

INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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CORPORATE STRUCTURE

Board of Directors (2017-2019)

Chairman and Chief Executive Officer	Andrea Péruzy
Directors	Liliana Fracassi
	Vinicio Mosè Vigilante

Board of Statutory Auditors (2017-2019)

Chairman	Alessandra D'Onofrio
Statutory Auditors	Pierluigi Carabelli
	Roberto Nicolò
Alternate Statutory Auditors	Corrado Checcherini
	Alice Sette

REGULATORY ELEMENTS AND AREAS OF REFERENCE

Acquirente Unico S.p.A. (hereafter also “Acquirente Unico” or “AU”), a company limited by shares wholly owned by Gestore dei Servizi Energetici - GSE S.p.A. (hereafter “GSE”), was established pursuant to Italian Legislative Decree 79 of 16 March 1999, in order to guarantee the supply of electricity to eligible customers.

From 1 July 2007, with the completion of the liberalization of the retail sale of electricity, as a result of Italian law no. 125 of 3 August 2007, for conversion with amendments to Decree Law no. 73 of 18 June 2007 (hereinafter "Law no. 125/2007"), all end-users of electricity, and in particular also civilian or domestic users, have the right to freely choose their electricity supplier. In light of this innovation, Italian law no. 125/07 introduced enhanced protection and safeguards in electricity sales services.

AU’s mission was subsequently extended to include additional activities and functions assigned to it through legislative provisions or sector regulations.

Enhanced protection service

The enhanced protection service targets residential customers and businesses with fewer than 50 employees with annual revenue not exceeding € 10 million (hereinafter the "small customers" or "protected customers") who decide not to go onto the open market. The service is provided by the enhanced protection provider, which may be a specific sales company, in geographical areas in which the distribution company supplies at least 100,000 end customers, or the same distribution company in other cases. In the context of this service, the supply function is provided by Acquirente Unico.

Acquirente Unico, in accordance with the directives of the Regulation Authority for Energy, Networks and Environment, (hereafter, “Authority” or “ARERA”), transfers to the operators the electricity to be supplied to the protected customers, ensuring the balance of its accounts, according to the provisions of Article 4, paragraph 6 of the aforementioned Legislative Decree no. 79/99.

Legislative Decree 93 of 1 June 2011 (hereafter LD 93/11) subsequently confirmed the enhanced protection service for small customers, providing for possible adjustments over time, in response to the monitoring of developments in the retail market and the existence of effective competition.

The enhanced protection service underwent significant organic change.

In particular, Law 124 of 4 August 2017 (hereafter “Annual Market and Competition Law”) established, among other things, the abrogation of paragraph 2 of article 35 of Legislative Decree 93 of 1 June 2011, effective as of 1 July 2019. With this abrogation, regarding the provision that confirms the greater protection service pursuant to Law 125/07, converting with amendments Decree Law 73/07, the legislators intended to remove in the electricity sector (in the same manner as established for the gas sector) price protection for civil end customers and companies connected in low voltage, with less than 50 employees and annual revenue not exceeding € 10 million who do not select a supplier on the open market, effective as of 1 July 2019. During the conversion of Decree Law 91 of 25 July 2018, containing "Extension of terms established by legal provisions", Parliament approved an amendment intended to extend the deadline for the elimination of the price protection regime for the electricity and gas sector to 1 July 2020 (see Law 108, 21 September, published in the Official Journal General Series no. 220 of 21-09-2018).

Already from 2016, the Authority had begun a process to reform the enhanced protection service that involved changing the market mechanisms used to protect prices for domestic and non-domestic customers in the energy sector, including among other things a revision of the disbursement conditions for the enhanced protection service (so-called reformed enhanced protection service), effective as of 1 January 2017 (see most recently Resolution 633/2016/R/eel).

Similar Protection

So-called “Similar Protection” was established (Resolution 369/2016/R/eel) as a new protection tool accompanying the enhanced protection service. Essentially it is a monitored trading environment in which the end customer is able to operate on the open market, choosing their own vendor from a plurality of certified operators offering supply contract, in which the variable parameter within the economic conditions is the one-off bonus to be paid to customers .

As part of this institution, Acquirente Unico was appointed as the Protection Administrator, with the task of preparing the Operating Rules (approved by the Authority with Resolution 541/2016/R/eel), identifying suppliers certified for Similar Protection and performing other management aspects relative to contact between customers and suppliers, including the preparation of the Central Similar Protection Site, where users of an active electricity supply can select a supplier to make use of the new service.

The same Resolution also established that the Central Similar Protection Site will interact with the IIS, which carries out control and accounting functions for reservations and switching carried out under Similar Protection.

For the purposes of participation in Similar Protection, the Central Site guarantees contact between end customers and certified suppliers as of 1 January 2017 and until the enhanced protection service is overcome, in any case no later than 30 January 2018.

Safeguard Service - Electricity Sector

The Safeguard Service is intended for end users not entitled to enhanced protection in the event that they are without a seller on the open market or did not select one.

The Authority, in implementing the decree of the Italian Ministry for Economic Development of 23 November 2007, has assigned to AU the task of organizing and carrying out the contractual procedures for the selection of the companies that will provide the service, in accordance with the provisions of the Authority.

Supplies of last resort and default distribution service - Gas Sector

In line with that envisaged in Article 22, paragraph 7 of Legislative Decree 164 of 23 May 2000, as amended by Article 7, paragraph 1 of Legislative Decree 93/11, through the Ministry of Economic Development Decree of 15 May 2018 guidelines were established for ARERA in order to identify the criteria and methods for providing natural gas, in the context of the last resort service, for those entitled to it and temporarily without a supplier. More specifically:

- for civil and non-civil customers with natural gas consumption not exceeding 50,000 cubic meters per year, without a supplier for reasons outside of their control;
- for customers using utilities relative to public service activities, including hospitals, retirement homes, prisons, schools and other public and private structures that provide recognised assistance activities, including those with natural gas consumption exceeding 50,000 cubic metres per year, without a supplier for any reason.

The decree also established that Acquirente Unico SpA will continue to select the parties to supply the last resort service, as it has done in the past, with public tenders governed by ARERA.

The procedure for identifying the parties to supply the last resort service must be completed in time for the supply of natural gas, within the context of the last resort service, to be operational as of 1 October 2018. With resolution 26 July 2018 407/2018/R/gas, ARERA established the criteria and methods for Acquirente Unico to carry out the tender procedures aimed at identifying the last resort suppliers (LRS) and the default service for natural gas, for thermal year 1 October 2018 - 30 September 2019, while also updating the regulations for the provision of the same services. Implementing the provisions established in the above resolution, Acquirente Unico will adopt the regulations and carry out the procedures to select the suppliers. The IIS is also responsible for activating the aforementioned services once the selection procedures have been completed, by the deadlines and in accordance with the methods established in resolution 77/2018/R/com (switching reform).

Energy and Environment Consumer Help Desk

Law no. 99/09 provides that the Authority can rely on AU to strengthen its activities of protection of the energy consumers, also with reference to the functions referred to in Article 2, paragraph 12, letters l) and m) of law 14, 481/95.

Legislative Decree no. 93/11, implementing Directives 2009/72/EC and 2009/73/EC, provided, among other things, that the Authority will ensure the efficient handling of complaints and conciliation procedures for end users, against sellers and distributors of natural gas and electricity, using Acquirente Unico.

In compliance with these legislative provisions, the Authority entrusted AU with managing the Energy Consumer Help Desk through availment, already as of 1 December 2009. This management was governed through three-year Operating Projects approved by the Authority, jointly with cost recognition and coverage methods.

Legislative Decree 130/2015, implementing Directive 2013/11/EU in our national legislation, established that disputes between consumers and companies can be resolved out of court, with lower costs and more quickly. This provision began a large process of reforming the protective system during 2016.

Specifically, implementing said legislative provision, through resolution 209/2016/E/com, containing “Adoption of the integrated text on out of court settlement procedures for disputes between customers or end users and operators or managers of sectors governed by the Authority for Electricity, Gas and

Water - Integrated Arbitration Text (TICO)”, the Authority has established, since 2017, an obligation to attempt resolution through the Arbitration Service, or through the entities registered on the specific list kept by the Authority, or which have stipulated a specific protocol with it, as a condition for proceeding to legal action.

Taking into account the provisions already established by TICO, the Authority changed the terms of use for Acquirente Unico in relation to activities associated with the efficient management of complaints and disputes, pursuant to articles 7, paragraph 6 and 44, paragraph 4 of Legislative Decree 93/11, for the electricity and gas sectors, operational as of 1 January 2017 (Resolution 383/2016/E/com).

Consequently, the Authority approved the proposal for the 2017-2019 Single Project prepared by Acquirente Unico (Resolution 727/2016/E/COM - Reformed Authority Protective System Project - STAR), to perform activities that are part of the reformed system of protections relative to complaints and out of court resolution of disputes with end customers, through availment of Acquirente Unico, extending the validity of the Availment Regulations until 2019 (pursuant to Resolution 597/2015/E/com).

In particular, on the basis of the above cited reform, Help Desk activities performed on behalf of the Authority include:

- management of the Energy Customer Conciliation Service to carry out the obligatory attempt at settlement as a necessary condition to obtaining access to the ordinary courts;
- managing special procedures to resolve recurring disputes deriving from specific cases involving information already codified in specific databases which Acquirente Unico has direct access to;
- managing special informational procedures, which allow affected end customers to obtain specific information not available or easily accessed through the operator;
- collecting written notifications and requests for information coming from customers or end users;
- the call centre, an immediately accessible channel that allows a customer or end user to obtain information about the method used to access the services regulated by the Authority, about their rights, liberalisation of the electricity and natural gas markets, arbitration entities that can be used for the obligatory settlement attempt pursuant to TICO, special procedures and tools used to confirm offers;
- the help desk, which provides consulting to certified branches of consumer associations and trade associations on regulation issues in the sectors the Authority is responsible for, also making use of assistance from the call centre;

- careful monitoring of the results of all activities carried out through availment, in order to allow the Authority to implement any possible follow-up.

Following the provisions of the Annual Market and Competition Law regarding the extension of availment of Acquirente Unico to all the sectors regulated by the Authority for publication and dissemination of information about the full opening of the market and the conditions for providing services, as well as effective processing of complaints and arbitration procedures, upon the conclusion of a procedure begun for the said purpose, the Authority confirmed availment of Acquirente Unico also for the water sector and approved the Project to extend the activities of the Help Desk to the water sector, with reference to the Contact Centre service, complaints management, online arbitration service and special procedures envisaged for users of the integrated water service.

