Dolomiti Energia Holding

Financial statements 2017

Pictures: ***Hydroelectric Landascape*** **- Archivio Gruppo Dolomiti Energia**

Dolomiti Energia Holding SpA

Fully paid-up Share Capital 411,496,169 euro
Via Manzoni 24 – Rovereto
Trento Register of Companies No.
Taxpayer ID and VAT No. 01614640223

Financial statements

As at 31 December 2017

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Dear Shareholders,

the year that just ended has been rich in events that your Company has had to face, demonstrating its ability to address the issues that characterise the complexity of our times.

THE GENERAL ECONOMIC LANDSCAPE

The international environment exhibits widespread, solid growth in the main advanced economies; however, at present, this growth is not accompanied by inflation, which remains weak. The short-term outlook therefore seems encouraging, while there are remaining risks relating to the possible consequence of significant decreases in the prices of financial assets.
In 2017, the US economy grew significantly (by over 2%) and in the short term it is expected to be boosted by the important tax overhaul approved by the American Congress on 20 December 2017 (Tax Cuts And Jobs Act), which should lead to further business growth. On the other hand, the effects of recent measures pertaining to import duties on some commodities (steel and aluminium) promulgated with a view to favour domestic companies appear contradictory and still require a more thorough analysis, in the light of the diverging evaluations emerged among the experts who commented them.
While some uncertainties remain in connection with the evolution of the exit from the European Union, economic performance in the United Kingdom is still positive, and positive growth rates were also recorded by the main "emerging" Countries, i.e. China, India, Brazil and Russia. In particular, Brazil and Russia seem to have overcome the recession that had impacted them in the recent past, although the growth rate is still very low, especially if compared to China and India, which continue to growth at a rate approaching 7% per year.

Also positive is the growth trend of the Euro area, whose estimated GDP growth for 2017 was 2.4%, up compared to 1.8% in 2016, and in 2018, according to Eurosystem forecasts, the growth rate should be close to the 2017 figure, partly boosted by the indications of the ECB, which confirmed the monetary policy decisions made and its intention to maintain the official rates at their current levels.

The inflation level remains low at the global level, with the sole exception of the United Kingdom, where it exceeded 3%. In the Euro area, the level grew significantly (from 0.2% in 2016 to 1.4% estimated for 2017 - source: Bank of Italy Bulletin no. 1/2018), but still remained below 2%, in spite of the monetary policy implemented by the ECB.

THE DOMESTIC ENVIRONMENT

Economic activity in Italy grew more slowly than in the rest of the Euro area, though it was positive and, according to Bank of Italy forecasts, its GDP should record 1.5% growth in 2017. Growth is supported both by domestic demand, driven in particular by investments in operating assets (tied to the possible expiration of the tax incentives known as super- and hyper-depreciation), and by rising exports. While business profitability contracted marginally (according to data from Bank of Italy - Istat - Bank of Italy Bulletin 1/2018), positive signs emerge from the indebtedness level of businesses, which decreased. Consequently, the demand for bank credit was held back, and it was further reduced by the development of alternative instruments like corporate bonds.
The stabilisation of the propensity to save and an improvement in the general climate of confidence in the performance of the economy contributed to a recovery, albeit limited, of household demand; the level of household indebtedness is substantially stable and significantly lower than the European average (approximately one third of disposable income).
Lastly, positive signals are also arriving from the labour market, which recorded a further increase in hours worked and in in the number of employed persons, although this increase was, in particular in the last period, almost exclusively due to fixed-term employment agreement.

THE NATURAL GAS MARKET

Natural gas consumption confirmed its growing trend for the third consecutive year (+6% compared to 2016), reaching 75 billion Smc, in line with the 2012 figure.

This result stems in part from the growth in thermoelectric consumption (+9%), driven by high electricity demand (in the first months of 2017 due to the problems with French nuclear power, and in the summer months to the exceptional heat wave that impacted Italy and Europe), growth in industrial consumption (+7%) and growth in residential consumption (+3%), due to the low temperatures recorded in the winter months of 2017 compared to 2016.

Concerning gas procurement sources, the decline in domestic production was confirmed, with a 40% reduction from 2008 to 2017, while imports increased, returning to values approaching those of 2010. In country terms, Russia is still the largest supplier with 44%, followed by Algeria with 27%. The LNG portion reached 12% overall (2% in 2008).
In 2017, oil recorded an average price of 52.1 $/barrel on international markets, up by 19.2% compared to the previous year. Of note was a significant appreciation of the Euro relative to the US Dollar: in particular, from July 2017 it progressively rose reaching values close to 1.2 with a 2017 average of 1.12, higher than in 2016 (1.11), even if in the first months of the year the rates were close to 1.05. The increase in crude oil prices and the rise in gas demand led to a rise in natural gas prices, which on average grew by 19% in Italy at the PSV, while the PFOR price (the benchmark price of the protected market) rose by 17%.

THE ELECTRICITY MARKET

According to the provisional data made available by Terna, in 2017 electricity consumption in Italy amounted to 320,437 billion kWh, up by 2% compared to the previous year, in line with the consumption level of 2009 but still almost 6% lower than the maximum values recorded in 2007 (over 340 billion kWh).

The increase in electrical consumption is the result of an economy that recorded positive results in Europe due both to the worldwide growth and to the strength of domestic demand, boosted by the recovery in investments, which in turn were supported by more favourable lending conditions and by a less uncertain economic climate. Italy experienced growth too, albeit to a lesser extent than in other European Countries, and GDP rose by an estimated amount of approximately 1.5%.

At the regional level, the year-on-year change in 2017 was positive everywhere (except Sardinia), but not homogeneous: it ranged from +0.3% in the Northwest to +4.5% in the Centre.

In 2017, 89% of electricity demand was met with domestically generated energy and the remainder (11%) from the balance of energy traded abroad: net domestic output (285 billion kWh) increased by 2% compared to 2016.

Electricity output from thermal sources grew by 5% compared to 2016 (+9 billion kWh generated) but it still remained well below the value of 261 billion kWh generated in 2008. The growth was significant when compared to the minimum value reached in 2014 (167 billion kWh).

On the contrary, hydroelectric output declined sharply compared to 2016 (-14%) as a result of the poor precipitation conditions recorded throughout 2017. It should be recalled that hydroelectric output had already declined by 15% in 2016 relative to 2015. By comparison, in 2014 (a record year for precipitation), hydroelectric output had reached 58 billion kWh versus 37.5 in 2017 (-35%). Hydroelectric output in 2017, at the national level, is the lowest of the last decade and 22% lower than the average of the 2008-2017 time interval. On the contrary, photovoltaic output benefited from the sunny weather and increased by 14% (24.8 billion kWh in 2017 versus 21.7 in 2016), approaching the value recorded in 2015 (24.6 billion kWh). Wind power output was stable compared to 2016, while a slight decrease was recorded by the output from geothermal (-1%) and biomass (-1%) sources.

In 2017, peak power demand in Italy was recorded on Thursday, 3 August at 4 pm and it was equal to 55,002 MW, compared to the peak of 59,353 MW of 21 July 2015 at 4 pm.

The start of 2017 was still characterised, as were the closing months of 2016, by the problems connected with the prolonged, unexpected maintenance outages of the French nuclear plants and by the cold spell that hit all of Europe. The consequent contraction in electricity output in France, coupled with the rise in demand due to thermal effects, led, in certain days, not only to the interruption of imports, but also to the reversal of the flows, with energy being exported to France. This situation, as is better described below, significantly affected the entire Italian market.

Concerning the electrical market, the average value of the PUN for 2017 was 53.9 €/MWh, up by 26% relative to the average of 2016, i.e. 42.7 €/MWh.

Of note is the marked increase recorded in the early months of 2017, especially in January, when the PUN exceeded 70 €/MWh for the first time since September of 2012, reaching 72.2 €/MWh, as a result of certain economic factors, such as the persistently low output of the French market caused by both the unavailability of all plants and the weather conditions recorded in the month (severe cold spell in most of Europe), and the rise of the spot prices of natural gas. Following these events, the significant reversal in the trend of prices needs to be stressed, because it is the first time since 2012 that the average PUN rose, after 4 consecutive years of decline, which brought the average PUN from 75.5 €/MWh of 2012 to 42.7 €/MWh of 2016.

The first months of 2018 confirmed the high volatility of prices, in particular in the winter and summer periods, mostly as a consequence of meteorological events. In particular, the price dropped markedly in January relative to December 2017 (49 €/MWh versus 65.1 €/MWh in December 2017) and it recovered significantly in February, partly as a result of the exceptional cold spell that affected Italy (and most of Europe) in the last week of February 2018.

THE ECONOMIC RESULTS

First of all, it should be pointed out that on 14 July 2017 your Company completed the listing of the existing bond with the name "Dolomiti Energia Holding spa € 7,540,000 Subordinated Floating Rate Notes due 2022" on the Irish regulated market (Irish Stock Exchange). As a result and by effect of the listing of the bond, the Company acquired the qualification of Public Interest Entity (PIE) and it is subject to the regulations prescribed for companies that issued financial instruments listed on regulated markets. In this regard, it should be pointed out that Italian Legislative Decree no. 254/2016 prescribed, starting from 2017, the obligation for PIEs of significant size (number of employees above 500 at the consolidated level and consolidated turnover above 40 million euro, or alternatively total assets above 20 million euro) to prepare, as an integral part of the financial statements, the "Consolidated Non-Financial Statement", reporting, for a series of matters of general interest (environmental and social matters and issues involving personnel and compliance with human rights and diversity, the fight against active and passive corruption), the policies implemented by the company, the management and organisation model and the main available information about these matters. This statement was reviewed for compliance by an independent auditor and is enclosed to the present Financial Statements.

Concerning the consolidated financial results, the year ended with positive results, albeit significantly reduced compared to the previous year.

Consolidated **EBITDA** amounted to 125.3 million euro, down by 31.8% compared to the value of the previous year, equal to 183.7 million euro, and the Group's profit contracted significantly as well, from 65.6 million euro to 34.9 million euro. In addition to the cessation of non-recurring items in 2016, amounting to approximately 13 million euro and connected with the change in the scope of consolidation as a result of the line-by-line consolidation of HDE, this reduction is mainly due to the result of hydroelectric generation activities, severely affected by negative weather conditions, which led to a very low output level that was equal to, and on many plants even lower than the historical lows. In this context, moreover, the decision, with a view to reducing the risk of fluctuation of the price itself, to set, for a portion of the output, the sale price of energy in advance with respect to the time of generation, prevented the Group from fully taking advantage of the price increase that took place on the market.

The results of the **other operating activities** were positive overall, and they were better for the distribution network management activities (gas and electric power), whose economic results increased. On the other hand, the performance of marketing activities for electric power and gas were lower than the previous year, having been negatively affected by market trends and, in particular for electric power, by the severe fluctuations of the price on the exchange, whose increase, for existing purchase and sale agreements, could not be fully transferred to end customers.

The Group's **net financial position**, calculated as the algebraic sum of the nominal value of financial receivables and payables (without considering the items relating to derivatives trading), changed from 419 million euro at the end of 2016 to 414 million euro at the end of 2017. This figure was certainly affected by the reduced ability to generate cash during the year (mainly because of the low output) and of the consequent negative differential between the dividends paid in the year (calculated on the 2016 results) and the consolidated net profit of the Group.

DIVIDENDS

The results obtained in 2017, coupled with a sound financial structure, enable to propose, this year as well, the distribution of a dividend of 0.07 euro per share (equal to the one in 2016), with a ratio of dividends over consolidated net profit (payout) equal to 75.8%. Overall, dividends amount to 26.5 million euro, most of which are to benefit the communities and the economic and industrial fabric of Trentino.

MAIN EVENTS

With regard to transactions completed directly or by other subsidiaries or investees, those worthy of comment in this report are as follows:
Dolomiti Energia Holding: as has already been recalled above, on 14 July 2017 the process to list the bond issued by the Company on the Irish Stock Exchange was completed; to date, net of the early repayments made during the year, the bond has a residual amount of 5,051,800 euro.

Following this listing and related qualification of Dolomiti Energia Holding as a "Public Interest Entity" (PIE), some amendments to the Bylaws were approved by the Shareholders' Meeting on 15 December 2017, to reflect the new legal situation. In particular, in compliance with current regulations, the bylaws now prescribe the establishment of the Internal Control and Audit Committee, assigning this task to the Board of Statutory Auditors; in addition, the duration of the engagement of the Independent Auditing Firm was redefined to 9 years, further specifying that it shall not be renewable.

To reduce the risk of interest rate fluctuations and in consideration of the level of the market rates, deemed particularly attractive, two hedging contracts (IRS Swaps) were stipulated in May, following the related Board of Directors resolution, to set the level of the rates of the loan stipulated in 2016 with BEI for the period from 2021 to 2031 (expiration date of the loan).

In June 2017, the acquisition of 100% of the capital of Nesco Srl was completed; the acquired company operates in the sector of training, design and management of energy efficiency projects with the goal of enhancing Group competencies. In consideration of this acquisition, Dolomiti Energy Saving srl was placed in liquidation; its capital had previously been fully acquired from Dolomiti Energia Holding and its purpose was similar to Nesco's.
Concurrently with the sale of the controlling interest of MC Link by the majority shareholders, on 25 September 2017 51,954 shares (i.e. the entire interest held) were sold to the new controlling shareholder 2iFiber for a price of approximately 810,000 euro, recording a capital gain of approximately 600,000 euro.

Novareti: during the year, the interaction, prescribed by law, with the contracting authority (Autonomous Province of Trento), continued for the tender to renew the concession to distribute natural gas for the province of Trento, in order to provide the requested data, pertaining in particular to the size of the networks. In this regard, it is pointed out that Paragraph 3-bis of Article 39 of Provincial Law no. 20/2012 set 31 December 2018 as the deadline for the calling of the tender by the Province.

In parallel, the company, with the support of the centralised functions of the Parent Company, is continuing with the analysis of the possible opportunities present on the market to expand its scope of activity with the participation in other local tenders and/or with extraordinary transactions such as acquisitions and corporate agreements.

SET Distribuzione: as is better illustrated in the following paragraphs, on 16 June 2017 an amendment to Article 13 of Provincial Law no. 3/2001 was approved, defining the criteria with which the electrical grid has to be measured in case of sale of the activity by a distributor and of subsequent take-over by SET Distribuzione spa according to current regulations, thus allowing both the parties that cease the activity and SET to operate in a situation of regulatory certainty. The aforementioned rule was applied for the first time for the sale to SET of the distribution activity on the Municipality of Isera with effect starting from 1 January 2018, as a result of the related business unit sale agreement stipulated on 28 December 2017.

Dolomiti Energia/Dolomiti Energia Trading: starting from 1 January 2017, all dispatching activities of the Hydro Dolomite Energia plants were assigned to Dolomiti Energia Trading, which thus completed the reorganisation process started in 2016.

As a result of the sale of the network to SET by the Municipality of Isera, mentioned above, starting from 1 January 2018 Dolomiti Energia acquired all the relating utilities, served in the market subject to additional safeguards.

Hydro Dolomiti Energia /Dolomiti Edison Energy: the year that has just ended was characterised, as mentioned above, by a drought that brought about, in addition to the significant reduction in output, also an intense dialogue in the April - September with the Basin Authorities, in particular for the Oriental Alps District, to consider the possibility of modulating the operation of the plants to reduce the difficulties created by the drought to the withdrawals for potable and farming water utilisation downstream of the plants, in particular in Veneto.

With regard to Dolomiti Edison Energy, the expiring contracts pertaining to the partners' procedures for withdrawing energy, providing the possibility for the Dolomiti Energia Group to withdraw a portion of the energy generated by the Mezzocorona Plant starting on 1 July 2017. The withdrawal percentage will be further modified starting from 1 July 2020.

Dolomiti Energia Rinnovabili: to exploit the market opportunities present in the field of the management of Public Illumination systems, Dolomiti Energia Rinnovabili joined Consorzio Stabile Energie Locali scarl, a consortium that was awarded the CONSIP Convention for the provision of the light Service and of the connected services in the area of Veneto, Trentino Alto Adige and Friuli-Venezia Giulia (Light Service 3 Lot 2).
Within the scope of this convention, during the year the management services were assigned during the year for the Municipality of Rovereto and Brentonico.

BONUSES AND RECOGNITIONS

In 2017, the electricity distribution sector benefited from the bonuses awarded by the Authority for Energy, Network and Environment for the levels of quality and safety reached in the management of the networks. In particular, the bonus for the continuity of the electrical service was the highest in Italy, in terms of relative value per user.

INVESTMENTS

Investments made in 2017 totalled 42.5 million euro. The most important investments pertain to the initiatives to improve the distribution networks throughout the territory served by the Group, the generating plants and the activities directed at enhancing the services available to the end customers, in addition to those required to ensure compliance of all Group companies with industry regulations.

INTERNAL AUDIT AND SUPERVISORY BODIES

During the year the company's Supervisory Board, appointed to monitor the adequacy, effectiveness and compliance of the 231 Model, continued its supervision and periodically reported to the Board of Directors and Board of Statutory Auditors on the test outcomes of sensitive processes and the corporate design activities, carefully following regulatory changes. In particular, during the year the model was revised to take into account the new provisions pertaining to unlawful intermediation and labour exploitation and environmental offences.

With reference to corporate control system activities, the Internal Audit Department performed, following corporate procedures, its duty of providing support to Senior Management, planning and implementing action to verify and improve the business areas, processes and data flows considered critical to achieving corporate objectives, and reporting to the Board of Directors and Board of Statutory Auditors on any findings, the improvement initiatives implemented and related results.

THE FUTURE

2017 has been an important year for your Company, characterised by a series of operations and initiatives that demonstrate the Group's constant evolution and growth. Day after day, your Company was able to assess the complex environment in which it acts, bring to completion the appropriate initiatives and make the best decisions to achieve the set objectives, thereby acquiring ever greater soundness with respect to a changing economic environment affected by events that at times are hardly foreseeable.
The positive results recorded in 2017 were possible thanks to the efforts of the entire organisation and to the trust and confidence that you, our Shareholders, continue to have in us. Your satisfaction and the satisfaction of our customers, employees, and of the entire Community, together with the need to protect our natural resources and improve our present and future environmental and territorial impact will remain the Group's key objectives.

Italian Law no. 205 of 27 December 2017 "State forecast budget for financial year 2018 and multi-year budget for the 2018-2020 three-year period" in Article 1, Paragraphs 832 and 833 replaced Article 13 of the Consolidated Law per Presidential Decree no. 670 of 31 August 1972 and in short it assigns to the provinces of Trento and Bolzano the authority to regulate with their own laws "the methods and procedures for the assignment of concessions for large water diversions for hydroelectric purposes, establishing in particular procedural rules for the conduct of tenders, the terms for calling such tenders, the admission and award criteria, the financial, organisational and technical requirements of the participants".

With regard to the macroeconomic environment, it will be necessary to carefully assess the consequences deriving from the situation of uncertainty that arose as a result of the recent Italian general elections, in which none of the parties of coalitions won the absolute majority of the seats in the two Chambers and therefore it is currently impossible to rule out a scenario in which it is impossible to form a government with a parliamentary majority to support it.

Concerning, instead, the energy markets, the medium-long term scenarios appear to be improving compared to the recent past and the prices of the main energy commodities appear to have consolidated their growth of the past 12/18 months. However, it should be pointed out that price volatility on the markets remains far greater than in the past, as demonstrated both by electricity and by gas price trends in the first months of 2018. This volatility will have to be monitored very carefully, to increase the ability to monitor the risks deriving from this evolution of the market and to exploit the related opportunities.

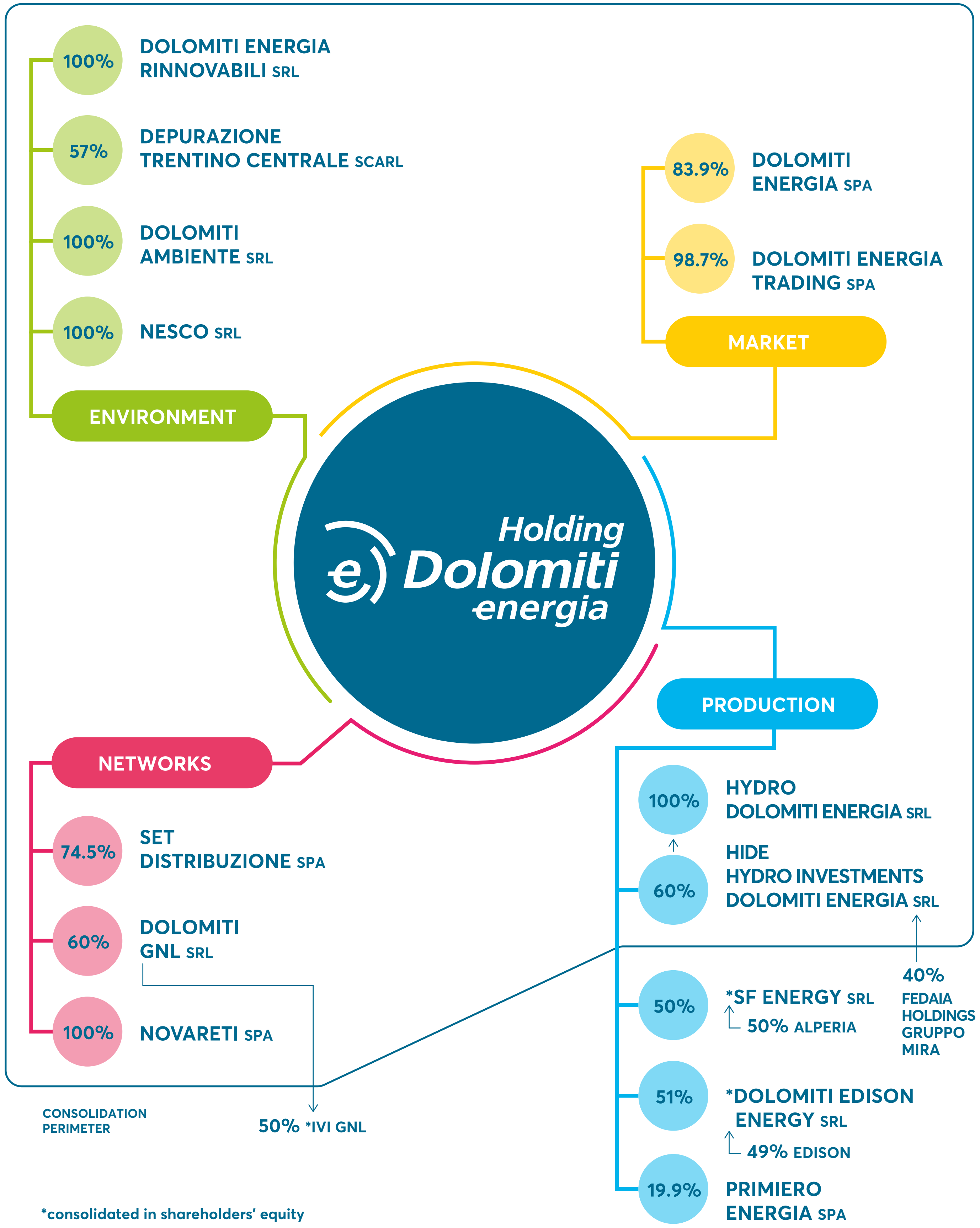
With regard to the Group, the economic and financial forecasts for 2018, approved by the Board of Directors last December, point to a positive result for all the business segments managed by the Group, which should improve compared to 2017, reaching levels in line with 2016, net of non-recurring effects. However,

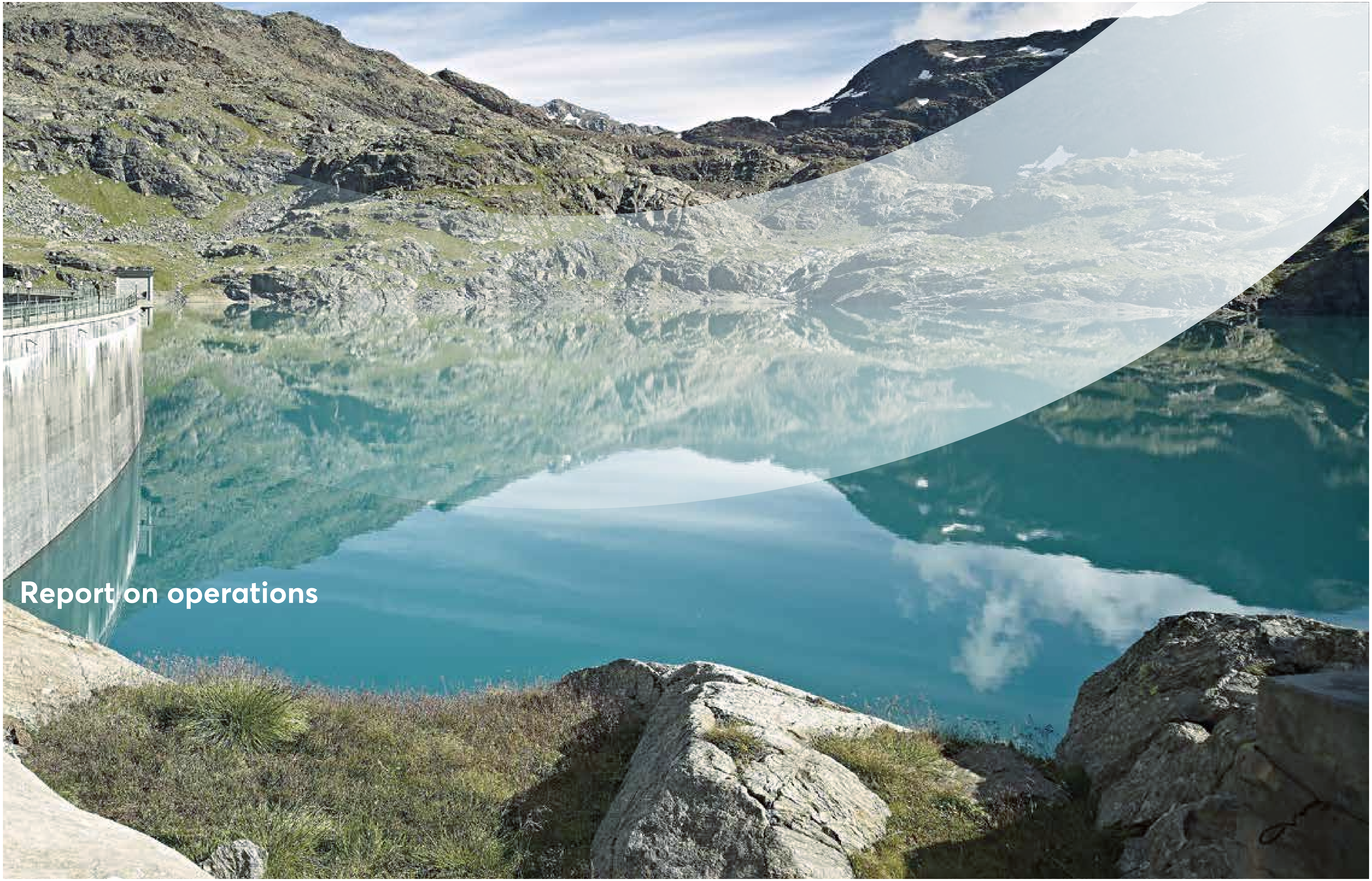
this forecast depends to a significant extent on the fact that water availability, and hence the consequent volume of output of the hydroelectric plants, will return to values close to the long-term averages, which was not the case in 2017.
In conclusion, I am convinced, and I also know I speak on behalf of the whole Board of Directors, that the method used hitherto, of sharing goals and priorities, is the key for a correct path of sustainable growth, to satisfy first our shareholders, but also and above all our entire Community.

Dear Shareholders, on behalf of the entire Board of Directors, I would like to express my sincerest thanks to you for your constant support and for the climate of mutual confidence and harmony, fundamental for tackling the future with confidence.

The Chairman
Rudi Oss

Corporate structure





Report on operations

The present report was prepared in compliance with the Italian Civil Code and the accounting standard adopted for the preparation of the financial statements were the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), and adopted by the European Union ("EU IFRS" or "International Accounting Standards").
For additional details, please refer to point 2 of the Notes to the Financial Statements.

Significant events during the year

General economic trend

The international environment shows widespread, sound economic growth in the main advanced economies; however, at this point, such growth is not accompanied by a resumption of inflation, which remains weak. The short-term outlook therefore seems encouraging, while there are remaining risks relating to the possible consequence of significant decreases in the prices of financial assets.

In 2017, the US economy grew significantly (by over 2%) and in the short term it is expected to be boosted by the important tax overhaul approved by the American Congress on 20 December 2017 (Tax Cuts And Jobs Act), which should lead to further business growth. On the other hand, the effects of recent measures pertaining to import duties on some commodities (steel and aluminium) promulgated with a view to favour domestic companies appear contradictory and still require a more thorough analysis, in the light of the diverging evaluations emerged among the experts who commented them.

While some uncertainties remain in connection with the evolution of the exit from the European Union, economic performance in the United Kingdom is still positive, and positive growth rates were also recorded by the main "emerging" Countries, i.e. China, India, Brazil and Russia. In particular, Brazil and Russia seem to have overcome the recession that had impacted them in the recent past, although the growth rate is still very low, especially if compared to China and India, which continue to growth at a rate approaching 7% per year.

Also positive is the growth trend of the Euro area, whose estimated GDP growth for 2017 was 2.4%, up compared to 1.8% in 2016, and in 2018, according to Eurosystem forecasts, the growth rate should be close to the 2017 figure, partly boosted by the indications of the ECB, which confirmed the monetary policy decisions made and its intention to maintain the official rates at their current levels.

The inflation level remains low at the global level, with the sole exception of the United Kingdom, where it exceeded 3%. In the Euro area, the level grew significantly (from 0.2% in 2016 to 1.4% estimated for 2017 - source: Bank of Italy Bulletin no. 1/2018), but still remained below 2%, in spite of the monetary policy implemented by the ECB.

Economic activity in Italy grew more slowly than in the rest of the Euro area, though it was positive and, according to Bank of Italy forecasts, its GDP should grow by 1.5% in 2017. Growth is supported both by domestic demand, driven in particular by investments in operating assets (tied to the possible expiration of the tax incentives known as super- and hyper-depreciation), and by rising exports. While business profitability contracted marginally (according to data from Bank of Italy - Istat - Bank of Italy Bulletin 1/2018), positive signs emerge from the indebtedness level of businesses, which decreased. Consequently, the demand for bank credit was held back, and it was further reduced by the development of alternative instruments like corporate bonds.

The stabilisation of the propensity to save and an improvement in the general climate of confidence in the performance of the economy contributed to a recovery, albeit limited, of household demand; the level of household indebtedness is substantially stable and significantly lower than the European average (approximately one third of disposable income).

Lastly, positive signals are also arriving from the labour market, which recorded a further increase in hours worked and in the number of employed persons, although this increase was, in particular in the last period, almost exclusively due to fixed-term employment agreement.

Group activities

In the first place, it should be recalled that on 14 July 2017 your Company completed the listing of a bond with the name "Dolomiti Energia SpA €7,540,000 Subordinated Floating Rate Notes due 2022" on the Irish regulated market (the Irish Stock Exchange). As a result and by effect of the listing of the bond, the Company acquired the qualification of Public Interest Entity (PIE) and it will be subject to the regulations prescribed for companies that issued financial instruments listed on regulated markets.

In this regard, it should be pointed out that Italian Legislative Decree no. 254/2016 prescribed, starting from 2017, the obligation for PIEs of significant size (number of employees above 500 at the consolidated level and consolidated turnover above 40 million Euro, or alternatively total assets above 20 million Euro) to prepare, as an integral part of the financial statements, the "Consolidated Non-Financial Statement", reporting, for a series of matters of general interest (environmental and social matters and issues involving personnel and compliance with human rights and diversity, the fight against active and passive corruption), the policies implemented by the company, the management and organisation model and the main available information about these matters. This statement shall be reviewed for compliance by an independent auditor.

Concerning the consolidated financial results, the year ended with positive results, albeit significantly reduced compared to the previous year. Consolidated EBITDA amounted to 125.3 million euro, down by 31.8% compared to the value of the previous year, equal to 183.7 million euro, and the Group's profit contracted significantly as well, from 65.6 million Euro to 34.9 million Euro. In addition to the cessation of non-recurring items in 2016, amounting to approximately 13 million Euro and connected with the change in the scope of consolidation as a result of the line-by-line consolidation of HDE, this reduction is mainly due to the result of hydroelectric generation activities, severely affected by negative weather conditions, which led to a very low output level that was equal to, and on many plants even lower than the historical lows. In this context, moreover, the decision, with a view to reducing the risk of fluctuation of the price itself, to set, for a portion of the output, the sale price of energy in advance with respect to the time of generation, prevented the Group from fully taking advantage of the price increase that took place on the market.

The results of the other operating activities were positive overall, and they were better for the distribution network management activities (gas and electric power), whose economic results increased. On the other hand, the performance of marketing activities for electric power and gas were lower than the previous year, having been negatively affected by market trends and, in particular for electric power, by the severe fluctuations of the price on the exchange, whose increase, for existing purchase and sale agreements, could not be fully transferred to end customers.

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During the year the company's Supervisory Board, appointed to monitor the adequacy, effectiveness and compliance of the 231 Model, continued its supervision and periodically reported to the Board of Directors and Board of Statutory Auditors on the test outcomes of sensitive processes and the corporate design activities, carefully following regulatory changes. In particular, during the year the model was revised to take into account the new provisions pertaining to unlawful intermediation and labour exploitation and environmental offences.

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Dolomiti Energia Holding:
As has already been recalled above, on 14 July 2017 the process to list the bond issued by the Company on the Irish Stock Exchange was completed; to date, net of the early repayments made during the year, the bond has a residual amount of 5,051,800 euro.

Following this listing and related qualification of DEH as a "Public Interest Entity" (PIE), some amendments to the Bylaws were approved by the Shareholders' Meeting on 15 December 2017, to reflect the new legal situation. In particular, in compliance with current regulations, the bylaws now prescribe the establishment of the Internal Control and Audit Committee, assigning this task to the Board of Statutory Auditors; in addition, the duration of the engagement of the Independent Auditing Firm was redefined to 9 years, further specifying that it shall not be renewable.

To reduce the risk of interest rate fluctuations and in consideration of the level of the market rates, deemed particularly attractive, two hedging contracts (IRS Swaps) were stipulated in May, following the related Board of Directors resolution, to set the level of the rates of the loan stipulated in 2016 with BEI for the period from 2021 to 2032 (expiration date of the loan).

In June 2017, the acquisition of 100% of the capital of Nesco Srl was completed; the acquired company operates in the sector of training, design and management of energy efficiency projects with the goal of enhancing Group competencies. In consideration of this acquisition, Dolomiti Energy Saving srl was placed in liquidation; its capital had previously been fully acquired from Dolomiti Energia Holding and its purpose was similar to Nesco's.

Concurrently with the sale of the controlling interest of MC Link by the majority shareholders, on 25 September 2017 51,954 shares (i.e. the entire interest held) were sold to the new controlling shareholder 2iFiber for a price of approximately 810,000 euro, recording a capital gain of approximately 600,000 euro.

Novareti:
During the year, the interaction with the contracting authority (Autonomous Province of Trento) continued for the tender to renew the concession to distribute natural gas for the province of Trento, in order to provide the requested data, pertaining in particular to the size of the networks. In this regard, it is pointed out that Paragraph 3-bis of Article 39 of Provincial Law no. 20/2012 set 31 December 2018 as the deadline for the calling of the tender by the Province.

In parallel, the company, with the support of the centralised functions of the Parent Company, is continuing with the analysis of the possible opportunities present on the market to expand its scope of activity with the participation in other local tenders and/or with extraordinary transactions such as acquisitions and corporate agreements.

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As is better illustrated in the following paragraphs, on 16 June 2017 an amendment to Article 13 of Provincial Law no. 3/2001 was approved, defining the criteria with which the electrical grid has to be measured in case of sale of the activity by a distributor and of subsequent take-over by SET Distribuzione spa according to current regulations, thus allowing both the parties that cease the activity and SET to operate in a situation of regulatory certainty.

The aforementioned rule was applied for the first time for the sale to SET of the distribution activity on the Municipality of Isera with effect starting from 1 January 2018, as a result of the related business unit sale agreement stipulated on 28 December 2017.

Dolomiti Energia/Dolomiti Energia Trading:
Starting from 1 January 2017, all dispatching activities of the HDE plants were assigned to Dolomiti Energia Trading, which thus completed the reorganisation process started in 2016.

As a result of the sale of the network to SET by the Municipality of Isera, mentioned above, starting from 1 January 2018 Dolomiti Energia acquired all the relating utilities, served in the market subject to additional safeguards.

Hydro Dolomiti Energia/ Dolomiti Edison Energy:
The year that has just ended was characterised, as mentioned above, by a drought that brought about, in addition to the significant reduction in output, also an intense dialogue in the April - September with the Basin Authorities, in particular for the Oriental Alps District, to consider the possibility of modulating the operation of the plants to reduce the difficulties created by the drought to the withdrawals for potable and farming water utilisation downstream of the plants, in particular in Veneto.
With regard to Dolomiti Edison Energy, the expiring contracts pertaining to the partners' procedures for withdrawing energy, providing the possibility for the Dolomiti Energia Group to withdraw a portion of the energy generated by the Mezzocorona Plant starting on 1 July 2017. The withdrawal percentage will be further modified starting from 1 July 2020.

Dolomiti Energia Rinnovabili:
To exploit the market opportunities present in the field of the management of Public Illumination systems, Dolomiti Energia Rinnovabili joined Consorzio Stabile Energie Locali scarl, a consortium that was awarded the CONSIP Convention for the provision of the light Service and of the connected services in the area of Veneto, Trentino Alto Adige and Friuli-Venezia Giulia (Light Service 3 Lot 2). Within the scope of this convention, during the year the management services were assigned during the year for the Municipality of Rovereto and Brentonico.

Dolomiti Energia Group Summary of economic, equity and financial positions

Economic position

The consolidation scope of the Dolomiti Energia Group comprises 12 companies, which in detail are: in addition to the Parent Company Dolomiti Energia Holding, the subsidiaries Dolomiti Energia Rinnovabili srl, Novareti SpA, Dolomiti Ambiente srl, Nesco srl, Dolomiti Energia Trading SpA, Dolomiti Energia SpA, SET Distribuzione SpA, Depurazione Trentino Centrale Scarl, Hydro Investments Dolomiti Energia srl, Hydro Dolomiti Energia srl and Dolomiti GNL srl.
The consolidated financial statements of the Group show a sharp decrease in the EBITDA and consequently a decrease in net profit compared to 2016. This reduction is due mainly to the poor rain conditions of the year, which had negative consequences both in the generation of electricity and in its marketing.

During the year, DEH acquired 100% of Nesco srl, a company active in the management of energy requalification and management of Energy Efficiency Certificates (TEE) and consequently, this company was consolidated starting from 30 June 2017.

In relation to the economic data, the following information is provided.

The total revenue and other income amounted to 1,426 million euro (1,385 million euro in 2016).

Production costs amounted to 1,352 million euro (1,264 million euro in 2016).

Personnel costs amounted to 66.8 million euro (64.5 million euro in 2016).

The EBITDA contracted compared to the previous year and amounted to 125.3 million euro (183.7 in 2016). In percentage terms compared to total revenue and other income, it amounts to 8.8% (13.3% in 2016).

The total amount of depreciation and amortisation, allocations to provisions and write-downs of fixed assets amounted to 52.9 million euro (55.5 million euro in 2016), with a 4.7% decrease relative to the previous year, mainly deriving from the remodulation of the financial amortisation relating to the hydroelectric concessions.

The result of equity investment was negative by -1.5 million euro, compared to the positive result of 7.3 million euro in 2016.

The EBIT obtained amounted to 72.4 million euro, versus 128.2 million euro in 2016.

The cost of financial management decreased from 10.5 million euro in 2016 to 8.1 million euro. The main components are represented by the interest on bonds and on the uses of bank credit facilities.
Income taxes for the year totalled 18.5 million euro (30.5 million euro in 2016) and take into account prepaid/deferred taxes as illustrated in detail in the Notes to the Financial Statements.

Consolidated net profit, net of minority interests, was 34.9 million euro (65.6 million euro in 2016).

Equity and financial position

Net investments in fixed assets carried out by the Group in 2017 totalled 42.5 million euro (97.3 million euro in 2016 including the outlay for the acquisition of 9% of HDE).

At 31 December 2017, **net invested capital** decreased by 6.4 million euro from the previous year.

Key economic and financial result indicators

ECONOMIC INDICATORS

The indicators illustrated take into consideration the reclassification of previous year values for financial statements comparison purposes.

RATIO	FORMULA	2017	2016	DIFFERENCE
ROE	NET PROFIT/EQUITY	5.28%	10.10%	(4.82%)
ROI	EBIT/INVESTED CAPITAL	3.55%	6.08%	(2.52%)
ROS	EBIT/TURNOVER	5.08%	9.31%	(4.23%)
EBITDA	GROSS OPERATING MARGIN (THOUSANDS OF EURO)	125,263	183,685	(58,422)
EBIT	NET OPERATING MARGIN (THOUSANDS OF EUROS)	72,393	128,211	(55,818)

All indicators declined compared to the previous year, for the reasons expressed above.

FINANCIAL AND EQUITY INDICATORS

RATIO	FORMULA	2017	2016	DIFFERENCE
HEDGING OF NET FIXED ASSETS	EQUITY+MEDIUM/LONG-TERM LIABILITIES/NET FIXED ASSETS	0.81	0.80	0.01
DEBT RATIO	LIABILITIES/EQUITY	2.08	2.25	(0.16)
SECONDARY LIQUIDITY RATIO	SHORT-TERM ASSETS/SHORT-TERM LIABILITIES	1.04	1.03	0.01

The financial and equity indicators are in line with values from the previous year.

Risk analysis – corporate objectives and policies on risk management

Financial risks

The Dolomiti Energia Group introduced a process aiming to manage the corporate risks based on the Enterprise Risk Management methodologies, though with exclusive characteristics and specificities.
There is an ongoing specific “Risk Management” project, directed at managing financial risks, and the “Finance and Risk Management Department” is active to promote greater effectiveness of intervention in the reference operating environment.

The “Group Risk Policy” was approved by the Board of Directors; the purpose of the document is to define the Group’s guidelines relating to governance, management strategy and controlling the following financial risks:
- Liquidity risk;
- Interest rate risk;
- Commodity price risk;
- Credit risk.

LIQUIDITY RISK

The liquidity risk is defined as the possibility that the financial resources available may be insufficient to fulfil financial commitments.
The main factors that influence the total liquidity of the Group are the resources generated or absorbed by the operations and the characteristics of loan expiries and renewals.

The Group has suitable cash credit lines to tackle funding requirements.

The management of the liquidity risk, according to the Risk Management logics, aims to define a financial structure in line with the corporate objectives to ensure a suitable level of short-term liquidity and a balance in terms of debt duration and breakdown in relation to the investment programmes.

To effectively monitor the Group’s liquidity, the “Finance and Risk Management” department introduced some indicators that measure the optimal indebtedness ratio between short and medium-term and the usage percentage of the uncommitted credit lines.

INTEREST RATE RISK

The interest rate risk refers to the possibility that fluctuations in the cost of money have repercussions on the level of financial charges

originating from floating rate borrowings. The objective of the "Risk Management" department is to minimise the impact of the changes in the interest rate on the Group's total financial charges through the use of hedging financial instruments. Total indebtedness as at 31 December 2017 is broken down as follows:
- 26.56% at fixed rate;
- 16.56% hedged with derivative instruments (IRS plain vanilla);
- 56.88% at floating rate.

COMMODITY PRICE RISK

Monitoring the price of Commodities is fundamental to avoid that the fluctuations in electricity and gas prices mean significant changes in the Group's operating margins.
Using a control system is fundamental to limit any undesired effects on the economic result that compromise the achievement of the company's budget targets.
This risk emerges from sale agreements for natural gas and electricity that make up the Group's source and commitment portfolio.
The aim of the "Finance and Risk Management" department is to control the Group's "energy sources-commitments" with the purpose of monitoring the risks deriving from price fluctuations. To this end, an indicator called "Profit at Risk" (PAR) was adopted at Group level to measure the price risk and to quantify the "risk margin" of the source and commitment portfolio, only for the effect of the market's price changes in a period of observation. In order to contain the aforementioned risk, derivative contracts are entered into if necessary.

CREDIT RISK

Credit risk relates to any non-fulfilment of the commercial and financial obligations of the counterparties that is such to have an impact on the economic result to jeopardise the corporate objectives. The methodology aimed at measuring the Group's credit risk applies to all the types of commercial and financial agreements signed.
The Dolomiti Energia Group aims at optimising the risk profile while pursuing the commercial objectives in coordination with the corporate functions that manage the credit process (credit assignment and review, management and control).

Regulatory risks

With reference to regulated sectors (operation of the environment and distribution networks), a Group structure named "Regulation of relations with Agencies-Authorities" is dedicated to continuously monitoring the progress of the reference regulations in order to assess their effects and mitigating them when possible.
Managing this risk implies the following activities:
- management of technical-institutional relations;
- technical-regulatory support towards the Group's operating structures.

With a view to continuous improvement, the Group has also developed a reporting system for regulatory fulfilments for the electricity and gas sectors.
The main risks determined within the regulatory framework can be summarised as follows:
- risks deriving from the amendment of Domestic and European laws, as well as regulations and interpretations of the Competent Authorities (ARERA, former AEEGSI), which might have an impact on Group operations and results;
- risks connected with the obtaining of concessions (assigned through public tenders) by local public entities for the management of electricity and natural gas distribution services;
- risks connected with changes in fees, determined by sector Authorities and applied to services rendered in relation to electricity and gas distribution. Such changes in fees might affect the Group's operating results.

Operating risks

Moreover, the Group has identified the following main operating risks:
- risks resulting from the subscription of partnership and joint venture agreements for the management of new entities and businesses, with a non-exclusive management that might lead to results that are significantly different with respect to the expected ones;
- risks resulting from seasonality and weather conditions, whose variability can significantly affect the production of electricity, as well as the demand in electricity and natural gas;
- risks connected with the Group business concentration mainly in the Province of Trento and therefore related to the strong impact that weather conditions in the reference geographic area might have on the entity's performance.

Workplace health and safety

The Group, having always focused on protecting the health and safety of its collaborators (and more generally everyone involved in the activities of the Group's companies), pursues not only the objective of complying with applicable regulations, but a set of actions aimed at continuously improving working conditions.

It is thus committed to spreading a culture of safety based on developing the perception of risks, promoting responsible behaviour among the collaborators and sharing responsibilities among all the parties involved in the Group's activities, bar none.

To this end, the Group uses a centralised Quality Safety and Environment structure that works across all the Group's companies.

The shared objectives of the companies' Employers are:
- continuous improvement of the integrated workplace health and safety risk management system;
- a continuous analysis of the critical issues of the processes and of the resources to be protected;
- constant attention to training, educational and communication processes;
- the adoption of the best technologies economically accessible;
- the control and update of working methods.

The achievement of the continuous-improvement objectives hinges on the ability to involve each individual worker in ensuring their health and safety and that of third parties in the workplace.

Employers identified the people in charge of covering the role of Prevention and Protection Service Managers for individual companies.

Risk assessment documents are updated to consider the structural development, the operating conditions and the regulatory evolution.

The implementation of the systems to manage health and safety in the workplace according to the model defined by the standard BS OHSAS 18001:2007 continued in 2018 also through the development and implementation of the specific SW adopted to manage the system (Simpledo.net). This instrument pursues the improved distribution of information, the prompt planning and management of fulfilments and deadlines, a structured operating control and an efficient environment for the continuous improvement of the SSL system.

Injury prevention figures

The evaluation of injury figures for 2018 was performed on an aggregate basis for all Group companies.

The indicators taken into consideration are calculated in accordance with the UNI 7249:2007 standard and therefore determined as follows:

INCIDENCE INDICATOR (Ii) = $\dfrac{\text{no. of injuries x 1,000}}{\text{average number of workers}}$

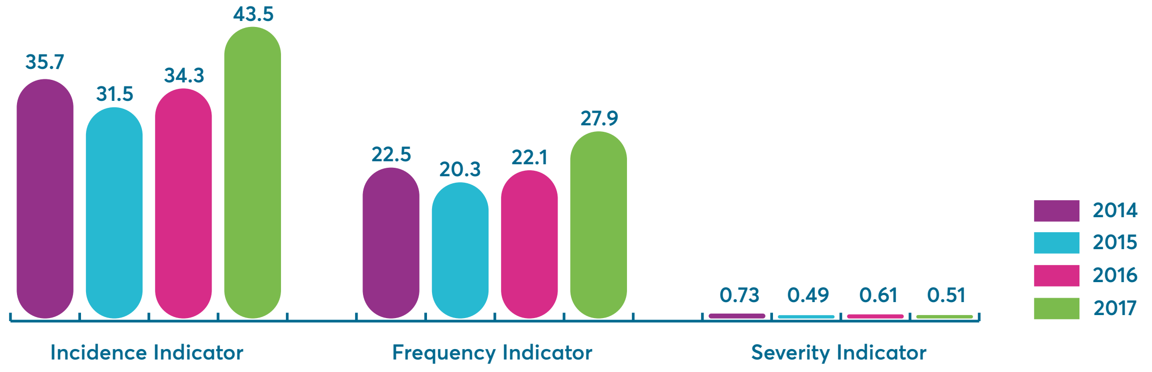
FREQUENCY INDICATOR (If) = $\dfrac{\text{no. of injuries x 1,000,000}}{\text{No. hours worked}}$

SEVERITY INDICATOR (Ig) = $\dfrac{\text{no. workdays missed due to injury x 1,000}}{\text{No. hours worked}}$

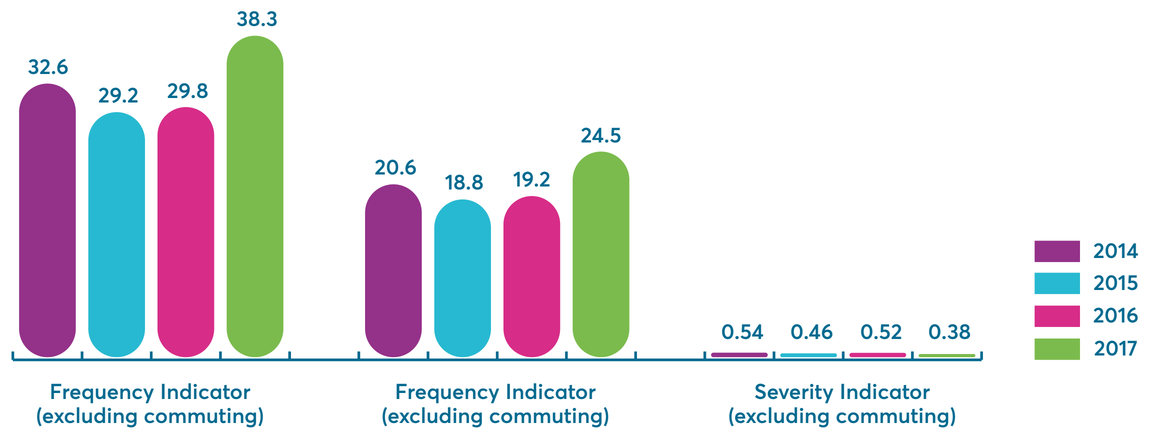
The main indicators (frequency and incidence) recorded in 2017 point to a deterioration compared to 2016, while the severity index improved (*Chart 1*).

The trend is also confirmed when injuries that took place when commuting are excluded (*Chart 2*).

1 INJURY INDICATOR (INCLUDING COMMUTING)



2 INJURY INDICATOR (EXCLUDING COMMUTING)



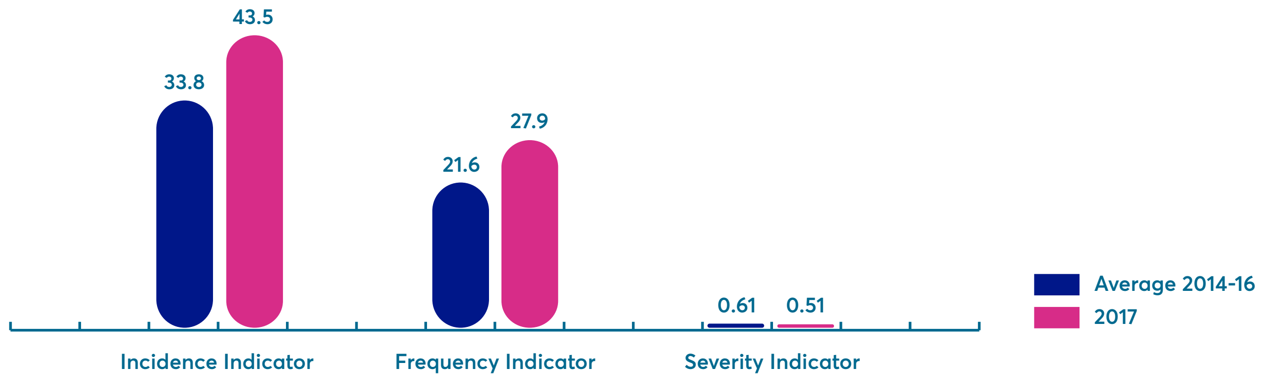
As shown in the following figure (*Chart 3*), the frequency and incidence indicators worsened also with reference to the average of the data of the previous three-year period (2014-2016), while the severity indicator improved slightly.

Considering all events (**including commuting injuries**), the 2017 incidence and frequency indicators were greater, respectively by 9.7 and 6.3 points, than than the average value of the previous three-year period as a result of some short-duration injuries.

The severity indicator also improved, from 0.61 in the 2014-16 three-year period to 0.51 in 2017.

The average duration of the injuries decreased from 28.3 days of the three-year period to 18.2 days for 2017.

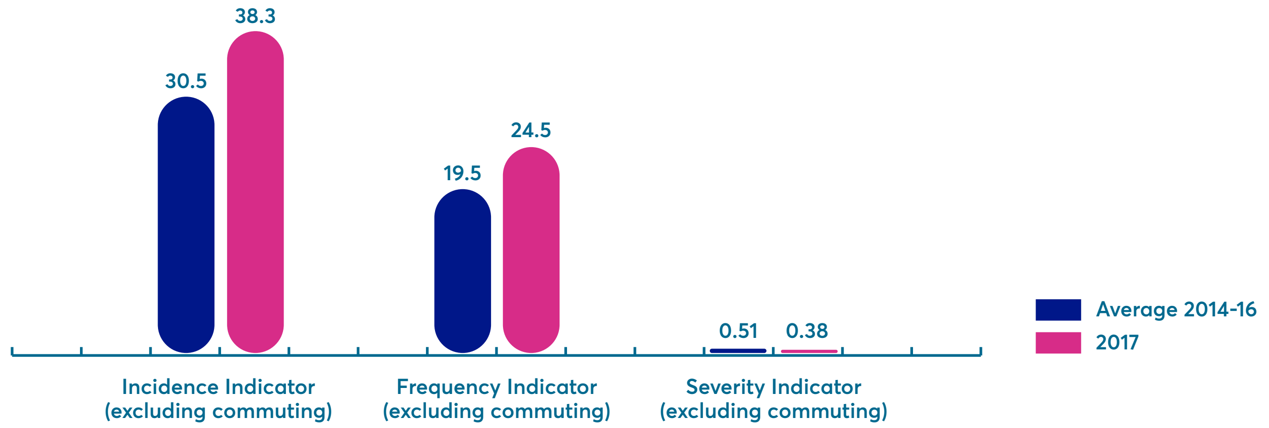
3 INJURY INDICATOR (INCLUDING COMMUTING)



Excluding commuting injuries from the calculation, comparison with the previous three-year period confirmed a deterioration of the incidence and frequency indicators, respectively by 7.8 and 5.0 points relative to the average value of the previous year.

In this case, too, the severity index improved, from 0.51 in the 2014-16 three-year period to 0.38 in 2017 (*Chart 4*).
The average duration of the injuries, in this case, decreased from 26.0 days of the three-year period to 15.6 days for 2017.

4 INJURY INDICATOR (EXCLUDING COMMUTING)



Health surveillance

In 2017, workers' health surveillance entailed 987 physicals with related follow-up tests in view of the tasks assigned to the workers and the consequent health risk assessment.

Considering the increase in the number of employees and the fact that, for some categories of workers, physicals are carried out with multi-year periodicity (2, 3 or 5 years), the figure is deemed to be in line with those of the previous years:

	2014	2015	2016	2017
PERIODIC VISIT	829	824	856	839
PREVENTIVE VISIT	37	55	82	94
EXTRAORDINARY VISIT	71	74	49	54
TOTAL DOLOMITI ENERGIA GROUP	**937**	**953**	**987**	**987**

Dolomiti Energia Holding SpA Summary of economic, equity and financial positions

Economic position

Total revenue and other income amounted to 37.8 million euro.

Production costs, net of amortisation, depreciation and provisions and personnel cost totalled 22.8 million euro.

Personnel costs amounted to 11.7 million euro.

The EBITDA was EUR 3.3 million. In percentage terms compared to total revenue and other income, it amounts to 8.7%.

The set of amortisation, depreciation and write-downs of fixed assets amounted to 6.5 million euro.

The EBIT, net of income and expenses from equity investments, had a negative value of -3.2 million euro.
Income from investments amounted to 54.1 million euro (50.8 million euro in 2016).

Income from financial management was 0.7 million euro.

Income taxes for the year amounted to 0.03 million euro and take into account the Group tax consolidation income and the deferred/prepaid taxes as described in detail in the Notes to the Financial Statements.

The profit for the year came to 51.5 million and increased by 4.8 million euro compared to the result obtained in 2016.

Equity and financial position

Investments in fixed assets carried out by the Company in 2017 totalled 3.7 million euro (8.1 in 2016).
Among the sources, shareholders' equity rose by 24.5 million euro in 2017.

Risk analysis – corporate objectives and policies on risk management

Financial risks

LIQUIDITY RISK

Dolomiti Energia Holding's liquidity risk exposure lies in the actual ability to have the financial resources to support its ordinary business activities within the necessary time intervals. The Company's financial position is constantly monitored and does not exhibit any critical issues.

