing European Regulation 312/2014. It also determines when the new regime will take effect, after certain essential prerequisites are met.
- 502/2016/R/gas. This resolution, in view of the start of the new balancing regime, adds to the regulations for the provision to cover any debt that may derive from market operator breaches in amounts exceeding guarantees enforced.
- 539/2016/R/gas. This resolution approves the system of agreements between SNAM Rete Gas and the Gestore dei Mercati Energetici for the purposes of managing markets where resources are obtained to balance the system.

- 554/2016/R/gas. This resolution defines the numeric parameters for the incentives pursuant to article 9 of the TIB (Integrated Balancing Law).
- 584/2016/R/gas. This resolution approves the Gestore dei Mercati Energetici's proposal to amend the BP-GAS Regulations, prepared pursuant to article 3, subsection 3.7 of the same regulations, and aimed at implementing the provisions introduced in resolution 312/2016/R/gas relative to the transitional management of the Location Products Market and the Stored Gas Market.

STORAGE

- 77/2016/R/gas. This provision regulates the method for organising the auction procedures for awarding storage capacity for 2016/2017.
- 136/2016/R/gas. This provision sets the percentage gas quotas applied to users to cover the storage consumption for the thermal storage year 2016-2017.
- 193/2016/R/gas. This resolution defines allocation procedures for short-term storage capacity, as well as introduced contractual mechanisms to manage congestion in storage capacity.

TRANSPORT

- 606/2015/R/gas. This resolution approves the tariff proposals for the 2016 natural-gas transport and dispatch service.
- 270/2016/R/gas. This regulation introduces amendments to the system used to manage differences between capacity granted and used along foreign pipeline interconnection points, in order to make the system itself work better with the portfolio of capacity products currently available.
- 464/2016/R/gas. Implementation of European regulations relative to resolving congestion along points that connect the national system of pipelines with foreign ones.
- 556/2016/R/gas. Update to the regulations relative to managing discrepancies at interconnection input and output points with foreign pipelines and approval of proposed updates to the network code for SNAM Rete Gas S.p.a..

Social, political and trade-union climate

In the third quarter of 2016, Italian household consumption increased by 0.3% relative to the previous quarter, supported by an increase in available income and purchasing power. Consumer family savings propensity was 9.3%, down by 0.1 percent with respect to the previous quarter.

In the final quarter of 2016, employment remained stable after consistent growth seen in the first two quarters of the year and the slight decrease of the third quarter. Nonetheless, the number of full-time employees decreased with respect to the third quarter (-0.3%, -39 thousand), against an increase in contract employees (+1%, +25 thousand) and independent workers (+0.2%, +8 thousand).

Also in the fourth quarter, the recovery in employment affected solely those over fifty (+1.3%), while all other age ranges saw a decrease.

In the press release on December figures, for the first time ISTAT issued an analysis of the effects the demographic component has on trends in employment by age category. Net of demographic effects, which was seen most significantly in the increase of those fifty and over, in December employment performance was positive in all age categories, on a year-on-year basis. More specifically, employment for those between 15 and 49 is positive, net of the demographic drop (+76 thousand).

The employment rate rose during the quarter from 11.8% (October) to 12% (November and December), returning to the levels seen at the start of 2015.

The aggregate figure for those seeking employment increased significantly (+2.6% relative to the third quarter): the increase was seen for both sexes and all age categories and occurred against an overall decrease in inactive individuals (-0.6%). Figures relative to the third quarter of 2016 had already shown a decrease in the segment of inactive individuals closest to the labour market (potential work force, -5.7% compared to the third quarter of 2016) and the so-called "discouraged" (that is inactive individuals that have ceased to look for work because they do not believe they will find it, -10.2% was the percentage trend). These trends mirror an intensification in job searches.

On average, hourly wages in 2016 increased by 0.6% compared to the previous year. Nonetheless, the percentage of employees awaiting renewal relative to the whole Italian economy remains high (50.5%).

Operating performance in the sectors in which the Company operates

The main international natural gas markets are undergoing a generalised and significant reduction in prices, following the decrease in oil prices and a situation of oversupply due to weak demand and increased availability in supplies due to planned upstream investments in a market situation that is quite different than the one in which the original plans were made.