Resolution 55/2018/E/idr therefore defined a gradual process aimed at ensuring protection within the water sector as well. With resolution 197/2018/R/rif, ARERA also introduced temporary provisions for the initial management of requests for information, claims, complaints and notifications received from users in the waste sector through the Help Desk, effective as of 1 July 2018.

The Authority then changed the name from “Energy Consumer Help Desk” to “Energy and Environment Consumer Help Desk” (Resolution 920/2017/A).

Lastly, resolution 355/2018/R/Com introduced certain changes to the regulations with regards to out of court resolution of disputes, with an eye to improving efficiency and harmonisation.

Integrated Information System

Italian Decree Law of 8 July 2010, no. 105 converted into Law on 13 August 2010, no. 129, (hereinafter "Law no. 129/10") established within Acquirente Unico the Integrated Information System (IIS) for the management of information flows related to the electricity and gas markets, based on a database of collection points and end user identification data.

In implementing this law, the Authority established:

- the general criteria for the operation of the IIS;
- the fee for covering costs;
- the principle of the separation of accounts of foreign economic and financial activities related to managing IIS with respect to the other activities of the Company;

- the initial information flows to manage.

The functionalities of the IIS were subsequently extended to the management of information related to the consumption of electricity and gas by end users and, therefore, data on related measures of consumption, by the Italian Decree Law of 24 January 2012, no. 1, converted into Law 24 March 2012, no. 27, in line with what is reported by Antitrust in the matter.

In addition, Legislative Decree n. 102 of 2014 on energy efficiency matters has given the Authority to option to rely on, among other things, the IIS as part of the tasks conferred by the above-mentioned Decree regarding metering and billing of energy consumption.

Most recently, the Annual Competition and Market Law arranged for the creation and management by the IIS manager of an IT portal to collect and publish, in open data mode, the current offers on the retail electricity and gas markets, with particular reference to domestic use, companies connected in low voltage and companies with annual consumption not exceeding 200,000 standard cubic meters, based on the provisions established by the Authority.

During the first half of 2018, the Authority issued a series of provisions regarding the IIS, regarding the electricity and natural gas sectors, also implementing the referenced legislative framework. Specifically, the Authority established:

- the institution of an IT portal to openly collect and publish data regarding offers in effect on the retail market for electricity and natural gas, intended for domestic users and small businesses (hereafter, the "Offer Portal"), implementing Law 124 of 4 August 2017 (resolution 51/2018/R/com);
- the implementation, through the IIS, of switching procedures, updating of commercial counterparts, contract termination, activation of last resort services and the identification and access to meter readings in the cases of supplier switches. The Resolution also provides for, among other things, an experimental phase for the switching process in order to ascertain the full reliability of the IIS in relation to each of its activities prior to effective release, also in the light of the results already acquired during the experimental phase carried out for the processes of gas and electricity sector switching (Resolution 77/2018/R/com).
- that IIS be entrusted with, following the progressive centralisation of the availability of gas meter readings, as well as the commercial process of transfer and switching, the task of making daily readings available to the balancing manager functional in determining balancing and settlement

items. In line with this, the IIS was assigned the task of attributing the withdrawal profile and determining the annual withdrawal indicator parameter (CAPDR), starting in 2019. As the subject responsible for certifying the information flows received, archiving and making available readings to users, the IIS must also make this data available to distribution companies and dispatching users in order to avoid the duplication of IT systems (Resolution 72/2018/R/gas).

Retail Market Monitoring

As of 1 January 2012, the retail monitoring system has commenced its operations. The system has been introduced by the Authority in order to verify the operating conditions of the sale of electricity and gas to households and small customers, the degree of openness, competitiveness and market transparency, and the level of participation and satisfaction of end users.

The Integrated Retail Monitoring Text (ITMR), approved by the Authority for this purpose, has provided for, among other things, the availability of AU, during the collection of data provided by subjects required to participate in the monitoring. Specifically, the activities carried out by AU in this area concern the operational phase of extracting basic data, supplied by the responsible parties, as well as support to the monitoring of the retail market. The method for covering the costs incurred by AU is regulated by the Authority itself.

Italian Central Stockholding Entity - OCSIT

In order to implement the EU Directive 2009/119/EC, which establishes the obligation for Member States to hold a minimum quantity of stocks of crude oil and/or petroleum products, the Italian government issued Legislative Decree no. 249 of 31 December 2012, published in Official Gazette no. 22 of 26 January 2013 and in force since 10 February 2013.

The measure, among other things, attributed the functions and activities of Italian Central Stockholding Entity (OCSIT) to Acquirente Unico, specifically providing that OCSIT is to purchase, hold, sell, and transport “specific” stocks (finished products referred to in a list defined by the regulation) and can also organize and provide a service of storage and transport of emergency and commercial oil stocks.

As determined by the above-mentioned Legislative Decree, the costs and expenses incurred by the Company to carry out OCSIT activities are covered by the contribution determined by the Italian Ministry of Economic Development, jointly with the Ministry of Economy and Finance, and payable by the parties

responsible, as identified annually by the Ministry of Economic Development, on the basis of what was released for consumption in the last year of the energy products listed in Annex C, Section 3.1, paragraph 1 of Regulation (EC) No. 1099/2008.

OCSIT is subject to the supervision of the Italian Ministry of Economic Development, which shall determine the guidelines for the exercise of its functions. With a deed of 31 January 2014, the Ministry of Economic Development adopted compliance guidelines for the operational start-up of OCSIT, also on the basis of the business plan it transmitted to the Ministry.

With a decree on 22 February 2018, the Ministry of Economic Development established the start of the stock year 2018/2019, from 1 April 2018 to the date the next stock year begins. Therefore, considering this stock year as well, the total requirement for holding of specific stocks for OCSIT is equal to twelve days of stock. Consequently, stocks of products with the same characteristics as specific stocks, owned by the other responsible parties are equal to 18 days.

In the same month, with a Managerial Decree, the Ministry of Economic Development authorised Acquirente Unico, under its responsibilities as the OCSIT, to issue a bond as alternative and equivalent to a bank loan, for a value not to exceed € 600 million and with a loan maturity not to exceed 10 years, in compliance with the norms in effect.

Gasoline Fund (OCSIT)

Paragraph 106 of Article 1 in Law 124 of 4 August 2017 established that "as of 1 January 2018 the Cassa Conguaglio GPL (Liquefied Petroleum Gas Equalisation Fund), pursuant to the Interministerial Price Commission provision 44 of 28 October 1977 will be eliminated and the relative functions and responsibilities as well as the relative legal relationships will become part of the functions performed by Acquirente Unico SpA through the Italian Central Stockholding Entity (OCSIT), assigned pursuant to Article 7, paragraph 1 of Legislative Decree 249 of 31 December 2012, under the separate accounts regime. Permanent staff working as part of the aforementioned Cassa as of the date the present law takes effect will be transferred to the OCSIT function of Acquirente Unico SpA, maintaining their fundamental and accessory compensation, limited to fixed and continual items paid at the time of transfer. Starty from 1 January 2018, ownership of the Fund for rationalisation of the fuel distribution network pursuant to Article 6 of Legislative Decree 32 of 11 February 1998 was also transferred to OCSIT, which involves charges for the execution of the activity, so as to ensure economic, equity and financial independence for

said activities, with respect to the other tasks performed by OCSIT. The activities transferred pursuant to the present paragraph were carried out on the basis of operational guidelines issued by the Ministry of Economic Development and will cease when the financial resources of the cited Fund are exhausted. Starting from 1 January 2018, ownership of the GPL Fund and the Reserve Stocks Fund were also transferred to OCSIT.

Following the issuing of the said law, the following funds, which were part of the Cassa Conguaglio GPL, were also transferred to the Company (collectively referred to as the "Gasoline Fund"):

- Fund for rationalisation of the fuel distribution network. This fund indemnifies managers of petrol stations following their closure. The fund was developed over the years through contributions made by the managers themselves;
- Reserve stocks fund. Fund to collect receivables deriving from the eliminated National Reserve Stocks Agency;
- GPL Fund. Cassa Conguaglio employee severance indemnity fund.

The Methane Gas Tank Fund, also contained in the Cassa Conguaglio GPL, was not transferred to Acquirente Unico SpA.

INTERIM FINANCIAL STATEMENT

AS AT 30 JUNE 2018

LIABILITIES

	Partial	Total	Partial	Total	Changes
	June 30, 2018		Dec. 31, 2017		
	€		€		
A) SHAREHOLDERS' EQUITY					
I. <i>Capital</i>		7,500,000		7,500,000	-
IV. <i>Legal reserve</i>		1,128,875		1,116,491	12,384
VI. <i>Other reserves:</i>					
- Extraordinary reserve		-		-	-
IX. <i>Profit for the year/period</i>		95,933		247,685	(151,752)
Total shareholders' equity		8,724,808		8,864,176	(139,368)
B) PROVISIONS FOR RISKS AND CHARGES					
2) Taxes including deferred liabilities		120,748		114,080	6,668
4) other		1,764,485		1,504,919	259,566
4.a) provision for restoration, Ministerial Decree 2013		13,834,706		-	13,834,706
4.b) provision for use of future financial residual sums - former Cassa		18,100,723		-	18,100,723
Total provisions for risks and charges		33,820,662		1,618,999	32,201,663
C) EMPLOYEE SEVERANCE INDEMNITY					
		590,767		572,604	18,163
	<i>Due after 12 months</i>		<i>Due after 12 months</i>		
D) PAYABLES					
4) Due to banks:					
a) short term		121,955,342		189,293,575	(67,338,233)
b) medium and long term	576,129,742	576,129,742	473,294,369	473,294,369	102,835,373
7) due to suppliers		167,069,243		82,412,751	84,656,492
11) Due to parent company		181,428,177		200,782,614	(19,354,437)
11 bis) due to subsidiaries of parent companies		127,413,753		164,600,590	(37,186,837)
12) Tax payables		423,815		359,652	64,163
13) Payables to social security institutions		722,092		682,657	39,435
14) Other payables		9,318,193		10,542,285	(1,224,092)
15) Due to Energy and Environment Services Fund		30,000,273		140,042,019	(110,041,746)
Total payables		1,214,460,630		1,262,010,512	(47,549,882)
E) ACCRUED COSTS AND DEFERRED INCOME					
Accrued costs		424,388		17,272	407,116
Total accrued costs and deferrals		424,388		17,272	407,116
Total liabilities		1,249,296,447		1,264,219,387	(14,922,940)
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,258,021,255		1,273,083,563	(15,062,308)