MARKET RISK

The market affects the Company on several fronts:
- price risk: the Company mainly operates on the national market and is thus marginally exposed to fluctuations in currency exchange rates; electricity production activity is exposed to market prices, which may significantly affect the margins; to contain this risk, the Company sold its own production at fixed cost to the subsidiary Dolomiti Energia Trading, which is assigned the task of monitoring and managing the risk of fluctuations in commodity prices;
- interest rate risk: in consideration of the significant debt position, with the subsequent exposure to fluctuations in interest rates, the Company, to mitigate this risk, carried out transactions in interest rate derivatives, whose details are listed in the Notes to the Financial Statements.

CREDIT RISK

The value of receivables is monitored constantly during the year to ensure that the presumed realisable value is always expressed in the financial statements through an adequate estimate of the provision for write-downs.

Operating risks

RISKS RELATED TO JOINT VENTURE AND PARTNERSHIP AGREEMENTS

The Company has recently subscribed co-partnership agreements for the management of relevant businesses, mainly in the hydroelectric and other energy sectors. The Company might enter, in future times, other partnerships with the same or new counterparties. The expected yield rates for the above transactions involve assumptions and estimates made by the management and might lead to results that are significantly different with respect to the expected ones. Moreover, it is worth noting that in these partnerships, the Company might not have an exclusive position in decision-making processes and that risks might also occur in relation to the integration of single individuals, processes, technologies and products. The above might also significantly affect the Company's economic and financial results.

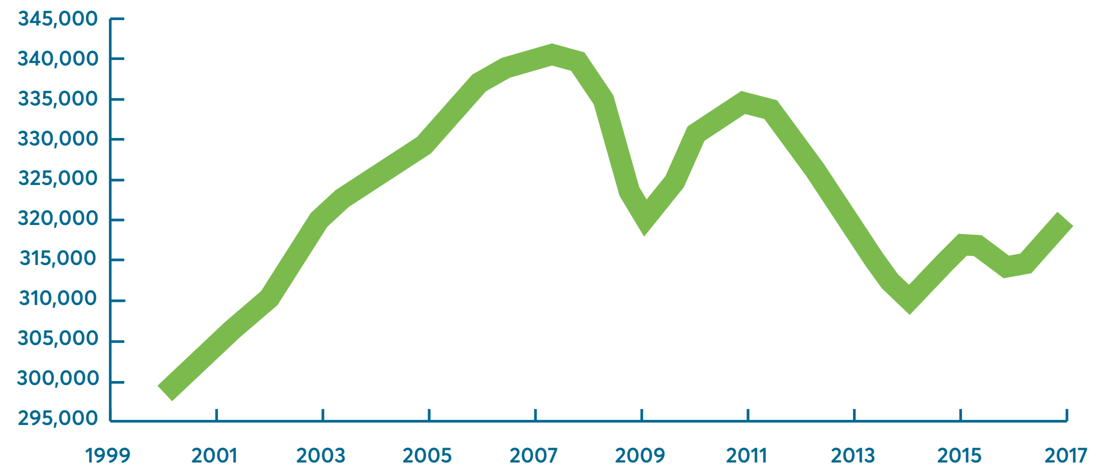
The energy, market and regulatory scenario

Performance of the energy markets

ELECTRICITY

According to the provisional data made available by Terna SpA, in 2017 electricity consumption in Italy amounted to 320 billion kWh, up by 2.0% compared to the previous year, in line with the consumption level of 2009 but, as shown in the chart below, still almost 6% lower than the maximum values recorded in 2007 (over 340 billion kWh).

CONSUMPTION OF ELECTRICITY IN ITALY (GWh)



The increase in electrical consumption is the result of an economy that recorded positive results in Europe due both to the worldwide growth and to the strength of domestic demand, boosted by the recovery in investments, which in turn were facilitated by more favourable lending conditions and by a less uncertain economic climate. Italy experienced growth too, albeit to a lesser extent than in other European Countries, and GDP rose by an estimated amount of approximately 1.5%.

At the regional level, the year-on-year change in 2017 was positive everywhere (except Sardinia), but not homogeneous: it ranged from +0.3% in the Northwest to +4.5% in the Centre.

[GWH]	NORTHWEST	LOMBARDY	TRIVENETO	TUSCANY-EMILIA ROMAGNA	CENTRE	SOUTH	SICILY	SARDINIA
2017	33,061	69,042	48,504	50,122	44,839	46,839	19,099	8,934
2016	32,962	67,475	48,017	47,983	43,709	46,267	18,891	8,957
CHANGE %	0.3%	2.3%	1.0%	4.5%	2.6%	1.2%	1.1%	-0.3%

In 2017, 89% of electricity demand was met with domestically generated energy and the remainder (11%) from the balance of energy traded abroad.

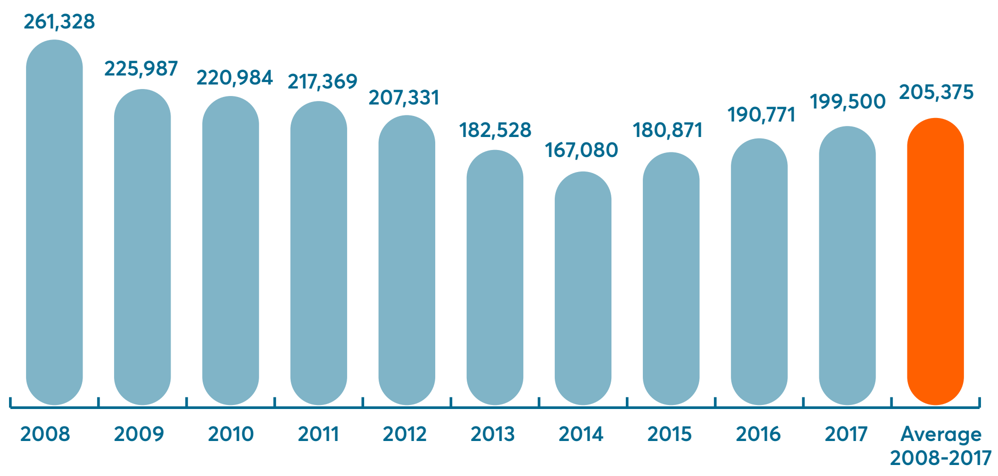
The details below show that net domestic output (285 billion kWh) increased by 2% compared to 2016.

MILLION KWH	2017	2016	% CHANGE
HYDROELECTRIC	37,530	43,785	-14%
THERMAL	199,500	190,771	5%
OF WHICH BIOMASSES	*17,768*	*17,956*	*-1%*
GEOTHERMAL	5,785	5,867	-1%
WIND	17,492	17,523	0%
PHOTOVOLTAIC	24,811	21,757	14%
TOTAL NET OUTPUT	285,118	279,703	2%
IMPORT	42,892	43,181	-1%
EXPORT	5,132	6,155	-17%
FOREIGN BALANCE	37,760	37,026	2%
PUMPING	2,441	2,468	-1%
ELECTRICITY DEMAND [1]	320,437	314,261	2%

[1] Electricity Demand = Output + Foreign Balance - Pumping Consumption.

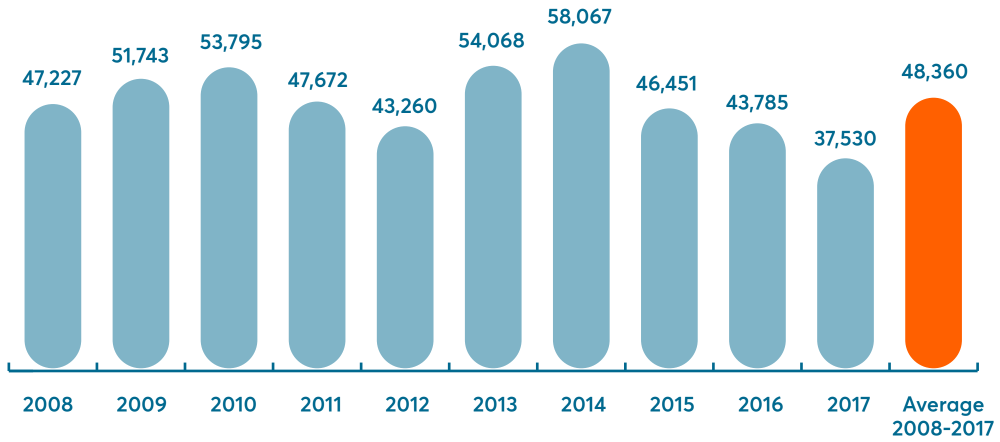
Electricity output from thermal sources grew by 5% compared to 2016 (+9 billion kWh generated) but it still remained well below the value of 261 billion kWh generated in 2008. The growth was significant when compared to the minimum value reached in 2014 (167 billion kWh).

HISTORICAL PERFORMANCE OF THERMAL ENERGY PRODUCTION (GWh)



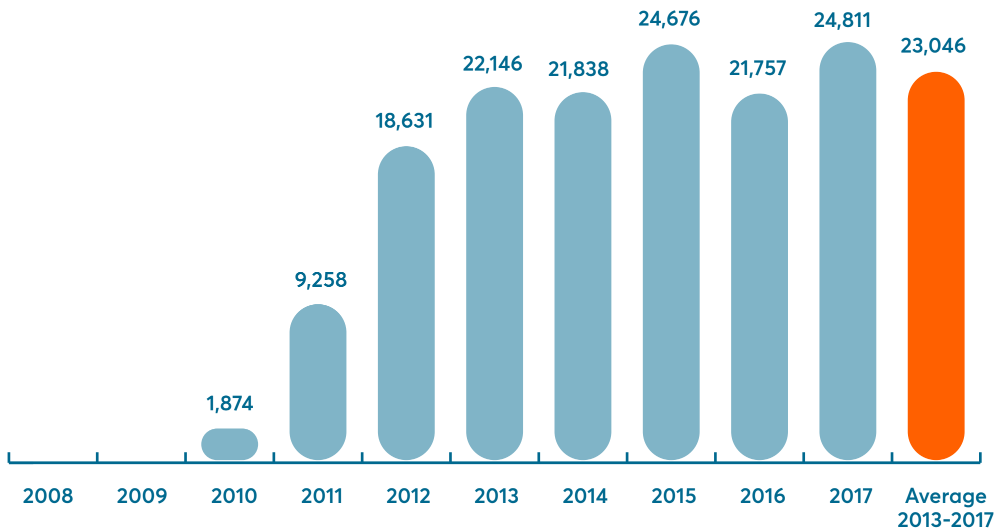
On the contrary, hydroelectric output declined sharply compared to 2016 (-14%) as a result of the poor precipitation conditions recorded throughout 2017. It should be recalled that hydroelectric output had already declined by 15% in 2016 relative to 2015. By comparison, in 2014 (a record year for precipitation), hydroelectric output had reached 58 billion kWh versus 37.5 in 2017 (-35%). Hydroelectric output in 2017 is the lowest of the last decade and 22% lower than the average of the 2008-2017 time interval.

HISTORICAL PERFORMANCE OF HYDROELECTRIC ENERGY PRODUCTION (GWh)



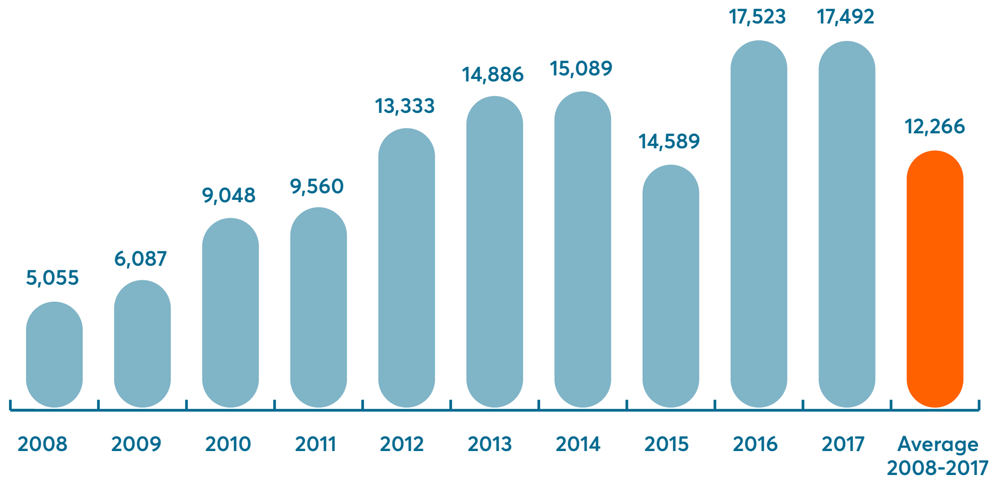
On the contrary, photovoltaic output benefited from the sunny weather and increased by +14% (24.8 billion kWh in 2017 versus 21.7 in 2016), approaching the value recorded in 2015 (24.6 billion kWh).

HISTORICAL PERFORMANCE OF PHOTOVOLTAIC ENERGY PRODUCTION (GWh)



Wind power output was stable compared to 2016, while a slight decrease was recorded by the output from geothermal (-1%) and biomass (-1%) sources.

HISTORICAL PERFORMANCE OF WIND ENERGY PRODUCTION (GWh)



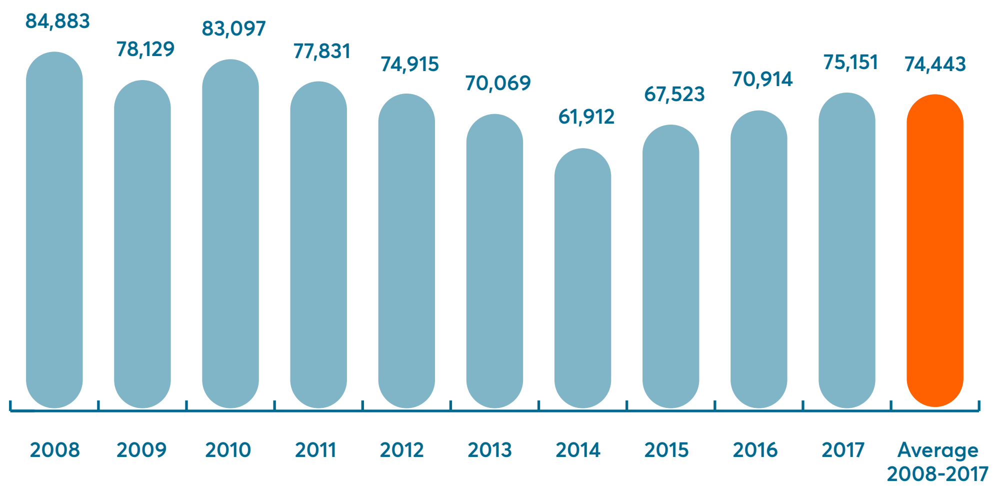
In 2017, peak power demand in Italy was recorded on Thursday, 3 August at 4 pm and it was equal to 55,002 MW, compared to the peak of 59,353 MW of 21 July 2015 at 4 pm.

The start of 2017 was still characterised, as were the closing months of 2016, by the problems connected with the prolonged, unexpected maintenance outages of the French nuclear plants and by the cold spell that hit all of Europe. The consequent contraction in electricity output in France, coupled with the rise in demand due to thermal effects, led, in certain days, not only to the interruption of imports, but also to the reversal of the flows, with energy being exported to France. This situation, as is better described below, significantly affected the entire Italian market.

NATURAL GAS

Natural gas consumption confirmed its growing trend for the third consecutive year (+6% compared to 2016), reaching 75 billion Smc, in line with the 2012 figure.

GROSS CONSUMPTION OF NATURAL GAS IN ITALY (MILLION of Smc)

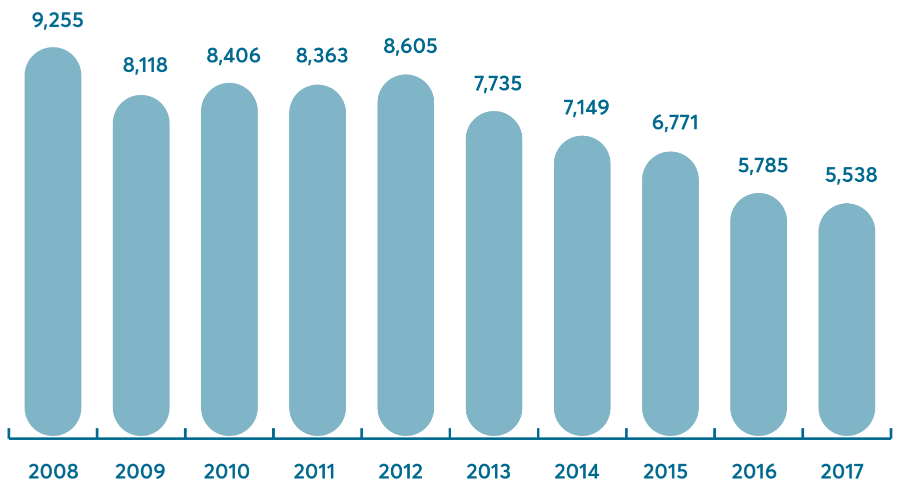


This result stems in part both from the growth in thermoelectric consumption (+9%) driven by high electricity demand (in the first months of 2017 due to the problems with French nuclear power, and in the summer months to the exceptional heat wave that impacted Italy and Europe), and growth in industrial consumption (+7%) as well as growth in residential consumption (+3%), due to the low temperatures recorded in the winter months of 2017 compared to 2016. The following tables show the details of monthly consumption for the three types of market in 2016 and in 2017.

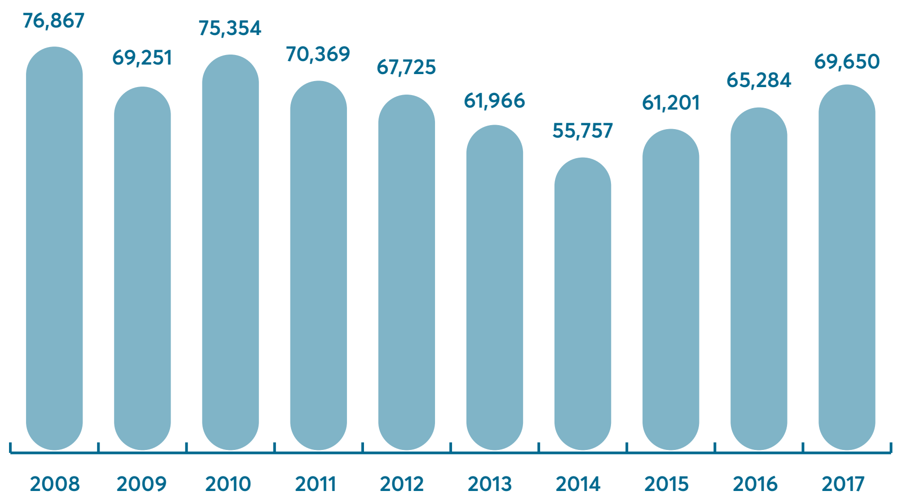
	INDUSTRIAL			THERMOELECTRIC			DISTRIBUTION NETWORKS		
[MSMC]	2017	2016	CHANGE %	2017	2016	CHANGE %	2017	2016	CHANGE %
JANUARY	1,303	1,153	13%	2,762	2,126	30%	6,731	5,570	21%
FEBRUARY	1,203	1,164	3%	2,164	1,812	19%	4,470	4,349	3%
MARCH	1,271	1,202	6%	1,864	1,775	5%	3,120	3,860	-19%
APRIL	1,125	1,112	1%	1,731	1,444	20%	1,760	1,686	4%
MAY	1,182	1,114	6%	1,745	1,524	14%	1,391	1,351	3%
JUNE	1,155	1,054	10%	2,048	1,470	39%	985	1,034	-5%
JULY	1,200	1,043	15%	2,234	2,010	11%	973	955	2%
AUGUST	933	844	10%	2,076	1,756	18%	806	817	-1%
SEPTEMBER	1,196	1,095	9%	1,800	2,288	-21%	1,134	1,071	6%
OCTOBER	1,262	1,198	5%	2,119	2,230	-5%	1,636	1,973	-17%
NOVEMBER	1,295	1,252	3%	2,566	2,386	8%	3,811	3,581	6%
DECEMBER	1,240	1,164	7%	2,333	2,562	-9%	5,814	5,410	7%
TOTAL	14,365	13,395	7%	25,442	23,382	9%	32,630	31,657	3%

Concerning gas procurement sources, the decline in domestic production was confirmed, with a 40% reduction from 2008 to 2017, while imports increased, returning to values approaching those of 2010.

DOMESTIC PRODUCTION OF NATURAL GAS (MILLION of Smc)

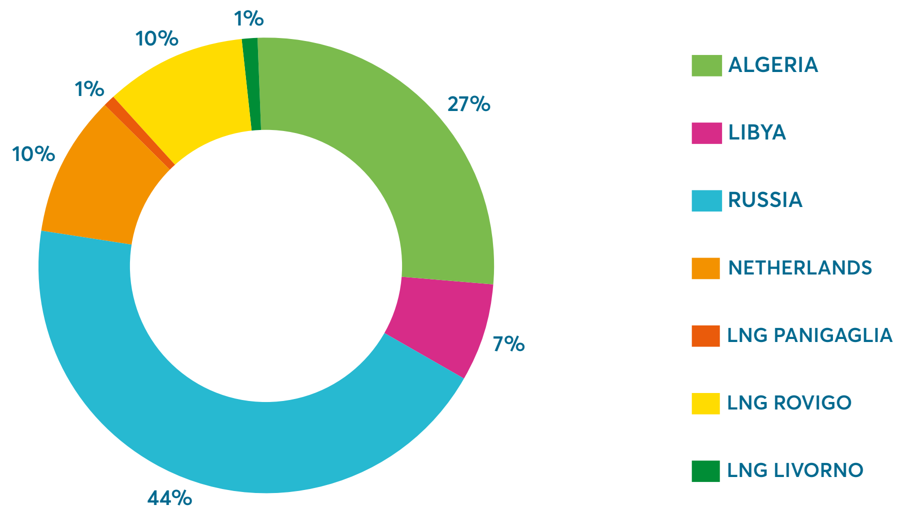


IMPORT OF NATURAL GAS (MILLION of Smc)



In country terms, Russia is still the largest supplier with 44%, followed by Algeria with 27%. The LNG portion reached 12% overall (2% in 2008).

IMPORT MIX OF NATURAL GAS 2017



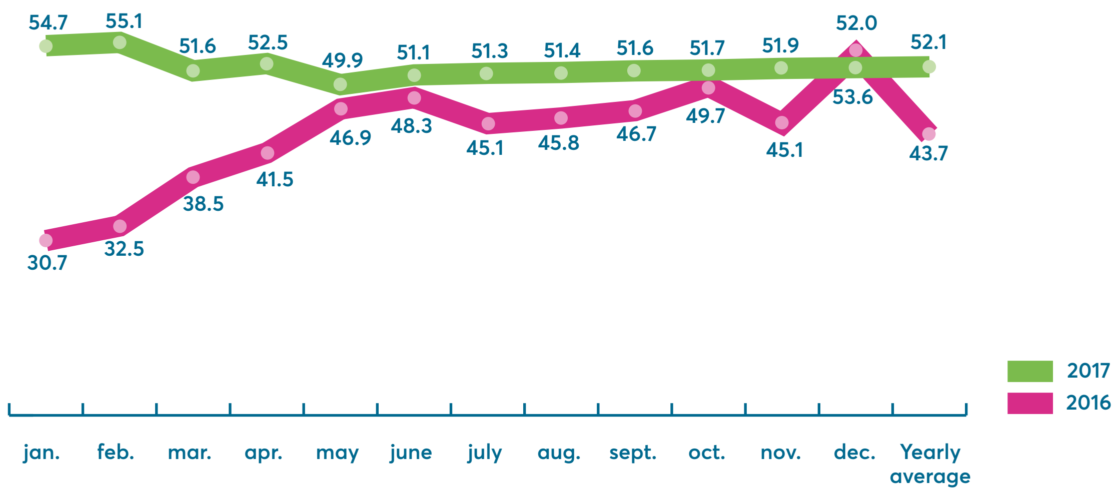
The details of the domestic production and of the imports of natural gas from 2008 to 2017 are provided below.

[MSMC]	GENERATION DOMESTIC	IMPORTS	ALGERIA	LIBYA	RUSSIA	NETHERLANDS	LNG PANIGAGLIA	LNG ROVIGO	LNG LIVORNO
2008	9,255	76,867	24,437	9,872	24,585	15,693	1,555	-	
2009	8,118	69,251	21,371	9,168	22,917	12,022	1,344	1,549	
2010	8,406	75,354	25,945	9,410	22,492	7,828	2,012	7,083	
2011	8,363	70,369	21,309	2,339	26,451	10,859	1,925	7,068	
2012	8,605	67,725	20,632	6,470	23,851	9,034	1,131	6,204	-
2013	7,735	61,966	12,460	5,704	30,265	7,495	39	5,377	264
2014	7,149	55,757	6,774	6,512	26,154	11,433	70	4,447	57
2015	6,771	61,201	7,244	7,107	29,918	10,635	34	5,942	60
2016	5,785	65,284	18,873	4,807	28,267	6,697	207	5,670	510
2017	5,538	69,650	18,880	4,641	30,180	7,248	632	6,966	944

OIL

In 2017, oil recorded an average price of 52.1 $/barrel on international markets, up by 19.2% compared to the previous year.

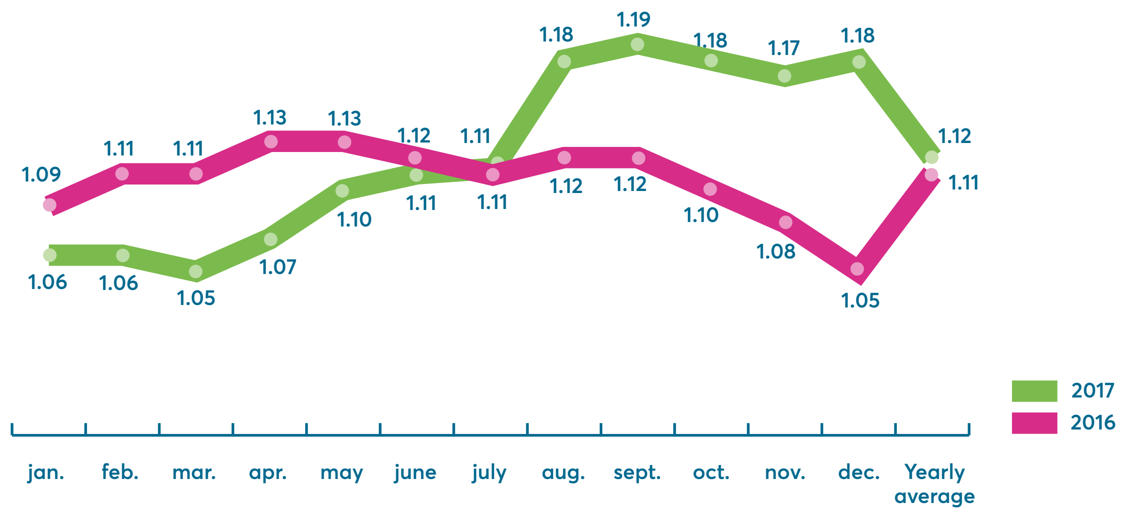
DATED BRENT $/BBL



EURO/US DOLLAR EXCHANGE RATE

Of note was a significant appreciation of the Euro relative to the US Dollar: in particular, from July 2017 it progressively rose reaching values close to 1.2 with a 2017 average of 1.12, higher than in 2016 (1.11), although in the first months of the year the rates were close to 1.05.

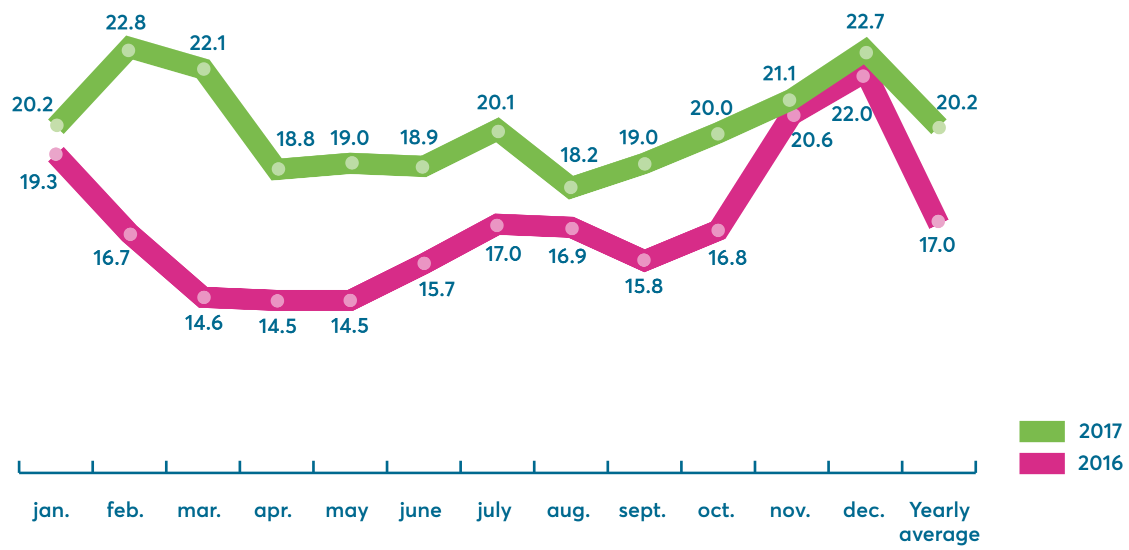
EXCHANGE RATE €/$



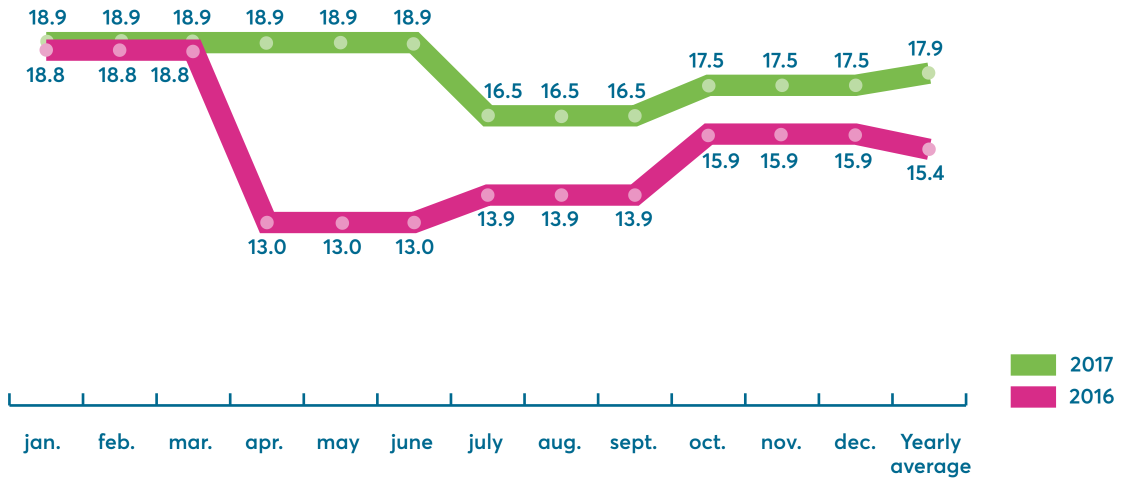
NATURAL GAS PRICES

The increase in crude oil prices and the rise in gas demand led to a rise in natural gas prices, which on average grew by 19% in Italy at the PSV, while the PFOR price (the benchmark price of the protected market) rose by 17%.

PSV PRICE € cent/Smc



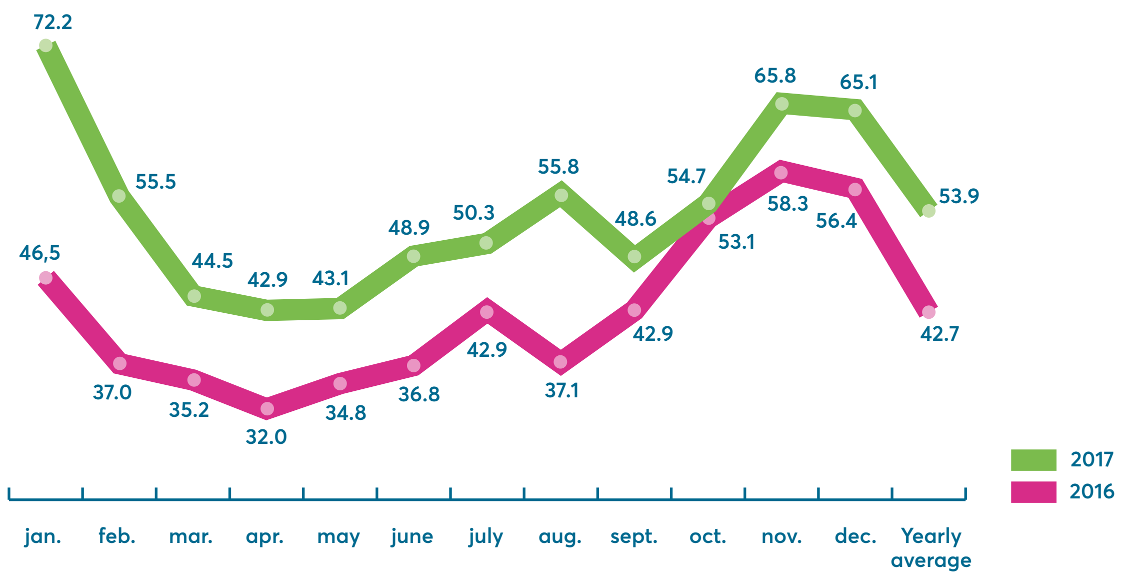
PFOR PRICE € cent/Smc



ELECTRICITY PRICES

Concerning the electrical market, the average value of the PUN for 2017 was 53.9 €/MWh, up by 26% relative to the average of 2016, i.e. 42.7 €/MWh.

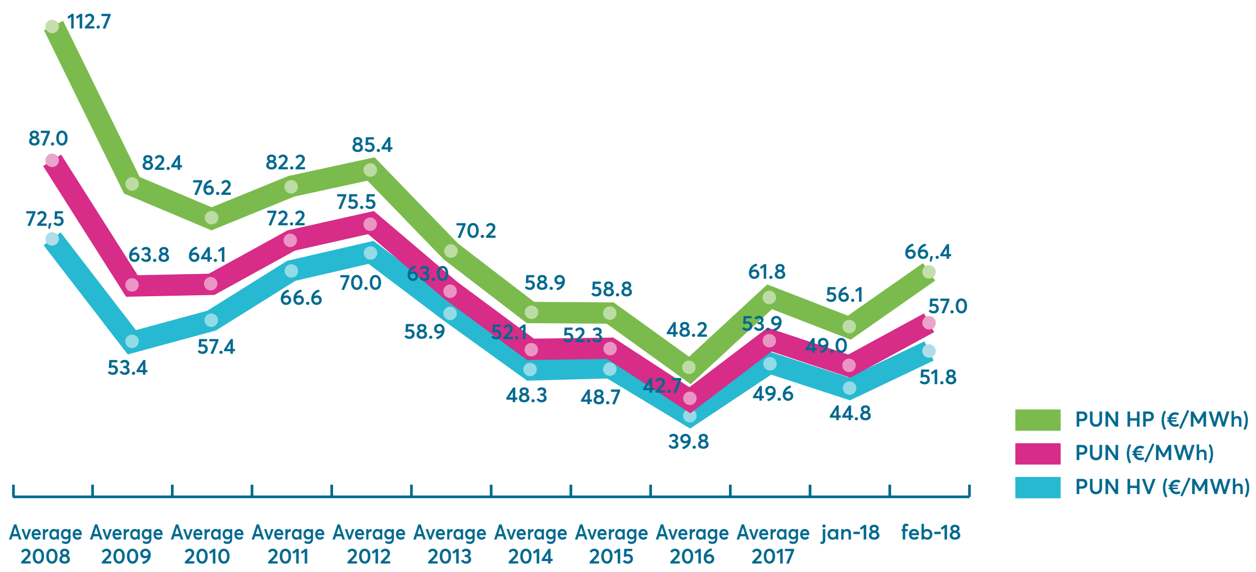
PUN €/MWh



Of note is the marked increase recorded in the early months of 2017, especially in January, when the PUN exceeded 70 €/MWh for the first time since September of 2012, reaching 72.2 €/MWh, as a result of certain economic factors, such as the persistently low output of the French market caused by both the unavailability of all plants, and the weather conditions recorded in the month (severe cold spell in most of Europe) and the strong rise of the spot prices of natural gas.

Following these events, the significant reversal in the trend of prices needs to be stressed, because it is the first time since 2012 that the average PUN rose, after 4 consecutive years of decline, which brought the average PUN from 75.5 €/MWh of 2012 to 42.7 €/MWh of 2016.

PUN PERFORMANCE SINCE 2008



The first months of 2018 confirmed the high volatility of prices, in particular in the winter and summer periods, mostly as a consequence of meteorological events. In particular, the price dropped markedly in January relative to December 2017 (49 €/MWh versus 65.1 €/MWh in December 2017) and it recovered significantly in February, partly as a result of the exceptional cold spell that affected Italy (and most of Europe) in the last week of February 2018.

Reference regulatory environment

Hydroelectric energy generation

Italian Law no. 205 of 27 December 2017 "State forecast budget for financial year 2018 and multi-year budget for the 2018-2020 three-year period" in Article 1, Paragraphs 832 and 833 included the amendment to Article 13 of the Consolidated Law per Presidential Decree no. 670 of 31 August 1972 and in short it assigns to the provinces of Trento and Bolzano the authority to regulate with their own laws "*the methods and procedures for the assignment of concessions for large water diversions for hydroelectric purposes, establishing in particular procedural rules for the conduct of tenders, the terms for calling such tenders, the admission and award criteria, the financial, organisational and technical requirements of the participants*".

The same rule also prescribes that:

a) the concessions of large diversions in the provinces and Trento and Bolzano, with expiration date prior to 31 December 2022, are extended *de jure* for the period useful to complete the public disclosure procedures and in any case not beyond the aforesaid date;

b) to the concessionaire who, at its own expense, made investments on the "wet works" (penstocks, collection and regulation works, discharge channels) shall be recognise, at the expiry of the concession, an indemnity equal to the value of the part of asset that is not depreciated, according to criteria that shall be set forth in a provincial law.

In regard to point a), in consideration:

- of the fact that completion of the public disclosure procedures requires in any case the preliminary approval of the provincial regulations which, in accordance with paragraph 1, shall set out the criteria to be used in tender procedures;
- of the technical times necessary for the conclusion of the procedures for the assignment of the subject tenders, considering the high degree of complexity objectively present in these procedures and the fact that there are specific precedents to which to refer.

The Group assumed 31 December 2022 to be the ending date of the concession with regard to large deviation plants with expiry prior to that date, with the consequent remodulation of the amortisation.

The unbundling regulation

In 2017, the Group continued its effort in the implementation of the experimental phase of the "self audit" project per AEEGSI Resolution no. 507/2015. In this regard, it should be briefly recalled that the Authority, with this resolution, started an experimental phase, allowing interested companies to submit, on a voluntary basis, a draft strengthened self-auditing form, in order to obtain a reorganisation and rationalisation of the current set-up of the structural functional separation restrictions.

The Dolomiti Energia Group, through the subsidiaries Novareti SpA and SET Distribuzione SpA, submitted to ARERA, nearly in mirror-like form, two distinct self-auditing procedure projects, both accepted by the same Authority and currently being implemented.

This alternative solution, if it is evaluated positively at the end of the experimental phase, should provide companies with the advantage of having the structural and organisational restrictions prescribed by the TIUF markedly reduced.

Adoption of a self-audit procedure (hence of a strengthened compliance officer) assures constant monitoring of the behaviours that can, concretely, compromise the interests safeguarded by the functional separation regulations and significantly mitigates the regulatory risk to which the Group is exposed.

The Authority, in the meeting of 27 December 2017, evaluated the outcome of the first phase and decided to extend the experimentation to be able to manage, before the final decision on the proposals presented for experimentation, the step of providing information to the European Commission.

In this way, a step is completed which, although it is not mandatory and it does not formally affect the outcome of the process (the Authority has the power to make the decision to integrate in the functional separation an alternative compliance mode like self-audit), is at least advisable, in consideration of the pre-eminent EU root of the matter on which the project impacts.

The decision, aside from the very long times in which it was made, appears correct and useful for the participants in the experimentation; otherwise, the initiative vis à vis the European Union would have been adopted after the final decision, introducing an element of uncertainty that instead should be excluded before that step so that, if the case warrants it, the rationalising management decisions that may originate from the exemptions to be recognised can be adopted immediately.

This decision completed the framework of positive signals progressively matured on the size and the outlook for the project: the fact that the Authority proceeds, from the experimental phase, to inform the European Commission and to present the project as an alternative configuration of the functional separation constraints confirms the structural validity of the project and its consistency with the general interests, constituting in fact a significant step in the direction of the implementation of the model within the functional separation regulation.

At the same time, the fact that the module that will be presented to the European Commission is only the one adopted by the Group Companies, the only one allowed for experimentation as far as we know, entails a substantial "best practice" recognition for the companies that have adopted it.

With the notes of the Infrastructure Unbundling and Certification Department of 5 Februart 2018, Doc. no. P/2018/3314, the aforesaid outcome was formally communicated to the Companies SET Distribuzione and Novareti.

To carry out the self/audit project, the involved Companies relied on the advice and supervision of the Company ILM Srl of Milan, which devised the Project now submitted to the evaluation of the Authority and of the European Commission; ILM Srl was also appointed as Compliance Manager in accordance with and pursuant to Title IV of the TIUF.

It should also be recalled that in 2016 the Dolomiti Energia Group, as a Vertically Integrated Enterprise (VIE), carried out the activities directed at fulfilling the obligations to separate the brand and the communication policies established by Article 17 of the new integrated text of the provisions pertaining to functional separation obligations for enterprises operating in the sectors of electricity and gas (TIUF), per Resolution 296/2015/R/COM, adopted by ARERA on 22 June 2015. The goal of the provisions contained in the aforementioned Article 17 is to avoid the risk of confusion for the public when, from a global evaluation relating to the visual, auditory or conceptual resemblance of the communication policies, of the corporate name, of the brand or of the other distinctive signs of the distribution enterprise, the public may be induced to believe that they are connected to the same vertically integrated enterprise or to other companies that belong thereto. In this sense, the rule obligates the Independent Operator to ensure that the communication policies, the brand, the logo and every other distinctive sign of the distribution enterprise are used exclusively by that enterprise and contain no textual or graphic element that may be connected in any way to the selling activities carried out by other companies of the VIE.

With regard, in particular, to the change of the name and of the brand, the initiatives carried out in the various Companies of the Group concerned mainly the Parent Company (formerly Dolomiti Energia SpA., now Dolomiti Energia Holding SpA.), the selling Company (formerly Trenta SpA., now Dolomiti Energia SpA.) and Dolomiti Reti SpA. which from 1 July 2016 changed its name to Novareti SpA.

Local public services with economic relevance

Concerning local public services with economic relevance, in 2017 there were no particular regulatory changes, because the legislative decree implementing the delegated powers per Article 19 of Law no. 124 of 7 August 2015, introducing the adoption of the consolidated act on local public services with general economic interest, was withdrawn as a result of Constitutional Court Decision 251/2016 and it was not resubmitted, with the consequence that Law no. 124/2015 for local public services remained unimplemented.

Electricity distribution

In 2017, the reference regulations of the electricity distribution system did not undergo any particular changes or significant interventions. However, we should point out a series of measures adopted by ARERA, summarised below.

TARIFF REGULATION OF THE ELECTRICITY TRANSMISSION, DISTRIBUTION AND MEASUREMENT SERVICES, FOR THE 2017-2023 REGULATORY PERIOD

With its Resolution No. 654/2014, the Authority, concurrently with the publication of the mandatory network tariffs to be applied to end customers in 2016, defined the criteria for the new tariff period of the distribution and measurement of electricity, which shall be in force for the following eight years (2016-2023).

The current tariff period was divided in two sub-periods of four years each (NPR1 for 2016-2019 and NPR2 for 2020-2023) with an intermediate revision thus planned in 2020.

With reference to the first sub-period, the Authority substantially confirmed the general regulatory framework with certain changes relating to the method for recognising new investments in the tariff and the useful regulatory life of the assets.

With its Resolution No. 583/2015, the Authority revised the method for determining the rate of return of the invested capital and set a rate of 5.6% for electricity distribution and measurement activities for the 2016-2019 four-year time interval.

The Authority also prescribed the extension, by five years, of the useful life of the assets of the low and medium voltage in operation after 31 December 2007.

With reference to the second sub-period, the Authority announced the shift to a tariff regulation based on total costs (so-called "TOTEX Regulation") whose specific aspects are being analysed by the structures of the Group in collaboration with the Utilitalia trade association. However, the ARERA consultation document DCO 683/2017/R/eel indicates that there may be a delay in the adoption of the TOTEX regulation beyond the current regulatory period.

CONSOLIDATED METERING REGULATION (*TESTO INTEGRATO SULLA MISURA, TIME*)

The Consolidated Regulation for the Performance of the Electricity Metering Service, for the 2017-2019 Time Interval ("*Testo integrato delle disposizioni per l'erogazione del servizio di misura dell'energia elettrica, per il periodo 2017-2019 (TIME*") was promulgated by ARERA with its Resolution no. 654/2015.

In 2017, this regulation did not undergo any significant modifications, while the changes already prescribed, pertaining to the liability of the metering service, took effect. From 1 January 2017 onwards, the party responsible for metering is obligated to record the data with reference to all withdrawal points treated by brackets in accordance with the TIS (Integrated Settlement Regulation; the purpose is to create the conditions for making available to household customers the maximum monthly withdrawn power on a quarter-hourly basis, already prescribed by Resolution no. 582/2015. Since 1 January 2017, Terna has been responsible, for all High Voltage withdrawal and interconnection points with the National Transport Network ("RTN"), for the collection, validation and recording of the measurements. The matter of the automatic indemnities tied to the quality of the measurements (data quality - terms of availability) was regulated, with Resolution no. 458/2017/R/eel, by the TIME, revising the edition of 1 January 2017; previously, the same provisions were contained in the new Network Code (CADE).

REFORM OF NETWORK TARIFFS AND OF TARIFF COMPONENTS TO COVER GENERAL SYSTEM COSTS FOR HOUSEHOLD ELECTRICITY CUSTOMERS

With its Resolution No. 782/2016/R/eel, the Authority started, from 1 January 2017, the second phase of the reform of electricity tariffs for household customers. The purpose of the reform is to overcome the progressive nature of the network tariff and of the system costs, in order to incentivise efficient consumption that is characterised by greater withdrawals of electricity (which entirely replace other, less efficient sources, like liquid fuels), such as heat pumps for heating, induction ranges for cooking, electric vehicles for individual mobility.

The progressive nature of the tariff structure was overcome in such a way as to make the prices adhere to the costs of the service (heretofore, residential customers with low consumption paid their energy supply less than the actual cost of the underlying service) and to overcome the mechanism of reciprocal subsidies among different groups of household customers, whereby residential customers with committed power capacity up to 3 kW and consumption below 3000 kWh were subsidised by other household customers.

The same measure introduced, for a 24-month period (from 1 April 2017 to 31 March 2019), some temporary reductions on the connection contributions and on the fixed contributions paid by the distributor for power level change requests. The resolution postpones to subsequent provisions the definition of equalising measures in favour of distribution Companies.

In parallel, to eliminate any tariff increase for customers undergoing economic hardship, the Authority revised the amount of the social bonus for 2017 as well.

REFORM OF THE TARIFF STRUCTURE OF THE GENERAL SYSTEM COSTS FOR NON-HOUSEHOLD UTILITIES

The substance of the reform was to simplify the number of A-UC components of the system costs, while multiplying the details of the possible types of utility, which shall be made equivalent to the details currently in force for low, medium and high voltage distribution tariffs. The effect of this structural change of the system costs will be a progressive displacement of the load of these costs from a cost structure that varies with consumption volumes to a cost structure that is closer to a "fixed" type.

This configuration of the system costs will have a greater impact on less energy-intensive users who will see a rise in the percentage of the system costs.

CONSOLIDATED SALE REGULATION (*TESTO INTEGRATO VENDITA*, TIV)

With its Resolution No. 377/2015, the Authority completed the regulations of the losses on distribution networks, revising the conventional loss percentages starting from 1 January 2017 and the loss equalisation mechanism to be applied to distribution companies starting from the year 2015. In particular, the equalisation mechanism takes into consideration the territorial diversification of losses on distribution networks.

In 2017, ARERA took action several times to amend and revise the Integrated Text on Selling, which, inter alia, sets the methods whereby distributor enterprises are to recognise (i) the income statement entries relating to the procurement of the electricity used for their own distribution and transmission purposes and (ii) the difference between the actual losses and the standard losses recognised on the distribution network (so-called "loss delta").

With regard to the second point, the TIV provides a specific equalisation mechanism to regulate the value of the difference between actual losses and standard losses, the latter being defined by applying standard loss factors to the electricity that is supplied and withdrawn. The purpose of this mechanism is to incentivise each distribution company to contain losses. Through this equalisation mechanism, the (positive or negative) difference between actual losses and standard losses, valued at the electricity sale price charged by the Sole Purchaser to operators subject to additional safeguards, shall be allocated to the distribution companies.

CONSOLIDATED REGULATION FOR CLOSED DISTRIBUTION SYSTEMS (TISDC)

With its Resolution no. 539&2015, "*Testo integrato dei Sistemi di Distribuzione Chiusi - TISDC*" (Consolidated Regulation for Closed Distribution Systems - TISDC), ARERA completed the regulatory framework for the connection, measurement, transmission , distribution, dispatching and sale services in the case of closed distribution systems (SDC), including Internal Utility Networks (RIU). In particular, the document provides that the methods for the performance of the aforesaid services in the case of the SDC are similar to those in force in the case of public networks because the operator of an SDC is considered, in accordance with Directive 2009/72/EC, an electricity distributor (without prejudice to the exemptions provided by the same directive and implemented by domestic regulations). The regulation of the SDCs enables end customers and producers present within them to have free access to the electrical system, including the possibility of choosing their own seller, regardless of the decisions made by the operator of the system. The measure also provides the establishment with the Authority, similarly with the RIUs, of a register of the SDCs other than the RIU (referred to as Other SDCs or ASDC).

With reference to the attribution of liability for the quality of the service and of the performance of the transmission and distribution services, it prescribes that distribution companies and Terna are liable limited to the connection point between the public network and the network of the SDC.

Resolution 582/2017/R/eel postponed the date of enforcement of the TISDC in relation to the RIUs from 1 October 2017 to 1 January 2018, substantially to conform with Article 6, Paragraph 9, of Italian Law Decree no. 244/16 which provides for postponing from 1 January 2016 to 1 January 2018 the date of initial entry into force of the reform of the structure of the tariff components of the general costs of the electrical system applied to end customers other than households.

AVAILABILITY OF THE ELECTRICAL INFRASTRUCTURE OF SET DISTRIBUZIONE FOR THE DEVELOPMENT OF ULTRA-WIDE BANDWIDTH

To incentivise the development of ultra-wide bandwidth also in marginal areas, currently under market failure conditions ("white areas" - cluster C and D), the Italian Government has allocated specific public funds to be assigned by a tender with public disclosure.

To reduce the construction costs of the new network, Italian Legislative Decree no. 33/2016 recognises to the telecommunications operator the right to access information about the existing physical infrastructure for its subsequent use for laying the optical fibre.

SET Distribution has prepared a document that regulates the general and technical conditions for accessing its electrical infrastructure. This document, prescribing that the right to access the electrical infrastructure be granted upon acceptance of specific rules and conditions directed at safeguarding the efficiency and the continuity of the public service for distribution of electricity and to assure the prevention of the electric risk and the safety of workers and of third parties, provides:

- consideration in favour of SET Distribuzione for the IRU ("Indefeasible Right of Use"), pertaining to the right of use that allows to lay the optical fibre network on the electrical infrastructure;
- the consideration relating to services performed by SET Distribuzione for technical, security, and electrical service protection reasons.

These considerations were transposed by the resolutions of the Communications Authority no. 88/17/CIR and 162/17/CIR that defined a dispute initiated by Telecom Italia SpA against E-Distribuzione SpA.

SERVICE CONTINUITY AND QUALITY

In 2017, there were no significant changes with respect to the general regulation in force for the regulatory period 2016-2023, which confirmed all the indicators set previously to measure the continuity of the service provided:

- average duration of outages per low-voltage user (presence since the start of regulation in the year 2000);
- average number of long outages (> 3 minutes) and short outages (> 1 second) per low-voltage user.

Moreover, the Authority prescribed indemnities to individual medium voltage and low voltage users for prolonged and extended outages.

RESILIENCE PLAN

As a result of come meteorological events that took place in Italy in recent years and that caused prolonged power outages for users, the Authority deemed it necessary to establish a new approach to the problem, that considers the assessment of the risks tied to the onset of emergency situations and hence the planning of strategies for reducing risk and managing emergency scenarios.

These objectives are obtained combining two lines of initiative:

- enhancing network robustness, by planning a network with adequate redundancies and the design and selection of components able to withstand the most intense mechanical, electric and environmental stresses;
- reduction of restoration times following a failure, involving adequate organisational structures, procedures, human and technical resources.

From the regulatory point of view, the Authority approached the matter with the following determinations:

- Article 77 of the 2016-2023 TIQE which imposes distribution companies to prepare a plan directed at boosting the resilience of the electricity distribution system;
- decision no. 6/2016, which established a working table directed at deepening the resilience of the electrical system;
- DCO 645/2017/R/EEL whose purpose is to address the matter of resilience from the regulatory viewpoint in a comprehensive matter, using also the regulatory impact analysis (AIR) method and outlining a roadmap that takes into account the expected development from a "business plan" and "TOTEX" viewpoint.

Consistently with these initial directives, SET Distribuzione actively participates in the "resilience technical roundtable" established by the Authority and, in March 2017, it presented a work plan to increase resilience centred mainly on the factor of the "fall of tall trees on overhead MV lines", which was found to be the most critical factor for the electrical network in the province of Trento.

CENTRALISATION OF THE PROCESS OF MAKING AVAILABLE THE MEASUREMENT DATA WITHIN THE INTEGRATED INFORMATION SYSTEM (SII)

With DCO 377/2017/R/eel, the Authority illustrated its own guidelines, directed at assigning to the SII the role of single interface for making available the measurement data with respect to distribution companies and users of the dispatching (sellers) to constitute, within the SII, a centralised "Hub" that can, in prospective, make the measurement data directly accessible to end customers.

In regard to the identification of the roles and responsibilities of the parties involved in the process of making available the measurement data, the following provisions apply:

- the distribution company, which remains the party responsible for managing the measurement data, shall obtain the data, interfacing only with the SII to be made available to users;
- the SII shall be the party responsible for certifying the information flows received and shall archive and make available the data to users.

The measurement data in question are those relating to all withdrawal points (i.e. both treated on an hourly and non-hourly basis) and they pertain to:

a) periodic measurement data and the related adjustments;
b) the measurement data made available on the occasion of contract transfers or switching.

Resolution no. 594/2017/R/eel provided the first operating instructions for the start of the management of measurement data within the SII and prescribes that the experimental phase of tests and trials finds application starting from making available the data of October 2017 and the data made available through the centralised process by the SII become official starting from:

- the data made available in February 2018, with reference to the periodic and adjustment measurements;
- the measurement data relating to the contract transfers requested in January 2018;
- the measurement data relating to the switchings starting on 1 February 2018.

This regulation will have a significant operational impact for your Company, especially in view of the entry into operation of the second generation of smart meters, with the consequent hourly treatment of all withdrawal points and the exponential increase of the measurement data to be treated and made available to the SII.

Natural gas distribution

In the reference year, the Contracting Authority started its activities for the tender pertaining to the Province of Trento and the subsidiary Novareti received the first requests for data, according to the procedures prescribed by the Regulation. The operating structures of the Group, therefore, are actively engaged in putting in place all the elements that, based on current regulations, will progressively be required by the contracting authority to be able to reply in a timely manner when this information is formally requested from Novareti. The priority objective is to put in place the technical and financial elements and the competencies that enable the Group to obtain the concession for gas distribution within the Province of Trento.

In this regard, it should be recalled that with the 2017 budget law, approved on 22 December 2016, the Trento Autonomous Province, by virtue of the law-making powers recognised to it in this sector, introduced a rule that extends the ultimate deadline for publishing the call for tender to contract the methane gas distribution service within the sole area of the province to 31 December 2018.

In 2017 the interventions of the Regulating Authority for Energy, Networks and Environment (ARERA) of interest for the Company followed the guidelines already set out in the 2015-2018 four-year time interval. In particular, ARERA promulgated a series of measures pertaining to tariffs, measurements and contribution for the attainment of energy efficiency targets relating to the years 2016 and 2017.

The distribution and measurement tariffs were determined according to the principles introduced for the fourth regulation period (2014-2019), partly amended with resolution 583/2015/R/com of 2 December 2015, with particular reference to the revision of the methods for defining the rate of return of the invested capital (WACC), which involved all regulated infrastructural services of the electricity and gas sectors. By effect of these new provisions, the WACC for the distribution and measurement of natural gas for the 2017-2019 three-year time interval amounts respectively to 6.1% and 6.6%.

With regard to the treatment of the so-called "contribution stock" (i.e. contributions received until 2011), based on Resolution no. 455/2014/R/gas, there are two distinct methods: according to the first one, the contributions are not subject to degradation and fixed asset depreciation is computed to include contributions; according to the second allowed method, instead, contributions degrade gradually and depreciation is computed excluding the degraded contributions.

It should be recalled that this second option was selected by the subsidiary Novareti, as well as by the majority of Operators.

At the same time, contributions received after 2011 are deducted from the value of the fixed assets both for the purposes of determining the RAB (Regulatory Asset Base) and of calculating the tariff amortisation rates.

The annual operating costs recognised on the basis of the initial level of operating costs established in the resolution, measured according to the size of the company and to the density of the service, have been revised for inflation and subjected to a "compression" factor (so-called "x-factor") of 1.7% for the distribution service and 0% for the measurement and marketing service. The x-factor is to be revised starting from 2017.