Despite the contraction of the economic system and the financial tensions in the eurozone, Centrex Italia confirmed its growth trend, increasing turnover and further strengthening its national and international position. Again in 2016, the Company increased the number of eligible counterparties (+12% compared to the previous year; +26% compared to 2014) across all three primary sales segments identified in the growth plan (wholesale, sales to industrial customers and trading), by signing additional partnership agreements with numerous national and international operators of excellent standing. The Company managed to reach its income targets, thanks to its extended sales and credit portfolios (the former demonstrating good loyalty levels) and its effective management strategy that can assess opportunities and anticipate market trends, while paying special attention to risk management.

Today Centrex Italia is an even more qualified and reliable partner, and works constantly to strengthen its commercial relationships.

The Company's strategy to strengthen its organisational structure that had begun in 2012 also continued, with the appointment of highly specialised resources to achieve improved operational, functional and inter-functional efficiencies, so as to best meet the challenges of an increasingly complex context that is sensitive to change and ensure its customers receive the best services relative to the natural gas market.

The table below reports the results achieved in the last three years in terms of value of production, gross operating profit and the pre-tax result.

	31/12/2016	31/12/2015	31/12/2014
Value of production	607.657.625	598.097.165	315.655.113
Gross operating profit	4.178.144	2.934.524	3.543.445
Pre-tax result	2.814.928	1.910.259	2.453.117

Main income statement figures

The Company's reclassified income statement, compared with the one from the previous year, is shown below (in Euro):

	31/12/2016	31/12/2015	Change
Revenues from sales	607.657.625	598.097.165	9.560.460
Operating costs	600.347.488	592.813.559	7.533.929
Added Value	7.310.137	5.283.606	2.026.531
Cost of labour	3.131.993	2.349.082	782.911
Gross Operating Profit	4.178.144	2.934.524	1.243.620
Amortisation, depreciation and write-downs and other provisions	608.252	469.032	139.220
Operating Result	3.569.893	2.465.492	1.104.400
Financial income and expense	(536.770)	(555.233)	18.463
Ordinary profit/(loss)	3.033.122	1.910.259	1.122.863
Financial assets and liabilities	(218.195)	0	(218.195)
Pre-tax result	2.814.928	1.910.259	904.668
Income tax	895.514	538.311	357.203
Net income	1.919.414	1.371.948	547.465

Despite the increase in competition, in 2016, the Company generated sale volumes of 3,314 million cubic metres, compared to 2,391 million cubic metres in the previous year, marking an increase of 39%. In order to maintain its good income levels over recent financial periods, during a year that was characterised by a drop in commodities prices and increased competition among operators, Centrex Italia significantly increased its turnover by leveraging its financial resources, while always paying special attention to risk.

The final inventories of gas stored at Stogit S.p.A., as at 31 December 2016 totalled 87.8 million cubic metres compared to 84.63 million cubic metres in the previous year.

Taking the unfavourable economic climate into consideration, income margins for 2016 were higher than those of the previous year, showing positive income levels in relation to the reference sector.

In particular, the added-value reached Euro 7.3 million, while the gross operating profit stood at around Euro 4.1 million after having discounted the operating costs and cost of labour.

Net income came to Euro 1.9 million after net financial expenses of Euro 0.53 million and income taxes of Euro 0.9 million.

The result of financial management confirms, again for the most recent financial year, careful attention to limiting expense through the use of flexible financing appropriate for the business and always negotiated at the best possible market conditions. Despite the increase in business turnover, the drop in Euribor listings also contributed to the decrease (as the final interest rate is associated with them), as well as commodities prices on international markets. For more details on the result of financial management, please see the specific section in the Notes.

The seasonal nature of the activities carried out also influence the trend of the net financial position, in that billing cycles are not aligned between accounts receivable and accounts payable, and depend on the trends of gas volumes sold and purchased during the year. The company works to manage its liquidity requirements through short-term credit lines, mainly at variable rates. The company is in line with market standards relative to the ratio of current assets in comparison with amounts collected.