INCOME STATEMENT

	Partial	Total	Partial	Total	Changes
	1st Half 2018		1st Half 2017		
	€		€		
A) PRODUCTION VALUE					
1) Revenues from sales and services:					
a) revenues from the sale of electricity	1,657,894,363		1,806,086,682		(148,192,319)
b) other energy-related revenues	21,330,074		27,594,704		(6,264,630)
c) revenues to cover non-energy operating costs	20,561,760		15,262,074		5,299,686
		1,699,786,197		1,848,943,460	(149,157,263)
5) Other revenues and income:					
a) contingent assets related to energy	75,339,965		118,519,694		(43,179,729)
b) income and other revenues	79,849		325,609		(245,760)
		75,419,814		118,845,303	(43,425,489)
Total production value		1,775,206,011		1,967,788,763	(192,582,752)
B) PRODUCTION COSTS					
6) Raw materials, supplies, consumables and goods:					
a) energy purchases on the electricity market	1,417,368,042		1,480,033,303		(62,665,261)
b) unbalancing fees	8,273,636		22,967,063		(14,693,427)
c) other energy purchases	1,523,142		599,318		923,824
d) other	16,827		7,808		9,019
		1,427,181,647		1,503,607,492	(76,425,845)
7) For services:					
a) dispatching, services related to energy	248,043,327		326,018,126		(77,974,799)
b) sundry services	5,083,158		4,137,227		945,931
		253,126,485		330,155,353	(77,028,868)
8) Use of third party's assets					
a) storage	9,150,000		6,199,775		2,950,225
b) other	1,102,425		786,906		315,519
		10,252,425		6,986,681	3,265,744
9) For personnel:					
a) wages & salaries	5,272,218		4,940,324		331,894
b) social security contributions	1,482,441		1,367,520		114,921
c) termination indemnities	371,963		343,984		27,979
e) other costs	193,828		159,717		34,111
		7,320,450		6,811,545	508,905
10) Amortisation, depreciation and write-downs:					
a) amortization of intangible assets	1,179,434		1,132,660		46,774
b) depreciation of tangible fixed asset	470,743		192,345		278,398
d) write-downs of receivables in current assets and cash and cash equivalents	40,132		48,832		(8,700)
		1,690,309		1,373,837	316,472
14) Other operating costs:					
a) Contingent liabilities relating to energy	75,339,965		118,519,694		(43,179,729)
b) other charges	173,506		126,679		46,827
		75,513,471		118,646,373	(43,132,902)
Total production costs		1,775,084,787		1,967,581,281	(192,496,494)
Difference between value and production costs (A-B)		121,224		207,482	(86,258)
C) FINANCIAL INCOME AND EXPENSES					
16) Other financial income:					
a) long term receivables	541		472		69
d) other income	3,066,467		2,821,190		245,277
		3,067,008		2,821,662	245,346
17) Interest and other financial expenses:					
a) to parent company	17,567		24,008		(6,441)
b) other	2,984,231		2,815,229		169,002
		3,001,798		2,839,237	162,561
Total financial income and expenses		65,210		(17,575)	82,785
D) IMPAIRMENT OF FINANCIAL ASSETS					
Total impairment of financial assets		-		-	-
Profit before taxes (A-B+C+D)		186,434		189,907	(3,473)
20) Income taxes, current, deferred and prepaid					
a) current taxes	148,166		178,001		(29,835)
b) taxes relative to previous years	-		(26,559)		26,559
c) deferred Tax liabilities and assets	(57,665)		(109,559)		51,894
		90,501		41,883	48,618
21) Profit for the period		95,933		148,024	(52,091)

STATEMENT OF CASH FLOWS

€	1st Half 2018	1st Half 2017
A. Cash flows from operating activities		
Profit (loss) for the period	95,933	148,024
Income taxes	90,501	41,883
Interest expense	3,001,798	2,839,237
(Interest income)	(3,067,008)	(2,821,662)
1. Profit (loss) for the year before income taxes, interest, dividends and capital gain/losses on sale of assets	121,224	207,482
<i>Adjustments for non-cash items that had no counterpart in the net working capital</i>		
Allocations to provisions	864,576	754,398
Employee termination benefits	371,963	343,984
Depreciation of fixed assets	1,650,177	1,325,005
Adjustments for non-monetary elements Gasoline Fund	22,801,409	-
Total adjustment to non-cash items	25,688,125	2,423,387
2. Cash flows before changes in net working capital	25,809,349	2,630,869
<i>Change in net working capital</i>		
- Decrease (increase) in amounts due from customers	139,131,714	155,164,738
- Decrease (increase) in amounts due from parent company	24,062	1,939,143
- Decrease (increase) in amounts due from subsidiaries of parent companies	2,375	-
- Decrease (increase) in amounts due from Electricity Sector Adjustment Fund	(125,567)	(712,351)
- Decrease (increase) in prepayments and accrued income	(233,426)	(358,928)
- Increase (decrease) in amounts due to suppliers	79,447,441	(76,940,412)
- Increase (decrease) in amounts due to parent company	648,007	(120,381)
- Increase (decrease) in amounts due to subsidiaries of parent companies	(37,186,837)	(342,248,989)
- Increase (decrease) in amounts due to Energy and Environment Services Fund	(41,746)	585,969
- Increase (decrease) in accrued costs and deferred income	407,116	388,341
- Other changes in net working capital	(1,678,362)	(3,313,770)
Total changes in net working capital	180,394,777	(265,616,641)
3. Cash flows after changes in net working capital	206,204,126	(262,985,772)
<i>Other adjustments</i>		
Interest received	3,158,471	2,937,351
(Interest paid)	(3,160,664)	(2,731,154)
(Income tax paid)	110,430	(58,046)
(Use of provisions)	(1,166,920)	(814,030)
Total other adjustments (other receipts/payments)	(1,058,683)	(665,879)
Cash flows from operating activities (A)	205,145,443	(263,651,651)
B. Cash flows from investment		
- (investments) divestments in tangible assets	(103,065,150)	(177,049,744)
- Increase/(decrease) in amounts due to suppliers for tangible assets	(14,823)	(25,304)
- (investments) divestments in intangible assets	(719,330)	(872,304)
- Increase/(decrease) in amounts due to suppliers for intangible assets	(104,618)	(279,175)
- (investments) divestments in financial fixed assets	(9,860)	(127,384)
Cash flows from investments (B)	(103,913,781)	(178,353,911)
C. Cash flows from financing		
<i>Third-party funding</i>		
Increase (decrease) in short-term borrowing from banks	(67,179,367)	10,393,406
Increase (decrease) in short-term amounts due to Energy and Environment Services Fund	(110,000,000)	75,000,000
Increase (decrease) in short-term borrowing from parent companies	(20,002,444)	140,001,162
Receipt (repayment) of medium-long term loans from banks	102,835,373	176,332,698
<i>Own funds</i>		
(Dividends and advances on dividends paid)	(235,301)	(134,527)
Cash flows from financing activities (C)	(94,581,739)	401,592,739
Increase (decrease) in cash (A+B+C)	6,649,923	(40,412,823)
Cash at January 1	22,646,167	46,572,410
of which:		
bank and postal accounts	22,641,271	46,569,010
cheques	-	-
cash and cash equivalents	4,896	3,400
Cash at 30 June	29,296,090	6,159,588
of which:		
bank and postal accounts	29,292,920	6,157,547
cheques	-	-
cash and cash equivalents	3,170	2,041
Total cash flows (A+B+C)	6,649,923	(40,412,823)

ILLUSTRATIVE NOTES

TO THE INTERIM FINANCIAL STATEMENTS AS AT 30

JUNE 2018

STRUCTURE AND CONTENT OF THE INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2018

These interim financial statements at 30 June 2018 were prepared in compliance with the Italian accounting standards issued by the Italian Accounting Body (OIC) and, in particular, with OIC 30 – Interim Financial Statements.

In preparing these interim financial statements, the same accounting standards adopted to prepare the Company's Financial Statements as at 31 December 2017 were used.

The structure and content, as well as the classification of items in the balance sheet, income statement, statement of cash flows and illustrative notes, are compliant with that established under Legislative Decree 139 of 18 August 2015 and, in particular, the schedules indicated under Articles 2424, 2424-bis, 2425, 2425-bis and 2425-ter of the Civil Code, as well as OIC Documents 10 and 12.

In compliance with Article 2423, paragraph 2 of the Italian Civil Code, the interim financial statements at 30 June 2018 were prepared with clarity and truly and accurately represent the Company's equity and financial position and the economic result for the period. The interim financial statements were prepared in units of euro, without cents, while in the explanatory notes, in compliance with current regulations, values are expressed in thousands of euro.

All asset and liability items at 30 June 2018 on the basis of the provisions of OIC 30 are accompanied by the corresponding amounts at the end of 2017, while economic items relative to the first half of 2018 are accompanied by the corresponding amounts from the first half of 2017.

Between 1 January and 30 June 2018, no cases occurred which made it necessary to make use of derogations pursuant to Article 2423, paragraph 5 of the Civil Code. Interim financial statement items were measured in compliance with the provisions of Article 2426 of the Civil Code.

Are also provided all the information deemed necessary to give a true and fair representation, even if not specifically required by law. In compliance with the provisions of Article 2423-ter (Structure of the balance sheet and income statement), some items in the accounts have been appropriately adapted and added.

The most significant accounting standards adopted for preparing the interim financial statements at 30 June 2018, as well as the content and changes in the relative individual items are outlined below.

Effects deriving from the transfer of the Gasoline Fund

As indicated in the Regulatory Elements and Areas of Reference - Gasoline Fund (OCSIT), Law 124 of 4 August 2017 led to the transfer to the Company effective as of 1 January 2018 of the funds (Gasoline Fund) contained within the Cassa Conguaglio GPL. In relation to this operation, the assets and liabilities transferred were identified, as well as the relative criteria for initial recognition. More specifically, in the absence of a fee for said transfer, the assets were recognised at their presumable realisable value, the liabilities at their repayment value, and the difference between the asset and liability values at the initial recognition date was recognised in a specific provision for charges, referred to as the Provision for use of future financial residual sums - former Cassa GPL. The reason for this is that the difference cannot affect the Company's equity given the impossibility of Acquirente Unico benefiting or suffering from any residual excess or deficits deriving from management of the Gasoline Fund, even in the extreme case of an early dissolution of the Gasoline Fund, and given that the Company has no requirement, following the elimination of the financial resources, to liquidate any repayment requests accepted relative to the contributions required for environmental costs to restore locations following rationalisation of the fuel distribution network. This structure makes it so AU's income statement relative to management of the Gasoline Fund can only end up breaking even and classifies the positive difference between the assets and liabilities recognised as a certain and determined liability, even if the amount is estimated and the date of attribution uncertain, which led to its classification within provisions for risks and charges.

