2023

Holding Dolomiti energia

FINANCIAL STATEMENTS

On the cover and inside: One Group, many faces – Dolomiti Energia Group Archive

FINANCIAL STATEMENTS
2023

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
www.gruppodolomitienergia.it

FINANCIAL YEAR

AS AT 31 DECEMBER 2023

BOARD OF DIRECTORS

Chairperson
Arlanch Silvia

Deputy Chairman
Franceschi Giorgio

Amministratore Delegato
Merler Marco

Directors
Fedrizzi Massimo
Decarli Paolo
Tomasi Chiara
Salvetti Daniela
Seraglio Forti Manuela
Canteri Simone
Stenico Eleonora
Rossi Giorgio
Benedetti Arianna

BOARD OF STATUTORY AUDITORS

Chairman
Iori Michele

Statutory Auditors
Bonomi William
Dalbosco Maura

INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

Board of Directors and Board of Statutory Auditors appointed on 30 April 2021. The Chairperson Silvia Arlanch and the Director Manuela Seraglio Forti were appointed by the Shareholders' Meeting of 21 November 2022. The Director Arianna Benedetti was co-opted on 9 February 2024 to replace Fabio D'Alonzo following his resignation.

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LETTER TO THE SHAREHOLDERS


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Dear Shareholders,

Despite its challenges, 2023 year ended on a high note, achieving exceptional and record-breaking results. Achievements we must be proud of because they are not just the result of a generous water supply in the second half year and a positive energy market, but also a testament to our Group resilience to adverse and complex situations and ability in navigating tough and unpredictable circumstances.

The Dolomiti Energia Group has shown that it can regroup and follow a fresh path, seizing new opportunities.

My commitment has focused on enhancing the enormous development potential of the Dolomiti Energia Group, working with management to set a path of long-term value creation that aims to define the Strategic Plan for the next 5 years.

The Strategic Plan approved by your Board of Directors in May 2023 has been defined as ambitious because it envisages:

- 1 billion euro in investments over the plan period;
- the decision to diversify renewable energy generation sources;
- a strong focus on people;
- a decisive leap towards corporate digitalisation to streamline our processes and align them with the energy transition.

In today's intricate and ever-changing world, it is the team that makes the difference, becoming the baseline organisational unit of a Group with its social capital, built on trust, identity and collaboration. For this reason, I was determined to base my governance style on sharing new corporate values and a new vision with the team, serving as the cornerstone upon which the Strategic Plan will be crafted.

This sharing of common values, but above all defined and explicit objectives, generated a strong boost to internal growth, which helped to achieve 140 million euro in investments in 2023, marking a milestone in the Group's corporate history.

The Group has achieved the Plan objectives in terms of diversification of generation sources, expansion of urban hygiene services, digitalisation and network consolidation.

THE CONTEXT

In 2023, the global economy faced challenges stemming from restrictive monetary policies and dwindling consumer and business confidence which, together with international political tensions, particularly in the Middle East, affected global demand, leading to a subdued trend in trading of goods and services.

In the Eurozone, too, the stagnating economy generated low domestic and foreign demand. Despite this, employment rates rose and inflation remained below anticipated levels, with projections suggesting a continued decrease in consumer prices in the coming years.

Examining the broader context and factors that may have influenced Group results, 2023 saw a progressive decline in commodity prices, bringing the average annual price of electricity (PUN) from 304 €/MWh in 2022 to 127 €/MWh in 2023 and for gas (PSV DA) from 122 €/MWh to 42 €/MWh.

Additionally, persistent drought conditions in the first four months of 2023, combined with a low water reserves and snowfall, negatively affected production in the first four months. This situation changed over the course of the year, thanks to abundant rainfall that led to a 50% higher hydroelectric energy generation compared to 2022, sold at values which, despite the price decreases, remain much higher than in the past.

To address energy price spikes, the Italian government implemented extraordinary measures, including a price cap in effect until 30 June 2023, requiring energy producers to pay the difference between the sale price and the benchmark value to GSE (for Northern Italy set at 58 €/MWh).