The "definitive" annual recognition of the investments for the purposes of determining the distribution and measurement net investment of the year 2017 shall take place next November, computing the changes of the previous year (year "t-1") and allowing a revision of the value of the RAB determined essentially on the basis of actual or recorded costs for the distribution activity, standard costs for the measurement activity and parameter-based costs for centralised assets.

With reference to the definition of the criteria for the recognition of the costs relating to investments, in the first half of the year work was started by the joint technical roundtable between the trade associations of distribution companies and the Offices of the Authority, established with Decision no. 704/2016/R/gas, for the adoption of new method for assessing, at standard costs, of the new investments in gas distribution networks. The conclusions of the technical roundtable should be submitted for public consultation, after which the related measure will be adopted, for the application of the new method, presumably starting from the tariffs of the year 2019.

In the first half of 2017, the Authority proceeded to determine the "definitive" reference tariffs for the gas distribution and measurement services for the year 2016 with Resolution no. 145/2017/R/gas, supplemented with Resolution no. 288/2017/R/gas. In the same period, with Resolution no. 220/2017/R/gas determined the "provisional" reference tariffs for the natural gas distribution and measurement services for the year 2017.

In relation to the measurement activity, with decision no. 389/2017/R/gas, the Authority determined the recognition of the operating costs relating to remote reading/remote management systems and to the concentrators incurred in 2011-2013 by the distribution companies that adopted "buy" solutions. Moreover, with decision no. 434/2017/R/gas of 15 June 2017, it prescribed the start, from October 2017 onwards, of the experimentation relating to making available the Integrated Information System (SII), by the distribution companies, of the measurement data in the gas sector, concurrently with the making available of the same data to the selling companies that use the distribution network.

With decision no. 522/2017/R/gas of 13 July 2017, changes were introduced to the 2014-2019 RQDG per decision no. 574/2013/R/gas, revising the regulation of the performance of the measurement service for the redelivery points connected with the natural gas distribution networks, to improve the related standards of service and with repercussions also on the installation of gas smart meters.

Lastly, with its document no. 544/2017/R/gas of 20 July 2017 (DCO), the Authority submitted for consultation its guidelines for the reform of the switching process in the natural gas retail market, directed at centralising the process within the SII, in the wake of the measures already implemented in the electrical sector.

With regard to energy efficiency certificates (TEE), in April, with decision no. 6/2017 DMRT, the data relating to the primary energy saving targets for the obligation year 2017 were transmitted to the Ministry of Economic Development and to the Operator of the Energy Services. Moreover, as a result of the fact-finding process completed in April with Resolution no. 292/2017/E/efr and in relation to the process started for the revision of the procedures for determining the tariff contribution pertaining to the TEE mechanism, after the consultation promoted on the topic in May, the Authority changed, in June (decision no. 435/2017/R/efr) the rules for defining the contribution to which the obliged entities are entitled for the attainment of their energy efficiency targets. With Decision no. 10/2017 DMRT, based on the previous definition procedures, the value of the definitive tariff contribution for the year 2016 was set (191.40 €/TEE), and, based on the new procedures, the value of the preventive tariff contribution (now called "benchmark") was also set for the year 2017 (170.29 €/TEE).

Concerning the regulations of the dealings between distribution companies and network users (selling companies), with Resolution no. 465/2017/R/gas of 22 June 2017 a process was started with the aim of revising the code for a typical gas distribution network, directed inter alia to updating aspects connected with the invoicing procedures, to the regulation of guarantees and to the management of related non-compliance.

Water service

With regard to the water service, there were no particular regulatory changes in 2017. However, of note are the following, rather significant, legal initiatives concerning cases initiated by the Novareti subsidiary and by the Trento Autonomous Province:

ARERA RESOLUTION NO. 47/2014

On 13 March 2017 Novareti filed an appeal before the Council of State against the decision by the Regional Administrative Court (TAR) of Lombardy to strike down the complaint filed by the Company to repeal ARERA Resolution no. 47/2014 for the "*definition of the operating procedures for payment of the contribution to the cost for the operation of the Authority for Electricity and Gas and the Water System, for the year 2014, by the operators in the sectors of electricity, of gas, and of water services*", as well as ARERA Resolution no. 235/2014/A of 29 May 2014, concerning the "*determination of the rate of the contribution for the operation of the Authority for Electricity and Gas and the Water System, for the year 2014, by the operators in the sectors of electricity, of gas, and of water services*".

The Company had based its complaint on the fact that the reason underlying the establishment of the contribution for the operation of the Authority is, undoubtedly, to ensure that ARERA has the economic resources to carry out its duties to safeguard the interests of consumers and to promote competition, efficiency and the widespread provision of services with adequate levels of quality, through the regulatory and control activity, but, in the case at hand, there would be an unlawful taxation, since, as the Constitutional Court clarified with its decision no. 137 of 21 May 2014, ARERA may not exercise any regulatory power or function, either with respect to tariffs, or to supervision or the imposition of penalties, for the water supply service on the Autonomous Province of Trento, because this contrasts with the provincial competence on the organisation and management of the water service, which comprises the planning, governance, management and utilisation of water in all its aspects, including the management of the public services directed at a series of measures adopted by the Authority in the years preceding 2014 and never impugned by the Company.

It should be pointed out that the Autonomous Province of Trento (PAT) also filed an appeal before the Council of State in a similar dispute that ended with the same first-decree decision handed down by the Lombardy TAR.

ARERA RESOLUTION NO. 219/2016 AND NO. 384/2017

The same legal question of the previous point is the basis for two proceedings that Novareti has filed with the Lombardy TAR in 2017, for the repeal of two distinct measures, of similar content to the previous one, adopted by ARERA with regard to "*Procedures for contributing to the operating costs of the Authority for Electricity Gas and the Water System*" for the years 2016 and 2017. In particular, these are ARERA Resolutions no. 219/2016/A and no. 384/2017/A.

With the decision published on 1 March 2018, the Council of State, after merging the two complaints, allowed the appeals filed respectively by the PAT and by Novareti against the two decisions whereby the Milan TAR had rejected the challenges promoted against Decision no. 47/2014 on the contribution for the operation of the Authority.

In particular, the Council of State, establishing that on the territory of the Autonomous Province of Trento the Authority does not exercise the entire set of its powers, ended its decision inviting the parties (specifically, the PAT and the Authority), with mutual communication and in a spirit of loyal mutual collaboration, to establish the lower contribution due to the Authority in proportion to the lower residual amount of its duties (which the parties shall ascertain between them, as a residual contribution requirement) with respect to the operators in the territory of the PAT.

It is most likely that this decision will affect the outcome of the complaints pending before the Lombardy TAR against the AEEGSI Resolutions no. 219/2016 and no. 384/2017 relating to the operating expenses for the years 2016 and 2017.

Business segments

Electricity production

INITIATIVES AND INVESTMENTS

The investments made by the Group in 2017, totalling 8.5 million euro, refer to Business Development activities, Stay in Business activities, and compliance with prescriptions or regulations (Mandatory). Of note is the entry into operation, at the end of the year, of a new mini hydro generation plant (90 kW installed power) at the HDE location in Trento.

VOLUMES AND OPERATING EFFICIENCY

Most of the hydroelectric generating plants are owned by the companies HDE (60% of which is held through the subsidiary HIDE), DEE (51%), SFE (50%) and Primiero Energia (19.94%). In addition to these equity investments, Dolomiti Energia Holding directly owns the hydroelectric plants of S. Colombano (50% investment), Basso Leno, Chizzola, Grottole, Novaline, Tesino and 3 turbogas and power-driven cogeneration plants in Rovereto as well as the combined cycle turbogas plant of Ponte sul Mincio (5% investment). Three photovoltaic plants are also in operation in Rovereto and Trento, with a total nominal capacity of 80 kWp and monitored in terms of operations and productivity.

The Group's total energy output in 2017 was 2,389 GWh (3,031 in 2016), of which 2,213 GWh hydroelectric.

Sale of electricity and natural gas

The performance of the natural gas sale segment was in line with the previous year, with 486.6 million Smc sold at approximately 185,000 delivery points, while the volumes of electricity sold to end customers (including those served in the market subject to additional safeguards) amounted to approximately 4.5 TWh.

The number of the delivery points, amounting to approximately 430,000, declined slightly (3,000 delivery points), as a result of the negative effect of the closing of the CONSIP contract by the subsidiary Dolomiti Energia (approximately 20,000 fewer delivery points) not completely offset by the physiological growth in the number of customers as a result of the commercial activity

Electricity distribution

INITIATIVES AND INVESTMENTS

Electricity distribution-related investments totalled 16.8 million euro.

In addition to the interventions on the MV and LV network to satisfy the connection requests of utilities (which were in line with 2016), in 2017 the activities for connecting photovoltaic plants to the network (approximately 400) along with other hydroelectric generating plants, for a total power of approximately 7 MVA, down relative to recent years.

Instead, there was significant growth of the requests for connection of accumulation systems associated with generating plant from renewable source, mainly photovoltaic (approximately 100 cases compared to 35 in 2016 and 5 in 2015).

In regard, instead, to the initiatives of the subsidiary SET Distribuzione relating to network enhancement, improvement of the service and modifications to make plants compliant with the law, the volume of activity grew compared to the already significant values of the previous years and amounted to approximately 6.7 million euro.

The interventions are mainly on primary substations, MV networks and secondary substations, characterised by a high return in terms of improvement of the quality of the services, carried out on the basis of a multi-year plan. This plan contemplates, with focused interventions that have already been identified, a time horizon until 2020 and it is the reference for the communications prescribed by the Authority within the scope of the consolidated regulation on unbundling.

With regard to the primary substations, some of the most significant interventions are the renovation of the High Voltage portion of the Primary Substation of Caldonazzo, the acquisition of the land for the construction of the new Primary Substation of Rovereto Nord and the completion of the plan for the replacement of the oil-insulated high voltage switches.

On the medium voltage network, the main investments carried out in 2017 can be summarised as follows:

- laying new MV underground cables to assure a second power supply to some locations in the Municipalities of Borgo Valsugana, Fai della Paganella, Pieve Tesino, Val di Concei in the municipality of Ledro and Lases;
- construction of new underground MV lines to replace overhead lines with bare conductors between Folgarida and Campo Carlo Magno, between Cronaccia di Fondo and Tret, between Varena and Passo del Lavazè, between S. Antonio di Mavignola and Paluaccio (M. di Campiglio) and between Fontanedo and Lardaro in Val del Chiese;

- interventions to replace bare conductors with insulated overhead cable, totalling 20 km of MV lines, in wooded sections situated in mountainous areas of the Province: these interventions make it possible to significantly improve the resilience of the distribution network in severely inclement weather during snow storms or in days with strong wind and tall trees falling on the conductors;
- preparation of the new MV lines in view of the activation of the new Rovereto Nord primary substation planned for early 2019;
- interventions for the requalification of numerous obsolete secondary substations, re/equipped with motorised protected switchboards or with switches, in order to improve the continuity of the service and the selectivity of faults on the medium voltage network and allow it to be controlled remotely from the Integrated Remote Control Centre of Trento.

It should be recalled that the technical structures of your Company prepared a multi/year plan of the investment needs on the network.

VOLUMES AND OPERATING EFFICIENCY

Electricity grid and distribution management is provided by SET Distribuzione in approximately 200 Trentino Municipalities.

The total electricity distributed was 2,401 GWh (2,432 GWh in 2016).

Additional information:

ELECTRICITY DISTRIBUTION		2017	2016
HIGH VOLTAGE GRIDS	KM	-	-
MEDIUM VOLTAGE GRIDS	KM	3,296	3,308
LOW VOLTAGE GRIDS	KM	7,464	7,376
PUBLIC LIGHTING POINTS	NO.	12,763	12,453
TOTAL CUSTOMERS CONNECTED TO THE GRID	NO.	310,873	310,315

QUALITY AND CONTINUITY OF THE SERVICE

For the year 2017, SET Distribuzione assured an additional improvement of the levels offered with regard to quality and continuity of the service of delivering electricity to users. For some years, ARERA has established, through a set of indicators which electricity distribution companies must assure to their active and passive users, an adequate level of technical and commercial quality. If these parameters are not met, as verified by the Authority on the basis of the information which the company are obliged to provide, non-compliant companies shall pay a penalty or indemnity the users.

The 2016 results, published with ARERA resolution 793/2017/R/eel, show that SET Distribuzione as the best among the companies in the electricity distribution sector after the leading national distributor, allowing the Company to obtain, as a recognition for the excellent results achieved, a bonus of 1.58 million euro, which is the second one in absolute value terms and the first one in terms of relative value per user. In detail, in each of the areas of competence (high, medium and low concentration of users), the average duration of the outages in 2016 was better than the targets the Authority assigned to SET Distribuzione based on the best standards of quality of the service required nationally (high concentration: standard 28 minutes - result 7.65 minutes; medium concentration: standard 45 minutes - result 13.82 minutes; low concentration: standard 68 minutes - result 24.16 minutes).

With regard to the number of outages, in each of the areas, the results were better than the standard (high concentration: standard 1.2 - results 0.56; medium concentration: standard 2.25 - result 0.95; low concentration: standard 4.30 - result 1.64).

With regard to 2017, the data relating to continuity of the service confirm the positive trend of the previous years for all areas, with all six reference indicators better than the standards set by ARERA and further improved compared to 2016.

With regard to commercial quality, in 2017 SET Distribuzione maintained the good results of the previous years in compliance with the standards set by the Authority for the times of execution of the various services (quotes and simple work on LV network, activations and deactivations of measurement sets, replacements of faulty measurement sets, etc.). 59 indemnities were paid to users on a total number of 33,780 services rendered subject to specific level of Commercial Quality, hence with compliance with the prescribed times in 99.8% of the cases.

Natural gas distribution

INITIATIVES AND INVESTMENTS

The regulatory situation in the gas distribution sector does not permit the development of new wide-reaching initiatives (e.g. methanisation of Municipalities still not served) and, therefore, the investments are earmarked primarily for the modernisation of existing infrastructures and completion of already planned works.

Investments made in the gas sector in 2017 totalled 7.2 million euro (6.2 in 2016), and the main interventions involved:

- extraordinary maintenance of existing plants and distribution networks;
- replacement of classic meters with electronic ones;
- the extension of the networks in the municipalities of Predaia, Zambana and others.

It should also be noted that, in 2017, investment activities continued in relation to IT equipment directed at improving the work methods of personnel in the gas sector.

METERING

With regard to gas metering, in 2017 work continued to replace classic meters with new generation, electronic ones. Although there were challenges with the supply of these new devices, in 2017 the programme relating to the G6 and G4 classes continued, as prescribed by ARERA Resolution No. 554/2015/R/gas of 20 November 2015.

VOLUMES AND OPERATING EFFICIENCY

Distribution is carried out in most of the province of Trento, including Valle dell'Adige, Valsugana and Tesino, Valle di Non, Valle dei Laghi, the Paganella plateau, the valleys of Cembra, Fiemme and Fassa and the plateau of Folgaria, Lavarone and Luserna; the cogeneration and district heating plant is fuelled in the municipality of Cavalese, where the high pressure pipeline passes. Distribution is also carried out in 2 municipalities outside the province of Trento (Brentino Belluno and Salorno).

Gas distributed during the year totalled 287.4 million m3 (278.9 million in 2016).

METHANE GAS		2017	2016
LENGTH OF THE NETWORK	KM	2,369	2,357
TOTAL UTILITY CONTRACTS	NO.	156,183	155,056

COMMERCIAL QUALITY

The level of commercial quality is measured by means of a general corporate index that represents the percentage of services performed within the standard times prescribed by ARERA, in particular of the services subject to specific levels of quality to be guaranteed to the requesting party for which the automatic indemnities rules apply.
In 2017, the general index of the services performed within the standard times, for quality of service parameter purposes, amounted to 99.85%.

Cogeneration and district heating

INITIATIVES AND INVESTMENTS

Total investments in this sector amounted to 0.6 million euro (0.5 in 2016).

VOLUMES AND OPERATING EFFICIENCY

Heat distribution through district heating network is carried out in the municipal area of Rovereto and in the "Le Albere" neighbourhood in Trento, where refrigerated water for air conditioning is also distributed; high temperature steam is supplied to some factories in Rovereto for their productive processes. A cogeneration unit is installed in the municipality of Trento at a food company, to supply energy and heat to the production cycle.

In 2017, 74.8 GWh of steam and 70.5 GWh of heating and cooling were supplied, while 116.4 GWh of electricity were generated. The previous year's figures were 73.8 GWh, 68.2 GWh and 101.3 GWh, respectively.

COGENERATION AND DISTRICT HEATING		2017	2016
LENGTH OF THE NETWORK	KM	31	31
TOTAL UTILITIES (OF WHICH 3 ON ROVERETO STEAM NETWORK)	NO.	212	212

Integrated water cycle and waste treatment services

INITIATIVES AND INVESTMENTS

Extraordinary maintenance work was carried out in 2017 on water networks and plants.

Investments in the water management sector in 2017, even in the presence of a not fully defined regulatory framework and of the uncertain outlook for your Company, totalled 3.0 million euro (3.1 million in 2016).

To further improve the quality of the water service, also in view of the considerable climate change that is taking place, in 2017 a multi-year investment plan was prepared for the municipalities managed under concession, i.e. Trento, Rovereto, Calliano, Grigno and Volano.

The multi-year plan contemplates: the replacement of various main pipes of the water pipelines, the extraordinary maintenance of reservoirs and pumping stations and the construction of new reservoirs and pumping stations to serve valley bottom pipelines, the upgrade of pipelines serving hilly/mountainous areas, the interconnection of the pipelines of Trento and Rovereto (transiting the Municipalities of Calliano and Volano), the replacement and upgrade of sewer pipes and pumping stations for the rain water drainage and disposal.

VOLUMES AND OPERATING EFFICIENCY

The service is provided in 13 Trentino municipalities (over 200,000 residents), essentially located in the Adige Valley.

The water quantities supplied to the network totalled 31.7 million cubic metres (34.3 in 2016). Additional information:

WATER CYCLE		2017	2016
LENGTH OF THE NETWORK	KM	1,271	1,267
TOTAL UTILITY CONTRACTS	NO.	82,059	81,342

Waste management

INITIATIVES AND INVESTMENTS

In 2017, the Company's activities related to:
- municipal waste collection, including street sweeping and washing and the cleaning of public areas in the municipalities of Trento and Rovereto;
- collection of special waste;
- management of the Ischia Podetti non-hazardous waste landfill in the municipality of Trento, under contract from the Agenzia per la Depurazione della Provincia Autonoma di Trento.

The investments made in 2017 in Urban Hygiene sectors amounted to 1.33 million euro (2.6 million in 2016); of particular note is the purchase of 7 new vehicles, all with Euro 6 engines, with a significant positive effect on the reduction of polluting emissions, equipped for waste collection and for transporting roll-off dumpsters and bins. Of note is also the purchase of 2 watertight semi-trailer trucks, with the capacity of 90 cubic metres, adapted to transport organic waste to composting plants and of 6 blade minicompactors dedicated to the collection of residues from nursing homes. In addition, the works to upgrade the vehicle washing facility and the bag distribution space were completed.

VOLUMES AND OPERATING EFFICIENCY

In 2017, 69,443 tons were collected (69,492 in 2016), 137,911 contracts were managed (also considering the appurtenances) (138,293 in 2016) and 87,274 taxpayers were served (86,663 in 2016).

On the waste front, a minimal increase in the volumes collected, i.e. 2.4%, was observed relative to the forecast (+4.0% separate collection, -3.3% unsorted waste).

The percentage of separate waste collection, after deducting the portion of waste collected upon street sweeping, amounted to 81.3% in Trento and 78.6% in Rovereto.

Other business activities

Laboratory and geological office activities: the key laboratory operations concern drinking water quality control, but also important are the monitoring and control of water tables, wastewater and water treatment. In the current year, the crisis of the construction sector caused yet another reduction in the soil and waste analysis activities, offset by the checks carried out on the sediments for HDE (Ponte Pià Basin).

Overall, 17,830 samples were examined, more than 49.7% of which for third parties.

Human resources

As at 31 December 2017 the Group workforce numbered 1,327 staff (1,338 in 2016). A total decrease of 11 employees took place in the year compared to 2016 as illustrated below.

	2016	2017	DIFFERENCE
DOLOMITI ENERGIA HOLDING	163	171	8
DOLOMITI AMBIENTE	260	260	-
DOLOMITI ENERGIA	171	171	-
NOVARETI	216	207	(9)
DOLOMITI ENERGIA RINNOVABILI	4	5	1
SET DISTRIBUZIONE	278	270	(8)
DEPURAZIONE TRENTINO CENTRALE	66	68	2
HYDRO DOLOMITI ENERGIA	162	156	(6)
DOLOMITI ENERGIA TRADING	18	19	1
TOTAL	1,338	1,327	(11)

Comparison of the situation of the Group 2016 – 2017 by grade

	EXECUTIVES	MANAGERS	EMPLOYEES	MANUAL WORKERS	TOTAL
POSITION AS AT 31 DEC. 2016	18	52	659	609	1,338
POSITION AS AT 31 DEC. 2017	17	51	663	596	1,327
CHANGE 2017 VS. 2016	(1)	(1)	4	(13)	(11)

During 2017, 867 courses were held (872 in 2016) for a total of 26,418 hours (28,822 in 2016) of which 1,011 in favour of leased staff, interns and other co-workers, for an overall total of 1,051,014 euro (1,083,486 in 2016) inclusive of the cost of workers under training and teaching staff.

As in the previous years, legislative obligations and the constant commitments of the Group to ensure high standards in the performance of work activities meant that training on safety and on-going/recurrent training of the technical Division represented the most important initiatives in terms of hours provided.

Being consolidated is the pilot project launched within SET Distribuzione on conduct-related training regarding safety (so-called Behaviour Based Safety), which will also continue in 2018.

In view of the positive result, in 2017 the project and the related training were introduced and started for Dolomiti Ambiente as well, under the name of "CO.SI" (*Comportamenti Sicuri*, Safe Behaviours).

The entry of the shareholder Macquarie European Infrastructure in the shareholding structure of the Dolomiti Energia Group and the participation of personnel of the companies in working groups for the development of specialist smart grid projects drove the organisation of in-house English language courses (one on one and group) tailored according to specific needs.
For the company management, the Art of Negotiation course was organised and taught by Prof. Arik Strulovitz, an internationally renowned professional.

Consolidated non-financial statement

The company, as allowed by Article 5, Paragraph 3, Letter b of Legislative Decree no. 254/2016, prepared the consolidated non-financial statement that constitutes a distinct report.

The statement is available for consultation at www.gruppodolomitienergia.it/content/financial-statements in the company's Website.

Research and development

In 2017, activities with high innovation content continued, on one hand with the reservation of strategic relationships and on the other with the implementation of real solutions in support of corporate processes, of the operation and advanced management of the Group's activities.

Industry 4.0: Industry 4.0 was launched in Germany in 2011 and it derives from the fourth industrial revolution, with the purpose of exploiting the opportunities offered by the new technologies and introducing new forms of "intelligence" in monitoring and diagnosing the production process. In Italy, the tax legislators made Industrial Policy the primary item in the agenda, with the goal of boosting both the industrial and the tax competitiveness of the national economic system, using the following levers:
- supporting and incentivising the digitisation of production processes;
- valuing worker productivity;
- ground-up development of processes (and supporting software).

The Dolomiti Energia Group used these levers to the fullest extent, carrying out, in recent years, numerous innovative projects on its generation chains, trading, sales to end customers, management of gas, electricity and water networks, positioning itself among utility leaders in Italy; some of the most significant projects included:
- the analysis, redesign and digitalisation of all processes to serve the gas and electricity customer base;
- the study, comparison of available alternatives and the design of the energy efficiency offer for electricity and gas consumers;
- the design and implementation of systems for forecasting and optimising the output of hydroelectric power plants, maximising the use of available water;
- the set-up and design of the process and software directed at the execution of energy management activities to balance and optimising the Group's energy sources (Plants and outside purchases) with respect to the consumption of its electricity and gas customer base;
- the execution of an experimental Internet of Things project on the Water network, by installing sensors on the network and actuators directed at optimising pressures on the network and at the consequent significant saving on electricity consumption;
- the reorganisation and digitisation of the gas and electricity network management processes, directed at further maximising the efficiency and level of service to users;
- the redefinition of the model and of the processes for managing and valuing the Group's own human resources, directed at fulfilling the potential of the Group's employees.

The Group promotes and participates in a variety of research initiatives in the energy and waste management fields. The main aim is to identify new instruments to contribute to protecting the environment and improving the service offered to customers.

In this phase, the Group companies in particular collaborate in the following projects:

Stardust Project: in 2017, the Dolomiti Energia Group, through the subsidiaries SET Distribuzione and DER, joined the European project known as STARDUST (Horizon 2020).

In the wake of the initiatives directed at transition towards Smart Cities, the goal of the STARDUST project is to open the way to the transformation of cities from being mainly fossil-fuelled to highly efficient, intelligent cities that are attentive to their citizens, through the development of sustainable technical solutions that allow their fast launch on the market.

Stardust serves as a "smart" connector between 6 European cities; the leading cities are Pamplona (ES), Tampere (FI) and Trento (IT), while Derry (United Kingdom), Kozani (GR) and Litomerice (CZ) are involved as associated cities.
These six cities, collaborating with competent industrial partners, including a variety of innovative local SMEs, also supported by academic and research players, will implement intelligent integration solutions, will test and validate innovative technical solutions and business models, as a source of inspiration for projects to be replicated throughout Europe and beyond.

OSMOSE: within the European Framework Programme for Research and Innovation, the Horizon 2020 project proposal called "OSMOSE" was recently approved; the leader is the French TSO RTE and the project involves the main European Grid Operators (TERNA, REE, ELES, REN and ELIA), several Universities, Research Centres and industrial partners including Hydro Dolomiti Energia. The purpose of the OSMOSE project is to demonstrate the technical feasibility of an "optimal" mix of flexibility solutions, able to maximise the technical-economic efficiency of the European electrical system, assuring its security and reliability. Hydro Dolomiti Energia, in particular, is involved in the work packages relating to experimental activities directed at the use of hydroelectric generation and pumping plants for balancing the cross-border electrical grid.

ene.field Project: this is a European project for the testing of micro-cogeneration system, with the use of fuel cell technologies, through the installation of approximately 1,000 units within the EU territory. Dolomiti Energia participates in partnership with Solidpower, a Trentino-based company that is developing fuel cell technology, directly installing some units with end customers, as well as at the via Fersina site. The units are fully monitored and the measurements, in terms of production, yield and reliability, shall provide, at the end of the observation phase, the database for the results of the project.

APC project: this is a project for the advanced, real time management of the Trento water supply pipeline with the purpose of optimising pipeline pressure, in order to reduce water losses and electricity consumption, and generally to boost the efficiency of the water system. The system shall be managed by an advanced controller coupled to a real-time model, which will assess, in addition to the normal (real and virtual) water parameters of the pipeline, also external factors such as temperature, solar irradiation and the weather forecast: hence, use will be maximised of the renewable energies obtained from dedicated solar plants, and the management of tanks and pumping systems will be optimally exploited.

Remote Management Systems: In 2017, through the electricity meter remote management system, approximately 3.2 million readings were successfully carried out remotely, along with approximately 34,000 user management operations (activation of new contracts, deactivations, transfers, power variations) and approximately 10,000 operations connected with the management of late-paying customers. Initial tests were conducted on second generation (2G) low voltage electronic, identifying the actions needed to upgrade the current remote management systems in view of the new meters, to assure a secure transition to the new models when the stocks of 1G meters, no longer available on the market, run out.

With reference to the measurement of natural gas, remote reading of class >G16 meters was consolidated, with the activities to manage and make available the daily withdrawal data for approximately 5,000 redelivery points that provide for this treatment.

Another important result to be pointed out in the gas sector is the full achievement of the remote reading objective for 15% of mass market utilities (class G4-G6), imposed by the regulation, a remote management system based on point-multipoint technique via radio at 169 MHz, particularly interesting because it exploits a major part of the telecommunication infrastructure already in operation for the remote management of electricity.

In 2017, moreover, work continued on the challenging implementation of data flows towards Integrated Information System (IIS) of the Sole Purchaser, intended to be the lynchpin of the information flows.

Work Force Management: the WFM project continued to advance; in previous years, it entailed providing all technical personnel with mobile IT instruments on which are installed appropriate applications for the digitalisation and optimisation of work processes.

Smart Waste: in 2017, the installation of level meters in separate collection bins was further developed, to improve planning of collection activities and assure that only containers actually filled to more than 75% of their capacity are emptied. The acquisitions of filling data of each bin that was equipped with these devices continued, to optimise the routes for the collection of containers flagged for emptying, also through the use of the software that allows to reduce the mileage of the collection vehicles and, consequently, their atmospheric emissions.

To date, 36 sensors have been installed on paper bins in Monte Bondone and 44 on glass bins in Rovereto.

Water supply network management:
work continues for the optimisation of the management of water pipelines by means of advanced simulation and control instruments and with the implementation of the first calculation models for sewers.

Gas network management: on the Mori network, testing is continuing on an innovative automatic remote management of the withdrawal and measurement booth and of the end reduction sets; this system automatically regulates the setting of reducers in order exactly to follow the actual consumption profiles.

With the contribution of the different companies of the Group, lastly, participation continues in technical committees and strategic working groups both in Italy and in Europe, to analyse the technological and market evolutions in the various sectors of activity of your Company and promptly ready the development initiatives that derive from such evolutions.

Related party transactions

Dolomiti Energia Holding SpA relations with the Local Authorities

The major Municipalities are Trento, Rovereto, Mori, Ala, Volano, Calliano and Grigno. Over 60 other Trentino Municipalities are shareholders of Dolomiti Energia Holding, most of which have assigned local public service management to the Company and its subsidiaries.

Two leases are in force between the Municipality of Rovereto and Dolomiti Energia Holding SpA in relation to the property used as the Group's registered office. The contract of these leases expires in 2027 and involves lease payments at arm's length conditions.

Infra-group relations

Detailed below are the main service agreements in force within the Group:

Service agreement stipulated between Dolomiti Energia Holding and Dolomiti Energia. Governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding. The fee payable to Dolomiti Energia is proportionate to the cost of providing the service and to market prices.

Service agreement between Dolomiti Energia Holding and Novareti. Governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding.

Service agreement between Dolomiti Energia Holding and Dolomiti Energia Rinnovabili. Governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding.

Service agreement between Dolomiti Energia Holding and SET Distribuzione. Governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding.

Service agreement between Dolomiti Energia Holding and HDE. Governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding.

Service agreement between Dolomiti Energia Holding and Dolomiti Energia Trading (former Multiutility). Governs administrative services, personnel management and the management of the IT services provided by Dolomiti Energia Holding.

As part of the agreements described, the leases granted by Dolomiti Energia Holding to Dolomiti Energia, to SET Distribuzione and to Novareti on property used as their registered offices in Trento and Rovereto are also governed.

For all above contracts, the fee payable to Dolomiti Energia is proportionate to the cost of providing the service and to market prices.

Business lease agreement between SET Distribuzione and Dolomiti Energia regarding the customer management business unit leased from SET to Dolomiti Energia. The fee is set to 597 thousands euro.

Financial and tax services

Agreements are in force governing economic and organisational relations with authorities for the tax consolidation, Group VAT and cash pooling, stipulated with the subsidiaries Dolomiti Energia, SET, Novareti, Dolomiti Energia Rinnovabili, Dolomiti Energia Trading, Depurazione Trentino Centrale, HDE, HIDE and DEE.

Infra-Group debit/credit and purchase/sales relations and such relations with subsidiaries are illustrated in detail in Note 9 of Notes to the Separate Financial Statements and in Note 9 of the Notes to the Consolidated Financial Statements.

Business outlook

With regard to the macroeconomic environment, it will be necessary to carefully assess the consequences deriving from the situation of uncertainty that arose as a result of the recent Italian general elections, in which none of the parties of coalitions won the absolute majority of the seats in the two Chambers, and therefore it is currently impossible to rule out a scenario in which it is impossible to form a government with a parliamentary majority to support it.

Concerning, instead, the energy markets, the medium-long term scenarios appear to be improving compared to the recent past and the prices of the main energy commodities appear to have consolidated their growth of the past 12/18 months. However, it should be pointed out that price volatility on the markets remains far greater than in the past, as demonstrated both by electricity and by gas price trends in the first months of 2018. This volatility will have to be monitored very carefully, to increase the ability to monitor the risks deriving from this evolution of the market and to exploit the related opportunities.

With regard to the Group, the economic and financial forecasts for 2018, approved by the Board of Directors last December, point to a positive result for all the business segments managed by the Group, which should improve compared to 2017, reaching levels in line with 2016, net of non-recurring effects. However, this forecast depends to a significant extent on the fact that water availability, and hence the consequent volume of output of the hydroelectric plants, will return to values close to the long-term averages, which was not the case in 2017.

Treasury shares

As at 31 December 2017, Dolomiti Energia Holding owned 33,286,658 treasury shares with a nominal value of 33,286,658. The percentage of this shareholding comes to 8.09%.

At 31 December 2017, Dolomiti Energia Holding did not own, either directly or through trust companies or third parties, any shares in parent companies.

Rovereto, 28 March 2018

on behalf of the Board of Directors
Dolomiti Energia Holding SpA
The Chairman
Rudi Oss

Dolomiti Energia Holding
–
Financial statements 2017

Statement of financial position

(FIGURES IN EURO)	NOTE	AS AT 31 DECEMBER 2017	2016
ASSETS			
NON-CURRENT ASSETS			
OTHER INTANGIBLE ASSETS	8.1	12,190,720	13,285,706
PROPERTY, PLANT AND EQUIPMENT	8.2	46,654,736	48,379,802
EQUITY INVESTMENTS IN:	8.3	777,076,826	766,815,323
NON-CURRENT FINANCIAL ASSETS	8.4	8,694,000	8,694,000
DEFERRED TAX ASSETS	8.5	5,043,682	5,006,640
OTHER NON-CURRENT ASSETS	8.6	76,236	1,085,567
TOTAL OTHER NON-CURRENT ASSETS		***849,736,200***	***843,267,038***
CURRENT ASSETS			
INVENTORIES	8.7	234,080	277,372
TRADE RECEIVABLES	8.8	10,591,443	13,365,357
INCOME TAX CREDITS	8.9	9,648,336	18,222,668
CURRENT FINANCIAL ASSETS	8.10	87,333,610	80,297,263
OTHER CURRENT ASSETS	8.11	22,840,336	14,276,905
CASH AND CASH EQUIVALENTS	8.12	913,582	2,498,445
TOTAL CURRENT ASSETS		***131,561,387***	***128,938,010***
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	-	-	-
TOTAL ASSETS		**981,297,587**	**972,205,048**
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	8.13	411,496,169	411,496,169
RESERVES	8.13	63,051,968	43,161,783
RESERVE - IAS 19	8.13	46,939	273,817
NET PROFIT FOR THE YEAR	8.13	51,507,553	46,710,985
TOTAL SHAREHOLDERS' EQUITY		***526,102,629***	***501,642,754***
LIABILITIES			
NON-CURRENT LIABILITIES			
PROVISIONS FOR RISKS AND NON-CURRENT CHARGES	8.14	1,495,053	1,495,053
EMPLOYEE BENEFITS	8.15	4,128,532	3,848,912
DEFERRED TAX LIABILITIES	8.5	217,673	242,198
NON-CURRENT FINANCIAL LIABILITIES	8.16	144,120,109	168,705,506
OTHER NON-CURRENT LIABILITIES	8.17	1,874,754	1,087,309
TOTAL NON-CURRENT LIABILITIES		***151,836,121***	***175,378,978***
CURRENT LIABILITIES			
TRADE PAYABLES	8.18	9,286,679	11,842,455
CURRENT FINANCIAL LIABILITIES	8.16	279,855,645	262,178,774
OTHER CURRENT LIABILITIES	8.17	14,216,513	21,162,087
TOTAL CURRENT LIABILITIES		***303,358,837***	***295,183,316***
LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS	-	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**981,297,587**	**972,205,048**

Comprehensive income statement

(FIGURES IN EURO)	NOTE	AS AT 31 DECEMBER 2017	2016
REVENUE	9.1	8,057,671	17,093,031
OTHER REVENUE AND INCOME	9.2	29,766,244	24,412,654
TOTAL REVENUE AND OTHER INCOME		***37,823,915***	***41,505,685***
RAW MATERIALS, CONSUMABLES AND MERCHANDISE	9.3	(5,615,270)	(6,326,156)
SERVICE COSTS	9.4	(16,370,548)	(16,654,993)
PERSONNEL COSTS	9.5	(11,694,861)	(11,031,440)
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	9.6	(6,518,435)	(7,727,426)
OTHER OPERATING COSTS	9.7	(848,433)	(2,388,895)
TOTAL COSTS		***(41,047,547)***	***(44,128,910)***
EQUITY INVESTMENTS INCOME AND CHARGES	9.8	54,099,824	50,814,258
RESULT OF OPERATIONS		**50,876,192**	**48,191,033**
FINANCIAL INCOME	9.9	4,992,695	4,874,804
FINANCIAL CHARGES	9.9	(4,328,947)	(6,774,128)
PROFIT BEFORE TAX		**51,539,940**	**46,291,709**
TAXES	9.10	(32,387)	419,276
NET PROFIT/(LOSS) FOR THE YEAR (A) OF CONTINUING OPERATIONS		**51,507,553**	**46,710,985**
DISCONTINUING OPERATIONS	-	-	-
NET PROFIT/(LOSS) FOR THE YEAR (B) OF DISCONTINUING OPERATIONS		-	-
PROFIT/(LOSS) FOR THE PERIOD		**51,507,553**	**46,710,985**
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
ACTUARIAL PROFIT/(LOSS) FOR EMPLOYEE BENEFITS		(341,745)	39,136
TAX EFFECT ON ACTUARIAL PROFIT/(LOSS) FOR EMPLOYEE BENEFITS		114,867	(11,211)
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (C1)		***(226,878)***	***27,925***
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
PROFIT/(LOSS) ON CASH FLOW HEDGE INSTRUMENTS		(455,440)	-
TAX EFFECT ON CHANGE IN FAIR VALUE CHANGES IN CASH FLOW HEDGE DERIVATIVES		109,306	-
OTHER COMPONENTS		-	-
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (C2)		***(346,134)***	-
TOTAL OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX EFFECT (C)= (C1)+(C2)		***(573,012)***	***27,925***
TOTAL AGGREGATE RESULT FOR THE YEAR (A)+(B)+(C)		**50,934,541**	**46,738,910**

Cash flow statement

(IN THOUSANDS OF EURO)	NOTE	AS AT 31 DECEMBER 31/12/2017	31/12/2016
PROFIT/(LOSS) FOR THE PERIOD		**51,508**	**46,292**
ADJUSTMENTS FOR:			
AMORTISATION/ DEPRECIATION OF:			
- INTANGIBLE ASSETS		4,093	3,976
- PROPERTY, PLANT AND EQUIPMENT		2,426	2,268
WRITE-DOWNS OF ASSETS		6	1,481
ALLOCATIONS TO/(ABSORPTIONS FROM) PROVISIONS FOR RISKS AND CHARGES		435	103
FAIR VALUE OF DERIVATIVES ON COMMODITIES		-	795
GAINS/(EXPENSES) FROM EQUITY INVESTMENTS		(54,100)	(50,814)
FINANCIAL (INCOME)/AND CHARGES		(664)	2,259
CAPITAL (GAINS)/EXPENSES FROM SALE OF PROPERTY, PLANT AND EQUIPMENT		(518)	-
OTHER NON-MONETARY ELEMENTS		(67)	(78)
INCOME TAXES		32	(419)
CASH FLOW FROM OPERATIONS BEFORE CHANGES IN NET WORKING CAPITAL		**3,151**	**5,863**
CHANGES OF NET WORKING CAPITAL:			
(INCREASE)/DECREASE OF INVENTORIES		43	(217)
(INCREASE)/DECREASE OF TRADE RECEIVABLES		2,774	(1,771)
(INCREASE)/DECREASE OF OTHER ASSETS AND DEFERRED TAX ASSETS		(1,864)	(1,809)
INCREASE/(DECREASE) OF TRADE PAYABLES		(2,556)	2,625
INCREASE/(DECREASE) OF OTHER LIABILITIES AND DEFERRED TAX LIABILITIES		896	20,706
DIVIDENDS COLLECTED		53,982	49,655
INTEREST AND OTHER FINANCIAL INCOME COLLECTED		1,668	1,480
INTEREST AND OTHER FINANCIAL EXPENSES PAID		(4,056)	(6,696)
USE OF PROVISIONS FOR RISKS AND CHARGES		(155)	(177)
INCOME TAXES PAID		(6,204)	(10,978)
CASH FLOWS FROM OPERATIONS (A)		**47,679**	**58,681**
NET INVESTMENTS IN INTANGIBLE ASSETS		(3,004)	(5,672)
NET INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT		(182)	(2,504)
NET INVESTMENTS IN EQUITY INVESTMENTS		(8,123)	(71,422)
(INCREASE)/DECREASE IN OTHER INVESTMENT ACTIVITIES		(6,934)	(49,475)
CASH FLOWS FROM INVESTMENT ACTIVITIES (B)		**(18,243)**	**(129,073)**
FINANCIAL PAYABLES (NEW ISSUES OF LONG-TERM LOANS)	8.16	-	100,000
FINANCIAL PAYABLES (REIMBURSEMENTS AND OTHER NET CHANGES)	8.16	(4,545)	(12,082)
DIVIDENDS PAID		(26,475)	(30,257)
CASH FLOWS FROM FINANCING ACTIVITIES (C)		**(31,020)**	**57,661**
EFFECT OF CHANGES ON CASH AND CASH EQUIVALENTS (D)		-	-
INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS (A+B+C+D)		(1,584)	(12,731)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**2,498**	**15,229**
CASH AND CASH EQUIVALENTS AT YEAR END		**914**	**2,498**

Statement of changes in shareholders' equity

(IN THOUSANDS OF EURO)	SHARE CAPITAL	LEGAL RESERVE	SHARE PREMIUM RESERVE	TREASURY SHARES RESERVE	OTHER RESERVES AND RETAINED EARNINGS	NET PROFIT FOR THE YEAR	TOTAL SHAREHOLDERS' EQUITY
BALANCE AS AT 31 DECEMBER 2015	**411,496**	**24,224**	**994**	**(67,552)**	**74,237**	**41,762**	**485,161**
TRANSACTIONS WITH SHAREHOLDERS:							
DIVIDEND DISTRIBUTION	-	-	-	-	-	(30,257)	(30,257)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	-	-	-	-	-	***(30,257)***	***(30,257)***
ALLOCATION TO RESERVES OF PROFIT FOR THE YEAR	-	1,751	-	-	9,754	(11,505)	-
AGGREGATE PROFIT FOR THE YEAR:							
NET PROFIT (LOSS)	-	-	-	-	-	46,711	46,711
ACTUARIAL PROFIT/(LOSS) FOR EMPLOYEE BENEFITS, NET OF TAX EFFECT	-	-	-	-	28	-	28
TOTAL AGGREGATE RESULT FOR THE YEAR	-	-	-	-	***28***	***46,711***	***46,739***
BALANCE AS AT 31 DECEMBER 2016	**411,496**	**25,975**	**994**	**(67,552)**	**84,019**	**46,711**	**501,643**
TRANSACTIONS WITH SHAREHOLDERS:							
DIVIDEND DISTRIBUTION	-	-	-	-	-	(26,475)	(26,475)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	-	-	-	-	-	***(26,475)***	***(26,475)***
ALLOCATION TO RESERVES OF PROFIT FOR THE YEAR	**-**	**2,335**	**-**	**-**	**17,901**	**(20,236)**	**-**
AGGREGATE PROFIT FOR THE YEAR:							
NET PROFIT (LOSS)	-	-	-	-	-	51,508	51,508
OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX EFFECT	-	-	-	-	(573)	-	(573)
TOTAL AGGREGATE RESULT FOR THE YEAR	-	-	-	-	***(573)***	***51,508***	***50,935***
BALANCE AS AT 31 DECEMBER 2017	**411,496**	**28,310**	**994**	**(67,552)**	**101,347**	**51,508**	**526,103**

Explanatory notes

1. General information

Dolomiti Energia Holding SpA. (the "**Company**" of "**DEH**") mainly operates in the management of equity investments and, in a marginal way, in the production of energy from hydroelectric sources. Dolomiti Energia Holding SpA. is a company established and domiciled in Italy and organised according to legislation of the Italian Republic, with registered office in Rovereto, via Alessandro Manzoni 24.
As at 31 December 2017, the Company's share capital was held by:

SHAREHOLDER	NO. OF SHARES	CHANGE
PUBLIC ENTITIES		
FINDOLOMITI ENERGIA SRL	196,551,963	47.77%
TRENTO MUNICIPAL AUTHORITY	24,008,946	5.83%
ROVERETO MUNICIPAL AUTHORITY	17,852,031	4.34%
BIM ADIGE	3,322,260	0.81%
BIM SARCA MINCIO GARDA	3,322,260	0.81%
BIM BRENTA	819,407	0.20%
BIM CHIESE	819,407	0.20%
OTHER PUBLIC AUTHORITIES	12,086,621	2.94%
UTILITY		
AGS RIVA DEL GARDA	4,861,800	1.18%
STET	7,378,514	1.79%
AIR	4,085,912	0.99%
ACSM PRIMIERO	823,006	0.20%
PRIMIERO ENERGIA	2,430,900	0.59%
CONS. ELETTRICO INDUSTRIALE DI STENICO	2,293,658	0.56%
CONSORZIO ELETTRICO DI STORO	2,291,118	0.56%
AZIENDA SERVIZI MUNIC. DI TIONE	14,622	0.00%
PRIVATE ENTITIES		
FT ENERGIA	48,861,683	11.87%
I.S.A. - IST. ATESINO SVILUPPO SPA	17,175,532	4.17%
FONDAZIONE CARITRO	21,878,100	5.32%
ENERCOOP SRL	7,303,825	1.77%
MONTAGNA SIG.RA ERMINIA	27,540	0.01%
ELETTROMETALLURGICA TRENTINA SRL	203	0.00%
POMARA DOTT.SSA LUCIANA	203	0.00%
TREASURY SHARES	**33,286,658**	**8.09%**
TOTAL	**411,496,169**	**100.00%**

2. Summary of the accounting standards adopted

The main accounting standards and criteria adopted in preparing and drawing up the Company's financial statements (the "**Financial Statements**") are reported hereunder. The main accounting standards were applied consistently for all financial years disclosed herein.

2.1 PREPARATION BASIS

The EU Regulation (EC) No. 1606/2002 of 19 July 2002, introduced the obligation to apply the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), as endorsed by the European Union ("EU IFRS" or "International Accounting Standards"), as from accounting periods beginning in 2005, for the preparation of financial statements of companies with shares and/or bonds listed in one of the regulated markets of the European Community. Following the above-mentioned European Regulation, on 28 February 2005 the Legislative Decree No. 38 was issued, then amended by Decree Law No. 91 of 24 June 2014, which also governed the possible adoption of International Accounting Standards by unlisted companies for the drawing up of their financial statements.
The Company elected to adopt the above-mentioned option for the drafting of its financial statements as at 31 December 2016, by identifying the day 1 January 2015 as transition date to IFRSs ("**Transition Date**").
The Financial Statements were drawn up in compliance with EU IFRS standards in force at the approval date of the same. It should be noted that the wording EU IFRS means all "International Financial Reporting Standards", all "International Accounting Standards" (IAS), as well as all interpretations of "International Reporting Interpretations Committee" (IFRIC), previously called "Standing Interpretation Committee" (SIC) which, at the date of approval of the Financial Statements had been endorsed by the European Union according to the procedure envisaged by (EC) Regulation No. 1606/2002, approved by the European Parliament and the European Council on 19 July 2002.
The Financial Statements were drafted on an ongoing basis and based on the conventional criterion of the historical cost, except for some accounting items that were recognised at fair value, pursuant to provisions set out in the International Accounting Standards.
These Financial Statements were drawn up based on the best knowledge of IFRSs and taking account of the best knowledge on the matters. Any future guidelines and interpretation updates will be reflected in the following years, according to the modalities envisaged from time to time by reference accounting standards.
These draft Financial Statements were approved by the Company's Board of Directors on 28 March 2018.

2.2. FORM AND CONTENT OF ACCOUNTS

As regards the form and content of the statements, the Company elected the following:
i) the Statement of Financial Position discloses current and non-current assets, separately and, similarly, current and non-current liabilities;
ii) the Comprehensive Income Statement includes the profit or loss for the year, as well as changes in Shareholders' Equity related to financial items that, as expressly envisaged by the International Accounting Standards, are recognised in the Shareholders' Equity components; and
iii) the Cash Flow Statement is disclosed according to the indirect method.

The formats used, as described above, are those that better describe the equity and financial position, as well as the economic result of the Company.
These financial statements were drawn up in Euro, functional currency of the Company. The figures reported in the statements, as well as in the tables included in the Explanatory Notes, are expressed in thousands of Euro, unless otherwise indicated.

Compared to the previous year, it is worth noting that contingent assets were classified under item "Other revenue and income" instead by kind as in the previous year. The economic figures for 2016, stated for comparison purposes, were duly adjusted. These reclassifications involved the disclosure of higher Revenues and other income for 2016, in the amount of 190,117 euro, and therefore higher costs for the same amount. The operating result therefore remained unchanged.

The Financial Statements are audited by the Independent Auditors PricewaterhouseCoopers SpA.

2.3 RELATIONS WITH SUBSIDIARIES

With reference to service agreements signed with certain Group companies, note that:
a) a cash pooling agreement was signed between Dolomiti Energia Holding SpA. and a number of subsidiaries for centralised cash and supplier payments management (Cash Pooling);
b) the Company benefited from the regulations envisaged by Article 73, last paragraph, of the Presidential Decree 633/72 (Group VAT) for VAT payments;
c) the Company opted for tax consolidation with regard to direct taxes.

2.4 MEASUREMENT CRITERIA

Other intangible assets

Concessions and other intangible assets include non-monetary elements and are identifiable assets lacking physical substance, controlled by the company and able to produce future economic benefits. Concessions and other intangible assets are recognised at purchase and/or production cost, including directly attributable expenses incurred to prepare the asset for use, net of accumulated amortisation and possible impairment losses.
Other intangible assets are amortised from the time at which the asset becomes available for use. Their amortisation is apportioned systematically in relation to the residual possible use, i.e. based on their estimated useful life.
The useful life estimated by the Company for concessions and other intangible assets is as follows:

	% RATE
CONCESSIONS	20 YEARS
PATENT AND SOFTWARE RIGHTS	20%
OTHER INTANGIBLE ASSETS	-

Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, less accumulated depreciation and any impairment loss. The cost includes charges that are directly incurred to permit their use, as well as any possible costs of disassembly and removal that will be borne pursuant to contract obligations requiring to reinstate the original conditions of the asset.
Financial charges, directly attributable to the acquisition, construction and production of an asset, which justify a capitalisation pursuant to IAS 23, will be capitalised on the asset itself as part of its cost.

Charges borne for ordinary and/or cyclical maintenance and repairs are directly charged to income statement, when incurred. The capitalisation of costs related to the expansion, modernisation or improvement of the structural elements whether owned or leased is made within the limits established to be separately classified as assets or part of an asset.
Improvements on third-party assets include costs borne for the set up and modernization of real estates that are not owned.
Assets are depreciated on a straight-line basis, with rates that allow for depreciation of assets until the end of their useful life.

The useful life estimated by the Company for each single category of property, plant and equipment is as follows:

	% RATE
ELECTRICITY	
HYDROELECTRIC POWER PLANTS	2.0%
THERMAL POWER PLANTS	2.5%
HYDROELECTRIC FITTINGS	8.3%
PHOTOVOLTAIC PLANTS	5.0%
OTHER	
OFFICE BUILDINGS	3.3%
MOTOR VEHICLES	12.5%
ELECTRONIC MACHINES	16.7%

With regard to property, plant and equipment acquired from the merger of SIT SpA and A.S.M. SpA on 16 December 2002, the accounting treatment is as follows:

Assets from A.S.M. SpA acquired before 31 December 1997
Assets acquired prior to the above date are amortised/depreciated over their average residual useful life, as indicated in the sworn expert report obtained for the transformation of ASM from a Municipal company into a public limited company.

Assets from SIT SpA acquired prior to 31 December 1997
Assets acquired prior to 31 December 1997 are amortised/depreciated over their average residual useful life, as indicated in the sworn expert report obtained for the transfer of SIT shares to Dolomiti Energia (now Dolomiti Energia Holding SpA).

Assets acquired after 31 December 1997
Assets acquired after 31 December 1997 are amortised/depreciated according to their useful life, as indicated in the sworn expert report obtained for the transformation of ASM from a Municipal company into a public limited company.

Revaluation of assets as at 1 January 2003 as a result of the merger
The capital gain of 44,276,481 euro emerging from assessment of the extraordinary transaction for the merger by absorption of SIT and ASM into Dolomiti Energia (now Dolomiti Energia Holding SpA), confirmed by the expert appointed by the Court President, was allocated as described below:
8,107,734 euro to Dolomiti Energia SpA. assets
- land 5,907,256 euro
- new office building 2,200,478 euro
36,168,747 euro on the assets of the water and gas cycle contributed to Dolomiti Reti SpA. (now Novareri SpA).

These capital gains were amortised according to the average residual lives of individual asset classes as defined by the expert report obtained to determine the merger share swaps.

Leasing - Leased assets

Property, plant and equipment acquired under financial leasing contracts, according to which all rights and benefits related to the ownership of the asset are substantially transferred to the Company, are recognised as Company assets at the lower of their current value and the amount of the minimum payments outstanding under the lease, including any amount payable in the year for the purchase option. Assets are depreciated by applying the above-mentioned criterion and rates for property, plant and equipment, except when the duration of the lease contract is shorter than the useful life represented by said rates and there is not the reasonable certainty that the ownership of the leased asset will be transferred at the

expiration of the contract.
In this case, the depreciation period will be equal to the duration of the lease contract.
Lease contracts in which the lessor substantially preserves all the risks and rewards of ownership are classified as operating leases. The minimum guaranteed fees, related to the operating leases, are charged to the income statement on a straight-line basis according to the contract's duration, taking also account of any renewal periods, when since the beginning of the contract it is reasonably certain that the lessor will exercise the option. The possible lease fees are instead recognised in the income statement, when paid.

Impairment of non-financial assets
At each reporting date of the financial statements, the non-financial assets are tested for impairment. When events occur that indicate impairment of non-financial assets, their recoverability is assessed by comparing the book value with the related recoverable value, represented by the fair value, less disposal charges, and the value in use, whichever higher. The value in use is determined by discounting the expected cash flows resulting from the use of the assets and, if significant and reasonably determined, from their disposal at the end of their useful life, net of disposal charges. Expected cash flows are determined based on reasonable assumptions that can be demonstrated and represent the best estimate of future economic conditions that will occur in the residual useful life of the asset, giving greater importance to external indications. Expected cash flows, used to determine the value in use, are based on the latest business plan, approved by the management and including forecasts on revenues, operating costs and investments.
As regards assets that do not generate widely independent cash flows, the recoverable value is determined in relation to the Cash Generating Unit (i.e. the smallest independent CGU resulting from the continuous use), to which they belong.
Discounting is carried out at a rate that reflects current market measurements of the time value of money and the specific risks of the asset, which are not already included in the cash flow estimates. In particular, the discount rate used is the Weighted Average Cost of Capital (WACC). The value in use is determined net of the tax effect, as this method produces values that are substantially equivalent to those that can be obtained by discounting the cash flows, including taxes at a discount rate before taxes resulting from the post-tax measurement. The measurement is performed by each single asset or by Cash Generating Unit. When the reasons for impairment no longer exist, the value of assets is recovered and the adjustment is recognised in the income statement as write-up (value write-back).
The write-back is carried out at the lower between recoverable value and book value, inclusive of prior write-downs and less amortisation instalments that would have been allocated if the asset were not impaired.

Equity investments
If equity investments in subsidiaries, associated companies and joint ventures are not listed on a regulated market and the fair value cannot be reliably determined, they are measured at cost and adjusted to reflect impairment losses.

Dividends from equity investments are recognised in the income statement when shareholders are entitled to receive the payment.

Trade receivables and other current and non-current assets
Trade receivables and other current and non-current assets include financial instruments, mainly related to accounts receivable from customers, not resulting and not listed on any active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified in the Shareholders' Equity, under current assets, except for those with a contract expiry term after twelve months from the reporting date of the financial statements, which are classified under non-current assets.
These financial assets are recognised under assets when the company becomes a party in the contracts related therewith, and are derecognised from Assets, when the right to receive cash flows is transferred together with all risks and benefits associated to the transferred asset.
Trade receivables and other current and non-current assets are originally recorded at their fair value and then at amortised cost, by using the effective interest rate, less impairment losses.
Impairment losses in receivables are recognised in the income statement when there is objective evidence that the Company will not be able to recover the receivables based on contract terms.
The amount of the write-down is measured as the difference between the book value of the asset and the current value of expected future cash flows.
Receivables are shown net of the relevant provisions for write-downs.

Financial assets held to maturity
Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments that are not listed on an active market and that the Company intends to keep until maturity. These financial assets are stated under current assets if their maturity term is within 12 months; otherwise, they are stated under non-current assets.
Financial assets are recognised initially at fair value, inclusive of ancillary costs related to the transaction. After the initial recognition, financial assets held to maturity are measured at amortised cost, based on the effective interest rate method and tested for impairment.
At each reporting date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets are being impaired. A financial asset or a group of financial assets is impaired or should be written-down if and only if there is objective evidence of impairment, resulting from events following the first accounting of assets and that the impairment loss has an impact on future cash flows that can be reliably estimated. The objective evidence of impairment of assets can result from the following circumstances:
i) significant financial difficulties of the debtor;
ii) contract breaches, as non-payment of interest or principal;
iii) the creditor, for economic or legal reasons connected with the financial difficulties of the debtor, grants the debtor facilities that would not be considered in other cases;
iv) it is probable that the debtor be bankrupt or be subject to a composition procedure with creditors; or
v) the active market of financial assets no longer exists.