The balance sheet items of the Gasoline Fund transferred to the Company and recognised on the basis of the cited criteria are summarised in the table below:

<i>Euro</i>	ASSETS		LIABILITIES
Receivables due from customers	14,963,036	Provision for restoration - 2013 Ministerial Decree	13,834,706
Tax receivables	10,898	Provision for use of future financial residual sums - Former Cassa GPL	18,308,833
Receivables due from others	76,426	Payables due to suppliers	5,328,492
Cash and cash equivalents	22,801,409	Tax payables	4,046
		Payables to Social Security Institutions	249
		Other payables	375,443
Total assets	37,851,769	Total Liabilities	37,851,769

ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

For the preparation of the interim financial statement at 30 June 2018, the same measurement criteria used for the annual financial statements were used. In particular, the measurement criteria set forth in article 2426 of the Civil Code have been adopted, interpreted and supplemented by the accounting standards prepared and issued by the Italian Accounting Body (OIC).

Note that at the time of initial application of the changes introduced to statutory norms following the implementation of Legislative Decree 139 of 18 August 2015, the Company exercised the right not to apply the amortised cost criteria and discounting of receivables and payables arising prior to 1 January 2016 which had not yet exhausted their effects within the financial statements (OIC 15 and 19).

Intangible assets

Intangible assets are recognised at purchase cost, including any accessory charges, pursuant to article 2426, paragraph 1 of the Civil Code, and systematically amortised in each year on a straight line basis.

The item "Industrial patent and intellectual property rights" is amortized over an estimated useful life of three years.

Concessions, licenses, trademarks and similar rights are amortized over a period of ten years.

The item "other intangible assets" is amortized over the period of expected future use of three years, except for the sub-item represented by the so-called up-front fee on the loan granted in 2014, intended for the purchase of OCSIT stock products. This fee, paid in a lump sum, is amortised on a straight-line basis over the duration of the loan (five years).

In the event that, regardless of previously recorded amortization, there is an impairment loss, the asset is written down correspondingly. If in subsequent years the reasons that justified the write-down cease to apply, the asset is returned to its original value, up to the value that the asset would have had if the impairment loss had never taken place.

Tangible assets

OCSIT specific stocks of oil products are classified as Tangible Assets as they are held on a long-term basis.

They are recognised at purchase cost, net of any write-downs for impairment loss. In the presence of a drop in current oil prices, the loss of value is generally assumed to be not permanent, in that the possible realization of the stocks would arise, presumably, only in situations of extreme severity and, in particular, in the event of serious shortage of oil resources, which suggests a reasonably presumed related rise in prices. In case, should the realizable value of OCSIT stocks be, anyway, lower than the value shown in the accounts, the negative difference would in any case be fully covered, in accordance with Article 1, paragraph 8 of MED Decree of 1 January 2014 (Official Guideline).

Tangible assets relating to Other assets are stated at acquisition cost, also including accessory charges directly attributable, and are depreciated each year on a straight-line basis using rates that are determined in relation to their possible residual utility. In particular:

- Fixed client PCs and laptops are depreciated over a three-year period;
- Other assets are depreciated over a five-year period.

If there is an impairment loss, regardless of the previously recorded depreciation, the asset is written down correspondingly. If in subsequent years the reasons that justified the write-down cease to apply, the asset will be restored to its original value up to the value that the asset would have had if the impairment loss had never taken place.

The costs of ordinary maintenance, as not affecting the level or the potential use of the assets, are charged to the income statement in the year they are incurred. However, maintenance costs with an incremental value are allocated to the related assets and depreciated over the residual useful life of the assets.

Financial assets

Financial assets refer to Receivable due from employees for amounts loaned in accordance with the current contractual regulation in force. The item is recognised at its nominal value, in that effects deriving from the application of the amortised cost criteria are irrelevant, taking the time factor into account.

Receivables and payables

Receivables are recognised using the amortised cost criteria, taking the time factor into account, as well as the presumable realisable value. Receivables are shown net of any provision for write-downs on receivables, appropriate determined to express their presumable realisable value. They are classified according to their nature and purpose, under “financial assets” or “current assets”.

Payables are recognised using the amortised cost criteria, taking the time factor into account that coincide with the nominal value in the absence of transaction costs and implicit financial components.

Medium and long-term payables are an exception, for which the company opted in financial year 2016, for the first time application of the provisions introduced in Legislative Decree 139 of 18 August 2015, to make use of the option to not apply the amortised cost method retrospectively.

Cash and cash equivalents

Cash and cash equivalents at the end of the year are indicated at their nominal value.

Accruals and deferrals

They are determined according to the accrual basis.

Provisions for risks and charges

Provisions for risks and charges include costs and charges of a specific nature, certain or likely, but for which, at year end, the amount and/or the date of occurrence are undetermined. The provisions reflect the best possible estimate based on the information available. Risks for which the emergence of a liability appears merely possible are indicated in specific notes, when they exist.

Employee severance indemnity

This is established in compliance with laws and labour contracts in force and reflects the liabilities accrued in respect of all employees at the balance sheet date, net of advances paid under the law, as well as amounts paid in supplementary pensions. Following the entry into force of Law 296 of 27 December 2006 (2007 Financial Law), the Employee severance indemnity is also reduced for the amounts transferred to the Treasury Fund set up with INPS (Italian State Social Security Entity) and other additional social security funds.

Revenues and Costs

They are recognised in accordance with the principle of prudence and economic attribution and are net of rebates and discounts. Revenues from services and the sale of goods are recognised when the service is supplied or on transfer of ownership of the goods.

Revenues and costs relating to the purchase and sale of electricity are supplemented with appropriate accounting estimates, based on the provisions of the law and the Authority in force during the period in question. These estimates, which are typical of the activities carried out by the Company, are the result of calculations performed by the technical and commercial departments based on available information, including by comparison with the main counterparts.

With reference to the purchase and sale of electricity and related services, the application of the legislation referable to AU, as well as the general principles of proper accounting for accruals and correlation between revenues and expenses, involving the achievement of equivalence, by means of appropriate accounting estimates, between revenues and corresponding costs. The coverage of the costs of the purchase and sale of energy complies, in particular, with the provisions of the following standards:

- Article 4, paragraph 6, of Legislative Decree No. 79/99, which provides that the balance of the accounts is ensured by AU. The principle of balancing of AU has been, among other things, referred to by Article 4 of the Decree of the Minister of Productive Activities of 19 December 2003;
- Article 18.4 of the Integrated text on the provision of enhanced protection electricity sales and protection of end users - TIV, which, in stipulating that the criteria for determining the price of electricity sold to operators of the enhanced protection service, establishes, essentially, that AU should cover its own operational costs in terms of managing energy related activities.

As far as revenues covering operating costs regards the accounting is done:

- Assuming accounting equilibrium between revenues covering costs and related costs, in accordance with the applicable laws on the matter;
- Assuming the existence of official acts of the supervisory authorities that enable the recognition of an accrual basis of the fees and their amount, based on the principle of reasonable certainty of the maturation of the same fees (on a case by case, they may be the acts that approve the final statement or, waiting for these, the acts which formally authorize the budget for the year, as long as the final balance is kept within the limits of the budget itself).

Income taxes for the period

Current taxes on income are recognised with a balancing of payables/tax receivables, net of advanced payments and withholdings, based on the estimated taxable income, determined in compliance with that

established in OIC 30. In particular, the tax load and consequent provision for taxes was estimated as if the taxes were truly liquidated on the basis of the gross profit at the end of the period, with all relative fiscal adjustments.

Additionally, if the requirements are met, deferred tax liabilities and deferred tax assets are recorded based on the timing differences between gross profit and taxable income. If the recalculation shows a prepaid tax charge, it is registered among deferred tax assets only to the extent that there is reasonable certainty of its future recovery.

Conversion criteria for items in other currencies

Assets and liabilities originally expressed in another currency are converted in the financial statements at the exchange rate in effect at the time of the transaction. Effects of any conversions to exchange rates at the end of the period are entirely irrelevant.

Information about commitments, guarantees and potential liabilities not recognised in the balance sheet

Pursuant to that established in article 2427, point 9 of the Civil Code, below is the total amount of commitments, guarantees and potential liabilities not recognised in the balance sheet.

Commitments - € 68,795 thousand

This item shows future commitments deriving from the stipulation of contracts to store oil products owned by OCSIT, relative to the period from 1 July 2018 -2023.

Collateral and personal guarantees received – € 1,328,362 thousand

The item mainly refers to the sureties, totalling a guaranteed amount of € 1,327,094 thousand, issued in favour of AU, by banks or parent company, in the interest of the companies providing the enhanced protection service for which the Company invoices energy.

These sureties, issued pursuant to article 10 of the contract for the sale of electricity between AU and the companies operating the enhanced protection service, as updated by the Authority's Resolution ARG/n Elt. 208/10, guarantee AU's receivables due from the companies operating the enhanced protection service, for an amount of no less than 1/6 of the annual cost, including VAT, sustained by each operator in the previous calendar year to supply energy to its customers on the protected market.

In this context is mentioned the surety of € 1,150,000 thousand at 30.06.2018, issued in favour of AU by ENEL S.p.A., guaranteeing the obligations arising from the contract for the sale of electricity.

The item also includes the guarantees provided by the suppliers of goods and services other than energy, amounting to € 96 thousand, to guarantee payment of the obligations defined in the contracts with AU.

Finally, it also includes mortgages on real estate, with a secured total of € 1,172 thousand, issued by employees against the provision of loans by the Company for purchase of their first home.

Potential liabilities - € 330 thousand

Following a tax audit initiated in the month of March 2013 and terminated in the month of July of the same year, on, respectively, 16 October and 4 November 2014, two notices of assessment were delivered

to the Company for the years 2009 and 2010. In fact, the Lazio Regional Directorate of the Revenue Agency ascertained a greater IRAP taxable as a result of the rejection of the tax wedge.

Specifically, with such assessments pertaining to 2009 and 2010, the Office dismissed a higher IRAP and penalties totalling approximately € 300 thousand (excluding interest) for the two years.

Against those two notices of assessment, the Company, on 12 December 2014, brought two separate appeals before the Provincial Tax Commission of Rome, applying for cancellation and giving the arguments already contained in the application presented in 2014 on the subject in question, in respect of the subsidy pursuant to article 11 of Legislative Decree 446/1997, as AU's activities are not exercised as a concession and, much less, for a "rate".

The Company, in compliance with the legal requirements, also made payments due on a provisional basis, equal to one third of the tax levied in the notice of assessment.

With the two rulings 22860/2016 and 22861/2016, both filed on 12 October 2016, the Provincial Tax Commission of Rome upheld the Company's appeals.