To better describe the Company's income position, the table below shows some income indices compared with the same ones relating to Financial Statements from previous two financial years.

	31/12/2016	31/12/2015	31/12/2014
Net ROE	0,14	0,13	0,16
Gross ROE	0,20	0,18	0,27
ROI	0,08	0,04	0,06

Main balance sheet figures

The Company's reclassified balance sheet, compared with the one from the previous year, is shown below (in Euro):

	31/12/2015	31/12/2014	Change
Net intangible fixed assets	394.470	304.024	90.445
Net tangible fixed assets	83.997	89.216	(5.218)
Net financial fixed assets	1.890.603	510.000	1.380.603
Fixed assets	2.369.070	903.240	1.465.830
Inventories	17.597.470	21.488.288	(3.890.819)
Receivables from customers	99.713.549	92.038.474	7.675.075
Other receivables	3.887.590	2.139.937	1.747.653
Accrued income and prepaid expenses	159.883	193.084	(33.202)
Short-term current assets	121.358.491	115.859.784	5.498.707
Trade payables	72.321.127	57.522.184	14.798.943
Tax and social security liabilities	251.807	156.327	95.480
Other payables	7.468.557	6.349.791	1.118.766
Accrued expenses and deferred income	83.659	1.514	82.145
Short-term current liabilities	80.125.150	64.029.815	16.095.335
Net working capital	41.233.341	51.829.968	(10.596.627)
Employee severance indemnity	170.982	130.090	40.893
Other medium/long-term liabilities	1.157.605	795.645	361.960
Medium/long-term liabilities	1.328.588	925.735	402.853
Invested capital	42.273.823	51.807.473	(9.533.650)
Shareholders' equity	(12.976.126)	(10.564.922)	(2.411.204)
Net financial position medium/long-term	0	0	0
Net financial position short-term	(29.297.697)	(41.242.551)	11.944.854
Equity and net financial debt	(42.273.823)	(51.807.473)	9.533.650

The reclassified balance sheet shows that the Company's capital has strengthened, i.e. its capacity to maintain financial equilibrium in the medium/long-term. The net financial position fell as a consequence of the decrease in bank loans, effective credit management and an increase in own funds.

In general, during 2016, the credit situation for companies in Italy remained essentially unchanged from that of 2015, benefiting from the more generous conditions offered by banks. Demand for credit on behalf of companies remained essentially unchanged, while the cost of credit fell to historic lows. In particular, Centrex Italia continued the trend of increasing its credit standing, increasing its amounts of credit facilities and bank counterparties, while maintaining an adequate pricing level, also thanks to credit conditions which, as a whole, were favourable. The increase in financial partners and funds allows Centrex Italia to support growth, benefiting from economic opportunities and leverage.

For a better description of the Company's capital strength and financial balance, the table below shows various financial statement ratios compared to the same indices for the financial statements of the previous two years, which show a positive trend in absolute values due to the increase in shareholders' equity.

	31/12/2016	31/12/2015	31/12/2014
Fixed asset/equity margin	10.607.056	9.661.682	9.073.291
Fixed assets/liabilities and equity margin	11.935.644	10.587.418	9.732.957

Main financial figures

The net financial position as at 31/12/2016 was as follows (in Euro):

	31/12/2016	31/12/2015	Change
Bank deposits	3.654.171	2.562.783	1.091.388
Cash and other cash equivalents	1.253	441	813
Cash, cash equivalents and own shares	3.655.425	2.563.224	1.092.201
Financial assets not classified as fixed assets	349.951	0	0
Payables associated with financial instruments	290.041	0	290.041
Payables to banks (within 12 months)	32.953.122	43.805.775	10.852.653
Short-term financial payables	33.243.163	43.805.775	10.562.612
Net short-term financial position	(29.237.788)	(41.242.551)	12.004.763
Net medium/long-term financial position	0	0	0
Net financial position	(29.237.788)	(41.242.551)	12.004.763

The net debt position improved significantly compared to the previous period (Euro 29 million compared to Euro 41 million in 2015). This improvement is a result of the reduction in the value natural gas storage inventories and more efficiently managed working capital.