Inventories
Inventories of raw, ancillary and consumable materials and merchandise are measured at the lower between average weighted cost and market value at the financial statement date. The average weighted cost is determined by reference period in relation to each inventory code.The average weighted cost includes the direct costs of labour and materials as well as (variable and fixed) indirect costs. Inventories are constantly monitored and, when necessary, obsolete materials are written-down and charged to the Income Statement.

Financial derivatives
All derivative financial instruments (including embedded derivatives) are measured at fair value. Consistently with the approach established by IAS 39, derivative instruments can be accounted for using the hedge-accounting approach only when:
- at inception of the hedging, the hedging relationship is formally defined and documented;
- hedging is assumed to be highly effective;
- effectiveness can be reliably measured;
- the hedge itself can be highly effective during the various accounting periods for which it is designated.

When derivative instruments qualify for hedge accounting, the following accounting treatment is applied:
i) Fair value hedge – If a financial derivative is designated as a hedge for exposure to the changes in the current value of a recognised asset or liability, the change in fair value of the hedging derivative is recognised in the income statement, consistently with the fair value measurement of hedged assets and liabilities;
ii) Cash flow hedge – If a financial derivative is designated as a hedge for exposure to the variability of cash flows of an asset or liability, or of an expected, highly probable transaction that may affect profit and loss, the effective portion of profit or losses on the financial instrument is recognised in the Shareholders' Equity. The cumulated profit or loss is written-off from the Shareholders' Equity and recognised in the income statement in the same period when the hedged transaction is recognised. The profit or loss related to a hedge or to any ineffective portion is recognised in the income statement, when the ineffective portion is recognised.

When the conditions for hedge accounting are not present, changes in fair value of the derivative are charged to the income statement.

Determination of fair value of financial instruments

Fair value of financial instruments listed on an active market is based on market prices at the reporting date. Fair value of financial instruments unlisted on an active market is instead determined by using valuation techniques based on methods and assumptions linked to market conditions at the reporting date.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank current accounts and deposits repayable on demand and other short-term financial investments with high liquidity that are readily convertible into cash, or can be transformed in cash within 90 days from the original acquisition, and are subject to an insignificant risk regarding their change in value.

Treasury shares

The repurchase of treasury shares, as instruments representing the transferred capital, are deducted from equity. No profit or loss is recognised in the comprehensive income statement upon purchase, sale, issue or derecognition of equity instruments of an entity. The consideration paid or received is recognised directly to Shareholders' Equity.

The amount of treasury shares owned is disclosed separate in the explanatory notes, pursuant to provisions set out by IAS 1 - Presentation of Financial Statements. An entity discloses supplementary information, pursuant to IAS 24 - Related Party Disclosures, if the entity repurchases its equity instruments from related parties.

Financial liabilities, trade and other payables

Financial payables (excluding derivative instruments), trade payables and other payables are initially recorded at fair value, less directly attributable ancillary costs, and they are then measured at amortised cost, by applying the effective interest rate method. If a determined change in estimated cash flows occurs, the value of liabilities is recalculated to reflect this change, based on the actual value of the expected new cash flows and the internal yield rate that has been initially determined.
Financial liabilities are classified under current liabilities, except in the event the Company has an unconditional right to defer payment for at least twelve months from the reference date.
Financial liabilities are derecognised from the financial statements upon redemption and when the Company has transferred all related risks and charges to the instrument itself.

Provisions for risks and charges

Provisions for risks and charges include losses and liabilities of a specific nature whose existence is certain or probable, but whose timing and extent are unknown.

Provisions are recognised only when there is a current (statutory or implied) obligation for a future outgoing of resources, resulting from a past event, and it is likely to be necessary to use such resources to fulfil the obligation. This amount represents the best estimate of the charge required to settle the obligation. The rate used to determine the current value of the liability reflects the current market values and considers the specific risk attributable to each single liability.

When the financial effect of the passing of time is significant and the payment dates of the obligations can be reliably estimated, the provisions are measured at the current value of the disbursement envisaged by using a rate that would reflect market conditions, the change in the cost of money over time and the specific risk connected with the obligation. The increase in the provision value, determined by changes in the cost of money over time, is accounted for as financial charge.

The risks for which the occurrence of a liability is merely possible are possibly indicated in the special section on possible liabilities and no allocation is provided.

Personnel-related provisions

Personnel-related provisions include: i) defined-contribution plans and ii) defined-benefit plans.

With reference to defined-contribution plans, costs related to these plans are recognised in the income statement, when incurred.

With reference to defined-benefit plans, Company net liabilities are determined separate for each plan, by estimating the current value of future benefits that employees have accrued over the year and prior years, and deducting fair value of any plan assets. The current value of obligations is based on the use of actuarial methods, which assign the benefit deriving from the plan to the periods in which the obligation arises (Projected Unit Credit Method) and is based on actuarial assumptions that are objective and comparable. Plan assets are measured and recognised at fair value.

If the above calculation reports a possible asset, the amount to be paid is limited to the actual value of each economic benefit available, under the form of reimbursements or reductions of future contributions to the plan (asset threshold).

The cost components of defined benefits are recognised as follows:

- costs related to service performance are recognised in the income statement, under item "personnel costs", while
- net financial charges on liabilities or defined-benefit assets are recognised in the income statement under item "Financial income/(charges)", and are calculated by multiplying the value of net liabilities/(assets) by the rate used to discounting obligations, taking account of payments of contributions made and benefits during the period;
- the remeasuring components of net liabilities, including actuarial gains and losses, the yield of assets (excluding interest income recognised in the income statement), as well as any change in the asset threshold, are immediately recognised in the statement of comprehensive income, under changes in Shareholders' Equity related to financial items. These components must not be reclassified under the financial components in a subsequent period.

Public grants

Public grants are recognised at their fair value when there is the reasonable certainty that all conditions required to their achievement be fulfilled and that they will be received. Grants received for specific expenses are recognised as liabilities and systematically charged to the income statement over the years, as a counter-balance of related expenses.

Investment grants, including non-monetary grants measured at fair value, are recorded as deferred income, systematically and rationally charged as income over the useful life of the asset.

Assets and liabilities held for sale and discontinued operations

Non-current and current assets of disposal groups are classified as held for sale if the related book value is recovered mainly through the sale. This condition is deemed as fulfilled when the sale is highly probable and the asset, or disposal group, is available for immediate sale in its current conditions. Non-current assets held for sale, current and non-current assets related to disposal groups and liabilities directly attributable are recognised in the statement of financial position, separate from other assets and liabilities.
Non-current assets held for sale are not amortised and are measured at the lower of their book value and the related fair value, less the costs of sale. Any difference between book value and fair value, less the costs of sale, is charged to the income statement as write-down. Any recoveries in value are recognised until recovery of the previously recorded write-downs, including those that were recognised before the classification of the asset as held for sale.

Non-current assets, as well as current and non-current assets of disposal groups, classified as held for sale, represent a discontinued operation if, either of the following occurs:

- they represent a business unit of core business or a geographical area of core business; or
- they are part in a disposal program of an important business unit of core business or a geographical area of core business; or
- they are a subsidiary acquired exclusively to be sold.

The results of the discontinued operations, as well as any capital gain/loss from the sale, are disclosed separate in the income statement, under a special item, less all related tax effects. The financial values of discontinued operations are also disclosed for years considered for comparison purpose.

In the event of a sales program of a subsidiary, which involves the loss of control, all assets and liabilities of this investee are classified as held for sale.

Revenue recognition

Revenue from sales of goods is recognised in the statement of comprehensive income upon transfer of risks and benefits related to the product sold, which normally coincides with the delivery or the shipment of goods to the customer. Revenue from services is recognised in the accounting period in which these services are rendered.
Revenues are recognised at fair value of the payment received. The Company recognises revenues when their amount can be estimated in a reliable way and their future economic benefits are likely to be recognised.

According to the type of transaction, revenues are recognised based on the following specific criteria:

i. revenue from the sale and distribution of electricity, thermal energy, gas, heat and steam is recognised upon the transfer of ownership, which mainly occurs when the good is supplied or the service rendered, albeit still not invoiced, and is determined by supplementing the consumption read through meters with adequate estimates;
ii. evenue for the sale of certificates is recorded upon transfer thereof;
iii. revenue from services rendered is recorded upon supply, or according to contract clauses.

Recognition of costs

Costs are recognised upon acquisition of an asset or service.

Taxes

Current taxes are calculated based on the taxable income for the year, by applying tax rates in force at the reporting date.
Prepaid and deferred taxes are calculated based on all differences that arise between tax value of an asset or liability and the related book value Prepaid taxes, including those related to prior tax losses, are recognised to the extent that it is probable that there will be future taxable income to which that tax loss can be applied. Prepaid and deferred taxes are determined by using the tax rate that it is estimated will be applicable in the years in which the differences will be realised or extinguished, based on the enacted or substantially enacted tax tare at the reporting date.
Current, prepaid and deferred taxes are recognised in the income statement, except for those related to items directly debited or credited to Shareholders' Equity; in this case, also the related tax effect will be recognised directly to Shareholders' Equity.

3. Estimates and assumptions

Preparation of financial statements requires directors to apply accounting principles and methodologies that, in some cases, are based on valuations and estimates, which in turn are based on historic experience and assumptions considered reasonable and realistic according to circumstances at any given time. The application of such estimates and assumptions affects the amounts reported in financial statements, as well as the information disclosed. The ultimate actual amounts of accounting items, for which these estimates and assumptions have been used, might differ from those reported in the financial statements, showing the effects of the occurrence of the estimated item, due to the uncertainty characterising the assumptions and conditions on which estimates are based.

Below a short list is provided of the accounting items related to the Company that require greater subjectivity on the part of directors in developing estimates and for which any change in conditions underlying assumptions made could have a significant impact on the Company's financial results.

a) *Impairment Test:* the book value of property, plant and equipment and intangible assets is periodically tested for impairment and whenever circumstances or events require a more frequent assessment.
Whenever it is deemed that a book value of a group of fixed assets has suffered an impairment loss, the same is written-down to the related recoverable value, estimated based on the use and future sale of the asset, in relation to provisions set out in the latest business plans. It is deemed that estimates of these recoverable values are reasonable. However, possible changes in the estimate factors, on which the calculation of the aforesaid recoverable values is based, might result in different valuations.
b) *Provision for write-downs:* the provision for write-downs reflects the best estimate made by directors on doubtful receivables from customers. This estimate is based on expected losses incurred by the Company, determined according to past experience made for similar receivables, current and historic overdue amounts, the careful monitoring of creditworthiness and projections on economic and market positions.
c) *Prepaid taxes:* accounting for prepaid taxes takes place on the basis of expectations of taxable income in future years to be used for their recovery. The valuation of the taxable revenue expected for the purposes of accounting for prepaid taxes depends on factors that can vary over time and significantly affect the recoverability of the receivables from prepaid taxes.
d) *Provisions for risks and charges:* with respect to legal risks, allocations are recognised representing the risk of an unfavourable outcome of disputes. The value of provisions in the financial statements related to these risks represents the best estimate to date made by directors. This estimate entails the adoption of assumptions depending on factors that might change over time and that might therefore have a significant impact on current estimates made by directors in the drafting of Company financial statements.
e) *Fair value of derivative instruments:* fair value of unlisted financial assets, such as derivatives, is determined through financial measurement methods generally used and that require basic assumptions and estimates. These assumptions might not occur in the expected times and modalities. Estimates made by the Company might therefore differ from closing figures.

4. Accounting standards, amendments and interpretations that are applicable in these financial statements

Effective from 1 January 2017, the Company adopted the following amendments to the already existing standards:

- Amendment to IAS 7 "Disclosure Initiative" (issued in January 2016). The amendments concern the assets and liabilities deriving from financing activities, whose cash flows are included in the section cash flows from financing activities in the Cash Flow Statement. A disclosure is required which would permit users of the financial statements to evaluate changes in liabilities resulting from financing activities, while making a distinction between monetary and non-monetary changes. The Company's liabilities, resulting from financing activities, mainly pertain to payables to subsidiaries arising from the adhesion to the Group cash pooling, the Bond loan, medium/long-term loans granted by banks and bank overdrafts. A reconciliation between opening and closing balances is provided. The application of this amendment has no impact on the Company's financial statements.
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016). The document provides clarifications on the recognition of deferred tax assets related to debt instruments measured at fair value. More directly, the amendments clarify the requirements for the recognition of deferred tax assets, with reference to unrealised losses, in order to eliminate mismatches in accounting practice. The application of this amendment has no impact on the Company's financial statements.
- Annual improvements to IFRSs 2014-2016 Cycle (issued in December 2016). The Company applied the amendment to IFRS 12 Disclosure of Interests in Other Entities. Application of the other amendments included in this cycle is not mandatory as from 2017. Amendments clarify that forecasts on disclosures required by IFRS 12, except for the summary of economic and financial data, also apply to interests in companies classified as held for sale. The application of this amendment has no impact on the Company's financial statements.

5. Accounting standards endorsed by the European Union but applicable to subsequent financial years

- IFRS 15 Revenue from Contracts with Customers (issued in May 2014). The new standard will supersede the standards IAS 11 - Construction Contracts, IAS 18 - Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers, SIC 31 - Revenue - Barter Transactions Involving Advertising Services and will apply to all contracts with customers, except for, but not limited to lease and insurance contracts, financial instruments, etc.. The new standard introduces a model framework to recognise and measure revenue according to the following core principle: an entity will recognise revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods supplied or services rendered. This core principle will be applied in a five-step model: identify the contract with a customer (step 1); identify the performance obligations in the contract, while disclosing the separable goods or services as separate obligations (step 2); determine the transaction price, i.e. the amount of the consideration that is expected to obtain (step 3); allocate the transaction price to the performance obligations in the contract, according to the autonomous sales price of each single separable good or service (step 4); recognise revenue when (or as) the entity satisfies a contract performance obligation by transferring the good or service to the customer, i.e. when the customer obtains the control of the good or service (step 5). The IFRS 15 standard also includes a series of guidelines that an entity shall apply to report comprehensive information about the nature, amount, timing and uncertainty of revenues and cash flows arising from a contract with a customer. In April 2016, the IASB issued some amendments to the IFRS 15 standard to clarify the guidelines aimed at determining an obligation to sell a good or render one or more services. Clarifications are also given on the accounting of licences related to intellectual rights. The standard and related amendments are mandatory and applicable for annual reporting periods beginning on or after 1 January 2018. The Company did not apply the standard earlier and, however, it deems that there will be no impact on the financial statements.
- IFRS 9 Financial Instruments (issued, in its final version, in July 2014). This standard replaces IAS 39 Financial Instruments: Recognition and Measurement and supersedes all previous versions. The final version of IFRS 9 brings together the results of the three-step project to replace IAS 39 relating to classification and measurement, impairment and hedge accounting. As regards the classification of financial instruments, the IFRS 9 standard envisages one single approach for all types of financial assets, including those with embedded derivatives. Financial assets are therefore classified in their entirety, with no need for complex bifurcation methods. In order to determine how financial assets should be classified and measured, the business model used to manage the financial assets, as well as the asset's contractual cash flow characteristics should be considered. To the above purpose, business model means the way in which the company manages its own financial assets to generate cash flows, i.e. by collecting contract cash flows, selling financial assets, or both. Financial assets measured at amortised cost are held within a business model whose objective is to collect contractual cash flows. Financial assets measured at fair value through other comprehensive income (FVTOCI) are held with the objective to both collecting contractual cash flows and selling financial assets. This category allows to disclose interests to the Income Statement, based on the amortised cost, and fair value of the financial asset to OCI. On the other hand, the category of financial assets measured at fair value through profit or loss (FVTPL) is a residual category, which includes any financial assets that are not held in one of the two business models mentioned above, including assets held for trade and those measured based on the related fair value. As regards classification and measurement of financial liabilities, IFRS 9 adopts the accounting treatment envisaged by IAS 39, with some limited changes, according to which almost all liabilities are measured at amortised cost. Financial liabilities can still be designated at fair value through profit or loss, if specific requirements are met. The standard introduces new provisions for financial liabilities designated at fair value through the income statement, according to which, under those circumstance, the portion of changes in fair value due to own credit risk should be recognised through OCI and not through the income statement. This issue of the standard can be applied earlier, with no obligation to apply the standard in its entirety. Given the fact that, during the financial crisis, the impairment model based on incurred credit losses had shown clear limits connected with the deferred recognition of losses on receivables upon the occurrence of a trigger event, the standard proposes a new model which would allow the users of the financial statements to obtain further information on expected credit losses. In summary, the model envisages the following:
  - application of one single approach to all financial assets;
  - recognition of expected losses at any moment and updating of their amount at the end of each accounting period to reflect credit risk changes in the financial instrument;
  - measurement of expected losses based on reasonable information, available without excessive costs, including historic, current and provisional information;
  - improvement of disclosures on expected losses and credit risk.

  The IFRS 9 standard also introduces a new model of hedge accounting, with the objective to align accounting disclosures with risk management activities and to determine a more principles-based approach. The new hedge accounting approach will permit companies to represent, in the financial statements, risk management activities while extending the eligibility criteria of hedged items to risk components of non-financial elements, net positions, layer components and aggregate exposures (e.g. combined non-derivative exposure and derivative). With regard to hedging instruments, the most significant amendments, compared to the hedge accounting model envisaged in IAS 39, concerned the possible deferral of the time value of an option, the forward component of a forward contract and the currency basis spreads (e.g. hedging costs) in OCI until the moment in which the hedged element affects the income statement. IFRS 9 also removes the effectiveness test requirement, according to which the results of the retrospective test should be within the 80%-125% range, also envisaging the possible rebalance of the hedging relationship if the risk management objectives remain unchanged. Lastly, IFRS 9 does not replace provisions set out by IAS 39 on portfolio fair value hedge accounting in relation to the interest rate risk (macro hedge accounting) as this phase of the project, to replace IAS 39, was detached and it is still under discussion. To this purpose, in April the IASB published the Discussion Paper Accounting for Dynamic Risk management: a Portfolio Revaluation Approach to Macro Hedging. The standard is mandatory and applicable for annual reporting periods beginning on or after 1 January 2018. The Company did not apply the standard earlier and, however, it deems that there will be no impact on the financial statements.
- Amendments to IFRS 4 Insurance Contracts (issued in September 2016). As the application of the new accounting standard IFRS 9 Financial Instruments, in the absence of the expected standard IFRS 17 Insurance Contracts (which will replace the current IFRS 4 standard), would entail mismatches on the income statement of entities issuing insurance contacts, the amendment introduces two application options to avert this inconvenience: a temporary exemption of the application of IFRS 9 or an option which would allow the adjustment of the income statement in the presence of suited financial instruments. The temporary exemption will be applicable for annual reporting periods beginning on or after 1 January 2018. No impact is expected for the Company.
- IFRS 16 Leases (issued in January 2016). The new standard supersedes the previous standard on leases, the IAS 17 and related interpretations define criteria for the recognition, measurement, presentation and disclosures to be supplied as reference for lease contracts to both lessor and lessee. Albeit IFRS 16 does not modify the definition of lease contract supplied by IAS 17, the main novelty introduced is represented by the concept of control within the definition.

In particular, in order to determine whether a contract represents a lease, IFRS 16 requires to check whether the lessee has the right to control the use of a specific asset for a determined period of time. The IFRS 16 standard cancels the classification of operating or financial leases, as required by IAS 17, by introducing a single accounting model for all leases. Based on this new model, the lessee shall recognise the following:

- in the statement of financial position, all assets and liabilities for all lease contracts longer than 12 months, unless the underlying asset has a low value; and
- in the income statement, amortisation/depreciation of assets related to leases separate from interest related to corresponding liabilities.

With regard to lessors, in IFRS 16 the recognition requirements remain substantially unchanged with respect to those envisaged by IAS 17. Therefore, the lessors shall continue to classify and recognise leases indifferently, based on their nature (either operating or financial). This standard will be applicable for annual reporting periods beginning on or after 1 January 2019.

6. Accounting standards applicable to subsequent years but still not endorsed by the European Union

- IFRS 14 Regulatory Deferral Accounts (issued in January 2014). This standard permits an entity, which is a first-time adopter, to continue to account for rate regulated balances in accordance with standards previously adopted (e.g. local standards) on initial adoption of International Financial Reporting Standards. This standard cannot be adopted by companies that already prepare their financial statements in accordance with IFRS/IAS standards. In other words, a company cannot recognise rate-regulated assets and liabilities according to IFRS 14 if the current accounting standards do not permit the recognition of these assets and liabilities or if the company has not already adopted such accounting policy in accordance with other current accounting standards. This standard will be applicable retrospectively, prior to endorsement, to annual reporting periods beginning on or after 1 January 2016. The Commission decided to suspend its endorsement process while awaiting for the new accounting standard on rate-regulated activities. The application of this standard has no impact for the Company.
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (issued in June 2016). The amendments supply clarifications on the following issues connected with share-based payments: effects of a vesting condition on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction settled net of tax withholdings; the accounting when a modification occurs of share-based payment transactions from cash-settled to equity-settled. The amendments will be applicable, prior to endorsement, for annual reporting periods beginning on or after 1 January 2018. The application has no impact for the Company.
- Amendments to IAS 40 Transfers of Investment Property (issued in December 2016). The IASB issued an amendment which clarifies when an entity should transfer the ownership of a real estate property (including the buildings under construction). It is also determined that the only intention of the management to change the intended use of a building does not represent an evidence of a change in use of the real estate property itself. The amendment of the standard under evaluation, albeit an earlier adoption is permitted, is applicable retrospectively as from 1 January 2018. The application has no impact for the Company.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued in December 2016). This interpretation clarifies the accounting of transactions featuring the payment or the collection of advance considerations in currencies other than the Euro. In particular, this interpretation governs the exchange rate to be adopted for transactions in foreign currency where non-monetary assets and liabilities arise in connection with the collection or payment of consideration in advance, before the related assets, costs or revenue are recognised. This interpretation is applicable as from 1 January 2018, prior endorsement. The application has no impact for the Company.
- Annual improvements to IFRSs 2014-2016 Cycle (issued in December 2016). The IASB issued some amendments to the standards endorsed in the 2014-2016 three-year period, especially IFRS 1 First-time Adoption of International Accounting Standards, IFRS 12 Disclosure of Interests in Other Entities (endorsed and applied as from 1 January 2017) and IAS 28 Long-term Interests in Associates and Joint Ventures. With regard to IFRS 1, some exemptions envisaged in specific paragraphs of the standard are cancelled. The amendment to IAS 28 envisages that, in the event the controlling entity is a venture capital company, it has the faculty to measure its interest in associated companies and joint ventures at fair value, entering changes in the income statement. The amendments will be applied, prior to endorsement, to annual reporting periods beginning on or after 1 January 2018. The application has no impact for the Company.
- IFRIC 23 Uncertainty over Income Tax Treatments (issued in June 2017). The interpretation, issued by the IASB, supplies guidelines for the application of IAS 12 Income Taxes when there is uncertainty on the correct tax treatment applicable. This interpretation is applicable, prior endorsement, for annual reporting periods beginning on or after 1 January 2019. Its application is deemed will have no impact for the Company.
- IFRS 17 Insurance Contracts (issued in May 2017). The new accounting standard establishes the criteria for the recognition, measurement, presentation and disclosure of insurance contracts. After its endorsement, it will fully supersede IFRS 4 Insurance Contracts issued in 2005. The IFRS 17 standard will be applied to all insurance contracts, with reference to the issuer. The scope of this new standard is to supply a model for the recognition of insurance contracts, which is more useful and consistent with respect to all insurance companies. The new standard will be applicable for annual reporting periods beginning on 1 January 2021 and the disclosure of comparative data will be required. Earlier application is permitted, provided that the entity has already adopted the IFRS 9 and IFRS 15 standards. The application has no impact for the Company.
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (issued in September 2014). The IASB published the amendment in order to settle the conflict between IAS 28 and IFRS 10. According to provisions set out by IAS 28, the gain or loss resulting from the sale or contribution of a non-monetary asset to a joint venture or associate in exchange for an equity interest in that joint venture or associate, is restricted to the extent of the unrelated investors' interests in the joint venture or associate. In contrast, IFRS 10 requires full profit or loss recognition on the loss of control of a subsidiary, including a sale or contribution of a subsidiary to a joint venture or associate. The amendments set out that on a sale or contribution of assets or a subsidiary to a joint venture or associate, the extent of any gain or loss recognised in the financial statements of the selling (or contributing) entity depends on whether the assets or subsidiary sold (or conferred) constitute a business, as defined in IFRS 3. When the assets or subsidiary constitute a business, the entity shall recognise in full any gain or loss previously held. Conversely, the entity's share of the gain or loss related to the portion is eliminated. A first-time application date for the above amendments has not yet been defined.
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (issued in October 2017). The amendment proposes an amendment to IFRS 9 for special financial assets for which only contractual cash flows that are solely payments of principal and interest. This provision does not meet the case of prepayment features with negative compensation. In particular, for a financial asset including a prepayment option that might involve the payment of a negative compensation, the amendments require that the financial asset be measured at amortised cost or through FVOCI, depending on a company's business model. This amendment will be applicable for annual reporting periods beginning on 1 January 2019, with earlier adoption permitted. The application has no impact for the Company.
- Amendments to IAS 28 Long Term Interests in Associates and Joint Ventures (issued in October 2017). The amendments clarify that an entity applies the IRFS 9 standard to long-

term interests in an associate or joint venture that form part of the net investment in the associate or joint venture, but to which the equity method is not applied. An entity applies IFRS 9 to those interests before applying IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the book value of interests resulting from the application of IAS 28. Amendments are applicable retrospectively for annual reporting periods beginning on or after 1 January 2019, with early application permitted. The application has no impact for the Company.

- Annual improvements to IFRSs 2015-2017 Cycle (issued in December 2017). The IASB published the Annual Improvements to IFRSs - 2015-2017 Cycle, including amendments to IAS 12 Income Taxes, IAS 23 Borrowing Costs, IFRS 3 Business Combination and IFRS 11 Joint Arrangements. Amendments will be effective on 1 January 2019. Their earlier application is however permitted.

7. Information on financial risks

With regard to business risks, the main risks that have been identified and monitored and, for the extent described hereunder, managed by the Company, are as follows:

- market risk (defined as interest rate risk and commodity price risk);
- credit risk (both in relation with normal trade relations with customers and financing activities); and
- liquidity risk (with reference to the availability of cash resources and to the access to credit facilities and financial instruments in general).

The Company's objective is to maintain a balanced management over time of its financial exposure that would ensure a structure where liabilities are balanced with assets in the financial statements, as well as the necessary operating flexibility through the use of cash flows generated by current operating assets and bank credit facilities.

The management of the related financial risks is governed and monitored at centralised level. In particular, the dedicated department is in charge of assessing and approving the provisional financial requirements, while monitoring their performance and implementing adequate correction measures, if applicable.

The following section supplies quality and quantity reference information on the impact of these risks on the Company.

7.1 MARKET RISK

7.1.1 Interest rate risk

The Company utilises external financial resources in the form of credit facilities, and uses cash on hand in bank deposits. Changes in market interest rates affect the cost and the yield of the various credit facilities and uses, therefore affecting the amount of Company financial income and charges. With regard to the measurement of financial charges related to indebtedness, the Company, which is exposed to interest rate fluctuations, regularly assesses its exposure to the interest rate risk and manages it by adopting less onerous credit facilities.
As at 31 December 2017, the Company's indebtedness also included a bond loan amounting to 5,051,800 euro.
The Company also entered floating rate loans, benchmarked mainly to Euribor rate + spread for the period, according to the type of credit line used. The applied margins are comparable with the best market standards. In order to limit the risk of interest rate fluctuations, on some loans the Company uses derivatives, mainly interest rate swaps, with the aim of mitigating, at economically feasible terms, the possible impact of interest rate fluctuations on the economic result.
The main characteristics of derivatives subscribed by the Company and in place as at 31 December 2017 and 2016 to hedge interest rate fluctuations are summarised as follows:

	AS AT 31 DECEMBER 2017 IRS					
DATE OF TRANSACTION	16/03/11	11/03/11	04/03/11	13/04/11	25/05/17	26/05/17
COMPANY	DOLOMITI ENERGIA HOLDING SPA	DOLOMITI ENERGIA HOLDING SPA	DOLOMITI ENERGIA HOLDING SPA	DOLOMITI ENERGIA HOLDING SPA	DOLOMITI ENERGIA HOLDING SPA	DOLOMITI ENERGIA HOLDING SPA
COUNTERPARTY	MEDIOBANCA	INTESA SAN PAOLO	UNICREDIT	UNICREDIT	UNICREDIT	INTESA SAN PAOLO
EFFECTIVE DATE	02/01/14	02/01/14	02/01/14	02/01/14	01/01/21	01/01/21
MATURITY	31/12/20	31/12/20	31/12/20	31/12/20	30/09/32	30/09/32
NOTIONAL IN EURO	17,142,857	17,142,857	17,142,857	17,142,857	48,958,333	48,958,333
FLOATING INTEREST RATE	1M EURIBOR	1M EURIBOR	1M EURIBOR	1M EURIBOR	EURIBORS 3M (FLOOR -0,80)	EURIBORS 3M (FLOOR -0,80)
FIXED INTEREST RATE	3.4000%	3.4450%	3.5214%	3.7190%	1.3400%	1.3235%
FAIR VALUE	(980,270)	(992,004)	(1,012,068)	(1,065,262)	(255,383)	(200,057)

	AS AT 31 DECEMBER 2016 IRS			
DATE OF TRANSACTION	16/03/11	11/03/11	04/03/11	13/04/11
COMPANY	DOLOMITI ENERGIA HOLDING SPA	DOLOMITI ENERGIA HOLDING SPA	DOLOMITI ENERGIA HOLDING SPA	DOLOMITI ENERGIA HOLDING SPA
COUNTERPARTY	MEDIOBANCA	INTESA SAN PAOLO	UNICREDIT	UNICREDIT
EFFECTIVE DATE	02/01/14	02/01/14	02/01/14	02/01/14
MATURITY	31/12/20	31/12/20	31/12/20	31/12/20
NOTIONAL IN EURO	22,857,143	22,857,143	22,857,143	22,857,143
FLOATING INTEREST RATE	1M EURIBOR	1M EURIBOR	1M EURIBOR	1M EURIBOR
FIXED INTEREST RATE	3.4000%	3.4450%	3.5214%	3.7190%
FAIR VALUE	(1,764,294)	(1,788,598)	(1,823,844)	(1,917,684)

***Sensitivity Analysis* related to interest rate risk**
The Company's exposure to the interest rate risk was measured through a sensitivity analysis that considered current and non-current financial liabilities as well as bank deposits. Within the hypotheses made, the effects on the Company's Income Statement and Shareholders' Equity as at 31 December 2017 were evaluated with respect to a possible change in market rates, which discounted 50bps write-up and write-down, respectively. The calculation method applied the hypothesis of changes in both balances of the gross bank indebtedness and interest rate paid during the year to remunerate these floating rate liabilities. This analysis is based on the assumption of a general and prompt change in the reference interest rate level.

The result of this hypothetical, immediate and unfavourable (favourable) change in interest rates in the short-term, applicable to the Company's floating rate financial liabilities are shown in the following tables:

(IN THOUSANDS OF EURO)	IMPACT ON PROFIT, NET OF TAX EFFECT		IMPACT ON SHAREHOLDERS' EQUITY, NET OF TAX EFFECT	
	- 50 BPS	+ 50 BPS	- 50 BPS	+ 50 BPS
YEAR ENDED 31 DECEMBER 2017	188	(736)	188	(736)
YEAR ENDED 31 DECEMBER 2016	194	(642)	194	(642)

7.2 CREDIT RISK

The credit risk represents the Company's exposure to possible losses resulting from the non-fulfilment of obligations undertaken by the counterparties. This type of risk is managed by the Company through special procedures and mitigation measures, aimed at both assessing creditworthiness of the counterparty and constantly checking that the exposure thresholds be complied with, as well as through adequate guarantees.

Trade receivables are recognised in the financial statements net of any write-downs determined on the basis of the default risk of the counterparties, taking into account the information available on solvency of the customer and the historical data.

The overall exposure to credit risk as at 31 December 2017 and 31 December 2016 is represented by the sum of financial assets recorded in the financial statements, summarised as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER 2017	AS AT 31 DECEMBER 2016
TRADE RECEIVABLES	11,314	14,092
FINANCIAL ASSETS	96,028	88,991
OTHER ASSETS	22,916	15,363
PROVISION FOR WRITE-DOWNS	(723)	(727)
TOTAL	**129,535**	**117,719**

7.3 LIQUIDITY RISK

The liquidity risk can be represented by the inability to obtain the necessary financial resources, at acceptable economic terms, for the Company's operations. The two main factors that affect Company's liquidity are as follows:
- financial resources generated or absorbed by operating or investing activities;
- maturity or renewal terms of the financial debt.

A prudent management of the liquidity risk originated by normal operations involve the maintenance of an adequate level of cash and cash equivalents, short-term securities and the availability of provisions that could be obtained through an adequate amount of credit lines. The Company's liquidity requirements are monitored by a centralised department, in view of securing the finding of financial resources and adequate investment/yield of liquidity.

The following table analyses the financial liabilities (including trade and other payables) that are expected to be redeemed within the year, in a period between one and five years and after five years:

AS AT 31 DECEMBER 2017	MATURITY		
(IN THOUSANDS OF EURO)	WITHIN 1 YEARS	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
TRADE PAYABLES	9,287	-	-
TRADE PAYABLES DUE TO BANKS AND OTHER LENDERS	279,856	62,870	81,250
OTHER ACCOUNTS PAYABLE	14,216	1,875	-
TOTAL	**303,359**	**64,745**	**81,250**

AS AT 31 DECEMBER 2016	MATURITY		
(IN THOUSANDS OF EURO)	WITHIN 1 YEARS	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
TRADE PAYABLES	11,842	-	-
TRADE PAYABLES DUE TO BANKS AND OTHER LENDERS	262,179	70,789	97,917
OTHER ACCOUNTS PAYABLE	21,162	1,087	-
TOTAL	**295,183**	**71,876**	**97,917**

7.4 FAIR VALUE ESTIMATE

As regards financial instruments measured at fair value, the following table shows information on the method adopted to determine the fair value. The possible methods are broken down in the following levels, based on the source of available information, as described hereunder:

- Level 1: fair value is measured with reference to prices quoted (unadjusted) in active markets for identical financial instruments;
- Level 2: fair value is measured based on measurement techniques taking benchmark parameters that are observable on the markets;
- Level 3: fair value is measured based on measurement techniques taking benchmark parameters that are not observable on the market.

Company financial instruments recognised at fair value are classified under level 2 and the general criterion used to calculate the same is the current value of future cash flows envisaged by the instrument being measured.

The following table shows assets and liabilities measured at fair value as at 31 December 2017 and 31 December 2016:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER 2017		
	LEVEL 1	LEVEL 2	LEVEL 3
LIABILITIES			
DERIVATIVE INSTRUMENTS (INTEREST RATE SWAP)*	-	4,505	-

* this amount includes the fair value of all derivatives that, under an accounting viewpoint, are classified as both hedging and not hedging.

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER 2016		
	LEVEL 1	LEVEL 2	LEVEL 3
LIABILITIES			
DERIVATIVE INSTRUMENTS (INTEREST RATE SWAP)*	-	7,294	-

* this amount includes the fair value of all derivatives that, under an accounting viewpoint, are classified as both hedging and not hedging.

It should be noted that trade receivables and payables were measured at book value, as the latter is deemed as similar to the current value.

Financial assets and liabilities as at 31 December 2017 and 31 December 2016 are broken down by category:

AS AT 31 DECEMBER 2017					
(IN THOUSANDS OF EURO)	FINANCIAL ASSETS/ LIABILITIES MEASURED AT FAIR VALUE WITH CHANGES RECOGNISED IN INCOME STATEMENT	LOANS AND RECEIVABLES	ASSETS/ LIABILITIES AVAILABLE FOR SALE	LIABILITIES MEASURED AT AMORTISED COST	TOTAL
CURRENT ASSETS					
CASH AND CASH EQUIVALENTS	-	914	-	-	914
TRADE RECEIVABLES	-	10,591	-	-	10,591
OTHER ASSETS AND OTHER CURRENT FINANCIAL ASSETS	-	110,174	-	-	110,174
NON-CURRENT ASSETS					
OTHER ASSETS AND OTHER NON-CURRENT FINANCIAL ASSETS	-	8,770	-	-	8,770
CURRENT LIABILITIES					
TRADE PAYABLES	-	-	-	9,287	9,287
CURRENT FINANCIAL LIABILITIES	-	-	-	279,856	279,856
OTHER CURRENT LIABILITIES	-	-	-	14,216	14,216
NON-CURRENT LIABILITIES					
NON-CURRENT FINANCIAL LIABILITIES	4,505	-	-	139,615	144,120
OTHER NON-CURRENT LIABILITIES	-	-	-	1,875	1,875

AS AT 31 DECEMBER 2016					
(IN THOUSANDS OF EURO)	FINANCIAL ASSETS/ LIABILITIES MEASURED AT FAIR VALUE WITH CHANGES RECOGNISED IN INCOME STATEMENT	LOANS AND RECEIVABLES	ASSETS/ LIABILITIES AVAILABLE FOR SALE	LIABILITIES MEASURED AT AMORTISED COST	TOTAL
CURRENT ASSETS					
CASH AND CASH EQUIVALENTS	-	2,498	-	-	2,498
TRADE RECEIVABLES	-	13,365	-	-	13,365
OTHER ASSETS AND OTHER CURRENT FINANCIAL ASSETS	-	94,574	-	-	94,574
NON-CURRENT ASSETS					
OTHER ASSETS AND OTHER NON-CURRENT FINANCIAL ASSETS	-	9,780	-	-	9,780
CURRENT LIABILITIES					
TRADE PAYABLES	-	-	-	11,842	11,842
CURRENT FINANCIAL LIABILITIES	-	-	-	262,179	262,179
OTHER CURRENT LIABILITIES	-	-	-	21,162	21,162
NON-CURRENT LIABILITIES					
NON-CURRENT FINANCIAL LIABILITIES	7,294	-	-	161,412	168,706
OTHER NON-CURRENT LIABILITIES	-	-	-	1,087	1,087

8. Notes to the Statement of Financial Position

8.1 OTHER INTANGIBLE ASSETS

Changes in item "Other intangible assets" are shown hereunder for the years ended 31 December 2016 and 2017:

(IN THOUSANDS OF EURO)	CONCESSIONS	INDUSTRIAL PATENT AND INTELLECTUAL PROPERTY RIGHTS	OTHER	TOTAL
BALANCE AS AT 01 JANUARY 2016	**5,124**	**6,409**	**57**	**11,590**
OF WHICH:				
HISTORICAL COST	*7,325*	*29,388*	*2,256*	*38,969*
ACCUMULATED AMORTISATION	*(2,201)*	*(22,979)*	*(2,200)*	*(27,380)*
INCREASES	-	5,672	-	5,672
NET DECREASES	-	-	-	-
AMORTISATION	(366)	(3,561)	(49)	(3,976)
BALANCE AS AT 31 DECEMBER 2016	**4,758**	**8,520**	**8**	**13,286**
OF WHICH:				
HISTORICAL COST	*7,324*	*35,063*	*2,257*	*44,644*
ACCUMULATED AMORTISATION	*(2,566)*	*(26,543)*	*(2,249)*	*(31,358)*
INCREASES	-	3,005	-	3,005
NET DECREASES	-	(1)	(6)	(7)
AMORTISATION	(366)	(3,726)	(1)	(4,093)
BALANCE AS AT 31 DECEMBER 2017	**4,392**	**7,798**	**1**	**12,191**
OF WHICH:				
HISTORICAL COST	*7,324*	*38,067*	*2,251*	*47,642*
ACCUMULATED AMORTISATION	*(2,932)*	*(30,269)*	*(2,250)*	*(35,451)*

The item **concessions** refers to charges on franchises on small water diversions in reference to acquisition of the Mini Idro plants from Hydro Dolomiti Energia. Amortisation of the concession is based on its duration (twenty years), with maturity term in 2029.

Industrial patent and intellectual property rights fully include the costs relating to the acquisition, implementation and development of software serving the activities carried out by the companies belonging to the Dolomiti Energia Group.

8.2 PROPERTY, PLANT AND EQUIPMENT

Changes in item "Property, plant and equipment" are shown hereunder for the years ended 31 December 2016 and 2017:

(IN THOUSANDS OF EURO)	LAND AND BUILDINGS	PLANT AND EQUIPMENT	INDUSTRIAL AND COMMERCIAL FITTINGS	OTHER ASSETS	WORK IN PROGRESS AND ADVANCE PAYMENTS	TOTAL
BALANCE AS AT 01 JANUARY 2016	**24,170**	**15,926**	**1,270**	**1,050**	**5,728**	**48,144**
OF WHICH:						
HISTORICAL COST	*32,832*	*36,039*	*4,013*	*9,242*	*5,728*	***87,854***
ACCUMULATED DEPRECIATION	*(8,662)*	*(20,113)*	*(2,743)*	*(8,192)*	-	***(39,710)***
INCREASES	461	103	67	590	1,285	**2,506**
NET DECREASES	-	-	-	(1)	-	**(1)**
RECLASSIFICATIONS	-	-	-	-	-	**-**
DEPRECIATION	(868)	(946)	(190)	(265)	-	**(2,269)**
BALANCE AS AT 31 DECEMBER 2016	**23,763**	**15,083**	**1,147**	**1,374**	**7,013**	**48,380**
OF WHICH:						
HISTORICAL COST	*33,293*	*36,118*	*4,081*	*9,632*	*7,013*	***90,137***
ACCUMULATED DEPRECIATION	*(9,530)*	*(21,035)*	*(2,934)*	*(8,258)*	-	***(41,757)***
INCREASES	317	42	58	291	-	**708**
NET DECREASES	(7)	-	-	(1)	-	**(8)**
RECLASSIFICATIONS	-	-	-	1,285	(1,285)	**-**
DEPRECIATION	(886)	(945)	(190)	(404)	-	**(2,425)**
BALANCE AS AT 31 DECEMBER 2017	**23,187**	**14,180**	**1,015**	**2,545**	**5,728**	**46,655**
OF WHICH:						
HISTORICAL COST	*33,580*	*35,948*	*4,139*	*11,149*	*5,728*	***90,544***
ACCUMULATED DEPRECIATION	*(10,393)*	*(21,768)*	*(3,124)*	*(8,604)*	-	***(43,889)***

With regard to **property, plant and equipment**, costs have been capitalised for services provided by internal staff for 174 thousand euro.

The item **land and buildings** also includes capitalisations of improvements made in the offices in Rovereto, which are rented from the Municipality, for a residual value of 976 thousand euro, as well as of improvements made over the year in the offices in Trento, equal to 173 thousand euro and the building Le Albere in Trento, for a residual value of 5,411 thousand euro.

The item **plants and machinery** includes machinery for the power plants and transferable works related to the hydroelectric power plants of S. Colombano, Sorne, Tesino and Mini Idro, for the residual value of 13,247 thousand euro, in addition to transmission lines and other property photovoltaic plants. During the year, the substation portion of the thermoelectric power plant in Ponti sul Mincio, owned by the Company, was sold to Terna. This plant, partly written down over the previous years and entirely depreciated, generated a capital gain of 519 thousand euro.

The item **industrial and commercial fittings** include the equipment for the chemical-bacteriological laboratory (residual value of 547 thousand euro), as well as remote-control systems and other equipment for the hydroelectric sector (residual value of 305 thousand euro).

The item **other assets** concerns furniture and office equipment (residual value of 395 thousand euro), mostly hardware, for a residual value of 2,133 thousand euro, with an increase of 176 thousand euro over the year.

Work in progress, at the end of the year, totalled 5,728 thousand euro and mainly concerned feasibility studies and projects relating to company premises.

8.3 EQUITY INVESTMENTS

The item "Equity investments" is broken down as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER		CHANGES
	2017	2016	
EQUITY INVESTMENTS IN SUBSIDIARIES	699,879	689,028	10,851
EQUITY INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES	71,405	71,949	(544)
EQUITY INVESTMENTS IN OTHER COMPANIES	5,793	5,838	(45)
TOTAL	**777,077**	**766,815**	**10,262**

Changes in equity investments in subsidiaries, associated companies, joint ventures and other companies for the year ended 31 December 2016 and 2017 are shown hereunder:

DESCRIPTION OF EQUITY INVESTMENTS *(IN THOUSAND OF EURO)*	PERCENTAGE OWNED	BOOK VALUE AS AT 31 DECEMBER 2015	CHANGES IN 2016	RECLASSIFICATIONS IN 2016	BOOK VALUE IN 2016	PROVISION FOR WRITE-DOWNS AS AT 31 DECEMBER 2015	CHANGES	PROVISION FOR WRITE-DOWNS AS AT 31 DECEMBER 2016	NET VALUE AS AT 31 DECEMBER 2016	NET VALUE AS AT 31 DECEMBER 2015
DOLOMITI TRADING SRL (FORMER TRENTINO TRADING SRL)	0%	1,618	-1,618	-	-	-	-	-	-	1,618
DOLOMITI ENERGIA RINNOVABILI SRL	100.00%	30	-	-	30	-	-	-	30	30
NOVARETI SPA	100.00%	139,266	-	-	139,266	-	-	-	139,266	139,266
DOLOMITI ENERGIA SPA	83.87%	19,258	13,361	-	32,619	-	-	-	32,619	19,258
S.E.T.DISTRIBUZIONE SPA	74.52%	85,801	-	-	85,801	-	-	-	85,801	85,801
DOLOMITI ENERGIA TRADING SPA	98.72%	8,334	-	-	8,334	-	-	-	8,334	8,334
DEP.TRENTINO CENTRALE SC.AR.L.	57.00%	6	-	-	6	-	-	-	6	6
HYDRO INVESTMENTS DE SRL	60.00%	-	406,602	-	406,602	-	-	-	406,602	-
DOLOMITI GNL SRL	60.00%	60	300	-	360	-	-	-	360	60
DOLOMITI AMBIENTE SRL	100.00%	16,010	-	-	16,010	-	-	-	16,010	16,010
TOTAL SUBSIDIARIES		***270,383***	***418,645***	***-***	***689,028***	***-***	***-***	***-***	***689,028***	***270,383***
DOLOMITI ENERGY SAVING SRL	51.00%	51	-	-	51	-	-	-	51	51
DOLOMITI EDISON ENERGY SRL	51.00%	32,109	-	-	32,109	-	-	-	32,109	32,109
HYDRO DOLOMITI ENERGIA SRL	0%	374,010	-374,010	-	-	-24,921	24,921	-	-	349,089
GIUDICARIE GAS SPA	43.35%	838	-	-	838	-	-	-	838	838
BONIFICHE TRENTINE SC.AR.L.	0%	6	-6	-	-	-	-	-	-	6
SF ENERGY SRL	50.00%	27,545	-	-	27,545	-	-	-	27,545	27,545
PVB POWER BULGARIA SPA	23.13%	10,624	-	-	10,624	-5,304	-2,778	-8,082	2,542	5,320
BIOENERGIA TRENTINO SRL	24.90%	1,520	249	-	1,769	-	-	-	1,769	1,520
AGS SPA	20.00%	7,095	-	-	7,095	-	-	-	7,095	7,095
TOTAL ASSOCIATED COMPANIES AND JOINT VENTURES		***453,798***	***-373,767***	***-***	***80,031***	***-30,225***	***22,143***	***-8,082***	***71,949***	***423,573***
PRIMIERO ENERGIA SPA	19.94%	4,614	-	-	4,614	-	-	-	4,614	4,614
MC-LINK SPA	1.61%	475	-	-	475	-270	-	-270	205	205
BIO ENERGIA FIEMME SPA	9.76%	625	-	-	625	-	-	-	625	625
C.LE TERMOEL. DEL MINCIO SRL - IN LIQUIDATION	5.00%	1	-	-	1	-	-	-	1	1
DISTR. TECNOL. TRENTINO SC.AR.L.	1.77%	5	-	-	5	-	-	-	5	5
ISTITUTO ATESINO SVIL.SPA	0.32%	387	-	-	387	-	-	-	387	387
FEDAIA INVESTMENTS SRL	0%	-	-	-	-	-	-	-	-	-
CONS.ASSINDUSTRIA ENERGIA	0%	1	-	-	1	-	-	-	1	1
CASSA RURALE ROVERETO	0%	-	-	-	-	-	-	-	-	-
TOTAL OTHER COMPANIES		***6,108***	***-***	***-***	***6,108***	***-270***	***-***	***-270***	***5,838***	***5,838***
TOTAL EQUITY INVESTMENTS		**730,289**	**44,878**	**-**	**775,167**	**-30,495**	**22,143**	**-8,352**	**766,815**	**699,794**

DESCRIPTION OF EQUITY INVESTMENTS *(IN THOUSAND OF EURO)*	PERCENTAGE OWNED	BOOK VALUE AS AT 31 DECEMBER 2016	CHANGES IN 2017	RECLASSIFICATIONS IN 2017	BOOK VALUE IN 2017	PROVISION FOR WRITE-DOWNS AS AT 31 DECEMBER 2016	CHANGES	PROVISION FOR WRITE-DOWNS AS AT 31 DECEMBER 2017	NET VALUE AS AT 31 DECEMBER 2017	NET VALUE AS AT 31 DECEMBER 2016
DOLOMITI ENERGIA RINNOVABILI SRL	100.00%	30	-	-	30	-	-	-	30	30
NOVARETI SPA	100.00%	139,266	-	-	139,266	-	-	-	139,266	139,266
DOLOMITI ENERGY SAVING SRL	100.00%	-	-97	97	-	-	-	-	-	-
NESCO-NORTH ENERGY SERV.COMPANY SRL	100.00%	-	5,851	-	5,851	-	-	-	5,851	-
DOLOMITI ENERGIA SPA	83.87%	32,619	-	-	32,619	-	-	-	32,619	32,619
S.E.T.DISTRIBUZIONE SPA	74.52%	85,801	-	-	85,801	-	-	-	85,801	85,801
DOLOMITI ENERGIA TRADING SPA	98.72%	8,334	5,000	-	13,334	-	-	-	13,334	8,334
DEP.TRENTINO CENTRALE SC.AR.L.	57.00%	6	-	-	6	-	-	-	6	6
HYDRO INVESTMENTS DE SRL	60.00%	406,602	-	-	406,602	-	-	-	406,602	406,602
DOLOMITI GNL SRL	60.00%	360	-	-	360	-	-	-	360	360
DOLOMITI AMBIENTE SRL	100.00%	16,010	-	-	16,010	-	-	-	16,010	16,010
TOTAL SUBSIDIARIES		***689,028***	***10,754***	***97***	***699,879***	***-***	***-***	***-***	***699,879***	***689,028***
DOLOMITI ENERGY SAVING SRL	51.00%	51	46	-97	-	-	-	-	-	51
DOLOMITI EDISON ENERGY SRL	51.00%	32,109	-	-	32,109	-	-	-	32,109	32,109
GIUDICARIE GAS SPA	43.35%	838	-	-	838	-	-	-	838	838
SF ENERGY SRL	50.00%	27,545	-	-	27,545	-	-	-	27,545	27,545
PVB POWER BULGARIA SPA	23.13%	10,624	-	-	10,624	-8,082	-493	-8,575	2,049	2,542
BIOENERGIA TRENTINO SRL	24.90%	1,769	-	-	1,769	-	-	-	1,769	1,769
AGS SPA	20.00%	7,095	-	-	7,095	-	-	-	7,095	7,095
TOTAL ASSOCIATED COMPANIES AND JOINT VENTURES		***80,031***	***46***	***-97***	***79,980***	***-8,082***	***-493***	***-8,575***	***71,405***	***71,949***
PRIMIERO ENERGIA SPA	19.94%	4,614	-	-	4,614	-	-	-	4,614	4,614
MC-LINK SPA	1.61%	475	-475	-	-	-270	270	-	-	205
BIO ENERGIA FIEMME SPA	11.46%	625	160	-	785	-	-	-	785	625
C.LE TERMOEL. DEL MINCIO SRL - IN LIQUIDATION	5.00%	1	-	-	1	-	-	-	1	1
DISTR. TECNOL. TRENTINO SC.AR.L.	1.77%	5	-	-	5	-	-	-	5	5
ISTITUTO ATESINO SVIL.SPA	0.32%	387	-	-	387	-	-	-	387	387
CONS.ASSINDUSTRIA ENERGIA	0%	1	-	-	1	-	-	-	1	1
CASSA RURALE ROVERETO	0%	-	-	-	-	-	-	-	-	-
TOTAL OTHER COMPANIES		***6,108***	***-315***	***-***	***5,793***	***-270***	***270***	***-***	***5,793***	***5,838***
TOTAL EQUITY INVESTMENTS		**775,167**	**10,485**	**-**	**785,652**	**-8,352**	**-223**	**-8,575**	**777,077**	**766,815**

Subsidiaries

DOLOMITI ENERGIA RINNOVABILI Srl – Trento. Fully paid-up Share Capital of 30,000 euro, represented by 30,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The financial year ending 31 December 2017 recorded a loss of 417,719 euro. The company is involved in creating photovoltaic and geothermal plants and in heat management.

NOVARETI SpA – Rovereto. Fully paid-up Share Capital of 28,500,000 euro, represented by 28,500,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The financial year ending 31 December 2017 recorded a profit of 12,182,011 euro. The company is engaged in the distribution of gas, cogeneration and district heating as well as in the management of the complete integrated water cycle.

DOLOMITI ENERGY SAVING Srl – Rovereto. Fully paid-up Share Capital of 100,000 euro, represented by 100,000 shares with a value of 1 euro each; Dolomiti Energia Holding owned 51% of the Share Capital and on 22 March 2017 purchased the remaining 49% of the share capital from Bartucci S.p.A, thus becoming the sole owner. The company, established for the promotion, diagnosis and realization of projects related to energy efficiency was then placed in liquidation and its operations were discontinued on 16 December 2017.

NESCO –NORTH ENERGY SERVICE COMPANY Srl – Trento. Fully paid-up Share Capital of 90,000 euro, represented by 90,000 shares of 1 euro each; Dolomiti Energia Holding acquired 100% of the Share Capital with deed of 26 June 2017. As at 31 December 2017, the company reported a profit of 674,916 euro. The company operates in the field of renewable energy and energy savings and energy efficiency.

DOLOMITI ENERGIA SpA – Trento. Fully paid-up Share Capital of 20,200,000 euro, represented by 20,200,000 shares of 1 euro each; Dolomiti Energia Holding holds 83.87% of the Share Capital equal to 16,942,700 shares with a nominal value of 16,942,700 euro. The financial year ending 31 December 2017 recorded a profit of 18,570,382 euro. The company is engaged in the sale of electricity, gas, heat to end users and in the invoicing management and customer service for water and municipal waste services.

SET DISTRIBUZIONE SpA - Rovereto. Fully paid-up Share Capital of 112,241,777 euro, represented by 112,241,777 shares with a value of 1 euro each; Dolomiti Energia Holding holds 74.52% of the Share Capital, equal to 83,645,346 shares with a nominal value of 83,645,346 euro. The financial year ending 31 December 2017 recorded a profit of 11,625,032 euro. The company carries out the electricity distribution business, mainly in the Trentino Province.

DOLOMITI ENERGIA TRADING SpA – Trento. Fully paid-up Share Capital of 2,478,429 euro, represented by 2,478,429 shares with a value of 1 euro each; Dolomiti Energia Holding holds 98.72% of the Share Capital, equal to 2,446,829 shares with a nominal value of 2,446,829 euro. The financial year ending 31 December 2017 recorded a loss of 6,859,978 euro. The company is a Group wholesaler in charge of the wholesale marketing of electricity from renewable sources and natural gas.

DEPURAZIONE TRENTINO CENTRALE S. Cons. a r.l. – Trento. Fully paid-up Share Capital of 10,000 euro, represented by 10,000 shares of 1 euro each; Dolomiti Energia Holding holds 57% of the Share Capital equal to 5,700 holdings with a nominal value of 5,700 euro. The company manages sewerage treatment plants and ended the financial year at breakeven.

HYDRO INVESTMENTS DOLOMITI ENERGIA Srl – Rovereto. Fully paid-up Share Capital of 2,000,000 euro, represented by 2,000,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 60% of the Share Capital, equal to 1,200,000 shares with a nominal value of 1,200,000 euro. The company, established on 15 February 2016, indirectly operates, through the purchase of equity investments, in production, purchase and sale of hydroelectric energy, as well as in the management of electricity power plants. As at 31 December 2017, it ended the financial year with a profit of 33,482,416 euro.

DOLOMITI GNL SRL – TRENTO. Fully paid-up Share Capital of 600,000 euro, represented by 600,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 60% of the Share Capital, equal to 360,000 shares with a nominal value of 360,000 euro. As at 31 December 2017, the Company reported a loss of 128,914 euro. It is involved in the storage of liquid natural gas and the building of infrastructures for the distribution and supply of gnl to users not reached by the methane gas distribution network.

DOLOMITI AMBIENTE Srl – Rovereto. Fully paid-up Share Capital of 2,000,000 euro, represented by 2,000,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. As at 31 December 2017, the company reported a profit of 2,513,700 euro. The company operates in the municipal waste services segment of Trento and Rovereto.

Associated companies and joint ventures

DOLOMITI EDISON ENERGY Srl – Trento. Fully paid-up Share Capital of 5,000,000 euro, represented by 5,000,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 51% of the Share Capital, equal to 2,550,000 shares with a nominal value of 2,550,000 euro. The company produces electricity from renewable sources through the management of five hydroelectric plants.

GIUDICARIE GAS SpA – Tione di Trento. Fully paid-up Share Capital of 1,780,023 euro, represented by 36,327 shares with a value of 49 euro each; Dolomiti Energia Holding holds 43.35% of the Share Capital, equal to 15,746 shares with a nominal value of 771,554 euro. The Company provides the methane gas distribution service in the Valli Giudicarie District.