The Office put forward two separate appeals on 29 March 2017 against these judgements with the Regional Tax Commission of Lazio. However, at the same time, considering the provisional enforceability of the first level judgements, the Office reimbursed the amounts already paid by the Company.

The appeal judgements, relative to which the Company filed specific arguments, have not yet been decided upon.

Total risk, which can be expressed as a potential liability at 30 June 2018, amounts to around € 330 thousand, in terms of maximum amounts due. This amount has not been accounted for as a provision to provisions for specific risks, given that the risk of tax in question was recently reiterated by the Company's tax advisers as being possible, but not probable.

Subsequent events

On 1 August 2018, Acquirente Unico obtained a BBB rating from Standard & Poor's, with a stable

outlook, aligned with that of the Italian government. S&P deemed Acquirente Unico to be a “Government Related Entity” (GRE), in that it holds there is a very high probability that the Italian government will act promptly and adequately in the case AU has financial problems, in virtue of its institutional mission both relative to the enhanced protection service and OCSIT.

Obtaining this rating allows bookrunner banks to more easily place the bond loan with a wider array of investors. This loan was authorised with a managerial decree by the Ministry of Economic Development as alternative and equivalent to a bank loan, for a value not to exceed € 600 million and with a loan maturity not to exceed 10 years, without prejudice to the regulations in effect. The issue date of the loan cannot currently be accurately estimated, but will be agreed upon once the documentation procedure has been completed by the Company and reference banks' attorneys. It is closely connected to the contingent situations on the financial markets.

A more accurate estimate of the amount of the issue will be available upon completion of the new procedures relative to the "short-term tenders" which OCSIT issued in the second half of 2018 and through which the methods and schedules for the funding forecast for future stock years are anticipated. The tenders are carried out on the basis of the online procedures currently found on the new OCSIT portal and are completed with a "provisional awarding" which becomes definitive with the publication of the annual Ministerial Decrees which determine responsibilities (around 20 February prior to the start of each stock year).

On the basis of the information already available, the system appears to have positively responded to this innovation for stock year 2019-20. In the coming months and, in any case, prior to the end of the year, the tenders for years 2020-21 and 2021-22 will also be held.

BALANCE SHEET

ASSETS:

FIXED ASSETS – € 583,836 thousand

Intangible assets – € 3,483 thousand

The analysis of this item and changes during the period are as follows:

@thousand

	Industrial patent and intellectual property rights	Concessions, licences, trademarks and similar rights	Assets under construction and advances	Other	Total
Balance as at Dec. 31, 2017					
Original cost	9,671	10	340	4,108	14,129
Accumulated amortisation	(7,066)	(7)	-	(3,113)	(10,186)
Balance as at Dec. 31, 2017	2,605	3	340	995	3,943
Changes in 1st Half 2018					
Increases	495	-	-	224	719
Entering services	291	-	(291)	-	-
Amortisation	(867)	-	-	(312)	(1,179)
Balance, changes in 1st half 2018	(81)	-	(291)	(88)	(460)
Balance as at June 30, 2018					
Original cost	10,457	10	49	4,332	14,848
Accumulated amortisation	(7,933)	(7)	-	(3,425)	(11,365)
Balance as at June 30, 2018	2,524	3	49	907	3,483

The item “Industrial patents and intellectual property rights” for € 2,524 thousand relates to basic and specific software application packages, with the related evolutionary maintenance.

Increases registered during the first half of 2018 (€ 495 thousand) are mainly due to investments made by the Integrated Information System, to develop new functions associated with the implementation of the System itself and for the software component associated with the extension and development of the technological platform.

Concessions, licenses, trademarks and similar rights (€ 3 thousand) mainly include the costs incurred by the Company for registration of the OCSIT trademark.

Assets under construction, for € 49 thousand, relate almost exclusively to projects not yet completed relative to the Integrated Information System.

The item Other intangible assets, equal to € 907 thousand, refers to application software for the operating system, developed for the specific needs of AU and related customisation, mainly for the following features:

- trading on the Power Exchange;
- demands prediction;
- calculation and prediction of sales prices;
- CRM systems, Operators Portal, Customers Portal and Arbitration Platform to manage requests presented by consumers;
- platforms for handling statistics in the energy sector and relative to mandatory stocks;
- the Oracle JD Edwards system for managing OCSIT operating processes.

Increases during the first half of 2018 to the item Other intangible assets (€ 224 thousand) mainly refer to the following activities:

- creation of an integrated IT platform to manage conciliation cases;
- integration of the Client Portal with the new conciliation platform;
- personalisation of the Oracle JD Edwards system to manage online tenders to procure storage capacity and purchase petroleum products;
- development maintenance of Stocks and i-Sisen applications, to manage and monitor oil stock requirements and statistics in the energy sector.

Tangible assets - € 579,538 thousand

The table below indicates the amount and changes in the item:

€thousand

	OCSIT specific stocks	Other assets	Total
Balance as at Dec. 31, 2017			
Original cost	473,565	6,104	479,669
Accumulated depreciation	-	(2,725)	(2,725)
Balance as at Dec. 31, 2017	473,565	3,379	476,944
Changes in 1st Half 2018			
Increases	102,772	293	103,065
Depreciation	-	(471)	(471)
Balance, changes in 1st half 2018	102,772	(178)	102,594
Balance as at June 30, 2018			
Original cost	576,337	6,397	582,734
Accumulated depreciation	-	(3,196)	(3,196)
Balance as at June 30, 2018	576,337	3,201	579,538

The item primarily relates to stocks of oil products for OCSIT, considered as a long-term investment (€ 576,337 thousand).

Again with reference to OCSIT stocks, increases, which totalled € 102,772 thousand, consist of purchases made during the first half of 2018 in the amount of an additional two stock days.

Again during the first half of 2018, no decreases in the value of stocks was seen, consequent to natural declines in that, as of 1 January 2016, the Company decided to make use of a different type of contract option, as a consequence of which these declines were treated as costs for accessory storage services (declines fee), so as to not create stock changes.

Considering the loan contracts granted to purchase OCSIT stocks, it should be noted, in compliance with article 2447-decies of the Civil Code, that income deriving from the sale of the stocks in question, corresponding to collections deriving from the possible sale of specific stocks, is constrained for use exclusively to repay the aforementioned loans, as established in article 2447-bis, paragraph 1, letter b) of the Civil Code. Under these same loan contracts, the beneficiary AU has undertaken not to create or permit the existence of any encumbrance on the stocks in question.

Note that the sale of OCSIT stocks can occur only with the prior authorisation decision made to that end by the government authority and the proceeds deriving from the sale will be granted, as a priority, to the

proportional repayment – *pari passu* based on capital – of the debt contractually taken on by OCSIT to purchase oil products and hence debt taken on either by making use of bank loans or issuing bonds.

In compliance with the provisions under Article 2426, paragraph 10 of the Civil Code, the difference between the cost recognised in the interim financial statements for the stocks in question, by category of goods, and the current values at 30 June 2018 are found in the following table.

OCSIT PRODUCT STOCKS- DIFFERENCES BETWEEN THE BOOK VALUE AT JUNE 30, 2018 AND MARKET PRICE VALUE

€ thousand

	Carrying cost	Values at market prices at June 30, 2018	Differences
- Gasoline – Super Unleaded	120,609	142,314	21,705
- Automotive gasoil	382,733	474,559	91,826
- Jet fuel	64,515	79,690	15,175
- BTZ Fuel	8,480	11,662	3,182
Total	576,337	708,225	131,888

The positive difference between the book value of the stocks and the market price is € 131,888 thousand. Note that in the case of the sale of the stocks in question, if the realisation value is different from that recognised in the financial statements, the positive difference must be granted to cover OCSIT costs and expenses, while the negative difference will be fully covered by the contribution under Article 7, para. 4 and 5 of Legislative Decree 249/2012, in accordance with Article 1, paragraph 8 of MED Decree dated 31 January 2014 (Official Guideline).

The item Other assets, equal to € 3,201 thousand, mainly refers to the extension and development of the IIS technological platform and other hardware assets associated with the Integrated Information System. This also includes the cost of hardware for user workstations (desktop PCs, mobile PCs and accessories) composing the AU's IT infrastructure, which is mainly composed of servers, mass storage devices and security systems.

The increases during the period, equal to € 293 thousand, are for the most part associated with investments made by the IIS and, to a lesser degree, to strengthen AU's IT infrastructure.

Financial assets – € 815 thousand

Receivables due from others – € 815 thousand

This item, substantially unchanged with respect to 31 December 2017, includes loans made to employees in accordance with the applicable contractual provisions (first home purchase, important family needs, etc.), for an amount of € 815 thousand.

CURRENT ASSETS – € 673,611 thousand

RECEIVABLES– € 644,315 thousand

Receivables due from customers – € 641,797 thousand

The breakdown of this item is shown in the following table:

thousand

	June 30, 2018	Dec. 31, 2017	Changes
Receivables for selling electricity to enhanced protection service operators	591,181	750,808	(159,627)
Receivables from enhanced protection operators for Integrated Information System fees (IIS) - protected electricity market	753	438	315
Receivables due from dispatch users for Integrated Information System fees (IIS) - open market	682	396	286
Receivables from gas operators for Integrated Information system fees	885	608	277
Receivables from gas operators for Integrated Information system fees for management of RAI fees	129	247	(118)
Receivables from oil operators to cover OCSIT costs	8,644	9,812	(1,168)
Receivables, Gasoline Fund Ministerial Decree 2013	29,574	-	29,574
Receivables, Gasoline Fund Legislative Decree 98	3,720	-	3,720
Receivables, National reserve stocks fund	25	-	25
Accrued interest on arrears - energy	449	540	(91)
Other energy related receivables	24,602	3,660	20,942
Total receivables due from customers	660,644	766,509	(105,865)
Provision for write-downs on receivables - energy	(492)	(452)	(40)
Provision for write-downs on receivables Gasoline Fund Ministerial Decree 2013	(14,768)	-	(14,768)
Provision for write-downs on receivables Gasoline Fund Legislative Decree 98	(3,570)	-	(3,570)
Provision for write-downs on receivables National reserve stocks fund	(17)	-	(17)
Total	641,797	766,057	(124,260)

The item mainly refers to the receivable for the sale of electricity to companies providing the enhanced protection service (€ 591,181 thousand). This amount is expressed net of the Provision for write-downs on receivables - energy (equal to € 492 thousand) which, with respect to the end of the previous year, saw the following change:

Provision for write-downs on receivables – energy

thousand

Amount

Provision for write-downs on receivables - energy as at Dec. 31, 2017	452
Used	-
Provisions	40
Provision as at June 30, 2018	492