For a better description of the financial situation, the following table shows some financial statement ratios, compared with the same financial statement ratios in the previous year.

	31/12/2016	31/12/2015	31/12/2014
Primary liquidity	0,96	0,90	0,72
Secondary liquidity	1,11	1,10	1,09
Debt	8,22	10,29	11,51

Primary liquidity stands at 0.96. The Company's financial position is considered sound.

The secondary liquidity stands at 1.11. The value of net working capital is certainly satisfactory in relation to the amount of current payables.

Debt stands at 8.22. An improvement compared to the last two financial periods.

Information regarding the environment and personnel

In consideration of the company's social responsibility, and as highlighted in the document on the report on operations by the National Board of Chartered Accountants and Accounting Consultants, we are providing the following information regarding the environment and personnel.

Personnel

None of the following were verified or recorded during the year:

- workplace mortalities of personnel listed in the Company's employee register;
- serious workplace accidents that involved serious or very serious injuries to personnel listed in the Company's employee register.

No charges were recorded during the year, regarding occupational illnesses, against employees or former employees and cases of mobbing, for which the Company was held to be definitively liable.

Environment

No damage was caused to the environment during the year for which the company was declared guilty. Our company was not given fines or sentences for environmental crimes or damage during the year.

INVESTMENTS

Investments were made in the following areas during the year:

Fixed assets	Acquisitions during the year
Intangible	177.828
Tangible assets	21.908
Financial	1.380.603

RESEARCH & DEVELOPMENT

Pursuant to article 2428, subsection 2, point 1 of the Italian Civil Code, it is noted that in the Financial Year in question your company did not perform research and development activities.

RELATIONS WITH SUBSIDIARIES, ASSOCIATES, PARENT COMPANIES AND SISTER COMPANIES

It should be noted that sole shareholder Centrex Europe Energy & Gas AG does not exercise management and coordination activities given that the Company has full decision-making, management and operational autonomy.

The Company held the following relations during the year with subsidiaries, associates, parent companies and sister companies.

The Company held the following relations with Group companies, all of strictly commercial nature. These relations, which do not include atypical and/or unusual transactions, are regulated by normal market conditions, i.e. those conditions which would be applied between independent parties.

The payable due to Weedoo consists of payables for tax consolidation. The receivable relative to the same consists of receivables for sales of natural gas, and chargebacks pursuant to signed service level agreement contracts.

In particular, in addition to the undersigned company, for the latter and other companies that are subject to their control, relations are shown analytically below:

Company	Financial payables	Financial receivables	Trade receivables	Trade payables and others	Revenue	Costs
Centrex Europe Energy & Gas AG	0	0	206.794	5.821.330	238.892	57.983.849
Gazprom Marketing & Trading Ltd	0	0	4.876.548	5.978.817	33.000.893	41.963.429
Weedoo S.p.A.	0	0	149.698	335.974	156.210	0
SMG S.r.l.	0	0	855.832	0	1.035.913	0
Total	0	0	6.088.872	12.136.121	34.431.908	99.947.278

PARENT COMPANY SHARES/HOLDINGS

Pursuant to articles 2428 points 3) and 4) of the Italian Civil Code, it is noted that neither own shares nor equity investments in parent companies held by the company including by means of trust companies or third parties exist, nor do treasury stocks, nor were parent company equity holdings acquired and/or alienated by the company, including by means of trust companies or third parties.

INFORMATION ON RISKS AND UNCERTAINTIES PURSUANT TO ARTICLE 2428, SUBSECTION 2, POINT 6-BIS OF THE ITALIAN CIVIL CODE

In accordance with article 2428, subsection 2, point 6-bis of the Italian Civil Code, information is provided below on the use of financial instruments, given relevant for the purposes of the evaluation of the Company's financial position.

During the course of the year, the Company further updated the risk policies which it implemented during the course of the previous years in order to improve them and render them even more consistent with the expectations of shareholders in relation to expectations of business auditing and monitoring in order to protect the Company's assets.

In particular, the Company exercises continuous control over the portfolio and over the impact which the different represented scenarios can have on financial management (cash flow at risk).