SF ENERGY Srl – Bolzano. Fully paid-up Share Capital of 7,500,000 euro, represented by 7,500,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 50.00% of the Share Capital, equal to 3,750,000 shares with a nominal value of 3,750,000 euro. The company is the concession holder of the hydroelectric power plant of San Floriano (Egna).

PVB POWER BULGARIA – Sofia (Bulgaria). Fully paid-up Share Capital of 38,346,891 euro, represented by 750,000 shares with a value of 51.13 euro each; Dolomiti Energia Holding holds 23.13% of the Share Capital, equal to 173,467 shares with a nominal value of 8,869,227 euro. During the year, this equity investment was written down by 493,000 euro, following losses and expected losses resulting from the impairment of equity investments of the associated company. The company operates in Bulgaria and is planning to build some energy production plants from renewable sources.

BIOENERGIA TRENTINO Srl – Faedo. Fully paid-up Share Capital of 3,000,000 euro, represented by 3,000,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 24.90% of the Share Capital, equal to 747,000 shares with a nominal value of 747,000 euro. The company was established with the aim of producing renewable energy by using biomass derived from waste.

ALTO GARDA SERVIZI SpA – Riva del Garda. Fully paid-up Share Capital of 23,234,016 euro, represented by 446,808 shares with a value of 52 euro each; Dolomiti Energia Holding holds 20% of the Share Capital, equal to 89,362 shares with a nominal value of 4,646,824 euro. The company is a multi-service firm that manages the distribution of electricity, gas methane, drinking water and district heating in the Alto Garda and Ledro areas.

Other companies

PRIMIERO ENERGIA SpA – Fiera di Primiero. Fully paid-up Share Capital of 9,938,990 euro, represented by 993,899 shares with a value of 10 euro each; Dolomiti Energia Holding holds 19.94% of the Share Capital, equal to 198,177 shares with a nominal value of 1,981,770 euro. The company is engaged in the production of hydroelectric energy and manages 4 hydroelectric plants in the Primiero valley.

MC-LINK SpA – Trento. Fully paid-up Share Capital of 2,815,516 euro, represented by 3,236,225 shares with a value of 0.87 euro each; Dolomiti Energia Holding sold its entire equity investment, equal to 1.61% of the Share Capital (51,954 shares). The sale of the equity investment, partly written down over the previous years, generated a capital gain of 605 thousand euro.

BIO ENERGIA FIEMME SpA – Cavalese. Fully paid-up Share Capital of 7,058,964 euro, represented by 1,176,494 shares with a value of 6 euro each; Dolomiti Energia Holding holds 11.46% of the Share Capital, equal to 134,800 shares with a nominal value of 808,800 euro. During the year 2017, the company Dolomiti Energia Holding acquired further 20.000 shares from Atzwanger Spa, thus increasing the equity investment from 9.76% to current 11.45%. The company is engaged in the cogeneration and district heating sector.

CENTRALE TERMOELETTRICA DEL MINCIO Srl – Ponti sul Mincio. Fully paid-up Share Capital of 11,000 euro, represented by 11,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 5% of the Share Capital, equal to 550 shares with a nominal value of 550 euro. The company is currently in liquidation.

DISTRETTO TECNOLOGICO TRENTINO S. Cons. a r.l. – Rovereto. Fully paid-up Share Capital of 282,000 euro, represented by 282,000 holdings with a value of 1 each; Dolomiti Energia Holding holds 1.77% of the Share Capital, equal to 5,000 shares with a nominal value of 5,000 euro.
The company is committed to environmental sustainability.

ISA – ISTITUTO ATESINO DI SVILUPPO SpA – Trento. Fully paid-up Share Capital of 79,450,676 euro, represented by 79,450,676 shares with a unit value of 1 euro each; Dolomiti Energia Holding holds 0.32% of the Share capital equal to 252,653 shares with a nominal value of 252,653 euro. ISA is a holding company that participates in various companies in the environmental, insurance, banking, real estate and industrial energy segment.

CONSORZIO ASSINDUSTRIA ENERGIA TRENTO – Trento. Dolomiti Energia Holding holds an interest of 516 euro.

CASSA RURALE DI ROVERETO S.c.a r.l. – Rovereto. Dolomiti Energia Holding holds an interest of 160 euro.

Pursuant to Article 2427, Paragraph 5 of the Italian Civil Code, the following table summarises the main information relating to the investee companies.

SUBSIDIARIES		PERCENTAGE OWNED	REGISTERED OFFICE	SHARE CAPITAL 2017	SHAREHOLDER'S EQUITY 2017	PROFIT/(LOSS) 2017	COST	ACTUAL
DOLOMITI ENERGIA RINNOVABILI	SRL	100.00%	VIA FERSINA 23 - 38123 TRENTO	30,000	1,745,171	-417,719	30,000	30,000
NOVARETI	SPA	100.00%	VIA MANZONI 24 - 38068 ROVERETO	28,500,000	200,830,304	12,182,011	139,266,500	139,266,500
NESCO-NORTH ENERGY SERV.COMPANY	SRL	100.00%	VIA FERSINA 23 - 38123 TRENTO	90,000	1,944,692	674,916	5,850,474	5,850,474
DOLOMITI ENERGIA	SPA	83.87%	VIA FERSINA 23 - 38123 TRENTO	20,200,000	105,611,029	18,570,382	32,619,062	32,619,062
SET DISTRIBUZIONE	SPA	74.52%	VIA MANZONI 24 - 38068 ROVERETO	112,241,777	165,952,693	11,625,032	85,800,504	85,800,504
DOLOMITI ENERGIA TRADING	SPA	98.72%	VIA FERSINA 23 - 38123 TRENTO	2,478,429	9,740,712	-6,859,978	13,334,259	13,334,259
DEPUR. TRENTINO CENTR.	SCARL	57.00%	VIA FERSINA 23 - 38123 TRENTO	10,000	10,000	-	5,700	5,700
HYDRO INVESTMENTS DOL.ENERGIA	SRL	60.00%	VIA MANZONI 24 - 38068 ROVERETO	2,000,000	698,184,008	33,482,416	406,602,210	406,602,210
DOLOMITI GNL	SRL	60.00%	VIA FERSINA 23 - 38123 TRENTO	600,000	333,736	-128,914	360,000	360,000
DOLOMITI AMBIENTE	SRL	100.00%	VIA MANZONI 24 - 38068 ROVERETO	2,000,000	22,195,825	2,513,700	16,010,000	16,010,000
TOTAL SUBSIDIARIES							***699,878,710***	***699,878,710***
ASSOCIATED COMPANIES AND JOINT VENTURES		**PERCENTAGE OWNED**	**REGISTERED OFFICE**	**SHARE CAPITAL 2016**	**SHAREHOLDER'S EQUITY 2016**	**PROFIT/(LOSS) 2016**	**COST**	**ACTUAL**
DOLOMITI EDISON ENERGY	SRL	51.00%	VIA FERSINA 23 - 38123 TRENTO	5,000,000	25,680,940	3,757,068	32,108,741	32,108,741
GIUDICARIE GAS	SPA	43.35%	VIA STENICO 11 - 38079 TIONE-TRENTO	1,780,023	3,004,736	209,472	838,789	838,789
SF ENERGY	SRL	50.00%	VIA CANONICO M. GAMPER 939100 BOLZANO	7,500,000	16,942,942	906,583	27,545,000	27,545,000
PVB POWER BULGARIA AD	SPA	23.13%	VIALE BULGARIA, N. 118 – ABACUS BUSINESS CENTRE SOFIA - BULGARIA	38,346,891	31,097,000	622,000	10,624,057	2,049,057
BIOENERGIA TRENTINO	SRL	24.90%	LOC. CADINO 18/1 38010 FAEDO	3,000,000	5,472,685	838,436	1,768,935	1,768,935
AGS	SPA	20.00%	VIA ARDARO 27 - 38066 RIVA D/GARDA	23,234,016	42,424,360	2,877,260	7,094,721	7,094,721
TOTAL ASSOCIATED COMPANIES AND JOINT VENTURES							***79,980,243***	***71,405,243***
OTHER COMPANIES		**PERCENTAGE OWNED**	**REGISTERED OFFICE**	**SHARE CAPITAL 2016**	**SHAREHOLDER'S EQUITY 2016**	**PROFIT/(LOSS) 2016**	**COST**	**ACTUAL**
PRIMIERO ENERGIA	SPA	19.94%	VIA GUADAGNINI 31 - 38054 FIERA DI PRIMIERO	9,938,990	40,370,908	-713,071	4,614,702	4,614,702
BIO ENERGIA FIEMME	SPA	11.46%	VIA PILLOCCO, 4 38033 CAVALESE	7,058,964	10,416,783	590,503	784,639	784,639
C.LE TERMOEL. DEL MINCIO - IN LIQUIDATION	SRL	5.00%	VIA S. NICOLÒ 24 - PONTI S/MINCIO MN	11,000	3,855	-5,143	657	657
DISTRETTO TECNOLOGICO TRENTINO	SCARL	1.77%	PIAZZA MANIFATTURA 1 - 38068 ROVERETO	282,000	418,459	44,714	5,000	5,000
ISTITUTO ATESINO SVILUPPO	SPA	0.32%	VIALE ADRIANO OLIVETTI, 36 - 38122 TRENTO	79,450,676	134,411,537	4,560,806	387,200	387,200
CONS.ASSINDUSTRIA ENERGIA	CONS.	0.00%	VIA DEGASPERI 77 - 38123 TRENTO	-	-	-	516	516
CASSA RURALE ROVERETO	SCARL	0.00%	VIA MANZONI 1 - 38068 ROVERETO	-	-	-	160	160
TOTAL OTHER COMPANIES							***5,792,874***	***5,792,874***
TOTAL EQUITY INVESTMENTS							**785,651,827**	**777,076,827**

8.4 NON-CURRENT FINANCIAL ASSETS

The item "Non-current financial assets" as at 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER		CHANGES
	2017	2016	
SECURITIES AT THE CLESIO REAL ESTATE FUND	8,694	8,694	-
TOTAL	**8,694**	**8,694**	**-**

The total amount of the units of the property fund came to 15,678 thousand euro and derives from the subscription of 322 holdings of the Clesio real estate fund, of which 101 units received by way of dividend in kind from Urbin SpA for 5,512 thousand euro in 2008 and 221 units purchased during 2011 for 10,166 thousand euro after the liquidation of the same company. As at 31 December 2017, the value of the provision was written-down by a total amount of 6,984 thousand euro, to align the value of each single quotas to the Net Asset Value (NAV).

8.5 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities as at 31 December 2017 and 31 December 2016 are broken down by type of temporary differences as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER		CHANGES
	2017	2016	
PROPERTY, PLANT AND EQUIPMENT	755	890	(135)
PROVISION FOR WRITE-DOWNS	116	121	(5)
PROVISIONS FOR RISKS AND CHARGES	413	400	13
FAIR VALUE OF DERIVATIVES	109	-	109
NON-DEDUCTIBLE INTEREST EXPENSE	1,336	1,336	-
REAL ESTATE FUND WRITE-DOWN	1,676	1,676	-
OTHER DIFFERENCES, ITA GAAP - IFRS	90	123	(33)
OTHER	1	13	(12)
EMPLOYEE TERMINATION BENEFITS	31	20	11
OTHER EMPLOYEE BENEFITS	517	428	89
TOTAL PREPAID TAXES	**5,044**	**5,007**	**37**
PROPERTY, PLANT AND EQUIPMENT	161	179	(18)
PROVISION FOR WRITE-DOWNS	56	63	(7)
TOTAL DEFERRED TAXES	**217**	**242**	**(25)**

The following table highlights changes in deferred tax assets and liabilities, divided by type of temporary differences, determined based on tax rates envisaged by regulations in force.

(IN THOUSANDS OF EURO)	AS AT 31.12.2016	INCREASES/ (DECREASES) IN INCOME STATEMENT	INCREASES/ (DECREASES) IN SHAREHOLDERS' EQUITY	OTHER CHANGES IN INCOME STATEMENT	OTHER CHANGES IN SHAREHOLDERS' EQUITY	AS AT 31.12.2017
DEFERRED TAX ASSETS:						
PROPERTY, PLANT AND EQUIPMENT	890	(135)	-		-	755
PROVISION FOR WRITE-DOWNS	121	(5)	-	-	-	116
PROVISIONS FOR RISKS AND CHARGES	400	13	-	-	-	413
FAIR VALUE OF DERIVATIVES	-	-	109	-	-	109
NON-DEDUCTIBLE INTEREST EXPENSE	1,336	-	-	-	-	1,336
REAL ESTATE FUND WRITE-DOWN	1,676	-	-	-	-	1,676
OTHER DIFFERENCES, ITA GAAP - IFRS	123	(33)	-		-	90
OTHER	13	(12)	-	-	-	1
EMPLOYEE TERMINATION BENEFITS	20	(1)	12	-	-	31
OTHER EMPLOYEE BENEFITS	428	(14)	103	-	-	517
TOTAL PREPAID TAXES	***5,007***	***(187)***	***224***	***-***	***-***	***5,044***
PROPERTY, PLANT AND EQUIPMENT	179	(18)	-	-	-	161
PROVISION FOR WRITE-DOWNS	63	(7)	-	-	-	56
TOTAL DEFERRED TAXES	***242***	***(25)***	***-***	***-***	***-***	***217***

8.6 OTHER NON-CURRENT ASSETS

The item "Other non-current assets" as at 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER		CHANGES
	2017	2016	
OTHER ASSETS	76	1,086	(1,010)
TOTAL	**76**	**1,086**	**(1,010)**

The item "Other non-current receivables" includes mainly guarantee deposits related to suppliers (28 thousand euro) and prepayments beyond the financial year (40 thousand euro).

The change, with respect to the previous year, refers to the refund of a deposit from the Court of Rovereto related to a bankruptcy claim (1,000 thousand euro).

8.7 INVENTORIES

The item "Inventories" as at 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER		CHANGES
	2017	2016	
RAW MATERIALS AND CONSUMABLES	234	277	(43)
TOTAL	**234**	**277**	**(43)**

Inventories of raw materials, equal to 234 thousand euro, include meters for 216 thousand euro and other sundry inventory material amounting to 18 thousand euro.

8.8 TRADE RECEIVABLES

The item "Trade receivables" as at 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER		CHANGES
	2017	2016	
ACCOUNTS RECEIVABLE - CUSTOMERS	6,231	6,681	(450)
ACCOUNTS RECEIVABLE - SUBSIDIARIES	4,948	7,310	(2,362)
ACCOUNTS RECEIVABLE - ASSOCIATES	40	-	40
ACCOUNTS RECEIVABLE - PARENT COMPANIES	95	101	(6)
PROVISION FOR WRITE-DOWNS	(723)	(727)	4
TOTAL	**10,591**	**13,365**	**(2,774)**

The item Trade receivables, disclosed net of the related provision for write-downs, mainly includes accounts receivable from customers and allocations for invoices and credit notes to be issued.
Receivables from subsidiaries include receivables on invoices issued and to be issued for general services provided by the Company as defined in the Report on Operations, to which reference is made for a more in-depth description of the dealings between related parties.
The adjustment criteria of receivables at the estimated realisable value take account of different valuations based on the status of the dispute.

The provision for write-downs reported the following changes during the years 2016 and 2017:

(IN THOUSANDS OF EURO)	PROVISION FOR WRITE-DOWNS
AS AT 01 JANUARY 2016	757
ALLOCATIONS	-
UTILISATION	(30)
AS AT 31 DECEMBER 2016	727
(IN THOUSANDS OF EURO)	**PROVISION FOR WRITE-DOWNS**
AS AT 01 JANUARY 2017	727
ALLOCATIONS	-
UTILISATION	(4)
AS AT 31 DECEMBER 2017	723

8.9 RECEIVABLES FOR CURRENT TAXES

The item "Receivables for current taxes" as at 31 December 2017 and 2016:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER		CHANGES
	2017	2016	
IRES	9,648	17,676	(8,028)
IRAP	-	546	(546)
TOTAL	**9,648**	**18,222**	**(8,574)**

The IRES credit includes the rebate requested in 2012 on the basis of the so-called "Salva Italia" and "Semplificazioni" decrees for 1,902 thousand euro, plus the credit for the year in the presence of additional payments on account (7,735 thousand euro).
The IRES credit as at 31 December 2016, adjusted in the tax return and increased due to the 2017 tax prepayments made in the amount of 6,751 thousand euro, was offset by the IRES debt for the year resulting from the national tax consolidation and amounting to 17,163 thousand euro.
During the year, the Company offset the IRAP credit resulting from the 2016 tax return while paying the IRES tax.

8.10 CURRENT FINANCIAL ASSETS

The item "Current financial assets" as at 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER		CHANGES
	2017	2016	
FINANCIAL ASSETS - SUBSIDIARIES	78,783	71,129	7,654
FINANCIAL ASSETS - ASSOCIATES	8,550	9,150	(600)
OTHER FINANCIAL ASSETS	1	18	(17)
TOTAL	**87,334**	**80,297**	**7,037**

Financial receivables from subsidiaries include receivables from the parent company for cash pooling and related interest (77,212 thousand euro), as well as an interest-bearing loan to Dolomiti GNL, amounting to 1,571 thousand euro. Compared to the previous year, the change was mainly related to the increase in receivables for cash pooling to the Subsidiaries, in the amount of 6,780 thousand euro and the payment of further instalments of the loan granted to the subsidiary Dolomiti GNL and amounting to 771 thousand euro.
The receivable, referred to associated companies, represents an interest-bearing loan granted to Dolomiti Edison Energy (7,650 thousand euro) and a similar loan granted to Bio Energia Trentino (900 thousand euro). Both loans are repayable within a short term. During the year, 600 thousand euro were collected as partial redemption of loans.

8.11 OTHER CURRENT ASSETS

The item "Other current assets" as at 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER		CHANGES
	2017	2016	
VAT CREDIT	7,722	3,086	4,636
OTHER TAX CREDITS	140	1	139
PREPAYMENTS AND ACCRUED INCOME	307	323	(16)
OTHER ACCOUNTS RECEIVABLE	120	133	(13)
ACCOUNTS RECEIVABLE - CSEA	52	52	-
RENEWABLE SOURCE CERTIFICATES	1,577	829	748
ADVANCES/DEPOSITS	90	162	(72)
ACCOUNTS RECEIVABLE - SOCIAL SECURITY INSTITUTIONS	8	7	1
ACCOUNTS RECEIVABLE - SUBSIDIARIES	12,447	9,316	3,131
ACCOUNTS RECEIVABLE - BANK GUARANTEES	300	288	12
OTHER ACCOUNTS RECEIVABLE - SUBSIDIARIES	77	80	(3)
TOTAL OTHER CURRENT ASSETS	**22,840**	**14,277**	**8,563**

The VAT credit is the balance of the entire centralised management of Group VAT.
The item Renewable Source Certificates refers to the receivable deriving from the right to receive GRIN Certificates further to the production of energy from hydroelectric sources, to be collected and pertaining to 2016 and 2017.
Receivables from subsidiaries include account receivables resulting from the adhesion of subsidiaries to the national tax consolidation and Group VAT (12,447 thousand euro), as well s receivables for charges on bank guarantees and parent company (377 thousand euro).

Tax consolidation
Detailed below are the main characteristics of the contract governing relations between Dolomiti Energia Holding and its subsidiaries as part of the "national tax consolidation" (SET Distribuzione, Novareti, Dolomiti Energia, Dolomiti Energia Rinnovabile, Dolomiti Energia Trading, Hydro Dolomiti Energia and Hydro Investments Dolomiti Energia):
- term of transaction: three years (tacitly renewable);
- transfer of taxable income: if the consolidated company records positive taxable income, it must pay the tax to the consolidating company with a settlement date no later than the deadline for payments to the tax authorities;
- transfer of tax losses: if a negative taxable income is recorded (tax loss), the consolidating company agrees to recognise a final amount equal to the amount of the loss less 3% for discounting purposes;
- transfer of surplus in A.C.E.: in the event of a surplus of A.C.E, and if the Group requires it, the consolidating company undertakes to grant a remuneration equal to the IRES tax rate in force, multiplied by the transferred ACE amount, deducted 3% for discounting.

8.12 CASH AND CASH EQUIVALENTS

The item "Cash and cash equivalents" as at 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER		CHANGES
	2017	2016	
BANKS AND POSTAL CURRENT ACCOUNTS	910	2,492	(1,582)
CASH ON HAND	4	6	(2)
TOTAL	**914**	**2,498**	**(1,584)**

The item includes cash on hand and bank deposits effectively available and readily convertible into cash as at the end of the financial year.

8.13 SHAREHOLDERS' EQUITY

Changes in equity reserves were shown in the tables of these financial statements for the year.
As at 31 December 2017, the Company's share capital amounted to 411,496,169 euro and comprised 411,496,169 ordinary shares with a nominal value of 1 euro each.
The Shareholders' Equity is broken down as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER		CHANGES
	2017	2016	
SHARE CAPITAL	411,496	411,496	-
LEGAL RESERVE	28,310	25,975	2,335
SHARE PREMIUM RESERVE	994	994	-
TREASURY SHARES RESERVE	(67,552)	(67,552)	-
OTHER RESERVES AND RETAINED EARNINGS			
REVALUATION RESERVE	1,128	1,128	-
CONTRIBUTIONS RESERVE	13,177	13,177	-
EXTRAORDINARY RESERVE	88,296	88,296	-
DEFERRED TAX RESERVE	19,437	19,437	-
MERGER SURPLUS FROM SHARE SWAP RESERVE	33,866	33,866	-
FTA RESERVE	(61,002)	(78,903)	17,901
RESERVE FOR RETAINED EARNINGS AND LOSSES CARRIED FORWARD	6,744	6,744	-
RESERVE - IAS 19	47	274	(227)
RESERVE FOR HEDGES ON EXPECTED CASH FLOWS	(346)	-	(346)
OTHER RESERVES	101,347	84,019	17,328
NET PROFIT FOR THE YEAR	51,508	46,711	4,797
TOTAL SHAREHOLDERS' EQUITY	**526,103**	**501,643**	**24,460**

The Revaluation Reserve was set up following the merger by absorption of the former companies SIT SpA and A.S.M. SpA; this reserve is subject to tax deferment.
This Contribution Reserve was set up by resolution of the Shareholders' Meeting and refers to the transfer of business activities to Dolomiti Energia SpA. (former Trenta SpA.).
The FTA reserve includes the equity effect of the passage to IFRS standards, determined at the transition date of 1 January 2015.

The Deferred Tax Reserve reflects the positions below:

CONSIDERATION RESERVE	BALANCE AS AT 31 DECEMBER 2017
PRE-1993 CONTRIBUTIONS RESERVE - WATER	2,734
PRE-1993 CONTRIBUTIONS RESERVE - GAS	9,602
PRE-1993 CONTRIBUTIONS RESERVE - REG. LAWS	30
PRE-1993 CONTRIBUTIONS RESERVE - ALT. SOURCES	5
PRE-1993 CONTRIBUTIONS RESERVE - SUBSTATION METER READING	51
PRE-1993 CONTRIBUTIONS RESERVE	**12,422**
POST-1993 CONTRIBUTIONS RESERVE	**7,015**
TOTAL CONTRIBUTIONS RESERVE	**19,437**

The merger surplus reserve derives from the merger by absorption of Dolomiti Energia into Trentino Servizi (now Dolomiti Energia Holding), the subsequent elimination of the investment previously held by Trentino Servizi in Dolomiti Energia Holding (elimination surplus), and the overlap between the increase in Minority interest capital and their portion of shareholders' equity (share swap surplus) generated the following "Reserves":

- -Elimination surplus of € 4,271,946 (*)
- -Swap surplus of € 34,092,454 (*)

(*) the merger elimination surplus reserve was distributed in 2009. In the same year, a portion of the share swap surplus reserve was distributed for 227 thousand euro.

The table below analyses Shareholders' Equity in terms of availability and distribution options for reserves.

(IN THOUSANDS OF EURO)	31/12/17	POSSIBILITY OF USE	AVAILABLE PORTION	USAGE SUMMARY FOR PAST THREE YEARS	
				TO COVER LOSSES	FOR OTHER REASONS
I) SHARE CAPITAL	**411,496**				
EQUITY RESERVES					
SHARE PREMIUM RESERVE	994	A,B,C	994	-	-
REVALUATION RESERVES	1,128	A,B,C	1,128	-	-
MERGER SURPLUS FROM SHARE SWAP/ELIMINATION RESERVE	33,866	A,B	33,866	-	-
RESERVE FOR HEDGES ON EXPECTED CASH FLOWS	(346)	-	-		
PROFIT RESERVES					
LEGAL RESERVE	28,310	B	-	-	-
TREASURY SHARES RESERVE	(67,552)	-	-	-	-
CONTRIBUTIONS RESERVE	13,177	A,B,C	13,177	-	-
EXTRAORDINARY RESERVE	88,296	A,B,C	88,296	-	-
DEFERRED TAX RESERVE	19,437	A,B,C	19,437	-	-
FTA RESERVE	(61,002)				
RETAINED EARNINGS OR LOSSES CARRIED FORWARD	6,744				
RESERVE - IAS 19	47				
TOTAL	**474,595**		**156,898**		
NON-DISTRIBUTABLE PORTION			**(34,859)**		
RESIDUAL DISTRIBUTABLE PORTION			**122,039**		

* A: for share capital increase
* B: to cover losses
* C: for distribution to shareholders

Pursuant to Article 2431 of the Italian Civil Code, the "Share premium reserve" can be distributed only if the legal reserve has reached the limit established by Article 2430 of the Italian Civil Code. Likewise, the portion resulting from share swaps of the merger surplus reserve is considered similar to the share premium reserve, and is therefore not distributable until the legal reserve has reached the limit of one fifth of the share capital.

The Revaluation reserve and Deferred tax reserve, if distributed, would lead to the payment of related taxes.

8.14 PROVISIONS FOR RISKS AND CHARGES

The item "Provisions for risks and charges" amounted to 1,495 thousand euro as at 31 December 2017 and is broken down as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER		CHANGES
	2017	2016	
PROVISION FOR RISKS AND CHARGES	1,495	1,495	-
TOTAL	**1,495**	**1,495**	**-**

Provision for plant risks
The provision as at 31 December 2017 amounted to 1,395 thousand euro and was provided over the years to cover the risk of charges deriving from the management of plants and associated areas. There were no changes in the contributions reserve in the year.

Provision for charges - Guardia di Finanza inspection
The provision amounted to 100 thousand euro and referred to the amount set aside for the 2004 Customs and Exercise Police (Guardia di Finanza) assessment, in relation to which steps had immediately been taken to make a prudent allocation estimated as 100 thousand euro. In 2007 and 2008, the Company had taken steps to pay the Italian Tax Authority's claim for 84 thousand euro, by using part of the existing provision; subsequently, in 2010 the Trento Tax Authority accepted that the amounts paid were not in effect due and reimbursed the sum of 84 thousand euro. To-date, an appeal of the Guardia di Finanza (Customs and Excise Police) is still pending before the Supreme Court of Cassation.

8.15 EMPLOYEE BENEFITS

The item "Employee benefits", as at 31 December 2017, included 2,367 thousand euro related to the Provision for employee termination benefits and 1,762 thousand euro related to other employee benefits.

Other benefits include additional monthly wages for achieved age limits or for accrued right to pension, loyalty bonuses and golden medals for the achievement of determined age requirement in the company, discounts on the supply price of household electricity, limited to some former employees during pension.

Changes in the Provision for employee termination benefits and other employee benefits, for the years ended 31 December 2017 and 31 December 2016, are broken down as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER 2017					
	EMPLOYEE TERMINATION BENEFITS	LOYALTY BONUSES	ADDITIONAL MONTHLY WAGES	ELECTRICITY DISCOUNTS	MEDALS	TOTAL
LIABILITIES AT BEGINNING OF THE YEAR	**2,347**	**212**	**320**	**864**	**106**	**3,849**
CURRENT COST OF SERVICE	-	9	12	-	5	26
INTEREST TO BE DISCOUNTED	41	4	6	15	1	67
BENEFITS PAID	(62)	(28)	(18)	(43)	(4)	(155)
ACTUARIAL LOSSES/(PROFITS)	41	7	3	334	(43)	342
LIABILITIES AT YEAR END	**2,367**	**204**	**323**	**1,170**	**65**	**4,129**

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER 2016					
	EMPLOYEE TERMINATION BENEFITS	LOYALTY BONUSES	ADDITIONAL MONTHLY WAGES	ELECTRICITY DISCOUNTS	MEDALS	TOTAL
LIABILITIES AT BEGINNING OF THE YEAR	**2,368**	**210**	**305**	**933**	**106**	**3,922**
CURRENT COST OF SERVICE	-	10	12	8	5	35
INTEREST TO BE DISCOUNTED	47	4	6	19	2	78
BENEFITS PAID	(65)	(27)	-	(49)	(7)	(148)
ACTUARIAL LOSSES/(PROFITS)	(3)	15	(3)	(47)	-	(38)
LIABILITIES AT YEAR END	**2,347**	**212**	**320**	**864**	**106**	**3,849**

The assumptions used for actuarial evaluations are shown hereunder:

	AS AT 31 DECEMBER	
	2017	2016
DISCOUNT RATE	1.50%	1.75%
INFLATION RATE	1.50%	1.60%
ANNUAL RATE OF TOTAL COMPENSATION INCREASE	2.50%	2.60%
RATE OF INCREASE IN POST-EMPLOYMENT BENEFITS (TFR)	2.63%	2.70%

A sensitivity analysis, as at 31 December 2017, related to the main actuarial assumptions included in the calculation model is shown hereunder, considering the base line scenario described above and increasing and decreasing the annual average discount rate, the average inflation rate and the turnover rate. The results obtained can be summarised in the following table:

	AS AT 31 DECEMBER 2017					
(IN THOUSANDS OF EURO)	DISCOUNT RATE +0.50%	DISCOUNT RATE -0.50%	INFLATION RATE+0.25%	INFLATION RATE -0.25%	TURNOVER RATE +2%	TURNOVER RATE -0.50%
EMPLOYEE TERMINATION BENEFITS	2,254	2,487	2,401	2,333	2,344	2,372

8.16 FINANCIAL LIABILITIES (CURRENT AND NON-CURRENT)

The table hereunder shows current and non-current financial liabilities as at 31 December 2017 and 2016:

	AS AT 31 DECEMBER 2017			
(IN THOUSANDS OF EURO)	2017		2016	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
DUE TO BANKS	189,337	131,363	153,221	150,471
BOND LOANS	-	5,052	15,660	7,540
IRS DERIVATIVES	-	4,505	-	7,295
PAYABLES FOR CASH POOLING TO SUBSIDIARIES	69,311	-	66,271	-
OTHER FINANCIAL PAYABLES TO SUBSIDIARIES	21,208	3,200	27,026	3,400
TOTAL	**279,856**	**144,120**	**262,178**	**168,706**

Payables due to banks include mortgages taken out with various banks (146,710 thousand euro), short-term loans (113,000 thousand euro), and other amounts due to banks (60,990 thousand euro).
The item Other financial payables to subsidiaries includes amounts due from the Parent Company for a deposit contract signed with Hydro Investments Dolomiti Energia (21,180 thousand euro) and a shareholders' loan equal to 3,200 thousand euro.

Bond loan

In February 2017, a tranche of the bond loan named "Dolomiti Energia" was redeemed in the amount of 15,660 thousand euro and in August a further portion was repaid (2,488 thousand euro). On 10 August 2017, the Regulation on Bond Loans - Subordinated- Fixed rate 2010-2017 was modified with the consequent postponement of the maturity term of the same loan from August 2017 to August 2022, for a residual amount of 5,052 thousand euro. As at 31 December 2017 and 31 December 2016, the Company had the following bond loans in place:

AS AT 31 DECEMBER 2017 *(IN THOUSANDS OF EURO)*	COMPANY	TAKING OUT	MATURITY	OPENING BALANCE (ORIGINAL CURRENCY)	ACCOUNTING BALANCE			
					TOTAL	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
BOND LOANS								
FONDAZIONE CARITRO	DOLOMITI ENERGIA HOLDING SPA	10/02/2010	10 AUG-22	€30,000	5,052	-	5,052	-
TOTAL					**5,052**	**-**	**5,052**	**-**

AS AT 31 DECEMBER 2016 *(IN THOUSANDS OF EURO)*	COMPANY	TAKING OUT	MATURITY	OPENING BALANCE (ORIGINAL CURRENCY)	ACCOUNTING BALANCE			
					TOTAL	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
BOND LOANS								
FONDAZIONE CARITRO	DOLOMITI ENERGIA HOLDING SPA	10/02/2010	10/02/2017	€30,000	23,200	15,660	7,540	-
TOTAL					**23,200**	**15,600**	**7,540**	**-**

The following table shows the breakdown of net financial indebtedness of the company Dolomiti Energia Holding SpA as at 31 December 2017 and 2016, determined according to provisions set out by Consob Communication of 28 July 2006 and according to Recommendations ESMA/2013/319:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER	
	2017	2016
A. CASH	4	6
B. OTHER CASH AND CASH EQUIVALENTS	910	2,492
C. SECURITIES HELD FOR TRADING	-	-
D. CASH AND CASH EQUIVALENTS (A+B+C)	***914***	***2,498***
E. CURRENT FINANCIAL RECEIVABLES	**87,334**	**80,297**
F. CURRENT PAYABLES DUE TO BANKS AND OTHER LENDERS	(174,099)	(128,899)
G. CURRENT PORTION OF NON-CURRENT PAYABLES	(15,238)	(39,982)
H. OTHER CURRENT PAYABLES	(90,519)	(93,297)
I. CURRENT FINANCIAL POSITION (F+G+H)	**(279,856)**	**(262,178)**
J. CURRENT NET FINANCIAL POSITION (I+E+D)	**(191,608)**	**(179,383)**
K. NON-CURRENT PAYABLES DUE TO BANKS AND OTHER LENDERS	(134,563)	(153,872)
L. BONDS ISSUED	(5,052)	(7,540)
M. OTHER NON-CURRENT PAYABLES	(4,505)	(7,294)
N. NON-CURRENT FINANCIAL POSITION (K+L+M)	**(144,120)**	**(168,706)**
O. NET FINANCIAL POSITION (J+N)	(335,728)	(348,089)
NON-CURRENT FINANCIAL ASSETS	8,694	8,694
NET FINANCIAL POSITION OF THE COMPANY	**(327,034)**	**(339,395)**

8.17 OTHER LIABILITIES (CURRENT AND NON-CURRENT)

The items "Other non-current liabilities" and "Other current liabilities" as at 31 December 2017 and 2016 are broken down as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER		CHANGES
	2017	2016	
ACCRUED LIABILITIES AND DEFERRED INCOME	875	1,087	(212)
OTHER NON-CURRENT LIABILITIES	1,000	-	1,000
TOTAL OTHER NON-CURRENT LIABILITIES	**1,875**	**1,087**	**788**

The multi-year deferred income refers to the rental payments to MC-LINK SpA to be due in 2022 (826 thousand euro).
Other non-current liabilities refer to the amount due to former shareholders of the subsidiary NESCO srl for the purchase of their equity investment (1,000 thousand euro).

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER		CHANGES
	2017	2016	
SOCIAL SECURITY AND WELFARE PAYABLES	782	748	34
ACCRUED LIABILITIES AND DEFERRED INCOME	218	340	(122)
VAT	1	-	1
IRPEF	370	292	78
OTHER TAX PAYABLES	51	53	(2)
OTHER ACCOUNTS PAYABLE	554	467	87
ACCOUNTS PAYABLE - EMPLOYEES	1,467	1,400	67
PAYABLES FOR DIRECT AND INDIRECT TAXES TO SUBSIDIARIES	9,964	17,862	(7,898)
PAYABLES FOR DIRECT AND INDIRECT TAXES TO ASSOCIATES	810	-	810
TOTAL OTHER CURRENT LIABILITIES	**14,217**	**21,162**	**-6,945**

Social security payables concerned charges and withholding taxes to employees, paid in the following month. Similarly, payables for IRPEF concerned withholding taxes for December, paid in January 2018.
The accounts payable to employees include payables related to the results bonus (912 thousand euro) and leave accrued and not taken (550 thousand euro).
The parent company recognises payables to various subsidiaries due to VAT credit (5,952 thousand euro) and IRES credit (4,012 thousand euro), as well as payables to associates due to VAT credit (810 thousand euro).

8.18 TRADE PAYABLES

The item "Trade payables" as at 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER		CHANGES
	2017	2016	
PAYABLES TO SUBSIDIARIES	4,142	5,291	(1,149)
PAYABLES TO PARENT COMPANIES	293	250	43
PAYABLES TO OTHER COMPANIES	4,852	6,301	(1,449)
TOTAL TRADE PAYABLES	**9,287**	**11,842**	**(2,555)**

The item Accounts payable to subsidiaries includes all relations between the Holding with Group companies and includes, amongst other, considerations related to the management of sewerage treatment plants through the subsidiary DTC, personnel in charge, service contracts and all supplies of goods and services.
The amount due to subsidiaries is related to payables due to the Municipality of Rovereto for rentals.
Trade payables to other companies include amounts due for invoices received, totalling 2,393 thousand euro, and invoices to be received, totalling 2,459 thousand euro.

9. Notes to the Income Statement

9.1 REVENUE

The item "Revenue" for the years ended 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER 2017	2016	CHANGES
ELECTRICITY PRODUCTION	6,736	14,470	(7,734)
COMMERCIAL AND TRADING	-	33	(33)
DERIVATIVE EFFECT ON COMMODITIES	-	1,268	(1,268)
DISTRIBUTION AND GRIDS	60	63	(3)
OTHER MINOR SERVICES	1,262	1,259	3
TOTAL	**8,058**	**17,093**	**(9,035)**

As regards revenue from electricity production, the decrease is mainly attributable to the transfer of the Parent Company to the subsidiary Dolomiti Energia Trading, management contracts of hydroelectric energy produced by SF Energy and Dolomiti Edison Energy (in 2016 they amounted to 10,912 thousand euro).
Production of hydroelectric energy from owned plants also dropped by 14% due to scarce rainfall, from 43,785 GWh in 2016 to 37,530 GWh in 2017. For a comprehensive view of performance over the year, reference is made to the Report on Operations.
Other minor services regarded sales of laboratory chemical analyses for third parties, which confirms last year's trend (1,262 thousand euro).
All revenues were achieved in Italy.

9.2 OTHER REVENUE AND INCOME

The item "Other revenue and income" for the years ended 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER 2017	2016	CHANGES
OTHER REVENUE	143	129	14
MANAGEMENT OF S.COLOMBANO	441	426	15
REAL ESTATE INCOME	369	367	2
GAINS FROM STANDARD OPERATIONS	519	-	519
OTHER REVENUE AND INCOME	2,061	1,532	529
SOFTWARE USER LICENSE REVENUE	673	749	(76)
SERVICES TO THIRD PARTIES	11	74	(63)
PURIFICATION MANAGEMENT	2,919	2,907	12
REVENUE FROM SERVICES TO SUBSIDIARIES	17,250	16,426	824
REVENUE FROM SERVICES TO ASSOCIATES	7	-	7
SECONDED PERSONNEL	748	548	200
STANDARD CONTINGENT ASSETS	3,468	121	3,347
CONTRIBUTIONS FOR PLANT	6	6	-
OPERATING GRANTS	1,151	1,128	23
TOTAL	**29,766**	**24,413**	**5,353**

This item includes mainly:

- Gains from standard operations, resulted from the transfer to Terna of the substation portion of the Mincio thermoelectric power plant (519 thousand euro);
- Other revenue and income mainly include the sales of materials and meters, which the Company purchases and resells to the Subsidiaries and other customers (1,896 thousand euro), income from the Hydrotour project (82 thousand euro), revenue from the management of the Mincio thermoelectric power plant (50 thousand euro);
- the item Purification management includes considerations paid by the Trento Autonomous Province (PAT) for the management of purification plants of the Central basin (2,919 thousand euro);
- revenue with subsidiaries mostly referred to service contracts entered into to regulate the administrative, logistic and IT services between the Parent Company and Subsidiaries (15,991 thousand euro), bank sureties and parent company (714 thousand euro), and advisory and other services (545 thousand euro);
- contingent assets referred, in the amount of 2,332 thousand, to tax credit granted for R&D activities for the years 2015, 2016 and 2017, as provided for by Law no. 190 of 23 December 2014 (Stability Law 2015), the repayment of social security contributions paid in excess and reimbursed by INPS (464 thousand euro), as well as trade balancing payments (457 thousand euro);
- operating grants referred to GRIN incentives granted by GSE to producers of energy from renewable sources (1,095 thousand euro).

9.3 RAW MATERIALS, CONSUMABLES AND MERCHANDISE

The item "Raw materials, consumables and merchandise" for the years ended 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER 2017	2016	CHANGES
PURCHASES OF ELECT. RAW MATERIALS	231	4,528	(4,297)
PURCHASES OF GAS RAW MATERIALS	3,153	105	3,048
PURCHASED OF INVENTORIES	1,719	1,294	425
PURCHASE OF FUELS AND VEHICLE SPARE PARTS	81	92	(11)
PURCHASES OF LABORATORY AND CHEMICALS	196	186	10
CHANGES IN INVENTORIES OF RAW MATERIALS, CONSUMABLES AND MERCHANDISE	43	(217)	260
CONTINGENT LIABILITIES ON PURCHASES	55	2	53
OTHER PURCHASES	137	336	(199)
TOTAL	**5,615**	**6,326**	**(711)**

For the year 2017, as already stated with respect to the reduction in revenue, the net decrease of electricity purchases was mainly due to the transfer, from the Parent Company to the subsidiary Dolomiti Energia Trading, of the management contracts related to the hydroelectric energy produced by SF Energy and Dolomiti Edison Energy. On the other hand, a remarkable increase in gas purchases was reported, due to the recovered operation of the Mincio thermoelectric power plant (3,153 thousand euro in 2017 over 105 thousand euro in 2016).
Among the purchases of materials managed in stock, the purchase of meters intended for subsequent sale to subsidiaries, equal to 1,671 thousand euro, is to be recognised and increased compared to values recorded in 2016 (1,223 thousand euro).
The item "Other purchases" includes sundry materials not managed in stock and costs for the purchase of personal protective equipment (PPE).

9.4 SERVICE COSTS

The item "Service costs" for the years ended 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER		CHANGES
	2017	2016	
EXTERNAL MAINTENANCE SERVICES	8,132	7,420	712
INSURANCE, BANKING AND FINANCIAL SERVICES	468	1,104	(636)
OTHER SERVICES	2,051	2,019	32
COMMERCIAL SERVICES	865	1,769	(904)
GENERAL SERVICES	2,390	2,176	214
MISCELLANEOUS COSTS	38	46	(8)
CONTINGENT LIABILITIES FOR SERVICES	294	96	198
RENTAL EXPENSE	641	620	21
RENTAL FEES	300	284	16
WATER DIVERSION CHARGES	1,192	1,121	71
TOTAL	**16,371**	**16,655**	**(284)**

External maintenance services essentially concern the operation and maintenance of the systems, the costs to manage the hydroelectric and thermal power plants (1,832 thousand euro), the hardware and software payments (3,347 thousand euro) and the maintenance of the vehicle fleet (61 thousand euro). Cost tipping of purification plants managed through the subsidiary Depurazione Trentino Centrale (2,778 thousand euro) is also included.

Banking and financial services dropped due to the redefinition of terms for the European Investment Bank loan, which no longer includes charges on guarantees (in 2016 amounting to 581 thousand euro).

The item "Other services" includes costs for technical and IT services and consultancy services (1,008 thousand euro), training costs and canteen for employees (667 thousand euro), cleaning and security of the Company's headquarters (370 thousand euro).

Trade services include transmission, modulation and balancing services (687 thousand euro), customer acquisition services, sponsorship and advertising (177 thousand euro).

General services include telephone costs (1,139 thousand euro), utility bills and annual membership fees (685 thousand euro). The item also includes costs for financial statement certification and fees to directors and statutory auditors, as detailed under items 12 and 13 herein.

Fees were duly paid during the year to the Board of Statutory Auditors in compliance with Shareholders' Meeting resolutions. The fees paid to the Board of Directors were decided by the Shareholders' Meeting, and for special offices by the Board of Directors.

9.5 PERSONNEL COSTS

The item "Personnel costs" for the years ended 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER		CHANGES
	2017	2016	
WAGES AND SALARIES	7,807	7,597	210
SOCIAL SECURITY COSTS	2,440	2,421	19
EMPLOYEE TERMINATION BENEFITS	522	505	17
OTHER COSTS	926	508	418
TOTAL	**11,695**	**11,031**	**664**

As at 31 December 2017, 171 employees resulted on the Company's payroll, including: 9 executives, 18 managers, 132 while collar employees and 12 manual workers.

9.6 AMORTISATION, DEPRECIATION, ALLOCATIONS AND WRITE-DOWNS

The item "Amortisation/depreciation, allocations and write-downs" for the years ended 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER		CHANGES
	2017	2016	
AMORTISATION OF INTANGIBLE ASSETS	4,093	3,976	117
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	2,425	2,269	156
WRITE-DOWNS OF FINANCIAL FIXED ASSETS	-	1,482	(1,482)
TOTAL	**6,518**	**7,727**	**(1,209)**

During the year, the Company carried out no write-down on financial assets.

9.7 OTHER OPERATING COSTS

The item "Other operating costs" for the years ended 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER		CHANGES
	2017	2016	
MISCELLANEOUS COSTS	301	1,914	(1,613)
IMU (PROPERTY TAX)	272	285	(13)
TOSAP/COSAP	1	1	-
STANDARD CONTINGENT LIABILITIES	170	93	77
LOSSES FROM STANDARD OPERATIONS	1	2	(1)
POSTAL CHARGES	12	2	10
OTHER TAXES	91	92	(1)
TOTAL	**848**	**2,389**	**(1,541)**

Sundry charges include stamp and registry tax, vehicle circulation tax, stationary costs and other sundry charges for the Company's ordinary management, equal to 301 thousand euro. As described above, charges related to the dispatching of electricity produced by SF Energy, now managed by Dolomiti Energia Trading, are not included in these financial statements (in 2016 they amounted to 1,577 thousand euro).
Contingent liabilities refer mainly to the differences between estimated costs of previous years and the actual costs recorded in the accounts.

Other taxes include the annual contribution to the ARERA (former AEEGSI) and AGCM, in addition to the annual plant security contribution to the Ministry for Economic Development.

9.8 GAINS AND EXPENSES FROM EQUITY INVESTMENTS

The item "Gains and expenses from equity investments" for the years ended 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER		CHANGES
	2017	2016	
DIVIDENDS FROM SUBSIDIARIES	52,703	52,048	655
DIVIDENDS FORM ASSOCIATED COMPANIES AND JOINT VENTURES	1,272	297	975
DIVIDENDS AND INCOME FROM OTHER COMPANIES	618	1,257	(639)
WRITE-DOWNS OF EQUITY INVESTMENTS AND SECURITIES	(493)	(2,788)	2,295
TOTAL	**54,100**	**50,814**	**3,286**

Dividends collected over the year and recognised in the Income Statement result from subsidiaries Novareti (7,125 thousand euro), Dolomiti Energia (13,554 thousand euro), SET Distribuzione (5,019 thousand euro), Hydro Investments Dolomiti Energia (27,000 thousand euro). Moreover, following the winding up of the subsidiary Dolomiti Energy Saving, the Company reported a capital gain of 5 thousand euro, equal to the difference between the higher shareholders' equity value of the wound up company and the book value of the equity investment held.

Dividends from associated companies were paid by Dolomiti Edison Energy, in the amount of 1,020 thousand euro, by Alto Garda Servizi, in the amount of 134 thousand euro, and by Bioenergia Trentino, in the amount of 75 thousand euro and by Giudicarie Gas in the amount of 43 thousand euro.

The item from other companies includes the capital gain derived from the same, within the shareholding of MC Link, equal to 606 thousand euro, and the collected dividend from Istituto Atesino Sviluppo, equal to 12 thousand euro.

The item write-downs of equity investments and securities includes the write-down of the equity investment in the associated company PVB Power Bulgaria (493 thousand euro).

9.9 FINANCIAL INCOME AND CHARGES

The item "Financial income and charges" for the years ended 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER		CHANGES
	2017	2016	
FINANCIAL INCOME FROM SUBSIDIARIES	1,605	1,396	209
FINANCIAL INCOME FROM ASSOCIATES	135	-	135
FINANCIAL INCOME FROM OTHER COMPANIES	8	84	(76)
FAIR VALUE CHANGES IN IRS DERIVATIVES	3,245	3,395	(150)
TOTAL	**4,993**	**4,875**	**118**

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER		CHANGES
	2017	2016	
FINANCIAL CHARGES DUE TO SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	(93)	(110)	17
FINANCIAL CHARGES DUE TO OTHER COMPANIES	(4,169)	(6,585)	2,416
INTEREST TO BE DISCOUNTED	(67)	(79)	12
TOTAL	**(4,329)**	**(6,774)**	**2,445**

The item "Financial income from subsidiaries" includes interest accrued on cash pooling balances (1,284 thousand euro) and commissions related to funds (321 thousand euro).
The item "Financial charges due to other companies" includes interest expense on bank current accounts and mortgages (3,950 thousand euro), in addition to interest on the bond loan (195 thousand euro). The decrease in charges, compared to the previous year, is related to lower interests on the partly redeemed bond loan (770 thousand euro), as well as to interest on mortgages (1,636 thousand euro).

9.10 TAXES

The item "Taxes" for the years ended 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER		CHANGES
	2017	2016	
CURRENT TAXES	(379)	-	(379)
DEFERRED TAXES	25	284	(259)
PREPAID TAXES	(187)	(1,329)	1,142
TAX CONSOLIDATION INCOME/CHARGES	501	1,493	(992)
TAXES FROM PRIOR YEARS	8	(29)	37
TOTAL	**(32)**	**419**	**(451)**

The following table shows the reconciliation between actual and theoretical tax charge, determined by applying the tax rate in force to the profit before tax.

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER			
	2017	%	2016	%
PROFIT BEFORE TAX	**51,540**		**46,292**	
THEORETICAL INCOME TAXES	(12,370)	24.0%	12,730	27.5%
IRAP	-	4.65%	458	4.65%
TAX EFFECT OF PERMANENT AND OTHER DIFFERENCES	12,338	-23.9%	(12,769)	-27.6%
TOTAL	**(32)**		**419**	

10. Related party transactions

Related parties are defined as the parties that share with the Company the same controlling entity, the companies that directly or indirectly control it, are controlled or are subjected to joint control, as well as companies in which the Parent Company holds an equity investment able to exercise a significant influence.

For the years ended 31 December 2017 and 2016, the main transactions with related parties concerned the following:

(IN THOUSANDS OF EURO)	AL 31 DICEMBRE							
	2017				2016			
	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLE	LOANS PAYABLE	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	LOANS PAYABLE
DTC	285	2,196	(1,993)	-	286	1,737	(1,566)	-
DOLOMITI ENERGIA	693	5,494	(197)	(4,179)	935	14,437	(657)	(103)
DOLOMITI ENERGIA RINNOVABILI	103	106	(339)	(114)	137	15	(81)	(318)
SET DISTRIBUZIONE	849	3,318	(145)	(64,469)	791	1,499	(87)	(68,281)
NOVARETI	837	4,753	(64)	(6,020)	732	2,890	(79)	(1,385)
HYDRO DOLOMITI ENERGIA	1,105	24,702	(1,296)	(2,316)	615	36,704	(1,485)	(8,482)
DOLOMITI EDISON ENERGY	-	-	-	-	23	7,650	(446)	(477)
DOLOMITI ENERGIA TRADING	634	52,935	(34)	(2,764)	3,473	22,101	(837)	(2,483)
SF ENERGY	-	-	-	-	23	-	-	-
DOLOMITI GNL	86	1,585	-	-	6	805	-	-
HYDRO INVESTMENTS DOLOMITI EN.	12	14	-	(22,012)	-	17	(27,003)	(2,598)
NESCO	-	-	-	(701)	-	-	-	-
DOLOMITI AMBIENTE	344	4	(75)	(1,403)	292	624	(50)	(32)

FOR THE YEAR ENDED 31 DECEMBER																
	2017								2016							
(IN THOUSANDS OF EURO)	REVENUE			PURCHASES			FINANCIAL INCOME	FINANCIAL CHARGES	REVENUE			PURCHASES			FINANCIAL INCOME	FINANCIAL CHARGES
	GOODS	SERVICES	OTHER	GOODS	SERVICES	OTHER			GOODS	SERVICES	OTHER	GOODS	SERVICES	OTHER		
DTC	-	134	-	-	(2,778)	-	70	-	-	128	-	-	(2,760)	-	49	-
DOLOMITI ENERGIA	-	3,724	-	-	(134)	(396)	9	(39)	281	3,731	-	-	(215)	(1,951)	-	(60)
DOLOMITI ENERGIA RINNOVABILI	-	258	-	-	(260)	-	1	-	-	297	-	-	(284)	-	1	-
SET DISTRIBUZIONE	-	4,048	-	-	(441)	-	11	(50)	-	3,941	-	-	(430)	-	-	(50)
NOVARETI	-	5,312	-	(46)	(16)	(56)	57	-	-	4,664	-	(106)	(40)	(51)	23	-
HYDRO DOLOMITI ENERGIA	-	3,749	-	-	(1,161)	(871)	602	-	-	2,898	-	-	(1,048)	(420)	462	-
DOLOMITI EDISON ENERGY	-	-	-	-	-	-	-	-	-	-	-	(4,528)	-	(14)	102	-
DOLOMITI ENERGIA TRADING	1,048	1,384	-	-	(63)	-	808	-	5,226	2,076	-	-	(123)	95	701	-
DOLOMITI GNL	-	11	-	-	-	-	40	-	-	11	-	-	-	-	8	-
HYDRO INVESTMENTS DOL.EN.	-	16	-	-	-	-	6	-	-	-	-	-	(2)	-	1	-
DOLOMITI AMBIENTE	-	1,523	-	-	(15)	(70)	11	-	-	1,526	-	-	(15)	(45)	55	-

For further detail on transactions with related parties, reference is made to the Report on Operations.

11. Guarantees and commitments

The Guarantees and commitments in favour and undertaken by the Company as at 31 December 2017 and 2016 are broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER		CHANGES
	2017	2016	
THIRD PARTY GUARANTEES	99,765	309,455	(209,690)
FINANCIAL COMMITMENTS IN FAVOUR OF THIRD PARTIES	101,668	2,043	99,625
TOTAL	**201,433**	**311,498**	**(110,065)**

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER		CHANGES
	2017	2016	
GUARANTEES RECEIVED BY THIRD PARTIES IN FAVOUR OF BANKS FOR LOANS	-	57,500	(57,500)
USAGE OF SIGNATURE FACILITIES TO ISSUE BANK/ INSURANCE GUARANTEE	1,630	1,975	(345)
TOTAL	**1,630**	**59,475**	**(57,845)**

12. Fees to directors and statutory auditors

The fees to directors and statutory auditors of the Company, for the years ended 31 December 2017 and 2016 are broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER	
	2017	2016
FEES TO DIRECTORS	399	402
FEES TO STATUTORY AUDITORS	88	88
TOTAL	**487**	**490**

Remunerations are substantially in line with the previous year.

13. Independent Auditors' fees

The following table shows the remuneration received by the auditing company PricewaterhouseCoopers SpA for the auditing services of the financial statements for the years ended 31 December 2017 and 2016, as well as remuneration for other services rendered to companies:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER	
	2017	2016
INDIPENDENT AUDITORS' FEES	43	38
OTHER VERIFICATION SERVICES	11	11
REMUNERATION FOR TAX ADVISORY SERVICES	72	43
TOTAL	**126**	**92**

Remunerations are in line with the previous year.

14. Significant event occurred after year end

With reference to information required by Art. 2427, item 22-quarter of the Italian Civil Code, no significant events occurred after the reporting date of these financial statements.

15. Proposed allocation of profits or loss coverage

We propose to the Shareholders' Meeting that profit for the year of 51,507,554 euro be allocated as follows:
2,575,378 euro, i.e. 5%, to the legal reserve;
26,474,666 euro distributed as an ordinary dividend to shareholders, corresponding to 0.07 euro per share, and also proposing that the dividend be paid from 15 June 2018;
22,457,510 euro to FTA (First Time adoption) reserve.

Rovereto, 28 March 2018

on behalf of the BOARD OF DIRECTORS
Dolomiti Energia Holding SpA
The Chairman
Rudi Oss

Certification of the Financial Statements

1. The undersigned, Mr. Rudi Oss, Chairman of the Board of Directors and Mr. Michele Pedrini, Head of Administration of the company Dolomiti Energia Holding SpA, taking account of provisions set out by regulations in force, hereby certify the following:
- the adequacy in relation to the characteristics;
- the actual application of the administrative and accounting procedures for the formation of the consolidated financial statements during the period from 1 January 2017 to 31 December 2017.

2. No matters of particular importance in this regard arose during the actual application of procedures or concerning any reference to the general standards used in drawing up the certification.

3. We also certify that:

3.1 The consolidated financial statements as at 31 December 2017:
a) have been prepared under the applicable international accounting standards endorsed by the European Union, pursuant to EC Regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
b) agree with the balances shown in the books and accounting entries;
c) give a true and fair view of the equity, economic and financial position of the Issuer and all companies included in the consolidation.

3.2 The Report on Operations includes a reliable analysis of performance and the results of operations, and of the general situation of the Issuer and the companies within the scope of consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Rovereto, 28 March 2018

The Chairman **Rudi Oss**
The Head of the Administration Department **Michele Pedrini**

Report

Board of Statutory Auditors' Report to the Shareholders' Meeting

To the Shareholders' Meeting
of Dolomiti Energia Holding SpA

Dear Shareholders,
During the year ended 31 December 2017, our activities were governed by legal provisions, supplemented by the "Code of Conduct of the Board of Statutory Auditors" recommended by the Italian Accounting Profession.
Following the admission to listing of the loan on the regulated market of the Irish Stock Exchange, the Company has become a public-interest entity (pursuant to Legislative Decree no. 39, dated 27 January 2010).
As a consequence of the above, and to the purpose herein, the "Internal Control and Audit Committee" was assigned the supervisory task related to the audit and internal control processes. The members of the Committee are the auditors of the Board of Statutory Auditors and the Company is bound to comply with provisions set out by Legislative Decree 254/2016 and prepare, among other, the Consolidated Non-financial Reporting.