The item also includes receivables deriving from the transfer of the assets/liabilities of the eliminated Cassa Conguaglio GPL to Acquirente Unico SpA (AU)– OCSIT. In particular, this included:

- a) receivables due from those holding "oil" authorisation and managers of roadside fuel distribution systems within the ordinary network deriving from the refinancing of the Fund to rationalise the fuel distribution network pursuant to article 6 of Ministerial Decree 19/04/2013. These receivables were not recognised in the accounts by the previous management of the eliminated Cassa Conguaglio GPL – Gasoline Fund Management. Therefore, AU staff worked to reconstruct the nominal value on the basis of data received from the Customs Authority with regards to litres of fuel inserted for consumption in 2013 by roadside fuel distribution systems. Subsequently, with the assistance of an external expert professional, the Company determined the initial recognition value by establishing a specific provision for write-downs on receivables. Therefore, against € 29,574 thousand of receivables relative to the capital, with regards to more than 15 thousand debtors, the initial net recognition value was estimated at € 14,806 thousand, with an average reduction of 49.9%, equal to € 14,768 thousand.
- b) the residual receivables to be collected relative to contributions due pursuant to Legislative Decree 32/1998 deriving from the financing of the Fund to rationalise the fuel distribution network for the years 1998, 1999 and 2000, recognised in the financial statements as at 31 December 2017 by the eliminated Cassa Conguaglio GPL – Gasoline Fund Management among "*receivables for current income*" in the gross amount of € 3,723 thousand and discounted by 77% (equal to € 2,852 thousand) to take estimated losses into account. At the time of initial recognition, these receivables were adjusted further with the assistance of an external expert professional to take their presumable realisable value into account. Hence, against the nominal value of € 3,720 thousand the provision for write-downs on receivables was adjusted, with an average reduction of 96% to the value, which was recognised in the amount of € 3,570 thousand.

The process of estimating the recoverable value of the receivables acquired from the eliminated Cassa Conguaglio GPL was particularly complex. This process will doubtless undergo further refinements until the completion of the financial statements as at 31 December 2018, following the acquisition of further

economic, equity and financial information about debtors, as well as their creditworthiness, also following consultations with debtors, which AU is starting.

Receivables due from parent company – € 6 thousand

This item essentially consists of receivables for other services due from the parent company (€ 6 thousand).

Tax receivables – € 500 thousand

The item is entered net of current tax liabilities, which amount to € 148 thousand.

Deferred tax assets – € 693 thousand

The item includes deferred tax assets against temporary differences that can be deducted in future years, associated with fees to directors not yet paid (for solely IRES), amortisation/depreciation exceeding the deductible portion (for solely IRES), provisions for employee bonuses (both for IRES and IRAP), net of the reversal of deferred tax assets for temporary deductible differences carried forward from previous financial years.

This item is recognised to the extent that future recovery is reasonably certain. It increased over the previous year (€ 64 thousand).

Receivables due from others – € 245 thousand

The item increased by € 144 thousand with respect to 31 December 2017.

Receivables due from Energy and Environment Services Fund (CSEA) – € 1,074 thousand

The item essentially relates to the amount accrued for fees, to be collected through the Energy and Environment Services Fund, aimed at covering the operating costs of activities carried out in avilment of ARERA (Consumer Help Desk, Conciliation Service and Retail Market Monitoring).

@thousand

	June 30, 2018	Dec. 31, 2017	Changes
Receivables from CSEA:			
Receivables from CSEA - Consumer Help Desk and Conciliation Service	806	689	117
receivables due from CSEA - Retail monitoring	23	22	1
Receivables due from CSEA - Water Service	49	-	49
Receivables due from CSEA - Offer Portal	100	-	100
Receivables due from CSEA - other	96	238	(142)
Total	1,074	949	125

The item increased by € 125 thousand with respect to 31.12.2017, mainly due to the effects of two new activities being activated (Water Service and Offer Portal).

CASH AND CASH EQUIVALENTS - € 29,296 thousand

The breakdown of the item is shown in the following schedule:

@thousand

	June 30, 2018	Dec. 31, 2017	Changes
Bank deposits	29,293	22,641	6,652
Cash and valuables on hand	3	5	(2)
Total	29,296	22,646	6,650

The item Bank accounts refer to cash available at the reporting date, with € 22,801 thousand deriving from cash contributed by the Gasoline Fund (former Cassa GPL), as a consequence of the transfer of activities provided for by Law 124 of 2 August 2017.

ACCRUED INCOME AND PREPAID EXPENSES – € 574 thousand

The item mainly consists of prepaid expenses relative to the allocation of the portion of the 14th monthly salary, in the amount of € 349 thousand.

TOTAL ASSETS – € 1,258,021 thousand

LIABILITIES:

SHAREHOLDERS' EQUITY – € 8,725 thousand

Changes in Shareholders' equity during the first half of 2018 and during the previous year are shown in the following schedule:

€ thousand

	Share capital	Legal reserve	Other reserves	Profit for the year	Total
Balance as at Dec. 31, 2016	7,500	1,109	-	142	8,751
Destination of profits 2016:					
- legal reserve		7	-	(7)	-
- dividend distribution	-	-	-	(135)	(135)
Result of the year 2017					
- Profit for the year	-	-	-	248	248
Balance as at Dec. 31, 2017	7,500	1,116	-	248	8,864
Destination of profits 2017:					
- legal reserve	-	13	-	(13)	-
- dividend distribution	-	-	-	(235)	(235)
First Half 2018 Result					
- Profit for the period	-	-	-	96	96
Balance as at June 30, 2018	7,500	1,129	-	96	8,725

The value of the share capital, which is fully paid, equals € 7,500,000 and is represented by 7,500,000 ordinary shares of nominal value of € 1.

The item includes the net result for the first half of 2018.

PROVISIONS FOR RISK AND CHARGES – € 33,821 thousand

Other provisions – € 1,764 thousand

The item refers to the following provisions:

- Provision for bonuses (€ 1,696 thousand), which includes costs recognised on the basis of the accrual principle. The provision in question includes charges for variable bonuses (MBO) for Company top management and employees (seniors, managers and middle managers). It also relates to the estimated cost for the corporate performance bonus (PRA) and the one-off amount for employees. These charges relate to the amount accrued during the first half of 2018 for € 857 thousand. At 30 June, the corporate performance bonus (PRA) and the una tantum bonuses for employees were still to be paid, for a total amount of € 839 thousand.

The changes in the provision in question are represented in the following table:

<i>€ thousand</i>	Amount
Provision as at Dec. 31, 2017	1,437
Used	(598)
Provisions	857
Provision as at June 30, 2018	1,696

Accruals are the result of the best estimates made by the competent offices of the Company, in compliance with the accrual basis criteria. They pertain to the objectives and results relating to 2018, based on the principle of the accrual basis.

- Provision for redundancy incentives (€ 68 thousand), the allocation made in 2017, regards the charge for consensual early termination of the employment relationship.

- Provision for restoration, Ministerial Decree 2013 – € 13,835 thousand

This provision derives from the transfer of the liabilities of the Gasoline Fund provided for under Law 124 of 2 August 2017.

The item includes amounts for cases still being decided upon, that is those which are being investigated but have not yet been definitively concluded, relative to contributions for the environmental costs to restore locations to be paid by the owners of fuel distribution systems pursuant to the Ministerial Decree

of 2013. Following the receipt of requests, the Gasoline Fund Technical Committee established, pursuant to Article 4 of the cited Ministerial Decree, a single allocation for a maximum amount of € 70 thousand. The amounts requested have been recognised within the provisions in that, following the subsequent investigations, they could be recognised for different amounts.

- Provision for use of future financial residual sums - former Cassa GPL - € 18,101 thousand

The provision in question also derives from the transfer of the liabilities of the Gasoline Fund provided for under Law 124 of 2 August 2017 and mainly includes amounts for cases approved with reservations by the Gasoline Fund Technical Committee. In this case, they refer to cases for which a positive opinion has been issued by the Technical Committee but for which the availability of cash or cash equivalents has not yet been determined (known as cases with reservations).

EMPLOYEE SEVERANCE INDEMNITY – € 591 thousand

The changes in the item during the first half of 2018 are indicated below:

@thousand

Balance as at Dec. 31, 2017	573
Provisions	372
Used	-
Other movements	(354)
Total as at June 30, 2018	591

The provision covers all entitlements to severance benefits accrued by employees, due by law.

The item Other changes include the portion of the additional contribution of 0.50% under article 3 of Law 297/82, for the employees' share of Severance Indemnity pay transferred to supplementary pension

funds (FONDENEL and FOPEN), and the amount accrued in the period and transferred to the Treasury Fund set up with INPS.

PAYABLES – € 1,214,461 thousand

Payables due to banks– € 698,085 thousand

The breakdown is as follows:

<i>€thousand</i>			
	June 30, 2018	Dec. 31, 2017	Changes
Payables due to banks:			
- short term	121,955	189,293	(67,338)
- medium and long term	576,130	473,295	102,835
Total	698,085	662,588	35,497

The sub-items are composed as follows:

- short-term liabilities – € 121,955 thousand. This amount, which shows a decrease of € 67,338 thousand compared to Dec. 31, 2017, mainly refers to the amount of the loans with fixed maturity ("hot money" transactions), for € 110,000 thousand, and to current account overdrafts for € 11,741 thousand, essentially attributable to OCSIT. Through the hot money contracts, which are generally more advantage than making use of current account overdrafts, AU covers its short-term requirements while obtaining rates payable that are near to or sometimes actually nil. The decrease in short term payables seen during the period is the consequence of a lower energy requirement during the period connected to less severe weather conditions. The amount also includes the payable relative to the fee for non use (commitment fee), equal to € 195 thousand, for sums not yet used from the € 400 million OCSIT special purpose loan, as well as a limited amount (€ 19 thousand) for ascertainment of interest to be paid;
- medium/long-term payables - € 576,130 thousand - reflect the amounts used by OCSIT to acquire specific stocks for a total of 12 days. The increase in the payable with respect to 31 December 2017, totalling € 102,835 thousand, is entirely attributable to spending to acquire oil products for 2 additional stock days, in the months of April and May 2018. These requirements were obtained from the residual amounts of the second OCSIT special purpose loan, for a total amount of € 400 million. It has to be noted that the loan, similar to the first, was not subject to personal or real guarantees in

favour of the financial institutes, subject to the provision of an escrow account, to which any proceeds deriving from the sales of the stocks in question will be transferred.