The combination of the factors listed above, the recovery in the electricity and gas sales business, the positive results of the regulated markets and an intense reaction by our organisation have allowed the Group to achieve record results.

ECONOMIC AND FINANCIAL RESULTS

In 2023, Group EBITDA increased to 392.6 million euro (196.5 million euro in 2022) and net profit for the year was 169.8 million euro. The Group's net financial position amounted to 267.6 million euro, a significant recovery compared to the 2022 figure of 642.8 million euro. This result is due to the reduction in working capital following normalisation of the price trend and to the improved performance of the various businesses, leading to an EBITDA that more than doubled.

The trend was positive in commercial activities which, despite a situation of strong competition accentuated by the end of the enhanced energy protection market, again recorded an increase in the number of customers served this year.

The positive results of 2023 and the strict financial strategy adopted by the Group led to a sizeable reduction in the net financial position, making it possible to optimise capital strength ratios. Based on these data, the ratio between the net financial position and EBITDA is 0.7, strongly improved compared to the 2022 figure (3.3), and, albeit strongly conditioned by the extraordinary events of the last two years, confirms the Group's financial soundness and its investment capacity to service the Strategic Plan.

EVENTS

This year was full of results not only in terms of profit, but above all the projects completed.

On approval of the Strategic Plan, new investments were initiated that are consistent with the development lines it describes.

Growth and efficiency improvements to regulated businesses (Electricity Distribution, Gas Distribution, Waste Management)
In February 2023, the growth process through territorial and business integration operations was completed with SET's acquisition of the electricity distribution grid in the municipalities of Cavalese (TN) and Palù del Fersina (TN); in June, Dolomiti Ambiente was awarded management of the urban hygiene service in the Vallagarina Community and the design and implementation of renovation works for the Avio, Besenello and Folgaria collection centres through a PPP – public-private partnership – for the next 17 years. During the year, SET connected a record number of around 5,700 new generation plants (mostly photovoltaic), compared to around 3,500 plants in 2022 and the below 1,000 averaged in previous years.

Development of a business strategy for risk management
2023 was the year of strong recovery in commercial business profit margins; the year of the end of the Gas Protection Service and the Enhanced Electricity Protection Service for non-vulnerable domestic customers from 1 January 2024; the year of signing two PPAs with Aquardens, a spa centre of national importance; the year of change for the information system after more than 24-month work and review of the sales processes.

Confirmation and development of "green" policies for decarbonisation: the development of renewable production together with energy efficiency activities makes it possible to strengthen the role of GDE in responding to the growing demand for green energy and enhancing the decarbonisation process.

As a joint venture, the Group acquired two Apulia wind farms in operation since 2020, for a nominal capacity of approximately 28 MW and, early in 2024, concluded an investment agreement that saw Dolomiti Transition Assets (100% Dolomiti Energia Holding) to acquire 100% of the share capital of two companies established with the aim of developing eight solar energy production plants, currently at advanced authorisation phase, located in northern Italy with an expected installed capacity of approximately 58 MWp.

In July, Dolomiti Energia Holding was awarded a tender referring to NRRP funds for the construction of an electrolyser for green hydrogen production powered by a series of photovoltaic plants.

The Group was awarded the tender called by the Municipality of Panchià (TN) for the construction of a hydroelectric power plant. In order to test and evaluate the use of innovative financing and participation instruments for these initiatives, during the year it was decided to launch a crowdfunding action to raise part of the capital necessary for construction. This activity, which was completed in February 2024, met with considerable success, so much so as to record investment demand that exceeded availability.

In line with our local and national e-mobility plans and the EU's targets for reducing the carbon dioxide emissions of vehicles, through our holding in Neogy we continued to work on the widespread extension of the current regional infrastructure of charging stations with 109 new installations during the year, all powered with 100% renewable energy.

Digitalisation and innovation: the digitalisation of systems and infrastructures with the aim of guaranteeing more efficient processes, also from the point of view of energy transition.