Supervisory activity

We monitored compliance with the law, with the bylaws and with the principles of sound administration.
We attended Shareholders' Meetings, Board of Directors' and Executive Committee meetings, all conducted in compliance with governing statutory, legal and regulatory provisions.
During the meetings, we obtained information from the Directors on the general performance of operations and on business outlook, with details of the more significant transactions in terms of size or characteristics performed by the company and its subsidiaries. We can reasonably confirm that the actions decided and taken complied with the law and bylaws and were not overtly imprudent, risky or in potential conflict of interest or incompatible with resolutions of the Shareholders' Meeting or could have jeopardised the integrity of company equity.

Specifically, we:
a) acquired awareness and monitored the adequacy of the company organisation, also through information obtained from department managers;
b) assessed and monitored the adequacy of the administrative and accounting system, and its reliability in fairly representing operating events, by obtaining information from department managers and from the appointed independent auditor;
c) identified areas of risk by obtaining figures and clarification from management, and provided our recommendations for more efficient risk monitoring;
d) performed the special tasks of informing, monitoring, controlling and assessing, in our role of Internal Control and Audit Committee, pursuant to Article 19, paragraph 1 of Legislative Decree 39/2019, as amended by Legislative Decree 135/2016, while fulfilling the Committee's duties and tasks set out in the above-mentioned regulations;
e) supervised the compliance with provisions set out by Legislative Decree 254/2016, by examining, amongst other, the Consolidated Non-financial Statement, while assessing the compliance with provisions governing the drafting thereof pursuant to the aforesaid Decree.

In relation to the activities described herein, we have no particular points to bring to your attention.

In meetings held with the appointed independent auditor, Pricewaterhousecoopers SpA, no significant data or information emerged that would warrant mention in this report.

No reports were received pursuant to Article 2408 of the Italian Civil Code.

During the year, opinions pursuant to Law were issued, namely the motivated proposal for the assignment of the independent audit task, pursuant to Article 13, Paragraph 1, Legislative Decree 39/2010.

During the course of our supervision, as described above, no new significant events emerged that would require mention in this report. These supervisory activities were performed in 8 meetings of the Board of Statutory Auditors and by taking part in 6 meetings of the Executive Committee and 7 meetings of the Board of Directors.
The Chairman of the Board of Statutory Auditors met the Internal Auditing Manager on a number of occasions, whereas the entire Board met with the statutory auditors of subsidiaries for exchange of information as appropriate.

The Board of Statutory Auditors acknowledges that the company has updated the Organisational Model under Law 231/2001 and that the Supervisory Body reported to the Board on a six-monthly basis on the activities carried out.

Financial Statements

We have examined the draft financial statements as at 31 December 2017, whose figures are summarised below:

BALANCE SHEET	**31/12/2017**	**31/12/2016**
ASSETS	981,297,587	972,205,048
LIABILITIES	455,194,958	470,562,294
SHAREHOLDERS' EQUITY (EXCLUDING THE RESULT FOR THE YEAR)	474,595,076	454,931,769
RESULT FOR THE YEAR	51,507,553	46,710,985
INCOME STATEMENT	**31/12/2017**	**31/12/2016**
OTHER REVENUE AND INCOME	37,823,915	41,505,685
COSTS	(41,047,547)	(44,128,910)
DIFFERENCE	**(3,223,632)**	**(2,623,225)**
EQUITY INVESTMENTS INCOME AND CHARGES	54,099,824	50,814,258
RESULT OF OPERATIONS	**50,876,192**	**48,191,033**
FINANCIAL INCOME AND CHARGES	663,748	(1,899,324)
PROFIT BEFORE TAX	**51,539,940**	**46,291,709**
TAXES FOR THE PERIOD	(32,387)	419,276
RESULT FOR THE YEAR	**51,507,553**	**46,710,985**
TOTAL OTHER PROFITS (LOSSES) THAT WILL NOT BE RECLASSIFIED IN THE INCOME STATEMENT	(573,012)	27,925
TOTAL COMPREHENSIVE RESULT OF THE YEAR	**50,934,541**	**46,738,910**

and with regard to which we wish to report the following.

The financial statements for the year ended 31 December 2017 were drafted according to the International Accounting Standards – IAS and the International Financial Reporting Standards – IFRS, issued by the International Accounting Standards Board (IASB), as well as to IFRIC and SIC interpretations, endorsed by the European Union pursuant to Regulation (EC) no, 1606/2002 in force at the reporting date.
The Financial Statements were prepared in compliance with Article 9, Paragraph 3 of Law Decree no. 38 and seq. of 28 February 2005.

As we are not responsible for the full audit of the financial statements content, we monitored their overall presentation, general compliance with law in relation to its format and structure, including the Report on Operations pursuant to Article 2428 of the Italian Civil Code, and in this respect have no particular comments to make.

As far as we are aware, in preparing the financial statements the Directors did not deviate from regulations pursuant to Article 2423, Paragraph 4 of the Italian Civil Code.

With reference to the Report on Operations approved by the Board of Directors and submitted to us for our related assessments, we wish to report that the compulsory content pursuant to Article 2428 of the Italian Civil Code and the completeness and clarity of disclosures as required by Law are confirmed.

We have verified that the financial statements duly report the events and information of which we are aware as a result of our duties and we have no comment to make in this respect.

Non-financial Reporting

The Board of Statutory Auditors assessed that the Company complied with obligations set forth by Legislative Decree 254/2016 and that, in particular, prepared the Consolidated Non-financial Statement, according to provisions set forth by Articles 3 and 4 of the aforesaid Decree.

The Board of Statutory Auditors acknowledges that the Company benefited from the exemption from obligation of drawing up the separate non-financial reporting, as set out by Article 6, Paragraph 1 of Legislative Decree 254/2016, due to the fact that the Board prepared the consolidated non-financial statement as per Article 4 thereof.

This statement was accompanied by the certification of the designated auditor on the compliance of disclosures with provisions set forth by the above-mentioned decree, with reference to principles, methods and drafting modalities. We hereby report that the compulsory contents and the completeness and clarity of disclosures, as required by law, are confirmed.

Conclusions

Also in consideration of results on activities performed by the independent auditor, contained in a specific report intended to accompany the financial statements, we hereby express our favourable opinion to the Shareholders' Meeting, without reservations, on the approval of the financial statements as at 31 December 2017.

The Board of Statutory Auditors thanks the Board of Directors and the administrative department for correctly and transparently holding the relations.

Rovereto, 11 April 2018

The Board of Statutory Auditors
Giacomo Manzana, Chairman
Barbara Caldera, Standing Auditor
Michele Iori, Standing Auditor

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Dolomiti Energia Holding SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dolomiti Energia Holding SpA (the Company), which comprise the statement of financial position as of 31 December 2017, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Evaluation of the equity investment in Hydro Investments Dolomiti Energia Srl	
Note 8.3 "Equity investments" of the explanatory notes to the financial statements as of 31 December 2017. The book value as at 31 December 2017 of the equity investment in Hydro Investments Dolomiti Energia Srl (hereinafter also HIDE), a special purpose vehicle that holds the equity investment in Hydro Dolomiti Energia Srl (hereinafter also HDE), amounts to Euro 406.6 million. In the financial statements of Dolomiti Energia Holding SpA the equity investments in subsidiaries are measured at cost, adjusted in case of impairment losses, if any. As for the equity investment in HIDE, management deemed the book value as recoverable and did not highlight the need to impair it, in consideration of: • Future profits that are expected to be generated by the indirect subsidiary HDE until the termination date of the current concession expected by the management not earlier than 2022. • The reimbursement value of assets under concession, estimated for the outgoing concession-holder, in the event HDE, further to a tender, is no longer the holder of all or part of the current concessions for the hydroelectric plants. Considering that the equity investment held by Dolomiti Energia Holding SpA in HIDE is the main asset of the Company and that the concessions held by the indirect subsidiary HDE are nearing expiry, the management evaluation of the recoverability of the book value of such investment represents a key audit matter.	Our audit activities performed on the book value of the equity investment in Hydro Investments Dolomiti Energia Srl concerned: • the analysis of the findings of the audit of the financial statements as of 31 December 2017 of HIDE and HDE; • the analysis of the considerations made by management about the recoverability of the book value of the equity investment in HIDE, and of the supporting documentation used by management in their valuation; • the verification of the possible existence of any impairment indicator related to the book value of the equity investment.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Valuation and accounting of derivatives financial instruments IRS *Note 2.4 "Measurement criteria", note 7.1.1 "Interest rate risk" e note 7.4 "Fair value estimate" of the explanatory notes to the financial statements as of 31 December 2017.* The Company entered into derivative financial instruments IRS (Interest Rates Swap) to cover the fluctuation risk of Euribor rate on the capital market for a significant amount of its financial debt (Euro 166 million as of 31 December 2017). As at the balance sheet date, the fair value of these derivatives is negative for an amount of Euro 4.5 million. The Company designated some of these derivatives as hedging instruments, therefore the fair value difference of the same is not accounted for in the income statement, but is directly recognised in the shareholders' equity under the cash flow hedge reserve. As the notional amount of the existing IRSs is significant, the estimate of the fair value of such derivatives and the accounting method of the same are key audit matters.	Our audit activities performed on the fair value of IRSs and on their recognition concerned: • the verification of the existence of these derivative contracts through analysis of the documentation and receipt of the confirmations from the counterparties; • the understanding and evaluation of the methodology to determine the fair value of derivative financial instruments entered into by the Company; • the recalculation of the fair value of a sample of derivative financial instruments held by the Company with the support of an expert of the PwC network; • the analysis of the documentation prepared by the Company supporting the use of hedge accounting; • the analysis of the disclosures reported in the notes to the financial statements with reference to IRSs and to their accounting treatment.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and

significant audit findings, including any significant deficiencies in internal control that we identified during our audit.
We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 15 December 2017, the shareholders of Dolomiti Energia Holding SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2017 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

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

Management of Dolomiti Energia Holding SpA is responsible for preparing a report on operations of Dolomiti Energia Holding SpA as of 31 December 2017, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Dolomiti Energia Holding SpA as of 31 December 2017 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations mentioned above is consistent with the financial statements of Dolomiti Energia Holding SpA as of 31 December 2017 and is prepared in compliance with the law.

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

Verona, 11 April 2018

PricewaterhouseCoopers SpA

Alexander Mayr
(Partner)

Dolomiti Energia Group
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Consolidated financial statements 2017

Consolidated statement of financial position

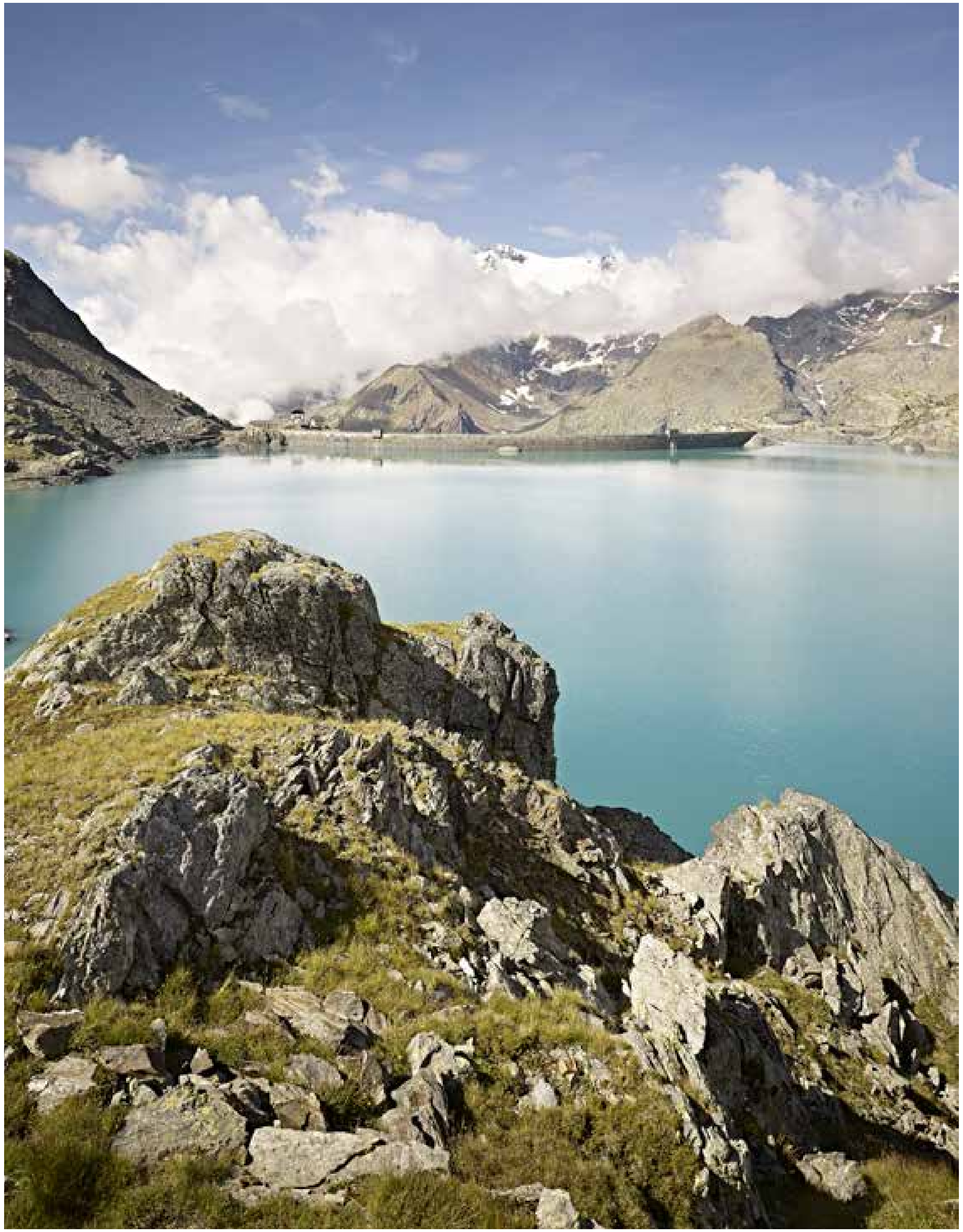
(IN THOUSANDS OF EURO)	NOTE	AS AT 31 DECEMBER 2017	2016
ASSETS			
NON-CURRENT ASSETS			
LEASED ASSETS	7.1	498,798	496,462
GOODWILL	7.2	37,499	37,499
OTHER INTANGIBLE ASSETS	7.2	49,565	57,619
PROPERTY, PLANT AND EQUIPMENT	7.3	853,438	856,079
SHAREHOLDINGS MEASURED AT EQUITY AND OTHER COMPANIES	7.4	67,651	71,148
NON-CURRENT FINANCIAL ASSETS	7.5	8,921	8,949
DEFERRED TAX ASSETS	7.6	28,067	25,924
OTHER NON-CURRENT ASSETS	7.7	27,592	24,266
TOTAL NON-CURRENT ASSETS		*1,571,531*	*1,577,946*
CURRENT ASSETS			
INVENTORIES	7.8	14,616	16,003
TRADE RECEIVABLES	7.9	282,430	361,522
RECEIVABLES FOR CURRENT TAXES	7.10	16,139	25,042
CURRENT FINANCIAL ASSETS	7.11	46,053	37,727
OTHER CURRENT ASSETS	7.12	103,602	86,677
CASH AND CASH EQUIVALENTS	7.13	2,793	4,875
TOTAL CURRENT ASSETS		*465,633*	*531,846*
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS		-	-
TOTAL ASSETS		2,037,164	2,109,792
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	7.14	411,496	411,496
RESERVES	7.14	214,438	174,417
NET PROFIT FOR THE YEAR	7.14	34,911	65,629
TOTAL GROUP SHAREHOLDERS' EQUITY		*660,845*	*651,542*
CAPITAL AND RESERVES - MINORITY INTERESTS	7.14	302,472	305,280
PROFIT/(LOSS) - MINORITY INTERESTS	7.14	10,822	21,564
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY		*974,139*	*978,386*
LIABILITIES			
NON-CURRENT LIABILITIES			
PROVISIONS FOR RISKS AND NON-CURRENT CHARGES	7.15	19,241	21,622
EMPLOYEE BENEFITS	7.16	23,483	23,255
DEFERRED TAX LIABILITIES	7.6	171,754	171,351
NON-CURRENT FINANCIAL LIABILITIES	7.17	256,069	278,540
OTHER NON-CURRENT LIABILITIES	7.18	116,750	111,113
TOTAL NON-CURRENT LIABILITIES		*587,297*	*605,881*
CURRENT LIABILITIES			
TRADE PAYABLES	7.19	222,401	284,394
CURRENT FINANCIAL LIABILITIES	7.17	216,715	193,058
LIABILITIES FOR CURRENT TAXES	7.20	93	635
OTHER CURRENT LIABILITIES	7.18	36,519	47,438
TOTAL CURRENT LIABILITIES		*475,728*	*525,525*
LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS		-	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,037,164	2,109,792

Consolidated comprehensive income statement

(IN THOUSANDS OF EURO)	NOTE	AS AT 31 DECEMBER 2017	2016
REVENUE	8.1	1,330,777	1,292,240
REVENUE FROM WORKS ON LEASED ASSETS	8.2	27,544	26,015
OTHER REVENUE AND INCOME	8.3	67,862	67,073
TOTAL REVENUE AND OTHER INCOME		*1,426,183*	*1,385,328*
RAW MATERIALS, CONSUMABLES AND MERCHANDISE	8.4	(641,449)	(538,095)
SERVICE COSTS	8.5	(532,599)	(549,440)
COSTS FROM WORKS ON LEASED ASSETS	8.2	(26,944)	(25,464)
PERSONNEL COSTS	8.6	(66,811)	(64,454)
AMORTISATION, DEPRECIATION, ALLOCATIONS AND WRITE-DOWNS	8.7	(52,870)	(55,474)
OTHER OPERATING COSTS	8.8	(31,604)	(31,507)
TOTAL COSTS		*(1,352,277)*	*(1,264,434)*
RESULT OF SHAREHOLDINGS MEASURED AT EQUITY AND OTHER COMPANIES	8.9	(1,513)	7,317
RESULT OF OPERATIONS		72,393	128,211
FINANCIAL INCOME	8.10	21,426	4,030
FINANCIAL CHARGES	8.10	(29,559)	(14,572)
PROFIT BEFORE TAX		64,260	117,669
TAXES	8.11	(18,526)	(30,476)
NET PROFIT/(LOSS) FOR THE YEAR (A) OF CONTINUING OPERATIONS		45,734	87,193
DISCONTINUED OPERATIONS		-	-
NET PROFIT/(LOSS) FOR THE YEAR (B) OF DISCONTINUED OPERATIONS		-	-
PROFIT/(LOSS) FOR THE PERIOD		45,734	87,193
OF WHICH GROUP		34,911	65,629
OF WHICH MINORITY INTERESTS		10,822	21,564
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
ACTUARIAL PROFIT/(LOSS) FOR EMPLOYEE BENEFITS		(395)	189
TAX EFFECT ON ACTUARIAL PROFIT/(LOSS) FOR EMPLOYEE BENEFITS		121	(11)
OTHER COMPONENTS		-	-
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (C1)		*(274)*	*178*
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
PROFIT/(LOSS) ON CASH FLOW HEDGE INSTRUMENTS		(399)	(946)
TAX EFFECT ON CHANGE IN FAIR VALUE CHANGES IN CASH FLOW HEDGE DERIVATIVES		95	-
OTHER COMPONENTS		-	-
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (C2)		*(304)*	*(946)*
TOTAL OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX EFFECT (C)= (C1)+(C2)		*(578)*	*(768)*
TOTAL AGGREGATE RESULT FOR THE YEAR (A)+(B)+(C)		45,156	86,425
OF WHICH GROUP		35,764	66,087
OF WHICH MINORITY INTERESTS		9,391	20,338

Consolidated cash flow statement

	FOR THE YEAR ENDED 31 DECEMBER	
(IN THOUSANDS OF EURO)	**2017**	**2016**
PROFIT BEFORE TAX	**64,259**	**117,669**
ADJUSTMENTS FOR:		
AMORTISATION/ DEPRECIATION OF:		
- INTANGIBLE ASSETS	11,620	7,540
- PROPERTY, PLANT AND EQUIPMENT	13,361	15,291
- LEASED ASSETS	23,670	23,027
WRITE-DOWNS OF ASSETS	3,988	9,312
ALLOCATIONS AND RELEASES OF PROVISIONS	231	304
FAIR VALUE OF DERIVATIVES ON COMMODITIES	262	795
RESULT OF SHAREHOLDINGS MEASURED AT EQUITY AND OTHER COMPANIES	1,513	(6,633)
FINANCIAL (INCOME)/AND CHARGES	8,131	10,542
(CAPITAL GAINS)/CAPITAL LOSSES AND OTHER NON-MONETARY ELEMENTS	(1,620)	
CASH FLOW FROM OPERATIONS BEFORE CHANGES IN NET WORKING CAPITAL	**125,415**	**177,847**
INCREASE/(DECREASE) OF PROVISIONS	-	-
INCREASE /(DECREASE) OF EMPLOYEE BENEFITS	228	(788)
INCREASE /(DECREASE) OF INVENTORIES	1,387	(3,355)
INCREASE /(DECREASE) OF TRADE RECEIVABLES	75,104	(88,907)
INCREASE /(DECREASE) OF OTHER ASSETS/LIABILITIES, DEFERRED TAX ASSETS AND LIABILITIES	(17,934)	(63,172)
INCREASE /(DECREASE) OF TRADE PAYABLES	(61,993)	72,345
DIVIDENDS COLLECTED		8,699
INTEREST AND OTHER FINANCIAL INCOME COLLECTED	21,427	635
INTEREST AND OTHER FINANCIAL EXPENSES PAID	(29,558)	(14,572)
UTILISATION OF PROVISIONS FOR RISKS AND CHARGES	(2,612)	(14,781)
TAXES PAID	(14,811)	(19,750)
CASH FLOWS FROM OPERATIONS (A)	**96,653**	**54,201**
NET INVESTMENTS IN INTANGIBLE ASSETS	(3,566)	(3,170)
NET INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT	(9,100)	(13,826)
NET INVESTMENTS IN LEASED ASSETS	(26,006)	(26,015)
NET INVESTMENTS IN EQUITY INVESTMENTS	(3,893)	(54,339)
(INCREASE)/DECREASE IN OTHER INVESTMENT ASSETS		7,003
CASH FLOWS FROM INVESTMENT/DIVESTMENT ASSETS (B)	**(42,565)**	**(90,347)**
FINANCIAL PAYABLES (NEW ISSUES OF LONG-TERM LOANS)		100,000
SHORT-TERM FINANCIAL PAYABLES (REIMBURSEMENTS AND OTHER NET CHANGES)	23,063	
MEDIUM/LONG-TERM FINANCIAL PAYABLES (REIMBURSEMENTS AND OTHER NET CHANGES)	*(30,437)*	*(47,229)*
DIVIDENDS PAID	(48,796)	(35,257)
CASH FLOWS FROM FINANCING ACTIVITIES (C)	**(56,170)**	**17,514**
EFFECT OF CHANGES ON CASH AND CASH EQUIVALENTS (D)	-	
INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS (A+B+C+D)	*(2,082)*	*(18,632)*
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**4,875**	**23,507**
CASH AND CASH EQUIVALENTS AT YEAR END	**2,793**	**4,875**



Consolidated statement of changes in shareholders' equity

(IN THOUSANDS OF EURO)	SHARE CAPITAL	SHARE PREMIUM RESERVE	TREASURY SHARES RESERVE	OTHER RESERVES AND RETAINED EARNINGS	TOTAL OTHER RESERVES	NET PROFIT/(LOSS) PERTAINING TO THE GROUP	TOTAL GROUP SHAREHOLDERS' EQUITY	SHAREHOLDERS' EQUITY - MINORITY INTERESTS	TOTAL SHAREHOLDERS' EQUITY
BALANCE AS AT 31 DECEMBER 2015	**411,496**	**994**	**(67,552)**	**221,788**	**155,230**	**48,965**	**615,691**	**55,768**	**671,459**
TRANSACTIONS WITH SHAREHOLDERS:									
DIVIDEND DISTRIBUTION				18,708	18,708	(48,965)	(30,257)	(5,000)	(35,257)
OTHER TRANSACTIONS WITH SHAREHOLDERS				(444)	(444)		(444)	707	263
TOTAL TRANSACTIONS WITH SHAREHOLDERS	***-***			***18,264***	***18,264***	***(48,965)***	***(30,701)***	***(4,293)***	***(34,994)***
AGGREGATE PROFIT FOR THE YEAR:									
NET PROFIT (LOSS)					-	65,629	65,629	21,564	87,193
CHANGE IN CONSOLIDATION AREA								255,498	255,498
ACTUARIAL PROFIT/(LOSS) FOR EMPLOYEE BENEFITS, NET OF TAX EFFECT				130	130		130	47	177
PROFIT/(LOSS) ON CASH FLOW HEDGE				793	793		793	(1,741)	(948)
TOTAL AGGREGATE RESULT FOR THE YEAR	***-***	***-***	***-***	***923***	***923***	***65,629***	***66,552***	***275,368***	***341,920***
BALANCE AS AT 31 DECEMBER 2016	**411,496**	**994**	**(67,552)**	**240,975**	**174,417**	**65,629**	**651,542**	**326,843**	**978,385**
TRANSACTIONS WITH SHAREHOLDERS:									
DIVIDEND DISTRIBUTION				39,154	39,154	(65,629)	(26,475)	(22,321)	(48,796)
OTHER TRANSACTIONS WITH SHAREHOLDERS					-		-		-
TOTAL TRANSACTIONS WITH SHAREHOLDERS	***-***			***39,154***	***39,154***	***(65,629)***	***(26,475)***	***(22,321)***	***(48,796)***
AGGREGATE PROFIT FOR THE YEAR:									
NET PROFIT (LOSS)					-	34,911	34,911	10,822	45,733
ACTUARIAL PROFIT/(LOSS) FOR EMPLOYEE BENEFITS, NET OF TAX EFFECT				28	28	-	28	19	47
PROFIT/(LOSS) ON CASH FLOW HEDGE				839	839		839	(2,069)	(1,230)
TOTAL AGGREGATE RESULT FOR THE YEAR	***-***	***-***	***-***	***867***	***867***	***34,911***	***35,778***	***8,772***	***44,550***
BALANCE AS AT 31 DECEMBER 2017	**411,496**	**994**	**(67,552)**	**280,996**	**214,438**	**34,911**	**660,845**	**313,294**	**974,139**

Explanatory notes

1. General information

Dolomiti Energia Holding SpA (the "**Company**" or "**DEH**") and the companies controlled by the same (the "**Dolomiti Energia Group**" or the "**Group**") operate in six different operating segments, as described hereunder:

1. Electricity production;
2. Heat, Steam and Cooling;
3. Commercial and trading;
4. Distribution and grids;
5. Water cycle and Environment;
6. Other minor services.

Dolomiti Energia Holding SpA is a company established and domiciled in Italy and organised according to legislation of the Italian Republic, with registered office in Rovereto, via Alessandro Manzoni 24.

As at 31 December 2017, the Parent Company's share capital was held by:

SHAREHOLDER	NO. OF SHARES	CHANGE
PUBLIC ENTITIES		
FINDOLOMITI ENERGIA SRL	196,551,963	47.77%
TRENTO MUNICIPAL AUTHORITY	24,008,946	5.83%
ROVERETO MUNICIPAL AUTHORITY	17,852,031	4.34%
BIM ADIGE	3,322,260	0.81%
BIM SARCA MINCIO GARDA	3,322,260	0.81%
BIM BRENTA	819,407	0.20%
BIM CHIESE	819,407	0.20%
OTHER PUBLIC AUTHORITIES	12,086,621	2.94%
UTILITY		
AGS RIVA DEL GARDA	4,861,800	1.18%
STET	7,378,514	1.79%
AIR	4,085,912	0.99%
ACSM PRIMIERO	823,006	0.20%
PRIMIERO ENERGIA	2,430,900	0.59%
CONS. ELETTRICO INDUSTRIALE DI STENICO	2,293,658	0.56%
CONSORSIO ELETTRICO DI STORO	2,291,118	0.56%
AZIENDA SERVIZI MUNIC. DI TIONE	14,622	0.00%
PRIVATE ENTITIES		
FT ENERGIA	48,861,683	11.87%
I.S.A. - IST. SVILUPPO ATESINO SPA	17,175,532	4.17%
FONDAZIONE CARITRO	21,878,100	5.32%
ENERCOOP SRL	7,303,825	1.77%
MONTAGNA SIG.RA ERMINIA	27,540	0.01%
ELETTROMETALLURGICA TRENTINA SRL	203	0.00%
POMARA DOTT.SSA LUCIANA	203	0.00%
TREASURY SHARES	**33,286,658**	**8.09%**
TOTAL	**411,496,169**	**100.00%**

2. Summary of the accounting standards adopted

The main accounting standards and criteria adopted in preparing and drawing up the Group consolidated financial statements (the "**Consolidated Financial Statements**") are reported hereunder. The main accounting standards were applied consistently for all financial years disclosed herein.

2.1 PREPARATION BASIS

The EU Regulation (EC) no. 1606/2002 of 19 July 2002, introduced the obligation to apply the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), as endorsed by the European Union ("EU IFRS" or "International Accounting Standards"), as from annual reporting periods beginning in 2005, for the preparation of consolidated financial statements of companies with shares and/or bonds listed in one of the regulated markets of the European Community. Following the above-mentioned European Regulation, on 28 February 2005 the Legislative Decree no. 38 was issued, then amended by Decree Law no. 91 of 24 June 2014, which also governed the possible adoption of International Accounting Standards by unlisted companies for the drawing up of their consolidated financial statements.

The Group elected to adopt the above-mentioned option for the drafting of its consolidated financial statements as at 31 December 2017, by identifying the day 1 January 2015 as transition date to IFRSs ("**Transition Date**"). The Company had already prepared the consolidated financial statements for the year ended 31 December 2015 in compliance with the accounting standards issued by the Italian Accounting Profession, as amended by the OIC (Italian Accounting Body) ("**Italian Accounting Standards**").

The Consolidated Financial Statements were drawn up in compliance with EU IFRS standards in force at the approval date of the same. It should be noted that the wording EU IFRS means all "International Financial Reporting Standards", all "International Accounting Standards" (IAS), as well as all interpretations of "International Reporting Interpretations Committee" (IFRIC), previously called "Standing Interpretation Committee" (SIC) which, at the date of approval of the Consolidated Financial Statements had been endorsed by the European Union according to the procedure envisaged by (EC) Regulation no. 1606/2002, approved by the European Parliament and the European Council on 19 July 2002.

The Consolidated Financial Statements were drafted on an ongoing basis and based on the conventional criterion of the historical cost, except for some accounting items that were recognised at fair value, pursuant to provisions set out in the International Accounting Standards.

These Consolidated Financial Statements were drawn up based on the best knowledge of IFRSs and taking account of the best knowledge on the matters. Any future guidelines and interpretation updates will be reflected in the following years, according to the modalities envisaged from time to time by reference accounting standards.

These draft Consolidated Financial Statements were approved by the Company's Board of Directors on 28 March 2018.

2.2. FORM AND CONTENT OF ACCOUNTS

As regards the form and content of the consolidated statements, the Group elected the following:

i) the consolidated Statement of Financial Position (Balance Sheet) discloses current and non-current assets, separately and, similarly, current and non-current liabilities;
ii) the consolidated Comprehensive Income Statement includes the profit or loss for the year, as well as changes in Shareholders' Equity related to financial items that, as expressly envisaged by the International Accounting Standards, are recognised in the Shareholders' Equity components; and
iii) the consolidated Cash Flow Statement is disclosed according to the indirect method.

The formats used, as described above, are those that better describe the equity and financial position, as well as the economic result of the Group.

These financial statements were drawn up in Euro, functional currency of the Group.

The figures reported in the statements, as well as in the tables included in the Explanatory Notes, are expressed in thousands of Euro, unless otherwise indicated.

The Consolidated Financial Statements are audited by the Independent Auditors PricewaterhouseCoopers SpA, auditing company of both the Company and the Group.

2.3 CONSOLIDATION AREA AND CHANGES THEREIN

The Consolidated Financial Statements were prepared based on the accounts of both the Company and its subsidiaries, duly adjusted to conform them to the accounting principles of the Parent Company and the EU IFRS Standards.

The list of companies included in the consolidation area as at 31 December 2017, with indication of share capital and consolidation method used in the preparation of the Consolidated Financial Statements, is reported in Attachment A herein.

2.4 CONSOLIDATION PRINCIPLES

The criteria adopted by the Group to define the consolidation area and the related consolidation principles are described hereunder.

Subsidiaries

The subsidiaries are the companies controlled by the Group. The Group controls a company when it is exposed to the variable results of the same and has the power to influence such results by exercising its power on the company. In general, the existence of a control is inferred when the Company owns, either directly or indirectly, more than the half of the voting rights, also considering the possible voting rights that can be exercised or converted.
All subsidiaries are consolidated on a line-by-line basis, on the day in which the control has been transferred to the Group. Conversely, these companies are excluded from the consolidation area as from the day in which this control ceases.
Business combinations are recognised by the Group by using the acquisition method. According to this method:

i) the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair values of assets transferred and liabilities undertaken by the Group as at the acquisition date, as well as equity instruments issued in exchange of the control of the acquired company. Ancillary costs related to the transaction are recognised in the income statement, when incurred;
ii) as at the acquisition date, identifiable assets acquired and liabilities undertaken are recognised at fair value at the acquisition date. An exception to the above are deferred tax assets and liabilities, assets and liabilities related to employee benefits, liabilities or capital instruments related to share-based payments of the acquired company of share-based payments related to the Group and issued in replacement of previous contracts of the acquired company, as well as assets (or groups of assets and liabilities) held for sale, which are instead measured based on their reference standard;
iii) goodwill is represented by the surplus between the sum of the amount transferred in a business combination, the value of Shareholders' Equity pertaining to minority interests and the fair value of the possible equity investment previously owned in the acquired company, and the fair value of identifiable net assets acquired and liabilities undertaken upon acquisition. If the value of net assets acquired and liabilities undertaken at the acquisition date exceeds the sum of the amounts transferred, the value of Shareholders' Equity pertaining to minority interests and the fair value of any equity investment previously owned by the company acquired, this surplus is immediately accounted for as income from the transaction and recognised in the income statement;
iv) any payments subject to condition precedent in the business combination agreement are measured at fair value at the acquisition date and are considered in the value of the amounts transferred in the business combination to calculate goodwill.

If business combinations are carried out by steps, the equity investment previously owned in the acquired company is revalued at fair value at the acquisition date of the control and any consequent gains or losses is recognised in the income statement.

If the opening amounts of a business combination are incomplete at the reporting date of the financial statements in which the business combination occurred, the Group will report the provisional amounts of the elements, for which recognition cannot be completed, in its consolidated financial statements. These provisional amounts are adjusted over the adjustment period to take account of new information obtained on events and circumstances existing at the acquisition date which, that if known, would have had an impact on the amount of assets and liabilities recognised at that date.

Joint arrangements

In measuring joint arrangements, the Group applies IFRS 11. Pursuant to provisions envisaged in IFRS 11, a joint arrangement can be classified both as joint operation and as joint venture, based on a substantial analysis of rights and obligations of the parties. A joint venture is a joint control agreement in which the parties holding the joint control (joint ventures) have rights, amongst other, on the net assets of the agreement. A joint operation is a joint control agreement that grants the parties rights on assets and obligations on liabilities related to the agreement itself. Joint ventures are recognised at equity, while equity investments in a joint operation involve the recognition of assets/liabilities and costs/revenues connected with the agreement based on rights/obligations, regardless of the equity investments owned.

2.5 MEASUREMENT CRITERIA

Assets under concession (IFRIC 12)

Assets under concession represent the right of the Group to use assets under concession for the management of the electricity distribution service through the subsidiary SET Distribuzione SpA and gas and water distribution services, through the subsidiary Novareti SpA, in the pertaining Municipalities in the Trentino Region. The method adopted is the so-called intangible asset method, taking account of the costs borne for the design and building of assets with mandatory return of the assets at expiration of the concession period. The amount corresponds to the fair value of design and building activities, added with financial charges that are capitalised during construction, in compliance with requirements set out by IAS 23. The fair value of building services is determined based on costs actually borne, added by a mark-up representing the best estimate on the remuneration of in-house costs for construction management and design activities carried out by the Group, equal to the mark up that a general third-party constructor would ask to perform the same activity, as envisaged by IFRIC 12. The logics, underlying the way fair value is calculated, result from the fact that the concession-holder must apply provisions set out by paragraph 12 of IAS 18 and therefore, if the fair value of services received (in this case the right to exploit the asset) cannot be reliably determined, the revenue is calculated based on the fair value of the construction services actually rendered.
Assets related to construction services underway at the reporting date are measured based on the actual progress of works, pursuant to IAS 11 and this measurement will be disclosed in the income statement, under item "Revenue from works on assets under service concession".
As it is assumed that the future economic benefits of the asset will be used by the concession-holder, the assets under service concessions will be amortised along the estimated concession or, in the event the concessions are expired, for the duration of the period estimated from the reporting date and the launch of a new tender for the granting of the concession.
The amount to be amortised is represented by the difference between the acquisition value of assets under concession and their residual value, which is expected will be realised at the end of the useful life of the asset, according to regulations currently in force.
If specified in the concession agreement and can be reliably estimated, the residual value is intended as Residual Industrial Value (RIV). Conversely, the residual value is estimated as the net book value of each single concession at the expiry date of the concession, as set out by the Provincial Law no. 6 of 17 June 2004.
When events occur that indicate impairment of these intangible assets, the difference between book value and recovery value is charged to the income statement. According to Group prior experience, the useful life of assets under concession is longer than the duration of the concession itself. Therefore, in estimating the provisions for the recovery charges of assets under concession, it is unnecessary to recognise charges related to recovery or replacement of assets under

concession, as set out when the useful life of assets under concession is shorter than the duration of the concession itself.

Goodwill

Goodwill is represented by the surplus between the sum of the amount transferred in a business combination, the value of Shareholders' Equity pertaining to minority interests and the fair value of the possible equity investment previously owned in the acquired company, and the fair value of identifiable net assets acquired and liabilities undertaken upon acquisition. If the value of net assets acquired and liabilities undertaken at the acquisition date exceeds the sum of the amounts transferred, the value of Shareholders' Equity pertaining to minority interests and the fair value of any equity investment previously owned by the company acquired, this surplus is immediately recognised as income in the income statement.

Goodwill is not amortised, but is tested for impairment ("impairment test") on a yearly basis. The possible reduction in value of goodwill is recognised in the event the recoverable value of goodwill be lower that its book value. The value of goodwill cannot be recovered in the event of a prior impairment loss.

The impairment test is performed at least every year, or in any case in the presence of impairment indicators.

Other intangible assets

Other intangible assets include non-monetary elements and are identifiable assets lacking physical substance, controlled by the company and able to produce future economic benefits. Other intangible assets are recognised at purchase and/or production cost, including directly attributable expenses incurred to prepare the asset for use, net of accumulated amortisation and possible impairment losses.
Other intangible assets are amortised from the time at which the asset becomes available for use. Their amortisation is apportioned systematically in relation to the residual possible use, i.e. based on their estimated useful life.
The useful life estimated by the Group for other intangible assets is as follows:

	% RATE
CONCESSIONS	DURATION OF CONCESSION
PATENT AND SOFTWARE RIGHTS	20%
OTHER INTANGIBLE ASSETS	DURATION OF REFERENCE CONTRACTS

Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, less accumulated depreciation and any impairment loss. The cost includes charges that are directly incurred to permit their use, as well as any possible costs of disassembly and removal that will be borne pursuant to contract obligations requiring to reinstate the original conditions of the asset.

Financial charges, directly attributable to the acquisition, construction and production of an asset, which justify a capitalisation pursuant to IAS 23, will be capitalised on the asset itself as part of its cost.

Charges borne for ordinary and/or cyclical maintenance and repairs are directly charged to income statement, when incurred. The capitalisation of costs related to the expansion, modernisation or improvement of the structural elements whether owned or leased is made within the limits established to be separately classified as assets or part of an asset.

Improvements on third-party assets include costs borne for the set up and modernization of real estates that are not owned.

Assets are depreciated on a straight-line basis, with rates that allow for depreciation of assets until the end of their useful life.

The useful life estimated by the Group for each single category of property, plant and equipment is as follows:

	% RATE
ELECTRICITY	
HYDROELECTRIC POWER PLANTS	2.0%
THERMAL POWER PLANTS	2.5%
HYDROELECTRIC FITTINGS	8.3%
PHOTOVOLTAIC PLANTS	5.0%
OTHER	
OFFICE BUILDINGS	3.3%
MOTOR VEHICLES	12.5%
ELECTRONIC MACHINES	16.7%

Leasing - Leased assets

Property, plant and equipment acquired under financial leasing contracts, according to which all rights and benefits related to the ownership of the asset are substantially transferred to the Group, are recognised as Group assets at the lower of their current value and the amount of the minimum payments outstanding under the lease, including any amount payable in the year for the purchase option. Assets are depreciated by applying the above-mentioned criterion and rates for property, plant and equipment, except when the duration of the lease contract is shorter than the useful life represented by said rates and there is not the reasonable certainty that the ownership of the leased asset will be transferred at the expiration of the contract.

In this case, the depreciation period will be equal to the duration of the lease contract.
Lease contracts in which the lessor substantially preserves all the risks and rewards of ownership are classified as operating leases. The minimum guaranteed fees, related to the operating leases, are charged to the income statement on a straight-line basis according to the contract's duration, taking also account of any renewal periods, when since the beginning of the contract it is reasonably certain that the lessor will exercise the option. The possible lease fees are instead recognised in the income statement, when paid.

Impairment of non-financial assets

At each reporting date of the financial statements, the non-financial assets are tested for impairment. When events occur that indicate impairment of non-financial assets, their recoverability is assessed by comparing the book value with the related recoverable value, represented by the fair value, less disposal charges, and the value in use, whichever higher. The value in use is determined by discounting the expected cash flows resulting from the use of the assets and, if significant and reasonably determined, from their disposal at the end of their useful life, net of disposal charges. Expected cash flows are determined based on reasonable assumptions that can be demonstrated and represent the best estimate of future economic conditions that will occur in the residual useful life of the asset, giving greater importance to external indications. Expected cash flows, used to determine the value in use, are based on the latest business plan, approved by the management and including forecasts on revenues, operating costs and investments. As regards assets that do not generate widely independent cash flows, the recoverable value is determined in relation to the Cash Generating Unit (i.e. the smallest independent CGU resulting from the continuous use), to which they belong. Discounting is carried out at a rate that reflects current market measurements of the time value of money and the specific risks of the asset, which are not already included in the cash flow estimates. In particular, the discount rate used is the Weighted Average Cost of Capital (WACC). The value in use is determined net of the tax effect, as this method produces values that are substantially equivalent to those that can be obtained by discounting the cash flows, including taxes at a discount rate before taxes resulting from the post-tax measurement. The measurement is performed by each single asset or by Cash Generating Unit. When the reasons for impairment no longer exist, the value of assets is recovered and the adjustment is recognised in the income statement as write-up (value write-back). The write-back is carried out at the lower between recoverable value and book value, inclusive of prior write-downs and less amortisation instalments that would have been allocated if the asset were not impaired.

Equity investments

Equity investments in companies other than subsidiaries, associates and joint ventures, recorded under non-current assets, represent financial assets available for sale and are measured at fair value. The effects are charged to the shareholders' equity reserve related to the other components of total profit. Changes in fair value, recognised in the Shareholders' Equity, are charged to income statement upon write-down or disposal. When equity investments are not listed on a regulated market and the fair value cannot be reliably determined, they are measured at cost and adjusted to reflect impairment losses.

Dividends from equity investments are recognised in the income statement, under Gains and expenses from equity investments, when shareholders are entitled to receive the payment following the approval by the Shareholders' Meeting and the Board of Directors of subsidiaries.

Trade receivables and other current and non-current assets

Trade receivables and other current and non-current assets include financial instruments, mainly related to accounts receivable from customers, not resulting and not listed on any active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified in the Shareholders' Equity, under current assets, except for those with a contract expiry term after twelve months from the reporting date of the financial statements, which are classified under non-current assets.

These financial assets are recognised under assets when the company becomes a party in the contracts related therewith, and are derecognised from Assets, when the right to receive cash flows is transferred together with all risks and benefits associated to the transferred asset.

Trade receivables and other current and non-current assets are originally recorded at their fair value and then at amortised cost, by using the effective interest rate, less impairment losses.

Impairment losses in receivables are recognised in the income statement when there is objective evidence that the Group will not be able to recover the receivables based on contract terms.

The amount of the write-down is measured as the difference between the book value of the asset and the current value of expected future cash flows.

Receivables are shown net of the relevant provisions for write-downs.

Financial assets held to maturity

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments that are not listed on an active market and that the Group intends to keep until maturity. These financial assets are stated under current assets if their maturity term is within 12 months; otherwise, they are stated under non-current assets.

Financial assets are recognised initially at fair value, inclusive of ancillary costs related to the transaction. After the initial recognition, financial assets held to maturity are measured at amortised cost, based on the effective interest rate method and tested for impairment.

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets are being impaired. A financial asset or a group of financial assets is impaired or should be written-down if and only if there is objective evidence of impairment, resulting from events following the first accounting of assets and that the impairment loss has an impact on future cash flows that can be reliably estimated. The objective evidence of impairment of assets can result from the following circumstances:

i) significant financial difficulties of the debtor;
ii) contract breaches, as non-payment of interest or principal;
iii) the creditor, for economic or legal reasons connected with the financial difficulties of the debtor, grants the debtor facilities that would not be considered in other cases;
iv) it is probable that the debtor be bankrupt or be subject to a composition procedure with creditors; or
v) the active market of financial assets no longer exists.

Inventories

Inventories of raw, ancillary and consumable materials and merchandise are measured at the lower between average weighted cost and market value at the financial statement date. The average weighted cost is determined by reference period in relation to each inventory code. The average weighted cost includes the direct costs of labour and materials as well as (variable and fixed) indirect costs. Inventories related to energy certificates (TEE and GO) are measured with the FIFO method, which is deemed as better reflecting the current market value, given that the prices of these certificates are subject to strong oscillations, also over periods shorter than twelve months. Inventories are constantly monitored and, when necessary, obsolete materials are written-down and charged to the Income Statement.

Financial derivatives

All derivative financial instruments (including embedded derivatives) are measured at fair value.

Consistently with the approach established by IAS 39, derivative instruments can be accounted for using the hedge-accounting approach only when:

- at inception of the hedging, the hedging relationship is formally defined and documented;
- hedging is assumed to be highly effective;
- effectiveness can be reliably measured;
- the hedge itself can be highly effective during the various accounting periods for which it is designated.

When derivative instruments qualify for hedge accounting, the following accounting treatment is applied:

i) Fair value hedge – If a financial derivative is designated as a hedge for exposure to the changes in the current value of a recognised asset or liability, the change in fair value of the hedging derivative is recognised in the income statement, consistently with the fair value measurement of hedged assets and liabilities;
ii) Cash flow hedge – If a financial derivative is designated as a hedge for exposure to the variability of cash flows of an asset or liability, or of an expected, highly probable transaction that may affect profit and loss, the effective portion of profit or losses on the financial instrument is recognised in the Shareholders' Equity. The cumulated profit or loss is written-off from the Shareholders' Equity and recognised in the income statement in the same period when the hedged transaction is recognised. The profit or loss related to a hedge or to any ineffective portion is recognised in the income statement, when the ineffective portion is recognised.

When the conditions for hedge accounting are not present, changes in fair value of the derivative are charged to the income statement.

Determination of fair value of financial instruments

Fair value of financial instruments listed on an active market is based on market prices at the reporting date. Fair value of financial instruments unlisted on an active market is instead determined by using valuation techniques based on methods and assumptions linked to market conditions at the reporting date.

Segment disclosure

Information on business segments was provided according to provisions set out by IFRS 8 "Operating segments", which envisages disclosures that are consistent with the modalities the management had adopted to make operating decisions. Therefore, operating segments are identified and disclosures are made based on the internal reporting used by the management for the purpose of allocation resources to the various segments and the analysis of the related performance.

According to IFRS 8, an operating sector is a component of an entity that: i) undertakes business operations that generate revenues and costs (including revenue and costs concerning operations with other components of the same entity); ii) the operating results of which are reviewed periodically at the entity's highest operational decision-making level for the adoption of decisions on the resources to be allocated to the sector and an assessment of results; iii) for which separate financial statements information is available.

Operating segments identified by the management, in which all services and products supplied to customers are included, are identified as follows:

1. Electricity production;
2. Heat production, Steam and Cooling;
3. Distribution and grids;
4. Commercial and trading;
5. Water cycle and Environment;
6. Other minor services.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank current accounts and deposits repayable on demand and other short-term financial investments with high liquidity that are readily convertible into cash, or can be transformed in cash within 90 days from the original acquisition, and are subject to an insignificant risk regarding their change in value.

Treasury shares

The repurchase of treasury shares, as instruments representing the transferred capital, are deducted from equity. No profit or loss is recognised in the comprehensive income statement upon purchase, sale, issue or derecognition of equity instruments of an entity. The consideration paid or received is recognised directly to Shareholders' Equity.

The amount of treasury shares owned is disclosed separate in the explanatory notes, pursuant to provisions set out by IAS 1 - Presentation of Financial Statements. An entity discloses supplementary information, pursuant to IAS 24 - Related Party Disclosures, if the entity repurchases its equity instruments from related parties.

Financial liabilities, trade and other payables

Financial payables (excluding derivative instruments), trade payables and other payables are initially recorded at fair value, less directly attributable ancillary costs, and they are then measured at amortised cost, by applying the effective interest rate method. If a determined change in estimated cash flows occurs, the value of liabilities is recalculated to reflect this change, based on the actual value of the expected new cash flows and the internal yield rate that has been initially determined.

Financial liabilities are classified under current liabilities, except in the event the Group has an unconditional right to defer payment for at least twelve months from the reference date.
Financial liabilities are derecognised from the financial statements upon redemption and when the Group has transferred all related risks and charges to the instrument itself.

Provisions for risks and charges

Provisions for risks and charges include losses and liabilities of a specific nature whose existence is certain or probable, but whose timing and extent are unknown.

Provisions are recognised only when there is a current (statutory or implied) obligation for a future outgoing of resources, resulting from a past event, and it is likely to be necessary to use such resources to fulfil the obligation. This amount represents the best estimate of the charge required to settle the obligation. The rate used to determine the current value of the liability reflects the current market values and considers the specific risk attributable to each single liability. When the financial effect of the passing of time is significant and the payment dates of the obligations can be reliably estimated, the provisions are measured at the current value of the disbursement envisaged by using a rate that would reflect market conditions, the change in the cost of money over time and the specific risk connected with the obligation. The increase in the provision value, determined by changes in the cost of money over time, is accounted for as financial charge.

The risks for which the occurrence of a liability is merely possible are possibly indicated in the special section on possible liabilities and no allocation is provided.

Personnel-related provisions

Personnel-related provisions include: i) defined-contribution plans and ii) defined-benefit plans. With reference to defined-contribution plans, costs related to these plans are recognised in the income statement, when incurred.

With reference to defined-benefit plans, Group net liabilities are determined separate for each plan, by estimating the current value of future benefits that employees have accrued over the year and prior years, and deducting fair value of any plan assets. The current value of obligations is based on the use of actuarial methods, which assign the benefit deriving from the plan to the periods in which the obligation arises (Projected Unit Credit Method) and is based on actuarial assumptions that are objective and comparable. Plan assets are measured and recognised at fair value.

If the above calculation reports a possible asset, the amount to be paid is limited to the actual value of each economic benefit available, under the form of reimbursements or reductions of future contributions to the plan (asset threshold).

The cost components of defined benefits are recognised as follows:

- costs related to service performance are recognised in the income statement, under item "personnel costs", while
- net financial charges on liabilities or defined-benefit assets are recognised in the income statement under item "Financial income/(charges)", and are calculated by multiplying the value of net liabilities/(assets) by the rate used to discounting obligations, taking account of payments of contributions made and benefits during the period;
- the remeasuring components of net liabilities, including actuarial gains and losses, the yield of assets (excluding interest income recognised in the income statement), as well as any change in the asset threshold, are immediately recognised in the statement of comprehensive income, under changes in Shareholders' Equity related to financial items. These components must not be reclassified under the financial components in a subsequent period.

Public grants

Public grants are recognised at their fair value when there is the reasonable certainty that all conditions required to their achievement be fulfilled and that they will be received. Grants received for specific expenses are recognised as liabilities and systematically charged to the income statement over the years, as a counter-balance of related expenses.

Investment grants, including non-monetary grants measured at fair value, are recorded as deferred income, systematically and rationally charged as income over the useful life of the asset.

Assets and liabilities held for sale and discontinued operations

Non-current and current assets of disposal groups are classified as held for sale if the related book value is recovered mainly through the sale. This condition is deemed as fulfilled when the sale is highly probable and the asset, or disposal group, is available for immediate sale in its current conditions. Non-current assets held for sale, current and non-current assets related to disposal groups and liabilities directly attributable are recognised in the statement of financial position, separate from other assets and liabilities.
Non-current assets held for sale are not amortised and are measured at the lower of their book value and the related fair value, less the costs of sale.
Any difference between book value and fair value, less the costs of sale, is charged to the income statement as write-down. Any recoveries in value

are recognised until recovery of the previously recorded write-downs, including those that were recognised before the classification of the asset as held for sale.
Non-current assets, as well as current and non-current assets of disposal groups, classified as held for sale, represent a discontinued operation if, either of the following occurs:

- they represent a business unit of core business or a geographical area of core business; or
- they are part in a disposal program of an important business unit of core business or a geographical area of core business; or
- they are a subsidiary acquired exclusively to be sold.

The results of the discontinued operations, as well as any capital gain/loss from the sale, are disclosed separate in the income statement, under a special item, less all related tax effects. The financial values of discontinued operations are also disclosed for years considered for comparison purpose.

In the event of a sales program of a subsidiary, which involves the loss of control, all assets and liabilities of this investee are classified as held for sale.

Revenue recognition
Revenue from sales of goods is recognised in the statement of comprehensive income upon transfer of risks and benefits related to the product sold, which normally coincides with the delivery or the shipment of goods to the customer. Revenue from services is recognised in the accounting period in which these services are rendered.
Revenues are recognised at fair value of the payment received. The Group recognises revenues when their amount can be estimated in a reliable way and their future economic benefits are likely to be recognised.

According to the type of transaction, revenues are recognised based on the following specific criteria:

i. revenue from the sale and distribution of electricity, thermal energy, gas, heat and steam is recognised upon the transfer of ownership, which mainly occurs when the good is supplied or the service rendered, albeit still not invoiced, and is determined by supplementing the consumption read through meters with adequate estimates;
ii. revenue for the sale of certificates is recorded upon transfer thereof;
iii. revenue from services rendered is recorded upon supply, or according to contract clauses.

Recognition of costs
Costs are recognised upon acquisition of an asset or service.

Taxes
Current taxes are calculated based on the taxable income for the year, by applying tax rates in force at the reporting date.
Prepaid and deferred taxes are calculated based on all differences that arise between tax value of an asset or liability and the related book value Prepaid taxes, including those related to prior tax losses, are recognised to the extent that it is probable that there will be future taxable income to which that tax loss can be applied. Prepaid and deferred taxes are determined by using the tax rate that it is estimated will be applicable in the years in which the differences will be realised or extinguished, based on the enacted or substantially enacted tax tare at the reporting date.
Current, prepaid and deferred taxes are recognised in the income statement, except for those related to items directly debited or credited to Shareholders' Equity; in this case, also the related tax effect will be recognised directly to Shareholders' Equity.

3. Estimates and assumptions

Preparation of financial statements requires directors to apply accounting principles and methodologies that, in some cases, are based on valuations and estimates, which in turn are based on historic experience and assumptions considered reasonable and realistic according to circumstances at any given time. The application of such estimates and assumptions affects the amounts reported in financial statements, as well as the information disclosed. The ultimate actual amounts of accounting items, for which these estimates and assumptions have been used, might differ from those reported in the financial statements, showing the effects of the occurrence of the estimated item, due to the uncertainty characterising the assumptions and conditions on which estimates are based.

Below a short list is provided of the accounting items related to the Group that require greater subjectivity on the part of directors in developing estimates and for which any change in conditions underlying assumptions made could have a significant impact on the Group's financial results.

a) *Impairment Test*: the book value of property, plant and equipment and intangible assets is periodically tested for impairment and whenever circumstances or events require a more frequent assessment. Whenever it is deemed that a book value of a group of fixed assets has suffered an impairment loss, the same is written-down to the related recoverable value, estimated based on the use and future sale of the asset, in relation to provisions set out in the latest business plans. It is deemed that estimates of these recoverable values are reasonable. However, possible changes in the estimate factors, on which the calculation of the aforesaid recoverable values is based, might result in different valuations.
b) *Provision for write-downs*: the provision for write-downs reflects the best estimate made by directors on doubtful receivables from customers. This estimate is based on expected losses incurred by the Group, determined according to past experience made for similar receivables, current and historic overdue amounts, the careful monitoring of creditworthiness and projections on economic and market positions.
c) *Prepaid taxes*: accounting for prepaid taxes takes place on the basis of expectations of taxable income in future years to be used for their recovery. The valuation of the taxable revenue expected for the purposes of accounting for prepaid taxes depends on factors that can vary over time and significantly affect the recoverability of the receivables from prepaid taxes.
d) *Provisions for risks and charges*: with respect to legal risks, allocations are recognised representing the risk of an unfavourable outcome of disputes. The value of provisions in the financial statements related to these risks represents the best estimate to date made by directors. This estimate entails the adoption of assumptions depending on factors that might change over time and that might therefore have a significant impact on current estimates made by directors in the drafting of Group financial statements.
e) *Fair value of derivative instruments:* fair value of unlisted financial assets, such as derivatives, is determined through financial measurement methods generally used and that require basic assumptions and estimates. These assumptions might not occur in the expected times and modalities. Estimates made by the Group might therefore differ from closing figures.
f) *Intangible assets*: the fair value of construction services that are included in assets under concession and are accounted for according to IFRIC 12, is determined based on the costs actually incurred, added with a mark-up. The latter represents the best estimate on the consideration of in-house costs for work management and planning performed by the Group, equal to the mark-up that a general third-party constructor might ask to render the same service, as envisaged by IFRIC 12.
g) *Amortisation and depreciation of intangible assets and property, plant and equipment:* property, plant and equipment and intangible assets are depreciated/amortised on a straight-line basis along the useful life of each single asset. The useful life of property, plant and equipment and intangible assets is determined when they are purchased, based on the historic experience on similar assets, market conditions and advances concerning future events that might have an impact, such as changes in technology. The actual economic life might therefore differ from the estimated useful life. The Group assesses segment and technological changes on an annual basis, as well as any changes in contract provisions and in regulations in force related to the use of property, plant

and equipment and intangible assets, and the recovery value used to update the residual useful life. The result of these analyses might modify the amortisation/depreciation period and therefore the amortisation/depreciation rate for both the current and future years.