With reference to medium and long-term payables, note that the Company, as referenced in the criteria used to prepare the financial statements, made use of the right to not apply the amortised cost criteria for the first OCSIT loan, taken out in 2014. The second OCSIT loan, which was taken out in March 2017, was instead recognised in accordance with the amortised cost criteria, as envisaged in the accounting standards in effect (OIC 19), net of up front fees, notary expenses and accessory expenses associated with stipulation of the contract.

Payables due to suppliers - € 167,069 thousand

The item, which shows an increase of € 84,656 thousand with respect to the previous year, is broken down into the following sub-items.

- Debts for purchases of energy and related services – € 156,743 thousand

The item includes payables against invoices already received or to be received, all referring to the purchase of energy or related services, through the various supply channels used by the Company, with the exclusion of trade payables due to the GME, which are classified under the item payables due to subsidiaries of the parent company.

The breakdown of the item is found in the table below:

<i>thousand</i>	June 30, 2018	Dec. 31, 2017	Changes
Payables for extra grid purchases of electricity and other	57	122	(65)
Payables to Terna for dispatching and other energy-related services	156,686	78,382	78,304
Total	156,743	78,504	78,239

The item shows an increase of € 78,239 thousand, mainly associated with ascertainment of late adjustments for previous years relative to Terna.

- Payables for purchases of oil products and storage services – € 2,325 thousand

This item refers to the amount of payables for invoices received and to be received, relative to oil product stock storage services provided by depositories, accruing during the period between 1/1/2018 and 30/06/2018. This item amounted to € 985 thousand at 31 December 2017.

- Payables - Gasoline Fund - € 5,312 thousand

The item derives from the transfer of the liabilities of the Gasoline Fund provided for under Law 124 of 2 August 2017 and includes the amount recognised as payable relative to restoration cases under Ministerial Decree 2013 for which liquidation by the Technical Committee took place. Following the completion of the work, the Technical Committee issues a compliance opinion indicating the effective contribution to be paid, on the basis of the expenses effectively suffered by the requesting party. Hence there are no uncertainties relative either to the existence of the obligation or the amount of the same.

Other - € 2,689 thousand

€	June 30, 2018
Payables to advisers and suppliers for invoices to be settled	668,052
Payables to advisers and suppliers for invoices to be received	2,020,838
Total	2,688,890

The item includes the amounts of payables due to other suppliers and consultants, for invoices already received and to be settled, as well with respect to invoices to be received at the reporting date.

Payables due to subsidiaries of parent companies - € 127,414 thousand

<i>@thousand</i>	June 30, 2018	Dec. 31, 2017	Changes
Payables to GME for energy purchases	127,267	132,333	(5,066)
Payables to GME for energy-related services	139	32,263	(32,124)
Payables to GME for various debit notes	8	5	3
Total	127,414	164,601	(37,187)

The item refers to existing payables due to GME, almost entirely consisting of payables relative to purchases of electricity and correlated services.

Note that the total amount of payables due to GME at 30 June 2018 shows a decrease of € 37,187 thousand with respect to 31.12.2017, mainly due to the decrease in energy requirements for the period associated with less severe weather conditions.

Payables due to parent companies – € 181,428 thousand

The breakdown is as follows:

€ thousand

	June 30, 2018	Dec. 31, 2017	Changes
Due to parent companies:			
- for intercompany current account loan - loan	180,000	200,000	(20,000)
- for intercompany current account loan - interest	-	3	(3)
- for VAT due	55	1	54
- for sundry services	1,373	779	594
Total	181,428	200,783	(19,355)

The item decreased by € 19,355 thousand compared to the previous year. The decrease mainly derives from the partial repayment of amounts due associated with the loan issued by the parent company in the intercompany current account.

The amount refers to a short-term loan granted by GSE at prevailing market rates, which matured in July 2018, in virtue of the intercompany current account agreement formalised in October 2016.

Tax payables – € 424 thousand

The item, which consists primarily of amounts due to the tax authorities for withholdings on employee wages, increased by € 64 thousand with respect to 31 December 2017.

Payables to social security institutions – € 722 thousand

The item includes liabilities relating to contributions paid by the Company, levied on wages paid, on charges that accrued and were not paid to personnel for holidays accrued but not taken, overtime and other allowances, as well as deductions from employees. The item increased from the previous year by € 39 thousand.

Other payables – € 9,318 thousand

The breakdown is as follows:

<i>€ thousand</i>	June 30, 2018	Dec. 31, 2017	Changes
Payables to employees and assimilated	502	439	63
Advance payments for operating fees subsequent years - Energy area	275	275	-
Advance payments for operating fees subsequent years - IIS	4,693	3,243	1,450
Advance payments for operating fees subsequent years - Activities in availment	2,492	1,425	1,067
Advance payments for operating fees subsequent years - OCSIT	-	4,587	(4,587)
Non-interest-bearing deposit released by enhanced protection operators	278	516	(238)
Other Payables - Gasoline Fund	376	-	376
Other payables	702	57	645
Total	9,318	10,542	(1,224)

This item, which decreased by € 1,224 thousand as compared to the previous year, includes the share of fees to cover operating costs, already invoiced or approved during the reference period, but pertaining to future periods/years.

Payables due to Energy and Environment Services Fund (CSEA) – € 30,000 thousand

The item Payables due to Energy and Environment Services Fund (CSEA) decreased by € 110,042 with respect to 31 December 2017, almost exclusively following the lower use of advances by CSEA to acquire

electricity on the DAM. This is financial assistance provided by CSEA, following an agreement which saw its structure approved by the Authority with a specific resolution (822/2016/R/EEL of 29 December 2016). This assistance was necessary to allow AU to deal with the temporal misalignment between incoming and outgoing cash flows following amendments made to the payment terms on the Day Ahead Market which took effect as of 1 December 2016.

ACCRUED COSTS AND DEFERRED INCOME – € 424 thousand

The item mainly consists of accrued costs relative to the allocation of the portion of the 13th monthly salary, in the amount of € 414 thousand. At 31 December 2017 the item accrued costs and deferred income amounted to € 17 thousand.

**TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES -
€ 1,258,021 thousand**

INCOME STATEMENT

PRODUCTION VALUE – € 1,775,206 thousand

Revenues from sales and services – € 1,699,786 thousand

The item includes the sub-items described below.

It should be noted that revenues earned are recorded exclusively against national counterparts.

a) Revenues from the sale of electricity - € 1,657,894 thousand

The item refers to revenues from the sale of electricity to enhanced protection service operators, which attributable to the first half of 2018. The amount is adjusted and supplemented by accruals for adjustment components. A decrease of € 148,192 thousand can be seen with respect to the first half of 2017, due to a decrease in the amount of electricity bought/sold.

b) Other energy related revenues – € 21,330 thousand

The item pertains to the components listed in the following table, which shows the changes relative to the first half of the previous year.

<i>€ thousand</i>			
	1st Half 2018	1st Half 2017	Changes
- Revenues for unbalancing fees	20,456	26,784	(6,328)
- Revenues for non arbitrage fees	486	477	9
- Revenue from so called "extra grid" sales	388	334	54
Total	21,330	27,595	(6,265)

c) Revenues to cover non-energy operating costs - € 20,562 thousand

The items includes the fees to cover the costs of operation of the various types of business activities. In particular, this means, based on the case, fees paid by the Energy and Environment Services Fund, or invoiced directly to operators who are debtors, in relation to the type of activities performed.

It is noted that the amount invoiced to the enhanced protection service providers, to cover operating costs in the area of energy, is included under revenues from the sale of electricity, as it is not separately charged from the economic components of the cost for the purchase of energy and related services.

This item increased by € 5,300 thousand, as a whole, with respect to the same period in 2017, mainly due to the increase in fees to cover the IIS, OCSIT and for the new activities assigned to AU (Water, Offer Portal and Gasoline Fund).

Other revenues and income – € 75,420 thousand

The item pertains to the sub-items described below.

a) Contingent assets pertaining to energy – € 75,340 thousand

The item pertains to the economic effects of adjustments related to energy, for the period 2012 (and earlier) - 2017, defined on the basis of assessments made by the technical departments of the Company, based on the information available.

b) Income and other revenues – € 80 thousand

PRODUCTION COSTS – € 1,775,085 thousand

Costs for raw materials, supplies, consumables and goods – € 1,427,182 thousand

The item essentially refers to costs for the purchase of energy through the various channels of supply that AU uses, in compliance with the reference regulatory framework (€ 1,427,165 thousand).

The item also includes purchases not related to energy (consumables, stationery, etc.) for a residual amount of € 17 thousand.

The schedule below shows a more detailed breakdown of costs for the purchase of electricity by type of supply, indicating specific changes relative to the corresponding period in the previous year.

<i>€thousand</i>	1st Half 2018	1st Half 2017	Changes
Cost purchase of energy			
Purchase of energy on the electricity market	1,417,368	1,480,033	(62,665)
Balancing fees for consumption units TERNA	8,274	22,967	(14,693)
Other purchases of energy			
So called "extra grid" purchases and other	388	334	54
Non arbitrage fees	1,135	266	869
Total	1,427,165	1,503,600	(76,435)

Costs sustained to purchase electricity on the electricity market show a decrease of € 62,665 thousand with respect to the same period in 2017. Note that the counterparty is GME for purchases of energy on the spot electricity market.

Costs for services – € 253,126 thousand

The item primarily includes charges for services related to energy (dispatching and other services), amounting to € 248,043 thousand, plus costs for various services, which amounted to € 5,083 thousand.

Charges for services pertaining to energy have been mainly charged by Terna S.p.A. (€ 247,228 thousand).

Details on individual items in the cost of services related to energy are set forth in the following schedule:

Euro thousand

	1st Half 2018	1st Half 2017	Changes
Cost of dispatching:	245,686	323,290	(77,604)
Consideration Procurement Resources Service in the Market for Dispatching UPLIFT	159,698	231,126	(71,428)
Consideration Coverage of costs of the essential units for Security System UESS	34,436	34,180	256
Consideration Coverage of Costs entered for Operation DIS	9,624	10,766	(1,142)
Availability of the Production Capacity CD	16,824	18,583	(1,759)
Consideration cover costs Remuneration of Service Load Interruptibility - INT	24,485	28,050	(3,565)
Contribution to AEEGSI Decision 232/2015/A	619	585	34
Other services related to energy:	2,357	2,728	(371)
Consideration to cover costs for wind production Modulation Res. 5/10 AEEG - TERNA	700	939	(239)
Costs for aggregate measures for withdrawal TERNA	842	914	(72)
Costs for GME operations	814	874	(60)
Costs for services from GME for data reporting pursuant to REMIT regulation	1	1	-
Total	248,043	326,018	(77,975)

These services show a total decrease of € 77,975 thousand as compared to the same period in the previous year, of which € 71,428 thousand due to the reduction in the uplift costs.