Due to the continuing negative national and international economic conditions, specific attention is given to counterparty risk. A careful selection of national and international counterparties was therefore continued by maintaining high levels of standing.

The Company operates in the natural gas supply sector and, consequently, the main categories of risk are linked to:

- the trend in the price of commodities and the demand for natural gas influenced by consumer consumption and temperatures (market risk);
- non-fulfilment of contractual obligations (credit/counterparty risk);
- inability to manage unforeseen negative cash balances (liquidity risk);
- inability to manage errors (operational risk).

In order to appropriately prevent problems connected with the inadequate management of risks, the Company constantly monitors, with a high level of frequency, both its own global portfolio position and its cash flows over a broad time period of at least twelve months.

Market risk

The Company manages the potential impacts on the income statement relating to currency and price risk variables through hedging transactions.

In relation to climate risk, the Company avails itself of temperature forecasting systems in order to improve its consumption estimates to optimise storage management.

Credit risk

Also in consideration of the particular market situation, the Company tightened its credit policy even more and intensified its loan procedures and standards as well as the monitoring of positions. A careful selection policy for potential counterparties continues to be implemented with processes of allocation of particularly severe credit lines.

In order to supplement the use of external analyses provided by leading companies in the credit rating sector, the Company intensified its procedures and actions as regards the analysis of its customers. The Company constantly monitors the position of each counterparty, both during the start-phase up of the business relationship and at subsequent stages, paying special attention as to whether payments are punctual.

In particular, if credit analysis shows that the credit lines are inadequate with respect to the exposure envisaged, the Company's policy is to request collateral securities such as first-demand bank guarantees or corporate sureties from the holding companies.

Once again in 2016, in support of its risk adverse approach, the Company continued to make use of a credit insurance contract, signed with a market leader, so as to protect itself against difficulties that could arise with its trading customers.

Liquidity risk

The Company has good credit capacity with an adequate pricing level which allows it to make best use of the available financial resources, especially in a significant growth phase. As a consequence of the type of business it conducts, the Company has unfavourable collection times and has attempted, during the course of the year, to reduce this gap and improve current assets by decreasing the level of debt, whose peak is reached at the end of the year in conjunction with the end of the storage injection cycle.

The Company therefore continues to implement a careful commercial policy and prudent treasury management, even in the medium-long term, for the purposes of containing exposure and absorption of capital. However, given the reference business and the life cycle of the trade of natural gas, the financial exposure is still as being short term.

Operational risk

In order to limit the possibility of errors and to make company business efficient and effective, the Company – during the course of the year – has continually updated the processes which coordinate the primary activities implemented within the Company in order to render them increasingly consistent with the growth of operations and the increase in company size.

Policies related to the various hedging activities

In order to reduce to a minimum any possible exposure deriving from fluctuation in commodity prices, the Company takes a cautious approach to hedging its portfolio. Transactions are carried out for the exclusive purpose of hedging with a neutral impact on the income statement result since the effects of hedging are opposed to the results of the underlying physical contract.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE YEAR

No significant events occurred after the close of the year.

BUSINESS OUTLOOK

Centrex Italia, in line with the strategic plan approved by the shareholder, is continuing to work towards vertical integration, also through acquisitions, in all segments of the energy supply chain, as well as pursuing diversification through the implementation of new activities and services and expansion to strategic international markets. At the same time, it works constantly to complete and improve the efficiency of its organisation, refining internal processes and IT systems in order to implement new analytical skills to monitor trends and performance relative to the various activities it performs.

ALLOCATION OF PROFIT FOR THE YEAR

It is proposed that the shareholders' meeting allocate the profit for the year as follows:

Profit for the year as at 31/12/2016	Euro	1.919.414
5% to the legal reserve	Euro	95.971
Retained earnings	Euro	1.823.443

We thank you for your trust and invite you to approve the Financial Statements as presented.

MILAN, 27 February 2017

**For the Board of Directors
The Chief Executive Officer
Michele Libutti**



CENTREX ITALIA SPA
Single-member company
Registered office in VIA LORENZINI 4 - 20139 MILANO (MI)
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