4. Recently issued accounting standards

Pursuant to IAS 8, the following paragraphs indicate and briefly describe the amendments, effective from 1 January 2017, as well as the accounting standards and interpretations that have already been issued, but not yet endorsed by the European Union, and therefore not applicable in the preparation of the financial statements as at 31 December 2017, whose impact will be shown in the financial statements of the following years.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT ARE APPLICABLE IN THESE FINANCIAL STATEMENTS

Effective from 1 January 2017, the Company adopted the following amendments to the already existing standards:

- Amendment to IAS 7 "Disclosure Initiative" (issued in January 2016). The amendments concern the assets and liabilities deriving from financing activities, whose cash flows are included in the section cash flows from financing activities in the Cash Flow Statement. A disclosure is required which would permit users of the financial statements to evaluate changes in liabilities resulting from financing activities, while making a distinction between monetary and non-monetary changes. Group liabilities, resulting from financing activities, are mainly attributable to bond loans and medium and long-term loans granted by banks. The application of this amendment has no impact on the consolidated financial statements.
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016). The document provides clarifications on the recognition of deferred tax assets related to debt instruments measured at fair value. More directly, the amendments clarify the requirements for the recognition of deferred tax assets, with reference to unrealised losses, in order to eliminate mismatches in accounting practice. The application of this amendment has no impact on the consolidated financial statements.
- Annual improvements to IFRSs 2014-2016 Cycle (issued in December 2016). The Group applied the amendment to IFRS 12 Disclosure of Interests in Other Entities. Application of the other amendments included in this cycle is not mandatory as from 2017. Amendments clarify that forecasts on disclosures required by IFRS 12, except for the summary of economic and financial data, also apply to interests in companies classified as held for sale. The application of this amendment has no impact on the consolidated financial statements.

ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION BUT APPLICABLE TO SUBSEQUENT FINANCIAL YEARS

- IFRS 15 Revenue from Contracts with Customers (issued in May 2014). The new standard will supersede the standards IAS 11 - Construction Contracts, IAS 18 - Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers, SIC 31 - Revenue - Barter Transactions Involving Advertising Services and will apply to all contracts with customers, except for, but not limited to lease and insurance contracts, financial instruments, etc.. The new standard introduces a model framework to recognise and measure revenue according to the following core principle: an entity will recognise revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods supplied or services rendered. This core principle will be applied in a five-step model: identify the contract with a customer (step 1); identify the performance obligations in the contract, while disclosing the separable goods or services as separate obligations (step 2); determine the transaction price, i.e. the amount of the consideration that is expected to obtain (step 3); allocate the transaction price to the performance obligations in the contract, according to the autonomous sales price of each single separable good or service (step 4); recognise revenue when (or as) the entity satisfies a contract performance obligation by transferring the good or service to the customer, i.e. when the customer obtains the control of the good or service (step 5). The IFRS 15 standard also includes a series of guidelines that an entity shall apply to report comprehensive information about the nature, amount, timing and uncertainty of revenues and cash flows arising from a contract with a customer. In April 2016, the IASB issued some amendments to the IFRS 15 standard to clarify the guidelines aimed at determining an obligation to sell a good or render one or more services. Clarifications are also given on the accounting of licences related to intellectual rights. The standard and related amendments are mandatory and applicable for annual reporting periods beginning on or after 1 January 2018. The Group did not apply the standard earlier and, however, it deems that there will be no impact on the consolidated financial statements.
- IFRS 9 Financial Instruments (issued, in its final version, in July 2014). This standard replaces IAS 39 Financial Instruments: Recognition and Measurement and supersedes all previous versions. The final version of IFRS 9 brings together the results of the three-step project to replace IAS 39 relating to classification and measurement, impairment and hedge accounting. As regards the classification of financial instruments, the IFRS 9 standard envisages one single approach for all types of financial assets, including those with embedded derivatives. Financial assets are therefore classified in their entirety, with no need for complex bifurcation methods. In order to determine how financial assets should be classified and measured, the business model used to manage the financial assets, as well as the asset's contractual cash flow characteristics should be considered. To the above purpose, business model means the way in which the entity manages its own financial assets to generate cash flows, i.e. by collecting contract cash flows, selling financial assets, or both. Financial assets measured at amortised cost are held within a business model whose objective is to collect contractual cash flows. Financial assets measured at fair value through other comprehensive income (FVTOCI) are held with the objective to both collecting contractual cash flows and selling financial assets. This category allows to disclose interests to the Income Statement, based on the amortised cost, and fair value of the financial asset to OCI. On the other hand, the category of financial assets measured at fair value through profit or loss (FVTPL) is a residual category, which includes any financial assets that are not held in one of the two business models mentioned above, including assets held for trade and those measured based on the related fair value. As regards classification and measurement of financial liabilities, IFRS 9 adopts the accounting treatment envisaged by IAS 39, with some limited changes, according to which almost all liabilities are measured at amortised cost. Financial liabilities can still be designated at fair value through profit or loss, if specific requirements are met. The standard introduces new provisions for financial liabilities designated at fair value through the income statement, according to which, under those circumstance, the portion of changes in fair value due to own credit risk should be recognised through OCI and not through the income statement. This issue of the standard can be applied earlier, with no obligation to apply the standard in its entirety. Given the fact that, during the financial crisis, the impairment model based on incurred credit losses had shown clear limits connected with the deferred recognition of losses on receivables upon the occurrence of a trigger event, the standard proposes a new model which would allow the users of the financial statements to obtain further information on expected credit losses. In summary, the model envisages the following:
a) application of one single approach to all financial assets;
b) recognition of expected losses at any

moment and updating of their amount at the end of each accounting period to reflect credit risk changes in the financial instrument;
c) measurement of expected losses based on reasonable information, available without excessive costs, including historic, current and provisional information;
d) improvement of disclosures on expected losses and credit risk.

The IFRS 9 standard also introduces a new model of hedge accounting, with the objective to align accounting disclosures with risk management activities and to determine a more principles-based approach. The new hedge accounting approach will permit an entity to represent, in the financial statements, risk management activities while extending the eligibility criteria of hedged items to risk components of non-financial elements, net positions, layer components and aggregate exposures (e.g. combined non-derivative exposure and derivative). With regard to hedging instruments, the most significant amendments, compared to the hedge accounting model envisaged in IAS 39, concerned the possible deferral of the time value of an option, the forward component of a forward contract and the currency basis spreads (e.g. hedging costs) in OCI until the moment in which the hedged element affects the income statement. IFRS 9 also removes the effectiveness test requirement, according to which the results of the retrospective test should be within the 80%-125% range, also envisaging the possible rebalance of the hedging relationship if the risk management objectives remain unchanged. Lastly, IFRS 9 does not replace provisions set out by IAS 39 on portfolio fair value hedge accounting in relation to the interest rate risk (macro hedge accounting) as this phase of the project, to replace IAS 39, was detached and it is still under discussion. To this purpose, in April the IASB published the Discussion Paper Accounting for Dynamic Risk management: a Portfolio Revaluation Approach to Macro Hedging. The standard is mandatory and applicable for annual reporting periods beginning on or after 1 January 2018. The Group did not apply the standard earlier and, however, it deems that there will be no impact on the consolidated financial statements.

- Amendments to IFRS 4 Insurance Contracts (issued in September 2016). As the application of the new accounting standard IFRS 9 Financial Instruments, in the absence of the expected standard IFRS 17 Insurance Contracts (which will replace the current IFRS 4 standard), would entail mismatches on the income statement of entities issuing insurance contacts, the amendment introduces two application options to avert this inconvenience: a temporary exemption of the application of IFRS 9 or an option which would allow the adjustment of the income statement in the presence of suited financial instruments. The temporary exemption will be applicable for annual reporting periods beginning on or after 1 January 2018. No impact is expected for the Group.
- IFRS 16 Leases (issued in January 2016). The new standard supersedes the previous standard on leases, the IAS 17 and related interpretations define criteria for the recognition, measurement, presentation and disclosures to be supplied as reference for lease contracts to both lessor and lessee. Albeit IFRS 16 does not modify the definition of lease contract supplied by IAS 17, the main novelty introduced is represented by the concept of control within the definition. In particular, in order to determine whether a contract represents a lease, IFRS 16 requires to check whether the lessee has the right to control the use of a specific asset for a determined period of time. The IFRS 16 standard cancels the classification of operating or financial leases, as required by IAS 17, by introducing a single accounting model for all leases. Based on this new model, the lessee shall recognise the following:
a) in the statement of financial position, all assets and liabilities for all lease contracts longer than 12 months, unless the underlying asset has a low value; and
b) in the income statement, amortisation/depreciation of assets related to leases separate from interest related to corresponding liabilities.
With regard to lessors, in IFRS 16 the recognition requirements remain substantially unchanged with respect to those envisaged by IAS 17. Therefore, the lessors shall continue to classify and recognise leases indifferently, based on their nature (either operating or financial). This standard will be applicable for annual reporting periods beginning on or after 1 January 2019.

ACCOUNTING STANDARDS APPLICABLE TO SUBSEQUENT YEARS BUT STILL NOT ENDORSED BY THE EUROPEAN UNION

- IFRS 14 Regulatory Deferral Accounts (issued in January 2014). This standard permits an entity, which is a first-time adopter, to continue to account for rate regulated balances in accordance with standards previously adopted (e.g. local standards) on initial adoption of International Financial Reporting Standards. This standard cannot be adopted by entities that already prepare their financial statements in accordance with IFRS/IAS standards. In other words, an entity cannot recognise rate-regulated assets and liabilities according to IFRS 14 if the current accounting standards do not permit the recognition of these assets and liabilities or if the entity had not already adopted such accounting policy in accordance with other current accounting standards. This standard will be applicable retrospectively, prior to endorsement, to annual reporting periods beginning on or after 1 January 2016. The Commission decided to suspend its endorsement process while awaiting for the new accounting standard on rate-regulated activities. The application of this standard has no impact for the Group.
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (issued in June 2016). The amendments supply clarifications on the following issues connected with share-based payments: effects of a vesting condition on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction settled net of tax withholdings; the accounting when a modification occurs of share-based payment transactions from cash-settled to equity-settled. The amendments will be applicable, prior to endorsement, for annual reporting periods beginning on or after 1 January 2018. Its application has no impact for the Group.
- Amendments to IAS 40 Transfers of Investment Property (issued in December 2016). The IASB issued an amendment which clarifies when an entity should transfer the ownership of a real estate property (including the buildings under construction). It is also determined that the only intention of the management to change the intended use of a building does not represent an evidence of a change in use of the real estate property itself. The amendment of the standard under evaluation, albeit an earlier adoption is permitted, is applicable retrospectively as from 1 January 2018. Its application has no impact for the Group.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued in December 2016). This interpretation clarifies the accounting of transactions featuring the payment or the collection of advance considerations in currencies other than the Euro. In particular, this interpretation governs the exchange rate to be adopted for transactions in foreign currency where non-monetary assets and liabilities arise in connection with the collection or payment of consideration in advance, before the related assets, costs or revenue are recognised. This interpretation is applicable as from 1 January 2018, prior endorsement. Its application has no impact for the Group.
- Annual improvements to IFRSs 2014-2016 Cycle (issued in December 2016). The IASB issued some amendments to the standards endorsed in the 2014-2016 three-year period, especially IFRS 1 First-time Adoption of International Accounting Standards, IFRS 12 Disclosure of Interests in Other Entities (endorsed and applied as from 1 January 2017) and IAS 28 Long-term Interests in Associates and Joint Ventures. With regard to IFRS 1, some exemptions envisaged in specific paragraphs of the standard are cancelled. The amendment to IAS 28 envisages that, in the event the controlling entity is a venture capital company,

it has the faculty to measure its interest in associated companies and joint ventures at fair value, entering changes in the income statement. The amendments will be applied, prior to endorsement, to annual reporting periods beginning on or after 1 January 2018. Its application has no impact for the Group.

- IFRIC 23 Uncertainty over Income Tax Treatments (issued in June 2017). The interpretation, issued by the IASB, supplies guidelines for the application of IAS 12 Income Taxes when there is uncertainty on the correct tax treatment applicable. This interpretation is applicable, prior endorsement, for annual reporting periods beginning on or after 1 January 2019. Its application is deemed will have no impact for the Group.
- IFRS 17 Insurance Contracts (issued in May 2017). The new accounting standard establishes the criteria for the recognition, measurement, presentation and disclosure of insurance contracts. After its endorsement, it will fully supersede IFRS 4 Insurance Contracts issued in 2005. The IFRS 17 standard will be applied to all insurance contracts, with reference to the issuer. The scope of this new standard is to supply a model for the recognition of insurance contracts, which is more useful and consistent with respect to all insurance companies. The new standard will be applicable for annual reporting periods beginning on 1 January 2021 and the disclosure of comparative data will be required. Earlier application is permitted, provided that the entity has already adopted the IFRS 9 and IFRS 15 standards. Its application has no impact for the Group.
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (issued in September 2014). The IASB published the amendment in order to settle the conflict between IAS 28 and IFRS 10. According to provisions set out by IAS 28, the gain or loss resulting from the sale or contribution of a non-monetary asset to a joint venture or associate in exchange for an equity interest in that joint venture or associate, is restricted to the extent of the unrelated investors' interests in the joint venture or associate. In contrast, IFRS 10 requires full profit or loss recognition on the loss of control of a subsidiary, even if the entity continues to hold a minority interest in the same, including a sale or contribution of a subsidiary to a joint venture or associate. The amendments set out that on a sale or contribution of assets or a subsidiary to a joint venture or associate, the extent of any gain or loss recognised in the financial statements of the selling (or contributing) entity depends on whether the assets or subsidiary sold (or conferred) constitute a business, as defined in IFRS 3. When the assets or subsidiary constitute a business, the entity shall recognise in full any gain or loss previously held. Conversely, the entity's share of the gain or loss related to the portion is eliminated. A first-time application date for the above amendments has not yet been defined.
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (issued in October 2017). The amendment proposes an amendment to IFRS 9 for special financial assets for which only contractual cash flows that are solely payments of principal and interest. This provision does not meet the case of prepayment features with negative compensation. In particular, for a financial asset including a prepayment option that might involve the payment of a negative compensation, the amendments require that the financial asset be measured at amortised cost or through FVOCI, depending on a company's business model. This amendment will be applicable for annual reporting periods beginning on 1 January 2019, with earlier adoption permitted. Its application has no impact for the Group.
- Amendments to IAS 28 Long Term Interests in Associates and Joint Ventures (issued in October 2017). The amendments clarify that an entity applies the IRFS 9 standard to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture, but to which the equity method is not applied. An entity applies IFRS 9 to those interests before applying IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the book value of interests resulting from the application of IAS 28. Amendments are applicable retrospectively for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Its application had no impact for the Group.
- Annual improvements to IFRSs 2015-2017 Cycle (issued in December 2017). The IASB published the Annual Improvements to IFRSs - 2015-2017 Cycle, including amendments to IAS 12 Income Taxes, IAS 23 Borrowing Costs, IFRS 3 Business Combination and IFRS 11 Joint Arrangements. Amendments will be effective on 1 January 2019. Their earlier application is however permitted.

5. Information on financial risks

With regard to business risks, the main risks that have been identified and monitored and, for the extent described hereunder, managed by the Group, are as follows:

- market risk (defined as interest rate risk and commodity price risk);
- credit risk (both in relation with normal trade relations with customers and financing activities); and
- liquidity risk (with reference to the availability of cash resources and to the access to credit facilities and financial instruments in general).

The Group's objective is to maintain a balanced management over time of its financial exposure that would ensure a structure where liabilities are balanced with assets in the financial statements, as well as the necessary operating flexibility through the use of cash flows generated by current operating assets and bank credit facilities. The management of the related financial risks is governed and monitored at centralised level. In particular, the dedicated department is in charge of assessing and approving the provisional financial requirements, while monitoring their performance and implementing adequate correction measures, if applicable.

The following section supplies quality and quantity reference information on the impact of these risks on the Group.

5.1 MARKET RISK

5.1.1 Interest rate risk

The Group utilises external financial resources in the form of credit facilities, and uses cash on hand in bank deposits. Changes in market interest rates affect the cost and the yield of the various credit facilities and uses, therefore affecting the amount of Group financial income and charges. In view of reducing financial charges, the Group is continuously striving to negotiate less onerous credit facilities. It also regularly assesses its exposure to the interest rate risk.

As at 31 December 2017, the Group financial indebtedness included the following:

- bond loan, amounting to Euro 110,000 thousand, issued by the subsidiary SET SpA
- bond loan, amounting to Euro 5,052 thousand, issued by the parent company Dolomiti Energia Holding SpA.
- floating rate loans, benchmarked mainly to Euribor rate +spread for the period, according to the type of credit line used. The applied margins are comparable with the best market standards. In order to limit the risk of interest rate fluctuations, on some loans the Group uses derivatives, mainly interest rate swaps, with the aim of mitigating, at economically feasible terms, the possible impact of interest rate fluctuations on the economic result.

The main characteristics of derivatives subscribed by the Group and in place as at 31 December 2017 and 31 December 2016 to hedge interest rate fluctuations are summarised as follows:

IN THOUSANDS OF EURO	AS AT 31 DECEMBER 2017 IRS					
DATE OF TRANSACTION	16/03/2011	11/03/2011	04/03/2011	13/04/2011	25/05/2017	26/05/2017
COMPANY	DEH SPA	DEH SPA	DEH SPA	DEH SPA	DEH SPA	DEH SPA
COUNTERPARTY	MEDIOBANCA	INTESA SAN PAOLO	UNICREDIT	UNICREDIT	UNICREDIT	INTESA SAN PAOLO
EFFECTIVE DATE	02/01/2014	02/01/2014	02/01/2014	02/01/2014	01/01/2021	01/01/2021
MATURITY	31/12/2020	31/12/2020	31/12/2020	31/12/2020	30/09/2032	30/09/2032
NOTIONAL IN EURO	17,142,857	17,142,857	17,142,857	17,142,857	48,958,333	48,958,333
FLOATING INTEREST RATE	1M EURIBOR	1M EURIBOR	1M EURIBOR	1M EURIBOR	EURIBOR 3M (FLOOR -0,80)	EURIBOR 3M (FLOOR -0,80)
FIXED INTEREST RATE	3.4000%	3.4450%	3.5214%	3.7190%	1.3400%	1.3235%
FAIR VALUE	(980)	(992)	(1,012)	(1,065)	(255)	(200)

IN THOUSANDS OF EURO	AS AT 31 DECEMBER 2016 IRS			
DATE OF TRANSACTION	16/03/2011	11/03/2011	04/03/2011	13/04/2011
COMPANY	DEH SPA	DEH SPA	DEH SPA	DEH SPA
COUNTERPARTY	MEDIOBANCA	INTESA SAN PAOLO	UNICREDIT	UNICREDIT
EFFECTIVE DATE	02/01/2014	02/01/2014	02/01/2014	02/01/2014
MATURITY	31/12/2020	31/12/2020	31/12/2020	31/12/2020
NOTIONAL IN EURO	22,857,143	22,857,143	22,857,143	22,857,143
FLOATING INTEREST RATE	1M EURIBOR	1M EURIBOR	1M EURIBOR	1M EURIBOR
FIXED INTEREST RATE	3.4000%	3.4450%	3.5214%	3.7190%
FAIR VALUE	(1,764)	(1,788)	(1,823)	(1,917)

Sensitivity Analysis related to interest rate risk
The Group exposure to the interest rate risk was measured through a sensitivity analysis that considered current and non-current financial liabilities as well as bank deposits. Within the hypotheses made, the effects on the Group's Income Statement and Shareholders' Equity as at 31 December 2017 were evaluated with respect to a possible change in market rates, which discounted 50bps write-up and write-down, respectively. The calculation method applied the hypothesis of changes in both balances of the gross bank indebtedness and interest rate paid during the year to remunerate these floating rate liabilities. This analysis is based on the assumption of a general and prompt change in the reference interest rate level.
The result of this hypothetical, immediate and unfavourable (favourable) change in interest rates in the short-term, applicable to the Group's floating rate financial liabilities are shown in the following tables:

(IN THOUSANDS OF EURO)	IMPACT ON PROFIT NET OF TAX EFFECT		IMPACT ON SHAREHOLDERS' EQUITY, NET OF TAX EFFECT	
	- 50 BPS	+ 50 BPS	- 50 BPS	+ 50 BPS
YEAR ENDED 31 DECEMBER 2017	188	(736)	188	(736)
YEAR ENDED 31 DECEMBER 2016	194	(642)	194	(642)

5.1.2 Commodity risk
The price risk of commodities, related to price volatility of energy commodities (gas, electricity, fuel oil, etc.), as well as of environment certificates (incentive tariffs, white certificates, etc.), consists in possible negative effects that changes in market prices of one or more commodities might determine on cash flows and Group income prospects. The "Finance and Risk Management" department is in charge of monitoring risks resulting from price fluctuations and, to this purpose, the Group uses derivative instruments, mainly peaks, with the aim of mitigating, at economically acceptable terms, the possible impact of price volatility on the economic result.

The main characteristics of derivatives subscribed by the Group and in place as at 31 December 2017 and 31 December 2016 to hedge commodity price risk are summarised as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER 2017 COMMODITY			
DATE OF TRANSACTION	MISCELLANEOUS	MISCELLANEOUS	MISCELLANEOUS	MISCELLANEOUS
COMPANY	DET	DET	DET	DET
COUNTERPARTY	UNICREDIT	BNP	IMI	ECC_EEX
UNDERLYING	POWER/GN	POWER/GN	POWER/GN/EMISSION	POWER
MATURITY	MISCELLANEOUS	MISCELLANEOUS	MISCELLANEOUS	MISCELLANEOUS
NOTIONAL IN EURO				88,951,764
FAIR VALUE				(1,189)

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER 2016 COMMODITY			
DATE OF TRANSACTION	MISCELLANEOUS	MISCELLANEOUS	MISCELLANEOUS	MISCELLANEOUS
COMPANY	DET	DET	DET	DET
COUNTERPARTY	UNICREDIT	BNP	IMI	ECC_EEX
UNDERLYING	POWER/GN	POWER/GN	POWER/GN/EMISSION	POWER
MATURITY	MISCELLANEOUS	MISCELLANEOUS	MISCELLANEOUS	MISCELLANEOUS
NOTIONAL IN EURO	12,967	2,210	8,478	145,789
FAIR VALUE	100	503	(838)	(1,010)

5.2 CREDIT RISK

The credit risk represents the Group's exposure to possible losses resulting from the non-fulfilment of obligations undertaken by the counterparties.

This type of risk is managed by the Group through special procedures and mitigation measures, aimed at both assessing creditworthiness of the counterparty and constantly checking that the exposure thresholds be complied with, as well as through adequate guarantees.

Trade receivables are recognised in the financial statements net of any write-downs determined on the basis of the default risk of the counterparties, taking into account the information available on solvency of the customer and the historical data.

The overall exposure to credit risk as at 31 December 2017 and 31 December 2016 is represented by the sum of financial assets recorded in the financial statements, summarised as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER	
	2017	2016
ACCOUNTS RECEIVABLE - CUSTOMERS	297,739	377,347
ACCOUNTS RECEIVABLE - ASSOCIATES	52	51
ACCOUNTS RECEIVABLE - PARENT COMPANIES	95	101
ACCOUNTS RECEIVABLE - SISTER COMPANIES	-	2,541
PROVISION FOR WRITE-DOWNS	(15,456)	(18,518)
TOTAL	**282,430**	**361,522**

5.3 LIQUIDITY RISK

The liquidity risk can be represented by the inability to obtain the necessary financial resources, at acceptable economic terms, for the Group's operations. The two main factors that affect Group's liquidity are as follows:

- financial resources generated or absorbed by operating or investing activities;
- maturity or renewal terms of the financial debt.

A prudent management of the liquidity risk originated by normal operations involve the maintenance of an adequate level of cash and cash equivalents, short-term securities and the availability of provisions that could be obtained through an adequate amount of credit lines. The Group's liquidity requirements are monitored by a centralised department, in view of securing the finding of financial resources and adequate investment/yield of liquidity.

The following table analyses the financial liabilities (including trade and other payables) that are expected to be redeemed within the year, in a period between one and five years and after five years:

AS AT 31 DECEMBER 2017			
(IN THOUSANDS OF EURO)	MATURITY		
	WITHIN 1 YEARS	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
TRADE PAYABLES	222,401	-	-
TRADE PAYABLES DUE TO BANKS AND OTHER LENDERS	216,715	174,819	81,250
LIABILITIES FOR CURRENT TAXES	93	-	-
OTHER ACCOUNTS PAYABLE	36,520	116,750	-
TOTAL	**475,729**	**291,569**	**81,250**

AS AT 31 DECEMBER 2016			
(IN THOUSANDS OF EURO)	MATURITY		
	WITHIN 1 YEARS	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
TRADE PAYABLES	284,394	-	-
TRADE PAYABLES DUE TO BANKS AND OTHER LENDERS	193,058	180,623	97,917
LIABILITIES FOR CURRENT TAXES	635	-	-
OTHER ACCOUNTS PAYABLE	47,438	111,113	-
TOTAL	**525,525**	**291,736**	**97,917**

5.4 FAIR VALUE ESTIMATE

As regards financial instruments measured at fair value, the following table shows information on the method adopted to determine the fair value. The possible methods are broken down in the following levels, based on the source of available information, as described hereunder:

- Level 1: fair value is measured with reference to prices quoted (unadjusted) in active markets for identical financial instruments;
- Level 2: fair value is measured based on measurement techniques taking benchmark parameters that are observable on the markets;
- Level 3: fair value is measured based on measurement techniques taking benchmark parameters that are not observable on the market.

Group financial instruments recognised at fair value are classified under level 2 and the general criterion used to calculate the same is the current value of future cash flows envisaged by the instrument being measured.

The following table shows assets and liabilities measured at fair value as at 31 December 2017 and 31 December 2016:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER 2017		
	LEVEL 1	LEVEL 2	LEVEL 3
DERIVATIVE INSTRUMENTS (INTEREST RATE SWAP)	-	4,505*	-
FINANCIAL DERIVATIVES (COMMODITIES)	-	4,682*	-

* this amount includes the fair value of all derivatives that, under an accounting viewpoint, are classified as both hedging and not hedging

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER 2016		
	LEVEL 1	LEVEL 2	LEVEL 3
DERIVATIVE INSTRUMENTS (INTEREST RATE SWAP)	-	7,294*	-
FINANCIAL DERIVATIVES (COMMODITIES)	-	1,246*	-

* this amount includes the fair value of all derivatives that, under an accounting viewpoint, are classified as both hedging and not hedging

It should be noted that trade receivables and payables were measured at book value, as the latter is deemed as similar to the current value.

Financial assets and liabilities as at 31 December 2017 and 31 December 2016 are broken down by category:

AS AT 31 DECEMBER 2017						
(IN THOUSANDS OF EURO)	FINANCIAL ASSETS/ LIABILITIES MEASURED AT FAIR VALUE WITH CHANGES RECOGNISED IN INCOME STATEMENT	FINANCIAL ASSETS/ LIABILITIES MEASURED AT FAIR VALUE WITH CHANGES RECOGNISED IN SHAREHOLDERS' EQUITY	LOANS AND RECEIVABLES	ASSETS/ LIABILITIES AVAILABLE FOR SALE	LIABILITIES MEASURED AT AMORTISED COST	TOTAL
CURRENT ASSETS						
CASH AND CASH EQUIVALENTS	-	-	2,793	-	-	2,793
TRADE RECEIVABLES	-	-	282,430	-	-	282,430
OTHER CURRENT ASSETS	-	-	103,602	-	-	103,602
CURRENT FINANCIAL ASSETS	16,302	6,008	23,743	-	-	46,053
NON-CURRENT ASSETS						
OTHER NON-CURRENT ASSETS	-	-	27,592	-	-	27,592
NON-CURRENT FINANCIAL ASSETS	-	-	8,921	-	-	8,921
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**-**	**-**	**-**	**-**	**-**	**-**
CURRENT LIABILITIES						
TRADE PAYABLES	-	-	-	-	222,401	222,401
CURRENT FINANCIAL LIABILITIES	19,796	7,196	-	-	189,723	216,715
OTHER CURRENT PAYABLES	-	-	-	-	36,519	36,519
NON-CURRENT LIABILITIES						
NON-CURRENT PAYABLES DUE TO BANKS AND OTHER LENDERS	4,050	455	-	-	251,564	256,069
OTHER NON-CURRENT PAYABLES	-	-	-	-	116,750	116,750

AS AT 31 DECEMBER 2016						
(IN THOUSANDS OF EURO)	FINANCIAL ASSETS/ LIABILITIES MEASURED AT FAIR VALUE WITH CHANGES RECOGNISED IN INCOME STATEMENT	FINANCIAL ASSETS/ LIABILITIES MEASURED AT FAIR VALUE WITH CHANGES RECOGNISED IN SHAREHOLDERS' EQUITY	LOANS AND RECEIVABLES	ASSETS/ LIABILITIES AVAILABLE FOR SALE	LIABILITIES MEASURED AT AMORTISED COST	TOTAL
CURRENT ASSETS						
CASH AND CASH EQUIVALENTS	-	-	4,875	-	-	4,875
TRADE RECEIVABLES	-	-	361,522	-	-	361,522
OTHER CURRENT ASSETS	-	-	86,677	-	-	86,677
CURRENT FINANCIAL ASSETS	-	9,538	28,189	-	-	37,727
NON-CURRENT ASSETS						
OTHER NON-CURRENT ASSETS	-	-	24,266	-	-	24,266
NON-CURRENT FINANCIAL ASSETS	-	-	8,949	-	-	8,949
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**-**	**-**	**-**	**-**	**-**	**-**
CURRENT LIABILITIES						
TRADE PAYABLES	-	-	-	-	284,394	284,394
CURRENT FINANCIAL LIABILITIES	-	10,784	-	-	182,274	193,058
OTHER CURRENT PAYABLES	-	-	-	-	47,438	47,438
NON-CURRENT LIABILITIES						
NON-CURRENT PAYABLES DUE TO BANKS AND OTHER LENDERS	7,294	-	-	-	271,246	278,540
OTHER NON-CURRENT PAYABLES	-	-	-	-	111,113	111,113

6. Information on operating segments

The identification of the operating segments and the related information reported herein were based on the elements that the management used in operational decision-making. In particular, the internal reporting, periodically reviewed and used by the Group top management, refers to the following operating segments:

1. Electricity production;
2. Heat production, Steam and Cooling;
3. Distribution and grids;
4. Commercial and trading;
5. Water cycle and Environment;
6. Other minor services.

The results of the operating segments are measured through the analysis of EBITDA performance (defined as profit for the period before amortisation/ depreciation, allocations to provision for risks, write-downs of assets, financial income and charges and taxes) and of EBIT. In particular, the management deems that EBITDA is a good performance indicator, as it is not affected by tax regulations and amortisation/depreciation policies.

The economic disclosure by operating segment is as follows:

2017							
(IN THOUSANDS OF EURO)	ELECTRICITY PRODUCTION	HEAT PRODUCTION, STEAM AND COOLIN	DISTRIBUTION AND GRIDS	COMMERCIAL AND TRADING	WATER CYCLE AND ENVIRONMENT	OTHER MINOR SERVICES	TOTAL
EBITDA	32,379	6,959	61,128	13,625	7,287	3,885	125,263
EBIT	18,528	3,350	40,397	10,980	1,333	(2,195)	72,393

2016							
(IN THOUSANDS OF EURO)	ELECTRICITY PRODUCTION	HEAT PRODUCTION, STEAM AND COOLIN	DISTRIBUTION AND GRIDS	COMMERCIAL AND TRADING	WATER CYCLE AND ENVIRONMENT	OTHER MINOR SERVICES	TOTAL
EBITDA	71,877	4,269	60,011	43,513	7,119	(3,104)	183,685
EBIT	59,136	565	40,555	36,639	1,383	(10,067)	128,211

7. Notes to the Statement of Financial Position

7.1 LEASED ASSETS

Changes in item "Assets under concession" are shown hereunder for the years ended 31 December 2017 and 2016:

(IN THOUSANDS OF EURO)	ELECTRIC GRID	GAS NETWORK	WATER NETWORK	TOTAL
BALANCE AS AT 31 DECEMBER 2015	**269,705**	**160,684**	**63,085**	**493,474**
OF WHICH:				
HISTORICAL COST	*627,762*	*261,592*	*119,696*	*1,009,050*
ACCUMULATED AMORTISATION	*(358,057)*	*(100,908)*	*(56,611)*	*(515,576)*
INCREASES	16,040	6,539	3,436	26,015
AMORTISATION	(14,509)	(4,878)	(3,640)	(23,027)
BALANCE AS AT 31 DECEMBER 2016	**271,236**	**162,345**	**62,881**	**496,462**
OF WHICH:				
HISTORICAL COST	*643,802*	*268,131*	*123,132*	*1,035,065*
ACCUMULATED AMORTISATION	*(372,566)*	*(105,786)*	*(60,251)*	*(538,603)*
INCREASES	17,198	7,388	2,958	27,544
AMORTISATION	(15,081)	(5,230)	(3,359)	(23,670)
DISINVESTMENTS	(1,527)	(5)	(6)	(1,538)
BALANCE AS AT 31 DECEMBER 2017	**271,826**	**164,498**	**62,474**	**498,798**
OF WHICH:				
HISTORICAL COST	*661,000*	*275,519*	*126,084*	*1,062,609*
ACCUMULATED AMORTISATION	*(387,647)*	*(111,016)*	*(63,610)*	*(562,273)*

Impairment tests on rights on assets under concession

At the Transition Date, the Group performed impairment tests in order to assess the existence of any impairment loss with reference to the amounts accounted for under item Rights on assets under concession, for the distribution of electricity.

The test is performed by comparing the book value of the asset, or group of assets, included in the Cash Generating Unit, with the recoverable value of the same asset, resulting from the higher value between fair value (less any sales cost) and the value of net discounted cash flows that are estimated will be generated by the asset or the group of assets included in the CGU (value in use). For impairment testing, cash flows were used for the duration of the Concession, as inferred from the economic-financial plan developed by the Group, as well as the estimated residual value of works and assets built during the concession period that the Group expects to obtain at expiration of the Concession.

For impairment testing, the Group determined one single CGU coinciding with the subsidiary SET.

The cash flow discount rate used (WACC), which reflects market valuations of the cost of money and the specific risks of the business sector, net of taxes, is equal to 4.1%.

The impairment test performed highlighted no impairment losses with respect to amounts accounted for under rights on assets under concession at the transition date. Therefore, no write-downs were therefore made on these assets.

As regards assets under concession for gas distribution, the agreements with the Public Authority envisage that, upon expiry and consequent purchase of assets under concession, the consideration for the concession holder (Novareti) be equal to the Residual Industrial Value (RIV), which is higher than the Net Carrying Amount of assets.

As regards assets under concession for water distribution, regulations in force (Province Law no. 6 of 17 June 2004 "*Provisions on organization of personnel and public services*") *envisage that (Art. 10, par. 5) "upon expiry of concession, assets acquired or possibly realized by the contractor of the service, while implementing the investment plan, shall be made available to the new contractor who shall pay an indemnity, to be determined, to the prior contractor, except for special segment regulations, to the extent equal to the value of the non-amortised portion, net of any already paid considerations*".

In light of the above provisions, the impairment test was passed by reason of the fact that, upon discontinuation of a concession, the Residual Industrial Value, related to concessions concerning gas distribution, and the Net Carrying Amount of assets under concession concerning water distribution were entirely fulfilled.

7.2 GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in item "Goodwill and other intangible assets" are shown hereunder for the years ended 31 December 2017 and 2016:

(IN THOUSANDS OF EURO)	GOODWILL	CONCESSIONS	INDUSTRIAL PATENT AND INTELLECTUAL PROPERTY RIGHTS	OTHER	TOTAL
BALANCE AS AT 31 DECEMBER 2015	**37,499**	**5,144**	**6,645**	**299**	**49,587**
OF WHICH:					
HISTORICAL COST	*37,499*	*7,594*	*31,146*	*5,433*	*81,672*
ACCUMULATED AMORTISATION	*-*	*(2,450)*	*(24,501)*	*(5,134)*	*(32,085)*
INCREASES	-	30	2,504	634	3,168
NET DECREASES	-	-	-	-	-
RECLASSIFICATIONS	-	-	-	-	-
AMORTISATION	-	(6,477)	(385)	(678)	(7,540)
CHANGE IN CONSOLIDATION AREA	-	49,903	-	-	49,903
BALANCE AS AT 31 DECEMBER 2016	**37,499**	**48,600**	**8,764**	**255**	**95,118**
OF WHICH:					
HISTORICAL COST	*37,499*	*57,527*	*33,650*	*6,067*	*134,743*
ACCUMULATED AMORTISATION	*-*	*(8,927)*	*(24,886)*	*(5,812)*	*(39,625)*
INCREASES	-	3,135	-	571	3,706
NET DECREASES	-	-	-	(140)	(140)
RECLASSIFICATIONS	-	-	-	-	-
AMORTISATION	-	(11,152)	(385)	(83)	(11,620)
CHANGE IN CONSOLIDATION AREA	-	-	-	-	-
BALANCE AS AT 31 DECEMBER 2017	**37,499**	**40,583**	**8,379**	**603**	**87,064**
OF WHICH:					
HISTORICAL COST	*37,499*	*60,662*	*33,650*	*6,498*	*138,309*
ACCUMULATED AMORTISATION	*-*	*(20,079)*	*(25,271)*	*(5,895)*	*(51,245)*

Impairment testing on goodwill as at 31 December 2017

As envisaged by IAS 36, the Group performed impairment tests to verify the possible recovery in value of goodwill in the financial statements, for the companies SET, Dolomiti Energia and Dolomiti Energia Trading.

For each year of impairment testing, one single CGU was identified, as each single Company operates in one single operating sector, i.e. electricity distribution for SET, commercial and trading of energy products for Dolomiti Energia and Dolomiti Energia Trading. The recoverable value was defined as value in use, determined by applying the discounted cash flow method and discounting the unlevered free cash flows related to the Group and resulting from the strategic plans related to the 2018-2022 period, respectively.

The growth rate results from the evolution estimated in the strategic plans. The discount rate of cash flows used (WACC), which reflects market conditions of the cost of money and the specific risks of both the business segment and the reference geographical area, net of taxes, is equal to 4.11% for SET (electricity distribution) and 8% for DE and DET (energy marketing and wholesale).

No necessity for write-downs was highlighted by the testing.

7.3 PROPERTY, PLANT AND EQUIPMENT

Changes in item "Property, plant and equipment" are shown hereunder for the years ended 31 December 2016 and 2017:

"Concessions" include primarily the value allocated to this item on the occasion of the first line by line consolidation of the investee Hydro Dolomiti Energia Srl, occurred as from 1 March 2016 (for the first two months of 2016 the equity investment in Hydro Dolomiti Energia was measured at equity).

(IN THOUSANDS OF EURO)	LAND AND BUILDINGS	PLANT AND EQUIPMENT	INDUSTRIAL AND COMMERCIAL FITTINGS	OTHER ASSETS	WORK IN PROGRESS AND ADVANCE PAYMENTS	TOTAL
BALANCE AS AT 31 DECEMBER 2015	**38,383**	**50,923**	**3,220**	**5,915**	**6,993**	**105,743**
OF WHICH:						
HISTORICAL COST	*49,119*	*112,011*	*10,590*	*22,400*	*6,993*	*201,527*
ACCUMULATED DEPRECIATION	*(10,736)*	*(61,088)*	*(7,370)*	*(16,485)*		*(95,784)*
INCREASES	1,693	3,691	1,005	2,895	3,970	13,254
DECREASES (HISTORICAL COST)	(2)	-	(5)	(482)	-	(489)
DECREASES (ACCUMULATED DEPRECIATION)			5	399	-	404
RECLASSIFICATIONS	110	2,162		246	(2,518)	-
DEPRECIATION	(1,143)	(12,847)	(547)	(1,158)	-	(15,695)
CHANGE IN CONSOLIDATION AREA	32,754	718,452	90	105	1,770	753,171
HISTORICAL COST	55,838	1,216,547	7,076	1,113	1,770	1,282,344
DEPRECIATION	(23,084)	(498,095)	(6,986)	(1,008)	-	(529,173)
BALANCE AS AT 31 DECEMBER 2016	**71,795**	**762,381**	**3,768**	**7,920**	**10,215**	**856,079**
OF WHICH:						
HISTORICAL COST	*106,758*	*1,334,411*	*18,666*	*26,172*	*10,215*	*1,496,222*
ACCUMULATED DEPRECIATION	*(34,963)*	*(572,030)*	*(14,898)*	*(18,252)*	*-*	*(640,143)*
INCREASES	565	4,603	231	1,631	4,180	11,210
DECREASES (HISTORICAL COST)	(46)	(2,301)		(3,271)		(5,618)
DECREASES (ACCUMULATED DEPRECIATION)	24	1,827		2,212		4,063
RECLASSIFICATIONS						-
DEPRECIATION	(1,089)	(9,635)	(550)	(2,087)		(13,361)
CHANGE IN CONSOLIDATION AREA	-	-	-	-	-	-
HISTORICAL COST						-
DEPRECIATION						-
BALANCE AS AT 31 DECEMBER 2017	**72,314**	**756,875**	**3,449**	**6,405**	**14,395**	**853,438**
OF WHICH:						
HISTORICAL COST	*107,277*	*1,336,713*	*18,897*	*24,532*	*14,395*	*1,501,814*
ACCUMULATED DEPRECIATION	*(34,963)*	*(579,838)*	*(15,448)*	*(18,127)*	*-*	*(648,376)*

Investments for the year are mainly referred to extraordinary maintenance, works for regulatory adjustments and enlargement of owned networks and grids, as well as of hydroelectric plants.

During the year, the business units related to the electricity distribution in the Municipalities of Pozza di Fassa (TN), Vigo di Fassa (TN), Soraga (TN), Mezzolombardo (TN), Mezzocorona (TN) and San Michele all'Adige (TN) were sold for a net carrying amount of 1,284 thousand euro. From this sale, the Group obtained a capital gain totalling 1,715 thousand euro.

As regards the significant decrease of depreciation of plants and machinery compared to the previous year, it should be noted that as from 1 January 2018, the Law of 27 December 2017 modified Art. 13 of the Consolidated Act as per the Presidential Decree no. 670 of 31 August 1972. Amongst other, it was also envisaged that the concessions of large diversions in the Provinces of Trento and Bolzano, with expiry date before 31 December 2022, would be extended by right for the period needed to complete the procedures of assignment via open tender, and in any case not after the above-mentioned date. Taking account of the technical time required for the Public Entities to prepare the tender and draft a new regulation, the Group postponed the deadline of the alleged end of concession concerning the large deviation hydroelectric plants to 2022, with consequent remodulation of depreciation related to "wet works".

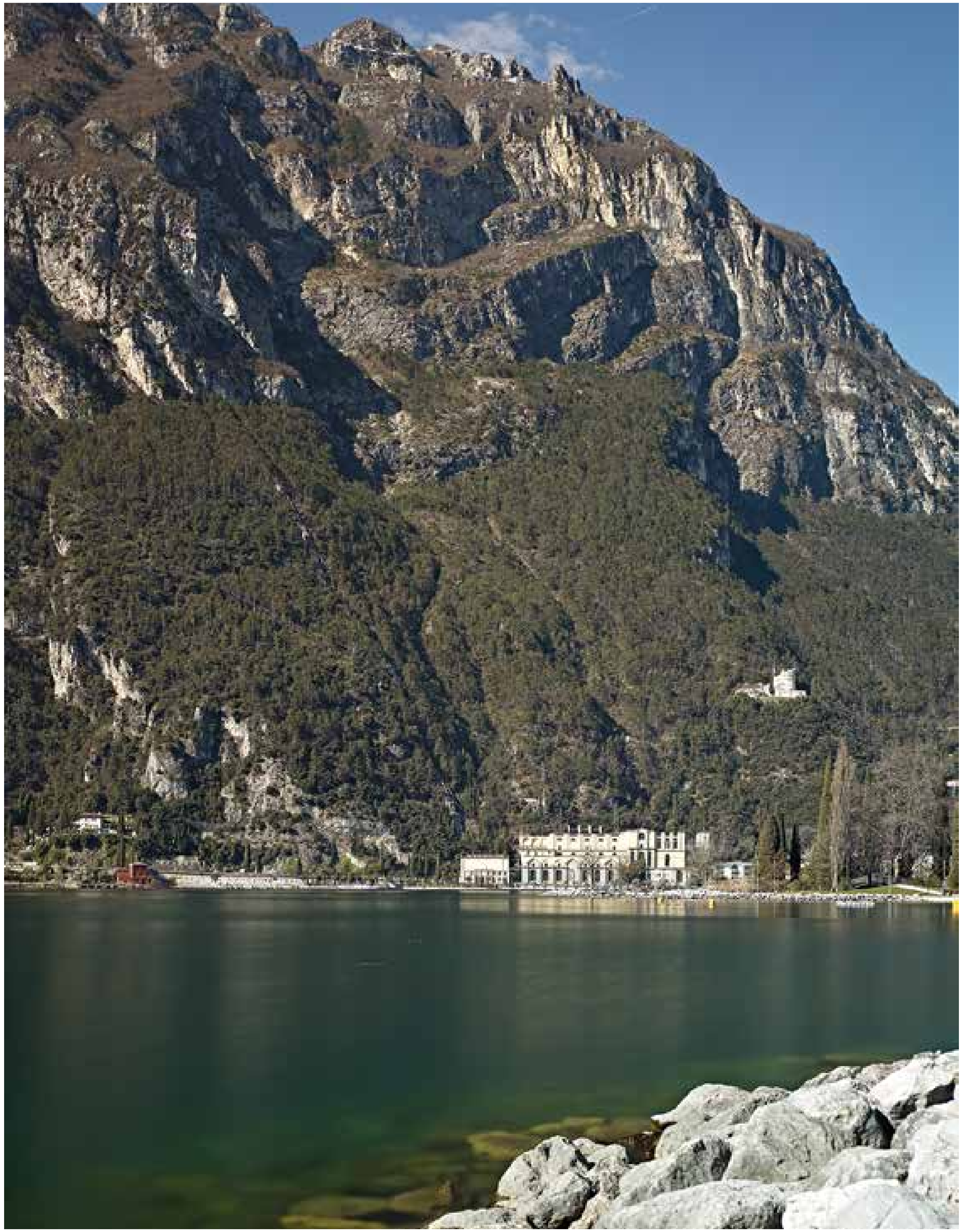
The other changes for the year are attributable to the ordinary performance of investments and depreciation.

7.4 SHAREHOLDINGS MEASURED AT EQUITY AND OTHER COMPANIES

The item "Shareholdings measured at equity and other companies" is broken down as follows:

IN THOUSANDS OF EURO	AS AT 31 DECEMBER	
	2017	2016
EQUITY INVESTMENTS IN ASSOCIATES	61,856	65,311
EQUITY INVESTMENTS IN OTHER COMPANIES	5,795	5,837
TOTAL EQUITY INVESTMENTS	**67,651**	**71,148**

Associates include companies measured at equity. For the description of investees, reference is made to the following pages.



Changes in equity investments in associated companies and other companies for the year ended 31 December 2017 and 2016 are shown hereunder:

(IN THOUSANDS OF EURO)	% OF SHARE CAPITAL AS AT 31 DECEMBER 2017	AS AT 01 JANUARY 2016	ACQUISITIONS - SALES	OTHER CHANGES	REVALUATIONS	WRITE-DOWNS	AS AT 31 DECEMBER 2016	ACQUISITIONS - SALES	OTHER CHANGES	WRITE-DOWNS, ADJUSTMENTS	AS AT 31 DECEMBER 2017
ASSOCIATES											
HYDRO DOLOMITI ENERGIA	51.00%	318,436	-	(318,436)	-	-	-	-	-	-	-
DOLOMITI EDISON ENERGY	51.00%	21,649	-	55	-	-	21,704	-	(1,848)	-	19,856
SF ENERGY	50.00%	36,389	-	-	-	(7,362)	29,027	-	(915)	-	28,112
DOLOMITI ENERGY SAVING	51.00%	55	-	-	-	-	55	42	(97)	-	-
IVI GNL	30.00%	-	33	-	-	-	33	-	(13)	-	20
GIUDICARIE GAS	43.35%	1,144	-	92	-	-	1,236	-	48	-	1,284
BONIFICHE TRENTINE	33.33%	6	-	-	-	(6)	-	-	-	-	-
AGS	20.00%	8,936	-	316	-	-	9,252	-	(248)	-	9,004
BIOENERGIA TRENTINO	24.90%	1,213	-	249	-	-	1,462	-	62	-	1,524
SG ELETRICA BRASIL	20.00%	-	-	-	-	-	-	5	-	-	5
ENERGY_NET	20.00%	-	-	-	-	-	-	-	2	-	2
PVB POWER BULGARIA AD	23.13%	5,320	-	-	-	(2,778)	2,542	-	-	(493)	2,049
TOTAL ASSOCIATES		***393,148***	***33***	***(317,724)***	***-***	***(10,146)***	***65,311***	***47***	***(3,009)***	***(493)***	***61,856***
OTHER COMPANIES											
PRIMIERO ENERGIA	19.94%	4,615	-	1	-	-	4,616	-	(1)	-	4,615
MC-LINK	1.61%	201	-	-	-	-	201	(201)	-	-	-
BIO ENERGIA FIEMME	11.46%	625	-	-	-	-	625	160	-	-	785
C.LE TERMOEL. DEL MINCIO IN LIQUIDATION	5.00%	1	-	-	-	-	1	-	-	-	1
DISTR. TECNOL. TRENT. S. CONS.	1.77%	5	-	-	-	-	5	-	-	-	5
ISTITUTO ATESINO SVILUPPO	0.32%	387	-	-	-	-	387	-	-	-	387
CO.FA.SE SRL	0.00%	6	-	-	-	(6)	-	-	-	-	-
COOPERATIVA ENERGYLAND	-	1	-	-	-	-	1	-	-	-	1
CONS.ASSINDUSTRIA ENERGIA	-	1	-	-	-	-	1	-	-	-	1
TOTAL OTHER COMPANIES		**5,842**	**-**	**1**	**-**	**(6)**	**5,837**	**(41)**	**(1)**	**-**	**5,795**

The summary of economic and financial figures for joint ventures and associated companies relevant for the entity, as at 31 December 2017 and 2016, is shown hereunder:

THOUSANDS OF EURO	**SUMMARY DATA AS AT 31.12.2017**	
	SF ENERGY SRL	**DOLOMITI EDISON ENERGY**
	50%	**51%**
DIVIDENDS RECEIVED	-	-
INCOME STATEMENT		
REVENUE	**12,556**	**18,168**
GROSS OPERATING MARGIN	920	2,731
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	**(480)**	**(1,874)**
NET OPERATING RESULT	440	857
INTEREST INCOME	**1**	**-**
INTEREST EXPENSE	(289)	(189)
INCOME TAXES	(268)	(333)
RESULT FOR THE YEAR	(116)	335
STATEMENT OF FINANCIAL POSITION		
TOTAL ASSETS	**51,149**	**45,076**
SHAREHOLDERS' EQUITY	(16,827)	(24,015)
CASH AND CASH EQUIVALENTS	36,389	35
CURRENT FINANCIAL LIABILITIES	-	(15,426)
NON-CURRENT FINANCIAL LIABILITIES	-	-

THOUSANDS OF EURO	**SUMMARY DATA AS AT 31.12.2016**	
	SF ENERGY SRL	**DOLOMITI EDISON ENERGY**
	50%	**51%**
DIVIDENDS RECEIVED	7,000	-
INCOME STATEMENT		
REVENUE	14,494	23,005
GROSS OPERATING MARGIN	**1,660**	**8,670**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(479)	(2,890)
NET OPERATING RESULT	**1,181**	**5,780**
INTEREST INCOME	51	-
INTEREST EXPENSE	(26)	(279)
INCOME TAXES	(299)	(1,744)
RESULT FOR THE YEAR	**907**	**3,757**
STATEMENT OF FINANCIAL POSITION		
TOTAL ASSETS	47,402	49,974
SHAREHOLDERS' EQUITY	(16,943)	(25,681)
CASH AND CASH EQUIVALENTS	30,622	4,622
CURRENT FINANCIAL LIABILITIES	-	(19,295)
NON-CURRENT FINANCIAL LIABILITIES	-	-

Associated companies and joint ventures

Information on the main associated companies and joint ventures in which the Group owns equity investments is shown hereunder.

DOLOMITI EDISON ENERGY Srl – Trento. Fully paid-up Share Capital of 5,000,000 euro, represented by 5,000,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 51% of the Share Capital, equal to 2,550,000 shares with a nominal value of 2,550,000 euro. The financial year ending 31 December 2017 recorded a profit of 335 thousand euro. The company produces electricity from renewable sources through the management of five hydroelectric plants.

SF ENERGY Srl – Bolzano. Fully paid-up Share Capital of 7,500,000 euro, represented by 7,500,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 50.00% of the Share Capital, equal to 3,750,000 shares with a nominal value of 3,750,000 euro. The company is the concession holder of the hydroelectric power plant of San Floriano (Egna).

DOLOMITI ENERGY SAVING Srl – Rovereto. Fully paid-up Share Capital 100,000 euro, divided into 100,000 holdings of 1 euro each. During the year, Dolomiti Energia Holding acquired 100% of the equity investment and its following liquidation. The company was liquidated on 31 December 2017 and therefore its equity investment is no longer included in the accounting of the Parent Company.

IVI GNL Srl – Santa Giusta (OR). Fully paid-up Share Capital of 100,000 euro, represented by 100,000 holdings of 1 euro each; Dolomiti Energia Holding holds 30% of the Share Capital through one of its subsidiaries. The company is involved in the distribution of gaseous fuels, especially by means of the creation of a store of liquid natural gas and infrastructures for the distribution and supply of gas to users not reached by the methane gas distribution network.

GIUDICARIE GAS SpA – Tione di Trento. Fully paid-up Share Capital of 1,780,023 euro, represented by 36,327 shares with a value of 49 euro each; Dolomiti Energia Holding holds 43.35% of the Share Capital, equal to 15,746 shares with a nominal value of 771,554 euro. The Company provides the methane gas distribution service in the Valli Giudicarie District.

ALTO GARDA SERVIZI SpA – Riva del Garda. Fully paid-up Share Capital of 23,234,016 euro, represented by 446,808 shares with a value of 52 euro each; Dolomiti Energia Holding holds 20% of the Share Capital, equal to 89,362 shares with a nominal value of 4,646,824 euro. The company is a multi-service firm that manages the distribution of electricity, gas methane, drinking water and district heating in the Alto Garda and Ledro areas.

BIOENERGIA TRENTINO Srl – Trento. Fully paid-up Share Capital of 190,000 euro, represented by 190,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 24.90% of the Share Capital, equal to 47,310 shares with a nominal value of 47,310 euro. The company was established with the aim of producing renewable energy by using biomass derived from waste.

PVB POWER BULGARIA – Sofia (Bulgaria). Fully paid-up Share Capital of 38,346,891 euro, represented by 750,000 shares with a value of 51.13 euro each; Dolomiti Energia Holding holds 23.13% of the Share Capital, equal to 173,467 shares with a nominal value of 8,869,227 euro. During the year, this equity investment was written down by 493,000 euro, following losses and expected losses resulting from the impairment of equity investments of the associated company. The company operates in Bulgaria and is planning to build some energy production plants from renewable sources.

Other companies

Information on the main other companies in which the Group owns equity investments is shown hereunder.

PRIMIERO ENERGIA SpA – Fiera di Primiero. Fully paid-up Share Capital of 9,938,990 euro, represented by 993,899 shares with a value of 10 euro each; Dolomiti Energia Holding holds 19.94% of the Share Capital, equal to 198,177 shares with a nominal value of 1,981,770 euro. The company is engaged in the production of hydroelectric energy and manages 4 hydroelectric plants in the Primiero valley.

MC-LINK SpA – Trento. Fully paid-up Share Capital of 2,815,516 euro, represented by 3,236,225 shares with a value of 0.87 euro each; Dolomiti Energia Holding held 1.61% of the Share Capital, equal to 51,954 shares with a nominal value of 45,200 euro. Its equity investment was sold in the last months of 2017. The company provides telecommunication services.

BIO ENERGIA FIEMME SpA – Cavalese. Fully paid-up Share Capital of 7,058,964 euro, represented by 1,176,494 shares with a value of 6 euro each; Dolomiti Energia Holding holds 11.46% of the Share Capital, equal to 134,800 shares with a nominal value of 808,800 euro. During the year 2017, the company Dolomiti Energia Holding acquired further 20.000 shares from Atzwanger Spa, thus increasing the equity investment from 9.76% to current 11.46%. The company is engaged in the cogeneration and district heating sector.