Costs for other services, amounting to € 5,083 thousand, may be summarized as follows:

<i>€ thousand</i>	1st Half 2018	1st Half 2017	Changes
Service contracts with parent company	726	646	80
Services managed through parent company	489	503	(14)
Directors fee	87	87	-
Statutory auditors fees	21	22	(1)
Supervisory board D.Lgs.231/01 fee	17	17	-
Compensation for Independent auditors	20	20	-
Fees for technical, legal and notarial and administrative consulting	340	286	54
Maintenance and IT services	1.594	1.307	287
Communication fees	206	80	126
Fees for project contracts	52	54	(2)
Employees costs	88	81	7
Costs for administration of work	337	166	171
Expenses for external services, call centre activities	304	89	215
Postal fees	8	18	(10)
Transportation costs and rent	48	35	13
Additional costs for OCSIT stock storage	493	532	(39)
Telephonic	86	86	-
Other services	121	87	34
Other minor	46	21	25
Total	5.083	4.137	946

With respect to the same period in financial year 2017, the item increased by € 946 thousand. The most significant increase, totalling € 287 thousand, was relative to maintenance services and IT services.

Cost for use of third party assets – € 10,253 thousand

The item consists of the following two sub-items:

- **fees for oil products storage services - € 9,150 thousand.** These refer to the cost of the fees paid to third parties to lease storage depots for OCSIT product stocks. Note that this item increased by € 2,950 thousand relative to the same period in 2017, in relation to the increase in the average number of stock days stored.

- **Other - € 1,103 thousand.** The sub-item consists mainly of the rent due to the parent company to lease the Company's offices (€ 1,010 thousand). The item increased by € 316 thousand with respect to the first half in 2017.

Personnel costs – € 7,320 thousand

The items that make up overall personnel costs are summarised in the table below, with shows changes with respect to the corresponding period in the previous financial year.

@thousand

	1st Half 2018	1st Half 2017	Changes
Salaries and wages	5,272	4,940	332
Social security contributions	1,482	1,368	114
Termination indemnities	372	344	28
Other costs	194	160	34
Total	7,320	6,812	508

The following tables show, for the first halves of 2018 and 2017, and by contractual category, monthly changes in the workforce, the level at period-end and the average level:

	<i>January 1 - June 30, 2018</i>							Workforce at 30 June 2018	Average Workforce at 30 June 2018
	Workforce at 31 December 2017	January	February	March	April	May	June		
<i>Senior Managers</i>	12	12	13	13	13	13	13	13	12.83
<i>Middle Managers</i>	26	27	26	26	26	26	26	26	26.17
<i>Administrative personnel</i>	176	177	177	177	177	177	177	177	177.00
TTL	214	216	216	216	216	216	216	216	216.00

The item increased by € 508 thousand with respect to the previous year, due to changes in the workforce and the average cost.

Amortisation, depreciation and write-downs - € 1,690 thousand

In the first half of 2018 this item consisted of amortisation/depreciation for € 1,650 thousand and write-downs on current receivables for € 40 thousand.

Amortisation/depreciation, calculated as already noted in regards to fixed assets, refers to intangible assets for € 1,179 thousand and to tangible assets for € 471 thousand. The item increased, relative to the same period in the previous year, by € 316 thousand.

Other operating costs – € 75,514 thousand

The item is divided into sub-items analysed below.

a) Contingent liabilities pertaining to energy – € 75,340 thousand

This item is matched, in terms of amount, by similar revenue items recorded in non-recurring income related to energy, as a consequence of the effect of institutional management, mentioned in the section on accounting principles. At 30 June 2017, these contingent liabilities amounted to € 118,520 thousand.

b) Other charges – € 174 thousand

The item mainly includes entertainment expenses, sundry taxes and contingent liabilities relative to non-energy management. With respect to the previous period, the item increased by € 47 thousand.

DIFFERENCE BETWEEN VALUE AND PRODUCTION COSTS – € 121 thousand

The difference between value and cost of production of € 121 thousand is attributable to, among other things, the estimate of the contribution to cover costs for the Energy area, based on hypotheses used to define a specific before-tax return rate on AU shareholders' equity, based on algorithms adopted by ARERA.

FINANCIAL INCOME AND EXPENSES – € 65 thousand

Net financial income and expenses, equal to € 65 thousand, comprises gross income of € 3,067 thousand, against gross expense of € 3,002 thousand. The analysis of individual items follows.

Other financial income – € 3,067 thousand

The breakdown is as follows:

- **long term receivables - € 1 thousand**

The item consists of accrued interest on loans to employees.

- **other income - € 3,066 thousand**

This item, which totalled € 2,821 thousand in the corresponding period of the previous year, mainly consists of the portion of the OCSIT contribution charged to petroleum operators, equal to € 2,410 thousand, associated with the coverage of financial charges related to OCSIT's operations, in particular with regard to interest accrued on the loan granted to obtain stocks.

The remaining income mainly includes € 554 thousand for income from fees invoiced to operators to cover financial expense from the energy area, € 37 thousand for interest income accrued on short-term bank accounts held by the Company and relative to factoring companies, and € 64 thousand for interest on arrears and penalties charged to enhanced protection service operators for late payment.

Interest and other financial expenses – € 3,002 thousand

- **Interest due to parent companies - € 18 thousand**

The item consists of interest expense paid to the parent company on the basis of the intercompany current account agreement.

- Other - € 2,984 thousand

The amount of € 2,984 thousand (€ 2,821 thousand in the corresponding period of the previous year) is mainly attributable to financial expense and fees accruing in the first half of 2018, relative to two loan contracts signed by OCSIT in June 2014 and March 2017, used to purchase specific stocks. These charges, totalling € 2,410 thousand, include both interest payable on amounts used to purchase stocks during the year for € 2,207 thousand and the commitment fee for € 196 thousand, accruing during the period on sums available but not yet used from the most recent loan, signed in March 2017. The amount also includes € 7 thousand in sums transferred from OCSIT to banks for interest on overdrafts granted on short-term credit lines for treasury needs.

The item also includes € 382 thousand for interest expense relative to CSEA, connected with advances for purchases on the DAM, € 178 thousand for interest and fees relative to factoring transactions for with recourse transfers on a monthly basis of receivables associated with enhanced protection service operators and € 14 thousand for interest payable on short-term bank debt.

INCOME TAXES FOR THE PERIOD – € 90 thousand

The schedule below provides a breakdown of the item:

€ thousand

	1st Half 2018	1st Half 2017	Changes
- Current taxes:	148	178	(30)
IRAP	73	14	59
IRES	75	164	(89)
- Taxes relative to previous years:	-	(27)	27
IRES	-	(27)	27
- Deferred and prepaid taxes:	(58)	(109)	51
IRES - deferred	7	(27)	34
IRES - prepaid	(88)	(68)	(20)
IRAP - prepaid	23	(14)	37
Total	90	42	48

STATEMENT OF CASH FLOWS

The Company prepared the cash flows statement following the indirect method established under accounting standard OIC 10. Note that the transfer of the Gasoline Fund to the Company brought cash and cash equivalents totalling € 22,801 thousand, recognised among final cash and cash equivalents, and assets and liabilities, listed below, which had no effect on cash flows during the period and were therefore excluded from financial cash flows and recognised under Adjustments for non-monetary elements - Gasoline Fund. Assets and liabilities included in this cash flow statement item are the following:

- Receivables from customers – € 14,963 thousand
- Tax receivables – € 11 thousand
- Other receivables – € 76 thousand
- Due to suppliers - € 5,328 thousand
- Tax payables – € 4 thousand
- Other payables – € 375 thousand
- Provision for Restoration Ministerial Decree 2013 – € 13,835 thousand
- Provision for use of future financial residual sums - former Cassa GPL - € 18,309 thousand

Below are brief comments on the main items.

Cash flows from operating activities - € 205,145 thousand

This item comes to € 205,145 thousand, compared to the € -263,652 thousand recorded during the first half in 2017.

The flow in effect, more specifically, consists of profits “adjusted” for income tax, interest (€ 121 thousand), adjustments for non-monetary elements (€ 25,688 thousand), changes in net working capital (€ 180,395 thousand) and other adjustments (€ 1,059 thousand).

Cash flows from investments - € (103,914) thousand

This item shows outgoing flows correlated with investments in fixed assets, net of payables due to suppliers for the fixed assets themselves. The most significant flow is associated with the value of purchases of OCSIT oil product stocks during the first half of 2018. The flow in question decreased with respect to the previous year, which was € 103,914 thousand in the first half of 2018, against the amount of € 178,354 thousand recorded during the same period in 2017.

Cash flows from financing activities - € (94,582) thousand

The cash flow in question is associated, on one hand, with disbursements relative to the medium-term loan contract for oil product stock supply requirements and, on the other, the decrease in short-term payables due to banks, these latter for the most part required to support the requirements determined by the monetary settlement methods used for purchases on the Day Ahead Market. This flow, equal to € - 94,582 thousand, shows a decrease with respect to the value of € 401,593 seen in the previous half of 2017.

Decrease in cash and cash equivalents - € 6,650 thousand

Total cash flow, equal to the sum of cash flows specifically identified amounted to € 6,650 thousand, against the € -40,413 thousand generated the previous period. This indicates a total amount of cash and cash equivalents at 30 June 2018 of € 29,296 thousand, of which € 22,801 thousand added through the transfer of the cash and cash equivalents of the Cassa Conguaglio GPL.

OTHER INFORMATION

Also note the absence of the following circumstances:

- equity investments, held directly or through a trust company or third parties, in subsidiaries and associates;
- trade receivables and payables due after more than five years and debts secured by collateral on corporate assets;
- financial charges recorded in the year to assets entered in the balance sheet;
- income from equity investments;
- revenue or cost elements of an exceptional amount or impact. To that end, we note that both contingent assets and liabilities associated with electricity management, duly analysed in terms of amounts and commented upon in this document, are not of an exceptional nature, in that they are the consequence of management of adjustments and similar phenomena, the latter of which are recurring, natural and subject to specific technical rules, within the context of the electricity system;
- recognition of deferred tax assets, for the portion recognised in the financial statements relative to losses during the year or in previous years;
- advances and loans granted to directors and statutory auditors;
- issuing of bonus shares, bonds convertible to shares, warrants, options and securities or similar items;
- issuing of other financial instruments;
- financial leasing transactions that involve the transfer to the lessor of the larger part of the risks and benefits inherent to the assets which involved in the lease.

Also specify, with reference to point 22-bis) of Article 2427 of the Civil Code, that transactions with related parties are carried out under normal market conditions, in compliance with the conditions that would apply to independent counterparts.