Our commitment continues in the use of applications that go in this direction, such as digital twin for the monitoring and predictive maintenance of energy networks, gas distribution networks and the optimisation of water resources. One of the most interesting applications of the Internet of Things (IoT) is the Smart Grid, used to create smart electricity networks and use smart meters that allow the real-time measurement of consumption and efficient energy management. During 2023, the multi-year programme began for the mass replacement of electricity meters, that started in 2022 and is due to end in 2025, allowing the installation of second-generation (2G) meters offering new functions.

Environmental and social sustainability: he Dolomiti Energia Group has a strong environmental and social vocation that represents an element of differentiation and an important strategic choice.

2023 was the year in which we redefined the Group's vision: ***The power of sustainability in the hands of people is the only possible future.***

The Dolomiti Energia Group aims to become an "empowerer" for all stakeholders and people in the value chain. Empowerment is a process of acquiring power, of increasing individuals' possibilities to have control of their own lives. When a person develops their empowerment, they move from a condition of weakness to one of strength, developing skills and abilities to manage difficulties. The concept of personal empowerment is based on stimulus, bolstering people so that they feel they have the strength and power to actively intervene. The Dolomiti Energia Group wants to play this role for its customers: the role of facilitator, an enabler in developing first the attitude and then the skills in each of us, and lastly providing the tools to be an actor in the energy transition.

Our commitment to the social projects Etika and Sinergika continues, initiatives for the eco-friendly purchase of electricity and gas that raises funds to be dedicated to solidarity and social inclusiveness projects in the Trentino area and at national level.

People at the centre. We have never stopped investing in our people.

Over the last year, the Dolomiti Energia Group has implemented a series of projects that have redefined how talent is perceived and managed in the company. A collaborative company aims to improve results and human capital by forming a winning team, first of all sharing the sense and significance of being part of a group, then the objectives and action plans with their timing, and lastly giving clarity to the roles of each individual and related expectations. Continuous training has been placed at the centre of the development strategy. The "Diversity & Inclusion" and "Family Audit" certification confirm the company's commitment to diversity and inclusion, creating a work environment that values differences and promotes fairness.

The introduction of smart working and smart offices is focused on building a more agile and flexible, process-oriented organisation, while the Performance Management model built on quantitative (KPI) and qualitative (KBI) objectives ensures alignment with the business strategies.

Caring for people is at the heart of the HR strategy, building welfare and well-being packages that meet the different needs of the company population, taking care of a person through all their development phases.

The consolidation of positive and constructive trade union relations has facilitated of major harmonisation objectives in second-level collective bargaining.

Throughout the year, as part of the Strategic Plan's implementation, the Group launched the real estate reorganisation plan which includes the construction of the new SET and Novareti headquarters, the renovation of the headquarters in Via Fersina, Trento, also in support of the expansion of workspace to accommodate the increasing workforce as outlined in the plan. The workforce development underlying the Plan expects the 1,486 FTEs present in 2023 to reach 1,684 FTEs in 2027.

THE FUTURE

The future will undoubtedly present numerous challenges, important tests that I hope can be experienced as opportunities and that will lead to successes.

The upcoming Board of Directors meeting will be required to assess the objectives and actions outlined in the Strategic Plan, verifying their relevance also in the light of the Group's new, stronger, and more streamlined financial position compared to the previous year. The Plan may also requires updates based on any changes to the corporate structure of the investee HDE, the outcome of the gas tender and regulatory developments linked to concession renewals. The renewal process for large hydroelectric concessions, due to expire on 31 December 2024, has not yet been completed and action is pending at national and European level to define the concession renewal procedures.

On 29 December 2023, the Autonomous Province of Trento decided to publish the tender for reassignment of the natural gas distribution concessions in municipalities of the Single Provincial Area of Trento ("ATEM"). On publication of this and other tender-related documents, the Province then launched the tender procedure to identify the economic operator to which the public natural gas distribution service for all Municipalities in the Trento ATEM area will be entrusted for the next 12 years.