CENTRALE TERMOELETTRICA DEL MINCIO Srl – Ponti sul Mincio. Fully paid-up Share Capital of 11,000 euro, represented by 11,000 holdings with a value of 1 euro each; Dolomiti Energia Holding holds 5% of the Share Capital, equal to 550 holdings with a nominal value of 550 euro. The company produces thermoelectric energy and it is currently in liquidation.

DISTRETTO TECNOLOGICO TRENTINO S. Cons. a r.l. – Rovereto. Fully paid-up Share Capital of 282,000 euro, represented by 282,000 holdings with a value of 1 each; Dolomiti Energia Holding holds 1.77% of the Share Capital, equal to 5,000 holdings with a nominal value of 5,000 euro. The company is committed to environmental sustainability.

ISA – ISTITUTO ATESINO DI SVILUPPO SpA – Trento. Fully paid-up Share Capital of 79,450,676 euro, represented by 79,450,676 shares with a unit value of 1 euro each; Dolomiti Energia Holding holds 0.32% of the Share capital equal to 252,653 shares with a nominal value of 252,653 euro. ISA is a holding company that participates in various companies in the environmental, insurance, banking, real estate and industrial energy segment.

7.5 NON-CURRENT FINANCIAL ASSETS

The item "Non-current financial assets" as at 31 December 2017 and 2016 is detailed as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER	
	2017	2016
SECURITIES AT THE CLESIO REAL ESTATE FUND	8,694	8,694
OTHER	227	255
NON-CURRENT FINANCIAL ASSETS	**8,921**	**8,949**

The total amount of the units of the property fund came to 15,678 thousand euro and derives from the subscription of 322 holdings of the Clesio real estate fund, of which 101 units received by way of dividend in kind from Urbin SpA for 5,512 thousand euro in 2008 and 221 units purchased during 2011 for 10,166 thousand euro after the liquidation of the same company. As at 31 December 2017, the value of the provision was written-down by a total amount of 6,984 thousand euro, to align the value of each single quotas to the Net Asset Value.

The item Other non-current receivables mainly includes guarantee deposits.

7.6 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities as at 31 December 2017, 31 December 2016 are broken down as follows:

PREPAID TAXES

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER	
	2017	2016
FIXED ASSETS	10,683	9,798
PROVISION FOR WRITE-DOWNS	2,495	3,263
PRODUCTION BONUSES	791	999
PROVISIONS FOR RISKS AND CHARGES	3,271	3,219
FAIR VALUE OF DERIVATIVES	4,409	3,996
NON-DEDUCTIBLE INTEREST EXPENSE	1,336	1,336
REAL ESTATE FUND WRITE-DOWN	1,676	1,676
EMPLOYEE BENEFITS	2,763	698
OTHER	643	939
TOTAL PREPAID TAXES	**28,067**	**25,924**

DEFERRED TAXES

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER	
	2017	2016
PROPERTY, PLANT AND EQUIPMENT	154,191	153,141
INTANGIBLE ASSETS	1,134	2,193
GOODWILL	11,331	13,274
PROVISION FOR WRITE-DOWNS	57	-
DERIVATIVES	3,179	2,289
OTHER	1,862	454
TOTAL DEFERRED TAX LIABILITIES	**171,754**	**171,351**

7.7 OTHER NON-CURRENT ASSETS

The item "Other non-current assets" as at 31 December 2017 and 2016 is broken down as follows:

IN THOUSANDS OF EURO	AS AT 31 DECEMBER	
	2017	2016
PREPAYMENTS AND ACCRUED INCOME	1,379	1,350
OTHER	26,213	22,916
TOTAL OTHER NON-CURRENT ASSETS	**27,592**	**24,266**

The item Other non-current receivables mainly includes guarantee deposits.

7.8 INVENTORIES

The item "Inventories" as at 31 December 2017 and 2016 is broken down as follows:

IN THOUSANDS OF EURO	AS AT 31 DECEMBER	
	2017	2016
RAW MATERIALS AND CONSUMABLES	9,389	11,149
OTHER INVENTORIES	5,227	4,854
TOTAL	**14,616**	**16,003**

Inventories of raw materials, related primarily to materials used in the construction of networks and natural gas stocks, decreased by 1,760 thousand euro and the changes for the year reflect the corporate strategic and operating policies.

The item Other inventories is instead related to the value of energy certificates (TEE and GO) not yet made available on the market as at 31 December 2017. They increased by 373 thousand euro compared to the previous year.

7.9 TRADE RECEIVABLES

The item "Trade receivables" as at 31 December 2017 and 2016 is broken down as follows:

IN THOUSANDS OF EURO	AS AT 31 DECEMBER	
	2017	2016
ACCOUNTS RECEIVABLE - CUSTOMERS	297,739	377,347
ACCOUNTS RECEIVABLE - ASSOCIATES	52	51
ACCOUNTS RECEIVABLE - PARENT COMPANIES	95	101
ACCOUNTS RECEIVABLE - SISTER COMPANIES	-	2,541
PROVISION FOR WRITE-DOWNS	(15,456)	(18,518)
TOTAL	**282,430**	**361,522**

The item Trade receivables, disclosed net of the related provision for write-downs, mainly includes accounts receivable from customers and allocations for invoices and credit notes to be issued.
The adjustment criteria of receivables at the estimated realisable value take account of different valuations based on the status of the dispute.

The provision for write-downs reported the following changes during the years 2017 and 2016:

(IN THOUSANDS OF EURO)	PROVISION FOR WRITE-DOWNS
AS AT 01 JANUARY 2016	24,399
ALLOCATIONS	7,831
UTILISATION	(13,712)
AS AT 31 DECEMBER 2016	18,518
ALLOCATIONS	3,988
UTILISATION	(7,050)
AS AT 31 DECEMBER 2017	15,456

7.10 RECEIVABLES FOR CURRENT TAXES

The item "Receivables for current taxes" as at 31 December 2017 and 2016:

IN THOUSANDS OF EURO	AS AT 31 DECEMBER	
	2017	2016
IRES	15,063	23,515
IRAP	1,076	1,527
TOTAL	**16,139**	**25,042**

7.11 CURRENT FINANCIAL ASSETS

The item "Current financial assets" as at 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER	
	2017	2016
LOANS TO ASSOCIATES	8,550	9,150
LOAN TO FEDAIA HOLDING	14,120	18,017
FINANCIAL DERIVATIVES	22,309	9,538
OTHER RECEIVABLES	1,074	1,022
CURRENT FINANCIAL ASSETS	**46,053**	**37,727**

The item Financial derivative instruments, equal to 22,309 thousand euro (9,538 thousand euro as at 31 December 2016) includes 6,008 thousand euro related to fair value as at 31 December 2017 of positive derivative contracts on commodities signed to hedge highly probable programmed transactions and related to the buying and sale of electricity and gas. These derivatives, with effective hedging relation with the hedged item, were recorded in the special reserve in Shareholders' Equity (reserve for expected cash flows of hedging transactions), less the related tax effect. The amount of 16,301 thousand euro is related to the fair value, as at 31 December 2017, of positive derivative contracts on commodities that do not fulfil the eligibility requirements to be accounted for as hedging derivatives. Their fair value was recorded in the Income Statement for the year.

7.12 OTHER CURRENT ASSETS

The item "Other current assets" as at 31 December 2017 and 2016 is broken down as follows:

IN THOUSANDS OF EURO	AS AT 31 DECEMBER	
	2017	**2016**
ELECT./GAS TAX CREDITS	10,519	15,738
GROUP VAT CREDIT	9,455	10,285
OTHER TAX CREDITS	13	27
PREPAYMENTS AND ACCRUED INCOME	11,824	13,381
OTHER ACCOUNTS RECEIVABLE	4,585	1,931
RECEIVABLES FROM DERIVATIVES MANAGEMENT	9,135	824
ACCOUNTS RECEIVABLE - CSEA	14,916	16,708
RENEWABLE SOURCE CERTIFICATES	39,218	21,901
ADVANCES/DEPOSITS	2,603	4,459
ACCOUNTS RECEIVABLE - SOCIAL SECURITY INSTITUTIONS	120	90
ACCOUNTS RECEIVABLE - PUBLIC AUTHORITIES FOR CONTRIBUTIONS	1,010	1,129
ACCOUNTS RECEIVABLE - OTHER PUBLIC AUTHORITIES	204	204
TOTAL OTHER CURRENT ASSETS	**103,602**	**86,677**

In particular, it is worth noting the increase in accounts receivable for "Certificates for renewable sources" from Cassa Conguaglio and GSE and accounts receivable from the Custom Agency.

7.13 CASH AND CASH EQUIVALENTS

The item "Cash and cash equivalents" as at 31 December 2017 and 2016 is broken down as follows:

IN THOUSANDS OF EURO	AS AT 31 DECEMBER	
	2017	**2016**
BANKS AND POSTAL CURRENT ACCOUNTS	2,784	4,863
CASH ON HAND	9	12
TOTAL	**2,793**	**4,875**

The balance includes cash on hand and bank deposits effectively available and readily convertible into cash as at the end of the financial year.

7.14 SHAREHOLDERS' EQUITY

Changes in equity reserves were shown in the tables of these consolidated financial statements. As at 31 December 2017, the Company's share capital amounted to 411,496,169 euro, and comprised 411,496,169 ordinary shares with a nominal value of 1.00 euro each.

7.15 PROVISIONS FOR RISKS AND CHARGES

The item "Provisions for risks and charges" amounted to 19,241 thousand euro as at 31 December 2017 and is broken down as follows:

IN THOUSANDS OF EURO	AS AT 31 DECEMBER	
	2017	**2016**
PROVISION FOR RISKS AND CHARGES	17,633	19,715
PROVISION FOR SEPARATE WASTE COLLECTION	231	319
PROVISION FOR COVERAGE OF WASTE DISPOSAL CHARGES	987	1,241
PENSION FUND	390	347
TOTAL	**19,241**	**21,622**

Provisions for risks and charges

The **provision for plant risks** amounted to 1,395 thousand euro and was provided over the years to cover the risk of charges deriving from the management of plants and associated areas. There were no changes in the provision over the year.

The **provision for Guardia di Finanza police assessments** amounted to 427 thousand euro and referred to the amount set aside for the:

- 2004 customs and exercise police assessment, in relation to which steps had immediately been taken to make a prudent allocation estimated as 100 thousand euro;
- two 2017 VAT claims from the Tax Authorities in relation to the alleged VAT deduction at 10% instead of 21% on works that the Group deems to be of primary urbanisation and amounting to 43 thousand euro and 72 thousand euro;
- one 2017 VAT claim from the Tax Authorities in relation to alleged improper recharges that were excluded from the taxable base and amounting to 170 thousand euro;
- a claim of the Municipality of San Pietro in Viminale, for 2017, for the alleged non-payment of IMU tax and amounting to 42 thousand euro.

Provision for lower contributions due, equal to 168 thousand euro, created to include lower contributions due compared to amounts disbursed by the Trento Autonomous Province (PAT).
Provision for replacement of gas meters, equal to 933 thousand euro.
Provision for disputes and litigation (109 thousand euro), intended to mainly cover potential liabilities that could derive from pending legal disputes or other litigation.

Provision for IMU (property tax), equal to 12,840 thousand, following an Agreement signed with the cadastral office of the Trento Autonomous Province, was partly reclassified as short-term portion and partly reclassified as payable. In 2012, the provision was reviewed based on the Circular letter 6/2012, issued by the Land Agency and that redetermined the estimate criteria of cadastral income and in particular changes the calculation system to write-down real estate properties. The aforesaid Agreement, in fact, envisaged that, if new criteria for the calculation of the cadastral income were defined at national level, the same had to be reviewed. A new meeting was therefore held on 7 January 2013 with the Trento Cadastral Office, in which it was highlighted that, unlike what was set out in the Agreement, the minimum residual value

of plants came from 40% to 50%. In 2013, criteria were reviewed again, based on information received by the management, and a different write-down coefficient was set out, from 60% to 50%, as well as a new residual value, equal to 30%, at the end of the useful life of assets. Given the persistence of the uncertain situation, the entire provision for IMU was classified as a long-term allocation.
In 2017, regardless of the estimate criteria already used in 2013, the Provision for IMU reported changes for utilisations (2,639 thousand euro).

The **Provision for facilitated energy - irrigation consortia**, equal to 1,718 thousand euro - on 27 March 2012 a formal claim for damage was formulated to HDE, AEEG and CCSSE, and with letter of 23 September 2015, the formal claim for payment was formulated in favour of Consorzio di Bonifica Veronese of the facilitated tariff with reference to an annual quantity of 3 million kWh, for the period in which this amount had no longer been reimbursed by Cassa Conguaglio (Electricity compensation fund), i.e. from 2010 onward, in addition to interests on arrears and ancillary costs until final settlement.
The aforesaid deviation from the original convention agreed upon the assignment of the concession itself, which is now held by HDE (already Sima), envisaged an obligation to supply electricity free of charge in exchange of the equivalent further concession granted to the Consorzio di Bonifica Veronese (CUMA). This obligation was fulfilled directly by Enel until 2004 and was then transferred to Cassa Conguaglio per il Sistema Elettrico as general system charge, pursuant to resolution 148/04 of the Italian Regulatory Authority for Electricity Gas and Water (AEEG).
With letter of 11 December 2015, HDE informed Consorzio di Bonifica Veronese that another legal case was in place (RG 258/2013) having as object matter the cancellation of the further renewal of the concession of the Consortium with Decree GC no. 205/2013 of Verona and, therefore, the facilitated electricity supply would have been effective again only upon settlement of the dispute.
The facilitated tariff for electricity supply was valued equal to the average value of annual electricity, published by AEEG that defined an estimated cost from 2010 to 2017 of 1,718 thousand euro.

Provision for separate waste collection

The **Provision for future charges on separate waste collection**, equal to 231 thousand euro, includes allocations made pursuant to Art. 71 bis of the Decree no. 1-41/Legisl. of the President of the Provincial Council, issued on 26 January 1987 (Consolidated provincial act on the safeguard of environment from pollution). This provision, which was mandatory for managers in charge of collecting the fees for the municipal waste services until 2013, is intended to the implementation of initiatives directed to the reduction of waste production, separate waste collection and waste recovery, including the installation of composting platforms and collection centres.

Provision for coverage of waste disposal charges

The **Provision for coverage of waste disposal charges**, equal to 987 thousand euro, was allocated in previous years to cover future expenses to be borne for the post-closure management of the landfill in Ischia Podetti, Municipality of Trento, which was then managed by the provider. Pursuant to Art. 102 quinquies of the Decree of the President of the Province Council no. 1-41/Legisl, on 26 January 1987 (Consolidated provincial act on the safeguard of environment from pollution), as from 1 January 2014 the Autonomous Province of Trento is entrusted with the management of landfills for urban waste, as well as their post-closure management. The Province has replaced the municipalities and the Municipality Authorities of Trento in all asset and liability transactions underway. Allocations made until this date by operators were left at the disposal of the same, to cover future charges related to the waste disposal service.

Pension fund

The **Provision for agents' leaving indemnities**, equal to 390 thousand euro, created in relation to the agency relation in place with its agents.

Other provisions for 43 thousand euro.

The changes of provisions for the years ended 31 December 2017 and 2016, are shown hereunder:

(IN THOUSANDS OF EURO)	PROVISION FOR RISKS AND CHARGES	PROVISION FOR SEPARATE WASTE COLLECTION	PROVISION FOR COVERAGE OF WASTE DISPOSAL CHARGES	PENSION FUND
AS AT 31 DECEMBER 2015	2,478	628	782	295
ALLOCATIONS	17,237	-	464	52
UTILISATION	-	(309)	(5)	-
RELEASES	-	-	-	-
AS AT 31 DECEMBER 2016	19,715	319	1,241	347
ALLOCATIONS	557	-	-	56
UTILISATION	(2,639)	(88)	(254)	(13)
RELEASES	-	-	-	-
AS AT 31 DECEMBER 2017	17,633	231	987	390

7.16 EMPLOYEE BENEFITS

The item "Employee benefits", as at 31 December 2017, included 14,595 thousand euro related to the Provision for employee termination benefits and 8,888 thousand euro related to other employee benefits.

Other benefits include additional monthly wages for achieved age limits or for accrued right to pension, loyalty bonuses and golden medals for the achievement of determined age requirement in the company, discounts on the supply price of household electricity, limited to some former employees during pension.

Changes in the Provision for employee termination benefits and other employee benefits, for the years ended 31 December 2017 and 31 December 2016, are broken down as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER 2016					
	EMPLOYEE TERMINATION BENEFITS	LOYALTY BONUSES	ADDITIONAL MONTHLY WAGES	ELECTRICITY DISCOUNTS	MEDALS	TOTAL
LIABILITIES AT BEGINNING OF THE YEAR	**13,100**	**903**	**1,418**	**3,265**	**332**	**19,017**
CURRENT COST OF SERVICE	-	51	56	48	19	174
INTEREST TO BE DISCOUNTED	259	18	28	66	6	377
BENEFITS PAID	(666)	(124)	(95)	(108)	(26)	(1,019)
ACTUARIAL LOSSES/(PROFITS)	(57)	56	(6)	(20)	(6)	(33)
OTHER CHANGES						-
CHANGE IN CONSOLIDATION AREA	2,639	199	555	1,346		4,739
LIABILITIES AT YEAR END	**15,275**	**1,103**	**1,956**	**4,597**	**325**	**23,255**

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER 2017 EMPLOYEE TERMINATION BENEFITS	LOYALTY BONUSES	ADDITIONAL MONTHLY WAGES	ELECTRICITY DISCOUNTS	MEDALS	TOTAL
LIABILITIES AT BEGINNING OF THE YEAR	**15,275**	**1,103**	**1,956**	**4,597**	**325**	**23,255**
CURRENT COST OF SERVICE	-	54	67	22	16	159
INTEREST TO BE DISCOUNTED	257	19	35	80	6	397
BENEFITS PAID	(1,181)	(117)	(235)	(131)	(19)	(1,683)
ACTUARIAL LOSSES/(PROFITS)	231	23	19	1,142	(82)	1,333
OTHER CHANGES	13	-	-	9	-	22
CHANGE IN CONSOLIDATION AREA	-	-	-	-	-	-
LIABILITIES AT YEAR END	**14,595**	**1,082**	**1,842**	**5,719**	**246**	**23,483**

The economic and demographic assumptions used for actuarial evaluations are shown hereunder:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER 2017	2016
DISCOUNT RATE	1.50%	1.75%
INFLATION RATE	1.50%	1.60%
ANNUAL RATE OF TOTAL COMPENSATION INCREASE	2.50%	2.60%

A sensitivity analysis, as at 31 December 2017, related to the main actuarial assumptions included in the calculation model is shown hereunder, considering the base line scenario described above and increasing and decreasing the annual average discount rate, the average inflation rate and the turnover rate. The results obtained can be summarised in the following table:

SENSITIVITY (IN THOUSANDS OF EURO)	AS AT 31 DECEMBER 2017 DISCOUNT RATE +0.50%	DISCOUNT RATE -0.50%	INFLATION RATE +0.25%	INFLATION RATE -0.25%	TURNOVER RATE +2%	TURNOVER RATE -0.50%
EMPLOYEE TERMINATION BENEFITS	**12,925**	**16,274**	**14,749**	**14,306**	**14,392**	**14,015**

7.17 FINANCIAL LIABILITIES (CURRENT AND NON-CURRENT)

The table hereunder shows current and non-current financial liabilities as at 31 December 2017 and 2016:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER 2017 CURRENT	2017 NON-CURRENT	2016 CURRENT	2016 NON-CURRENT
DUE TO BANKS	189,722	131,363	166,615	150,472
BOND LOANS	-	117,001	15,660	117,374
SHAREHOLDER LOANS	-	3,200	-	3,400
IRS DERIVATIVES	-	4,505	-	7,294
DERIVATIVES ON COMMODITIES	26,993	-	10,783	-
TOTAL	**216,715**	**256,069**	**193,058**	**278,540**

Bond loan

On 1 February 2017, the Regulation for the Bond Loan, named "Dolomiti Energia – Subordinato – tasso fisso 2010 – 2017" was amended in relation of the change in name (Dolomiti Energia Holding SpA – Subordinato – tasso fisso 2010 – 2018), the extension of the expiry date of the Regulation from February 2017 to 31 December 2018, the change in the amount, reduced to 7,540 thousand euro.

On 30 June 2017, the regulation of the loan was modified again and included the change in the name (Dolomiti Energia Holding SpA– Subordinato – tasso variabile 2010 – 2022), the extension of the expiry date to 10 August 2022, the change in the amount, reduced as from 10 August 2018 to 5,052 thousand euro.

This Bond Loan was then listed on the regulated Market of the Irish Stock Exchange (ISE).

As 31 December 2017 and 31 December 2016 the Group had the following bond loans in place, and the balance shown hereunder is the capital debt at year end:

AS AT 31 DECEMBER 2017 (IN THOUSANDS OF EURO)	COMPANY	TAKING OUT	MATURITY	OPENING BALANCE (ORIGINAL CURRENCY)	ACCOUNTING BALANCE TOTAL	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
BOND LOANS								
DOLOMITI ENERGIA HOLDING SPA – SUBORDINATED – VARIABLE RATE 2010 – 2022	DOLOMITI ENERGIA H. SPA	10/02/2010	10/08/2022	€ 5,051,800	5,052		5,052	-
SET DISTRIBUTION FIXED RATE 4,6 2006/2029	SET DISTRIBUZIONE SPA	01/08/2006	01/08/2029	€110,000,000	110,000	-	-	110,000
					115,052	**-**	**5,052**	**110,000**

AS AT 31 DECEMBER 2016 (IN THOUSANDS OF EURO)	COMPANY	TAKING OUT	MATURITY	OPENING BALANCE (ORIGINAL CURRENCY)	ACCOUNTING BALANCE			
					TOTAL	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
BOND LOANS								
DOLOMITI ENERGIA – SUBORDINATED – FIXED RATE 2010 – 2017	DOLOMITI ENERGIA H. SPA	10/02/2010	10/02/2017	€30,000,000	23,020	15,480	7,540	-
SET DISTRIBUTION FIXED RATE 4,6 2006/2029	SET DISTRIBUZIONE SPA	01/08/2006	01/08/2029	€110,000,000	110,000	-	-	110,000
					133,020	15,480	7,540	110,000

The item Derivatives on commodities, equal to 26,993 thousand euro (10,783 thousand euro as at 31 December 2016), includes 7,196 thousand euro related to fair value as at 31 December 2017 of negative derivative contracts on commodities, signed to hedge highly probable and planned transactions in relation to the purchase and sale of electricity and gas. These derivatives, with effective hedging relation with the hedged item, were recorded in the special reserve in Shareholders' Equity (reserve for expected cash flows of hedging transactions), less the related tax effect. The amount of 19,796 thousand euro is related to the fair value, as at 31 December 2017, of positive derivative contracts on commodities that do not fulfil the eligibility requirements to be accounted for as hedging derivatives. Their fair value was recorded in the Income Statement for the year.

7.18 OTHER LIABILITIES (CURRENT AND NON-CURRENT)

The items "Other non-current liabilities" and "Other current liabilities" as at 31 December 2017 and 2016 are broken down as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER	
	2017	2016
ACCRUED LIABILITIES AND DEFERRED INCOME	116,750	111,113
TOTAL OTHER NON-CURRENT LIABILITIES	116,750	111,113

Accrued liabilities and deferred income are mainly due to contributions for connections related to natural gas and electricity supplies, as well as contributions for plants related to natural gas.

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER	
	2017	2016
SOCIAL SECURITY PAYABLES	2,593	2,620
ACCRUED LIABILITIES AND DEFERRED INCOME	395	509
TAX ON ELECTRICITY/GAS	2,649	3,389
IRPEF	2,014	1,331
OTHER ACCOUNTS PAYABLE	2,306	3,115
RAI TELEVISION FEE	1,154	1,603
ACCOUNTS PAYABLE - EMPLOYEES	8,225	7,977
ACCOUNTS PAYABLE - PAT	342	228
SEWERAGE CHARGE	4,239	5,290
GUARANTEE DEPOSITS	7,674	7,831
ACCOUNTS PAYABLE - HYDROELECTRIC PLANT FEES	4,118	13,069
ACCOUNTS PAYABLE - ASSOCIATES	810	476
TOTAL OTHER CURRENT LIABILITIES	36,519	47,438

The performance of items included in other current liabilities follows the ordinary management dynamics of the various businesses.

7.19 TRADE PAYABLES

The item "Trade payables" includes amounts due for the supply of goods and services, and amounts to 222,401 thousand euro as at 31 December 2017, 284,394 thousand euro as at 31 December 2016.

7.20 LIABILITIES FOR CURRENT TAXES

The item "Liabilities for current taxes", equal to 93 thousand euro as at 31 December 2017, refers to the debt position to Tax Authorities for IRES and IRAP current taxes, as broken down as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER	
	2017	2016
IRES	49	149
IRAP	44	486
TOTAL	93	635

8. Notes to the Income Statement

8.1 REVENUE

The item "Revenue" for the years ended 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER	
	2017	2016
ELECTRICITY REVENUE	1,024,574	1,028,525
WATER RESOURCE REVENUE	20,079	19,135
NATURAL GAS DISTRIBUTION	209,332	198,429
HEATING REVENUE	8,386	8,240
REVENUE FROM MUNICIPAL WASTE SERVICES	26,434	25,591
OTHER REVENUES	39,864	10,238
REVENUE FROM WATER TREATMENT	2,109	2,082
TOTAL	**1,330,777**	**1,292,240**

Revenues are in line with the previous year.

8.2 REVENUE AND COSTS FROM WORKS ON ASSETS UNDER CONCESSION

The item "Revenue and costs from works on assets under concession" for the years ended 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER			
	2017		2016	
	REVENUE	COSTS	REVENUE	COSTS
ELECTRIC GRID	17,198	(16,778)	16,041	(15,649)
GAS NETWORK	2,958	(2,958)	6,539	(6,380)
WATER NETWORK	7,388	(7,208)	3,435	(3,435)
TOTAL	**27,544**	**(26,944)**	**26,015**	**(25,464)**

This is the fair value of building services is determined based on costs actually borne, added by a mark-up representing the best estimate on the remuneration of in-house costs for construction management and design activities carried out by the Group, equal to the mark-up that a general third-party constructor would ask to perform the same activity, as envisaged by IFRIC 12.

8.3 OTHER REVENUE AND INCOME

The item "Other revenue and income" for the years ended 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER	
	2017	2016
OTHER REVENUES	1,841	2,719
MANAGEMENT OF S.COLOMBANO	441	426
REAL ESTATE INCOME	926	718
GAINS FROM STANDARD OPERATIONS	2,630	138
OTHER REVENUE AND INCOME	976	1,327
SOFTWARE USER LICENSE REVENUE	673	749
REVENUE FROM EXTRAORDINARY MAINTENANCE	144	102
REVENUE FROM PLANT MANAGEMENT	1,214	933
SERVICES TO THIRD PARTIES	2,806	3,506
PURIFICATION MANAGEMENT	2,919	2,907
GROUP REVENUE	1,706	2,495
SECONDED PERSONNEL	-	35
ENERGY EFFICIENCY	15,756	16,680
STANDARD CONTINGENT ASSETS	20,318	16,732
CESSPIT TREATMENT	453	433
SUNDRY REIMBURSEMENTS	220	279
CONTRIBUTIONS FOR PLANT	1,354	1,521
OPERATING GRANTS	13,483	15,373
TOTAL	**67,862**	**67,073**

The item Other revenue and income includes primarily income from energy efficiency certificates, GRIN certificates, capital gains from the segment and pertaining contributions.

8.4 RAW MATERIALS, CONSUMABLES AND MERCHANDISE

The item "Raw materials, consumables and merchandise" for the years ended 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER	
	2017	2016
PURCHASES OF ELECT. RAW MATERIALS	477,107	410,083
PURCHASES OF GAS RAW MATERIALS	129,399	117,613
PURCHASED OF INVENTORIES	2,185	1,881
PURCHASE OF FUELS AND VEHICLE SPARE PARTS	1,210	1,268
PURCHASES OF LABORATORY AND CHEMICALS	708	186
CHANGES IN INVENTORIES OF RAW MATERIALS, CONSUMABLES AND MERCHANDISE	1,147	(3,575)
CERTIFICATES	23,925	5,731
OTHER PURCHASES	4,989	3,534
CONTINENT LIABILITIES	779	1,374
TOTAL	**641,449**	**538,095**

The sharp increase is mainly due to the increase in costs for the purchase of raw materials related to electricity and natural gas, as well as costs for environmental certificates.

8.5 SERVICE COSTS

The item "Service costs" for the years ended 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER	
	2017	2016
EXTERNAL MAINTENANCE SERVICES	23,772	20,573
INSURANCE, BANKING AND FINANCIAL SERVICES	4,843	5,643
OTHER SERVICES	9,364	8,943
COMMERCIAL SERVICES	419,971	454,526
GENERAL SERVICES	3,136	2,806
FINANCIAL STATEMENT CERTIFICATION	279	277
BOARD OF STATUTORY AUDITORS	325	302
DIRECTORS	883	846
MISCELLANEOUS COSTS	309	351
RENTAL EXPENSE	1,789	1,736
RENTAL FEES	2,212	1,878
EASEMENTS	17	29
SERVICE AGREEMENT CHARGES	1,717	1,693
BUSINESS UNIT RENTAL	545	179
WATER DIVERSION CHARGES	59,153	47,472
CONTINENT LIABILITIES	4,285	2,186
TOTAL	**532,599**	**549,440**

8.6 PERSONNEL COSTS

The item "Personnel costs" for the years ended 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER	
	2017	2016
WAGES AND SALARIES	46,555	44,334
SOCIAL SECURITY COSTS	15,870	15,580
EMPLOYEE TERMINATION BENEFITS	3,265	3,271
OTHER COSTS	1,121	1,144
CONTINENT LIABILITIES	-	125
TOTAL	**66,811**	**64,454**

As at 31 December 2017, the Group had 1,327 employees.

8.7 AMORTISATION/DEPRECIATION, ALLOCATIONS AND WRITE-DOWNS

The item "Amortisation/depreciation, allocations and write-downs" for the years ended 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER	
	2017	2016
AMORTISATION OF INTANGIBLE ASSETS	11,620	7,540
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	13,361	15,291
AMORT. OF ASSETS UNDER CONCESSION	23,670	23,027
WRITE-DOWN OF RECEIVABLES RECOGNISED TO CURRENT ASSETS, CASH AND CASH EQUIVALENTS	3,988	7,831
PROVISIONS FOR RISKS	231	304
WRITE-DOWNS OF FINANCIAL FIXED ASSETS	-	1,481
TOTAL	52,870	55,474

8.8 OTHER OPERATING COSTS

The item "Other operating costs" for the years ended 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER	
	2017	2016
MISCELLANEOUS COSTS	1,836	1,604
ICI (LOCAL PROPERTY TAX)	4,185	3,827
TOSAP/COSAP	655	652
CREDIT LOSSES	482	372
INDEMNITIES	19	(11)
CTS/SOCIAL SECURITY FEE	1,100	703
CSEA	353	346
ENERGY EFFICIENCY CHARGES	15,353	19,437
STANDARD CONTINGENT LIABILITIES	4,696	2,084
LOSSES FROM STANDARD OPERATIONS	414	150
POSTAL CHARGES	81	80
MUNICIPAL CHARGES AND AGREEMENTS	1,704	1,696
OTHER TAXES	725	567
TOTAL	31,604	31,507

The main item of other operating costs refers to energy efficiency costs. These costs include the charges of electricity and gas distributors and fulfils the obligation related to the purchase of Energy Efficiency Certificates, included in the tariff, as envisaged by the provision including the "Determination of national quantity targets of energy saving that shall be achieved by electricity and gas distribution companies for the years from 2017 to 2020, and the approval of the new Guidelines for the preparation, execution and evaluation of the energy efficiency projects".

8.9 RESULT OF SHAREHOLDINGS MEASURED AT EQUITY AND OTHER COMPANIES

The item "Result of shareholdings measured at equity and other companies" for the years ended 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER	
	2017	2016
DIVIDENDS AND OTHER INCOME FROM OTHERS	12	269
REVALUATIONS OF EQUITY INVESTMENTS	837	15,620
WRITE-DOWNS OF EQUITY INVESTMENTS AND SECURITIES	(2,362)	(8,870)
PROFITS FROM EQUITY INVESTMENTS IN ASSOCIATES	-	298
TOTAL	(1,513)	7,317

Dividends from other companies are related to ISA dividends.

The items write-ups and write-downs of equity investments and securities include primarily the valuation for the year of equity investments measured at equity.
Gains in 2016 from equity investments in associated companies result from dividends collected by Alto Garda Servizi SpA.

8.10 FINANCIAL INCOME AND CHARGES

The item "Financial income and charges" for the years ended 31 December 2017 and 2016 is broken down as follows:

FINANCIAL INCOME	FOR THE YEAR ENDED 31 DECEMBER	
(IN THOUSANDS OF EURO)	2017	2016
FINANCIAL INCOME FROM SUBSIDIARIES	-	67
FINANCIAL INCOME FROM ASSOCIATES	136	-
FINANCIAL INCOME FROM PARENT COMPANIES	-	110
FINANCIAL INCOME FROM OTHER COMPANIES	1,673	458
FINANCIAL DERIVATIVES	19,617	3,395
TOTAL	21,426	4,030

FINANCIAL CHARGES	FOR THE YEAR ENDED 31 DECEMBER	
(IN THOUSANDS OF EURO)	2017	2016
FINANCIAL CHARGES DUE TO OTHER COMPANIES	(9,264)	(12,037)
FINANCIAL DERIVATIVES	(19,835)	(2,051)
FINANCIAL CHARGES FROM DISCOUNTING	(396)	(484)
OTHER	(64)	-
TOTAL	(29,559)	(14,572)

The items Financial income and charges for derivatives include the fair value, as at 31 December 2017, of derivative contracts on commodities that do not fulfil the requirements to be accounted for as hedging derivatives, in addition to differentials accrued and adjusted over the year for derivatives on commodities that are not eligible to be accounted for as hedging derivatives. The charges for derivatives also included the changes in fair value related to IRS derivative contracts.

8.11 TAXES

The item "Taxes" for the years ended 31 December 2017 and 2016 is broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER	
	2017	2016
CURRENT TAXES	25,054	31,982
DEFERRED TAXES	(3,779)	(1,788)
PREPAID TAXES	1,001	5,839
TAX CONSOLIDATION INCOME/CHARGES	(3,594)	(4,202)
TAXES FROM PRIOR YEARS	(156)	(1,355)
TOTAL	**18,526**	**30,476**

The reconciliation between tax charge as per financial statements and theoretical tax charge is shown hereunder for the years ended 31 December 2017 and 2016:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER			
	2017	CHANGE %	2016	CHANGE %
PROFIT BEFORE TAX	**64,260**		**117,669**	
THEORETICAL INCOME TAXES	15,422	24.0%	32,359	27.5%
IRES	22,265	34.6%	28,480	24.2%
IRAP	2,789	4.3%	3,502	3.0%
TAX EFFECT OF PERMANENT AND OTHER DIFFERENCES	(6,528)	(10.2%)	(1,506)	(1.3%)
TOTAL	**18,526**	**0**	**30,476**	**0**

9. Related party transactions

Related parties are defined as the parties that share with the Group the same controlling entity, the companies that directly or indirectly control it, are controlled or are subjected to joint control by the Parent Company, as well as companies in which the Parent Company holds an equity investment able to exercise a significant influence.

For the years ended 31 December 2017 and 2016, the main transactions with related parties concerned the following:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER					AS AT 31 DECEMBER				
	2017					2016				
	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	DIVIDENDS RECEIVABLE	TRADE PAYABLES	LOANS PAYABLE	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	DIVIDENDS RECEIVABLE	TRADE PAYABLES	LOANS PAYABLE
DOLOMITI EDISON ENERGY	791	8,550	-	2,488	810	504	7,650	-	446	477
SF ENERGY	360	-	-	267	-	1,015	-	-	3,185	-
TOTAL	**1,151**	**8,550**	**-**	**2,755**	**810**	**1,519**	**7,650**	**-**	**3,631**	**447**

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER								AL 31 DICEMBRE							
	2017								2016							
	REVENUE			PURCHASES			FINANCIAL INCOME	FINANCIAL CHARGES	REVENUE			PURCHASES			FINANCIAL INCOME	FINANCIAL CHARGES
	GOODS	SERVICES	OTHER	GOODS	SERVICES	OTHER			GOODS	SERVICES	OTHER	GOODS	SERVICES	OTHER		
DOLOMITI EDISON ENERGY	883	1,316	-	6,128	-	-	94	-	-	2,031	-	4,528	-	14	102	-
SF ENERGY	-	1,415	-	5,786	-	-	-	-	-	1,402	-	-	-	-	-	-
TOTAL	**883**	**2,731**	**-**	**11,914**	**-**	**-**	**94**	**-**	**-**	**3,433**	**-**	**4,528**	**-**	**14**	**102**	**-**

10. Guarantees and commitments

The Guarantees and commitments in favour and undertaken by the Group as at 31 December 2017 and 2016 are broken down as follows:

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER	
GUARANTEES AND COMMITMENTS IN FAVOUR OF THIRD PARTIES	**2017**	**2016**
THIRD PARTY GUARANTEES	10,181	9,524
FINANCIAL COMMITMENTS IN FAVOUR OF THIRD PARTIES	2,043	2,043
TOTAL	**12,224**	**11,567**

(IN THOUSANDS OF EURO)	AS AT 31 DECEMBER	
OTHER THIRD PARTY GUARANTEES	**2017**	**2016**
GUARANTEES RECEIVED BY THIRD PARTIES IN FAVOUR OF BANKS FOR LOANS	115,500	173,000
USAGE OF SIGNATURE FACILITIES TO ISSUE BANK/INSURANCE GUARANTEE	101,256	106,392
TOTAL	**216,756**	**279,392**

11. Fees to directors and statutory auditors

The fees to directors and statutory auditors of the Group, for the years ended 31 December 2017 and 2016 are broken down as follows:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER	
	2017	2016
BOARD OF STATUTORY AUDITORS	325	302
DIRECTORS	883	846
TOTAL	**1,207**	**1,148**

12. Independent Auditors' fees

The following table shows the remuneration received by the auditing company PricewaterhouseCoopers SpA for the auditing services of the consolidated financial statements for the years ended 31 December 2017 and 2016, as well as remuneration for other services rendered to companies:

(IN THOUSANDS OF EURO)	FOR THE YEAR ENDED 31 DECEMBER	
	2017	2016
FINANCIAL STATEMENT CERTIFICATION	211	206
OTHER VERIFICATION SERVICES	68	71
REMUNERATION FOR TAX ADVISORY SERVICES	72	43
TOTAL	**351**	**320**

Attachment A to the Consolidated financial ftatements

Consolidation area

DOLOMITI ENERGIA HOLDING	TYPE	SHARE CAPITAL	2017	CONSOLIDATION METHOD
DOLOMITI ENERGIA RINNOVABILI	SRL	30,000	100.00%	LINE-BY-LINE BASIS
NOVARETI	SPA	28,500,000	100.00%	LINE-BY-LINE BASIS
DOLOMITI AMBIENTE	SRL	2,000,000	100.00%	LINE-BY-LINE BASIS
NESCO	SRL	90,000	100.00%	LINE-BY-LINE BASIS
DOLOMITI ENERGIA TRADING	SPA	2,478,429	98.72%	LINE-BY-LINE BASIS
DOLOMITI ENERGIA	SPA	20,200,000	83.88%	LINE-BY-LINE BASIS
SET DISTRIBUZIONE	SPA	112,241,777	74.52%	LINE-BY-LINE BASIS
DTC	SCARL	10,000	57.00%	LINE-BY-LINE BASIS
SUB HIDE	SRL	2,000,000	60.00%	LINE-BY-LINE BASIS
SUB HDE	SRL	3,000,000	100.00%	LINE-BY-LINE BASIS
SUB DOLOMITI GNL	SRL	600,000	60.00%	LINE-BY-LINE BASIS
SUB IVIGNL	SRL	100,000	50.00%	SHAREHOLDERS' EQUITY
DEE	SRL	5,000,000	51.00%	SHAREHOLDERS' EQUITY
SF ENERGY	SRL	7,500,000	50.00%	SHAREHOLDERS' EQUITY
GIUDICARIE GAS	SPA	1,780,023	43.35%	SHAREHOLDERS' EQUITY
BIO ENERGIA TRENTINO	SRL	3,000,000	24.90%	SHAREHOLDERS' EQUITY
PVB BULGARIA	SPA	38,346,891	23.13%	SHAREHOLDERS' EQUITY
AGS RIVA DEL GARDA	SPA	23,234,016	20.00%	SHAREHOLDERS' EQUITY

Rovereto, 28 March 2018

The Chairman
of the Board of Directors
Rudi Oss

Certification of the Consolidated financial statements

1. The undersigned Mr. Rudi Oss, Chairman of the Board of Directors and Mr. Michele Pedrini, Head of Administration of the company Dolomiti Energia Holding SpA, taking account of provisions set out by regulations in force, hereby certify the following:
• the adequacy in relation to the characteristics;
• the actual application of the administrative and accounting procedures for the formation of the consolidated financial statements during the period from 1 January 2017 to 31 December 2017.

2. No matters of particular importance in this regard arose during the actual application of procedures or concerning any reference to the general standards used in drawing up the certification.

3. We also certify that:

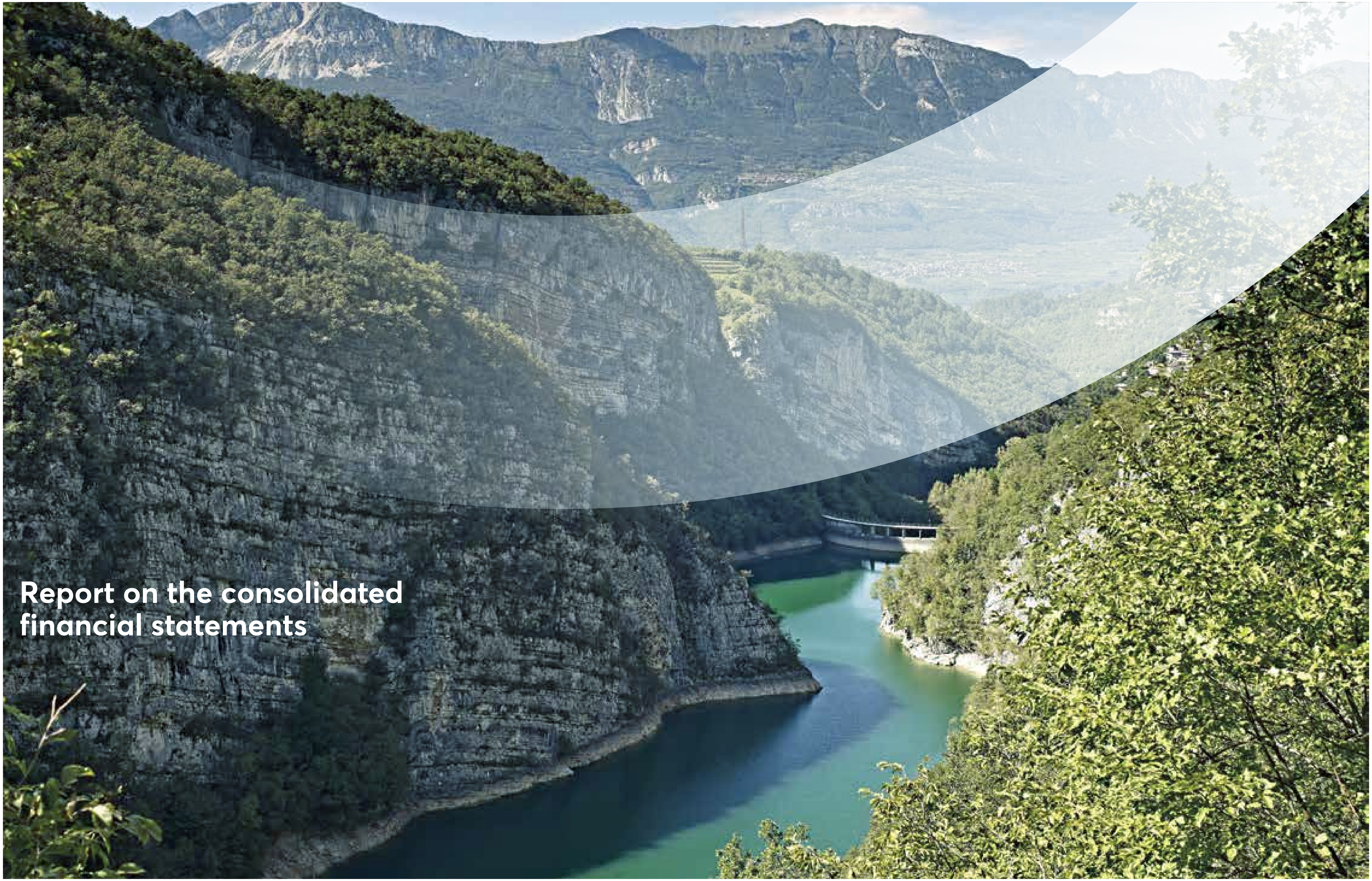
3.1 The consolidated financial statements as at 31 December 2017:
a) have been prepared under the applicable international accounting standards endorsed by the European Union, pursuant to EC Regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
b) agree with the balances shown in the books and accounting entries;
c) give a true and fair view of the equity, economic and financial position of the Issuer and all companies included in the consolidation.

3.2 The Report on Operations includes a reliable analysis of performance and the results of operations, and of the general situation of the Issuer and the companies within the scope of consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Rovereto, 28 March 2018

The Chairman **Rudi Oss**

The Head of the Administration Department **Michele Pedrini**



Report on the consolidated financial statements

Board of Statutory Auditors' report on the consolidated financial statements

To the Shareholders' Meeting
of Dolomiti Energia Holding SpA

Dear Shareholders,

The consolidated financial statements as at 31 December 2017 prepared by your company's Board of Directors comprise the Balance Sheet, Income Statement, Cash Flow Statement and Notes to the Financial Statements.
They have been made available to you and prepared in compliance with provisions of the Italian Civil Code.

The consolidated financial statements for the year ended 31 December 2017, were prepared in compliance with the International Accounting Standards –IAS and the International Financial Reporting Standards – IFRS, issued by the International Accounting Standards Board (IASB), as well as by IFRIC and SIC interpretations, endorsed by the European Union pursuant to Regulations (EC) no. 1606/2002 and in force at year end.
The Financial Statements were prepared in compliance with Article 9, Paragraph 3 of Law Decree no. 38 and seq. of 28 February 2005.

In summary, in thousands of euro, the consolidated financial statements as at 31 December 2017 report Group profit for the year of 45,734 euro (including 34,911 euro pertaining to the Group), total assets of 2,037,164 euro and Group shareholders' equity of 974,139 euro (including 660,845 euro pertaining to the Group).
The measurements specifically concern:
- the consolidation area;
- the consolidation method;
- the reference date of the consolidated financial statements.

Scope of Consolidation

This includes the financial statements of the parent company Dolomiti Energia Holding SpA and those of its Subsidiaries:
- Dolomiti Energia Rinnovabili Srl
- Novareti SpA
- Dolomiti Ambiente Srl
- Nesco Srl
- Dolomiti Energia Trading SpA
- Dolomiti Energia SpA
- SET Distribuzione SpA
- Depurazione Trentino Centrale Scarl
- sub Hydro Investment Dolomiti Energia srl
- sub Hydro Dolomiti Energia Srl
- sub DOLOMITI GNL Srl
- sub IVIGNL Srl
- Dolomiti Edison Energy Srl
- SF Energy Srl
- Giudicarie gas SpA
- Bio Energia Trentino Srl
- Pvb Bulgaria SpA
- Ags Riva del Garda SpA

Consolidation Method

The consolidation criteria adopted are those indicated in the Notes to the Financial Statements, to which reference should be made.
Consolidation was performed using the full consolidation method for the subsidiaries: Dolomiti Energia Rinnovabili Srl, Novareti SpA, Dolomiti Ambiente Srl, Nesco Srl, Dolomiti Energia Trading SpA, Dolomiti Energia SpA, SET Distribuzione SpA, Depurazione Trentino Centrale Scarl, sub Hydro Investments Dolomiti Energia srl, sub Hydro Dolomiti Energia srl e sub DOLOMITI GNL Srl.
Consolidation instead took place with the equity method for the associates: sub IVI GNL Srl, Dolomiti Energy Saving Srl, SF Energy Srl, Giudicarie gas SpA, Bio Energia Trentino Srl, Pvb Bulgaria SpA, Ags Riva del Garda SpA.

Reference Date of Consolidated Financial Statements

The Board of Statutory Auditors has confirmed that the consolidated financial statements were prepared on the basis of draft financial statements as at 31 December 2017 of the consolidated companies, as approved by their respective Boards of Directors.

The independent auditor PriceWaterhouseCoopers has assessed the regular nature and correspondence of the consolidated financial position and income statement with accounting entries of the parent company and information submitted by subsidiaries included in the consolidation.

The information and clarification provided in the Notes to the Financial Statements, the Report on Operations and the contents of the consolidated financial statements are confirmed to be fair.

The Shareholders' Meeting need only take the consolidated financial statements and accompanying documents into consideration for information purposes since they are not subject to approval.

Rovereto, 11 April 2018

The Board of Statutory Auditors
Giacomo Manzana, Chairman
Barbara Caldera, Standing Auditor
Michele Iori, Standing Auditor

Independent Auditor's report

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Dolomiti Energia Holding SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dolomiti Energia Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2017, the consolidated statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Accuracy of revenue from the sale of electricity and gas *Note 2.5 "Measurement criteria" of the explanatory notes to the consolidated financial statements as of 31 December 2017.* Revenues from the sale of electricity and gas amount to about 70% of the Group's total revenues. The accurate recognition of such revenues is a key aspect in the business of selling electricity and gas to end-users. This is consequence of the fact that the billing system is complex, as it has to process high volumes of data with an extremely diversified combination of tariffs and price components. Moreover, revenues related to the sale of electricity and gas sector are strictly regulated and depend, for several aspects, on the regulations of this sector. Considering its magnitude and the complexity of the billing process, the verification of the accurate recognition of revenues from the sale of electricity and gas represents a key audit matter.	Our audit activities performed on the accurate recognition of revenues from the sale of electricity and gas concerned: • the analysis of the Group information system and the structure of the controls set up in order to guarantee the correct operation of the system with the support of experts of the PwC network; • the understanding and evaluation of the internal control system designed by the Company for the billing system; • the verification of the efficacy of relevant controls set up in order to guarantee that revenues from the sale of electricity and gas are recognised in a complete and accurate manner in the proper period. Furthermore, we verified a sample of bills in order to control that the significant data reported therein agreed with the supporting documentation (for example contracts and consumption data), as well as with payments received from customers.
Recoverability of the book value of property, plant and equipment related to hydroelectric concessions nearing expiry. *Note 7.3 "Property, plant and equipment" of the explanatory notes to the consolidated financial statements as of 31 December 2017 and paragraph "Reference regulatory environment – Hydroelectric energy generation" of the report on operations.* The book value of the hydroelectric plants represents more than 90% of the book value of	Our audit activities performed on the book value of property, plant and equipment related to hydroelectric concessions concerned the analysis and comprehension of the design and efficacy of relevant controls set up in order to guarantee the complete and accurate recognition of the non-current assets held. Furthermore:

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
property, plant and equipment of consolidated financial statements. Concessions related to most of the hydroelectric plants of which the Group is the holder, will expire within next years. Law 205 of 27 December 2017 ("2018 Budget Law") recently amended Article 13 of the Consolidated Law introduced by Presidential Decree no. 670 of 31 August 1972, prescribing, among other things, that: - the concessions of large diversions in the provinces of Trento and Bolzano, with expiration date prior to 31 December 2022, are extended *de jure* for the period useful to complete the public tendering procedures and in any case not beyond the aforesaid date; - the concession-holder who, at its own expense, made investments related to "assets transferable for free", shall be entitled to receive, at the expiry of the concession, an indemnity equal to the value of the part of the asset that has not been depreciated, according to criteria that have to be set forth in a provincial law. The Group depreciates its "assets transferable for free" in order to complete the related depreciation process within 2022, considering the necessary time reasonably expected to complete the public tendering procedures by the grantor. The Group is waiting for the promulgation of the provincial law, which will clarify and regulate the details to evaluate the accounting impacts, if any, of the indemnity envisaged for the investments of the concession-holder in such assets. With reference to the assets related to the hydroelectric plants that are not transferable for free, the Group, already in the prior years, interrupted the depreciation whenever the book value of these assets was lower than the reimbursement value estimated for the outgoing	• we selected a sample of increases in property, plant and equipment related to hydroelectric plants during the year, in order to obtain the documentation supporting their accurate recognition, verifying also the correct allocation to assets transferable for free or not for free; • we verified depreciation cost recognised in the year through recalculation; • we analysed the reasonableness of the assumptions on which management determined the residual useful life of the assets transferable for free and the reimbursement value expected for the outgoing concession-holder as regards assets transferable not for free, also verifying that the same have been correctly reflected in the depreciation process of non-current assets related to the hydroelectric concessions.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
concession-holder. Considering that the value of the non-current assets related to the plants under concession represents most of the value of the Group's property, plant and equipment and that the concessions related to most of these will expire in the next years, the recoverability of their book value is a key audit matter.	
Assets under concession related to the gas distribution networks – Reimbursement value expected for the outgoing concession holder *Note 2.5 "Measurement criteria" and note 7.1 "Leased assets" of the explanatory notes to the consolidated financial statements as of 31 December 2017 and paragraph "Reference regulatory environment – Natural gas distribution" of the report on operations.* The gas distribution business in which the Dolomiti Energia Group operates is carried out based on concessions granted by single municipalities and is mainly concentrated in the Autonomous Province of Trento. Gas distribution concessions must be assigned on the basis of tenders called for each local area, as provided for in Ministerial Decrees of 19 January 2011 and of 18 October 2011, within the terms established by the same decrees. As for the concessions of which the Dolomiti Energia Group is the holder, with resolution no. 73 of 27 January 2012, the Province Council of the Autonomous Province of Trento resolved to identify solely one local area for the assignment of the gas distribution service within the Province of Trento, and with the 2017 Budget Law, approved on 22 December 2016, extended the term for publishing the request for tender within the unique area of the Province to 31 December 2018. In the case that the current concession-holder is	Our audit activities performed on the book value of the assets under concession related to the gas distribution networks concerned the analysis and comprehension of the design and efficacy of the relevant controls set up in order to guarantee the complete and accurate recognition of the non-current assets held, including those related to the gas distribution networks. Furthermore: • We selected a sample of increases in the year regarding the gas distribution networks in order to obtain supporting documentation on their accurate recognition, verifying also the correct allocation to the distribution area (i.e. single municipality) in which the investment was made. • We verified the amortisation recognised in the period by recalculating it. • We analysed the assumptions based on which management determined the residual useful life of the assets under concession related to gas distribution networks and the reimbursement value expected for the outgoing concession-holder, also verifying that these have been correctly reflected in the amortisation

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
not awarded the new concession based on the outcome of the tender, the regulations envisage that a reimbursement amount is paid to it, determined according to a specific calculation basis in compliance with the Guidelines issued pursuant to a Decree of the Ministry for Economic Development. Accordingly, in determining the value to be amortised for assets under concessions related to the gas networks, the Group estimated 31 December 2018 as the expiry date of the concession and a value equal to the Residual Industrial Value (RIV) as the residual value at the expiry date of the concession for those concessions in which such value is specified in the concession agreement and can be reliably estimated and, for the other concessions, a net book value at the expiry date, as provided for in Provincial Law no. 6 of 17 June 2004. Considering the book value of the assets under concession related to the gas distribution networks in the consolidated financial statements of the Dolomiti Energia Group (Euro 165 million as of 31 December 2017) and that a request for tender is expected in the short-term for the assignment of the new concession for the Province of Trento, the estimate of the expected residual value for the outgoing concession-holder is a key audit matter.	process of such current assets.
Ealuation and accounting of derivatives financial instruments IRS *Note 2.5 "Measurement criteria", note 5.1.1 "Interest rate risk" and note 5.4 "Fair value estimate" of the explanatory notes to the consolidated financial statements as of 31 December 2017.* The Group entered into derivative financial instruments IRS (Interest Rates Swap) to cover the fluctuation risk of Euribor rate on the capital market for a significant amount of its financial debt (Euro 166 million as of 31 December 2017).	Our audit activities performed on the determination of the fair value of the IRSs and on their recognition concerned: • the verification of the existence of these derivative contracts through the analysis of the documentation and receipt of the confirmations from the counterparties; • the understanding and evaluation of the methodology to determine the fair value

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
As at the balance sheet date, the fair value of these derivatives is negative for an amount of Euro 4.5 million. The Group designated some of these derivatives as hedging instruments, therefore the fair value difference of the same is not accounted for in the income statement but directly recognised in the shareholders' equity under the cash flow hedge reserve. As the notional amount of the existing IRSs is significant, the estimate of the fair value of such derivatives and the accounting method of the same are key audit matters.	of derivative financial instruments entered into by the Group; • the recalculation of the fair value of a sample of derivative financial instruments held by the Group with the support of an expert of the PwC network; • the analysis of the documentation prepared by the Group supporting the use of hedge accounting; • the analysis of the disclosures reported in the notes to the consolidated financial statements with reference to IRSs and to their accounting treatment.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate Dolomiti Energia Holding SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 15 December 2017, the shareholders of Dolomiti Energia Holding SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2017 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

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

Management of Dolomiti Energia Holding SpA is responsible for preparing a report on operations of the Dolomiti Energia Group as of 31 December 2017, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Dolomiti Energia Group as of 31 December 2017 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations mentioned above is consistent with the consolidated financial statements of Dolomiti Energia Group as of 31 December 2017 and is prepared in compliance with the law.

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

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

Management of Dolomiti Energia Holding SpA is responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that management approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by another auditor.

Verona, 11 April 2018

PricewaterhouseCoopers SpA

Alexander Mayr
(Partner)

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