In the coming months, the Group's pressing challenge will therefore be to put in place all the technical, financial and expertise necessary for submission of the tender materials by 19 July 2024 and win the concession.

Lastly, we hope that the path undertaken by this Board of Directors will continue in the future with Dolomiti Energia Group continuing along a trajectory of sustainability, aligned with its current vision.

At the beginning of April, Stefano Granella joined the Dolomiti Energia Group as General Manager. With his extensive experience in the energy sector, he will bring new skills and new ideas to the growth of the Group. On behalf of the entire Board, I extend our warmest wishes to him for a future filled with success and fulfilment.

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On behalf of the Board of Directors, I would like to thank all employees and workers of the Group for the skills and commitment that they bring to their work every day. In particular, my thanks go to the managers I worked closely with this year. I greatly appreciated their tenacity, their dedication and their professionalism in achieving the goals we set ourselves. They successfully navigated a year filled with immense challenges, marked by complexity, instability, and unpredictability, demonstrating that they care about the Group.

And a special thanks goes to our Chief Executive Officer, Marco Merler, who expertly led the team and demonstrated fairness, professionalism and patience in sharing a history of information with me, in generously offering his time and maintaining an open-minded approach in listening to differing viewpoints.

Thank you, because without you this year, which was also important and very satisfying for me, this would not have been the case.

The three-year mandate of the Board of Directors ends today. It was a highly complicated three-year period sadly struck by tragic events such as the death of Massimo de Alessandri, which destabilised everyone, COVID with all it entailed, market turbulence, the drought, events that put us all to the test.

My heartfelt thanks go to the directors who put their professionalism at the disposal of the work of the board.

To you, Shareholders, I express my sincere thanks for the trust you have placed in me by entrusting me with the crucial responsibility of leading the Dolomiti Energia Group through a particularly delicate phase.

The Chairperson
Silvia Arlanch

REPORT ON OPERATIONS


SET
DISTRIBUZIONE

This report has been prepared in compliance with the Italian Civil Code and refers to both the separate and consolidated financial statements of the Company. The book values in this report were determined in application of the accounting standards adopted for the preparation of the financial statements, i.e. 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 more details, please refer to point 2 of the Explanatory Notes to the separate and consolidated financial statements.

SIGNIFICANT EVENTS DURING THE YEAR

GENERAL ECONOMIC TRENDS

The global economy continues to slow, with signs of weakening evident in the United States and China. OECD forecasts show a slowdown in global GDP to 2.7% in 2024, mainly due to restrictive monetary policies and the decline in consumer and business confidence. There are also significant risks deriving from international political tensions, particularly in the Middle East. This scenario affects global demand and manifests in a subdued trend in trade in goods and services.

In the meantime, the Federal Reserve and the Bank of England kept policy rates unchanged, despite a reduction in core inflation in the United States and the United Kingdom during the autumn. Monetary policy will remain restrictive until inflation returns to the required levels.

In the Eurozone, economic activity remains weak and the disinflation process is consolidating. Stagnation of the economy persisted in 2023, with low domestic and foreign demand. Despite an increase in employment, inflation has remained below expectations and a continuous decrease in consumer prices is expected in the coming years.

The European Central Bank kept official interest rates unchanged, but decided to gradually reduce the reinvestment of maturing securities purchased as part of the Pandemic Emergency Purchase Programme for public and private securities. These measures contributed to a sharp slowdown in Eurozone monetary aggregates.

In Italy, the economy remained steady in the fourth quarter of 2023, with almost zero growth due to the tightening of credit conditions and persistent high energy prices, at least for the first part of the year. However, exports increased and there was an improvement in the current account balance.

Despite the economic slowdown, employment in growing and wage trends remain robust, with positive signs in the non-agricultural private sector. Adequate profit margins and the decrease in certain cost factors could mean not offloading these increases onto prices, guaranteeing continuation of the decline in inflation, which should also extend to non-energy industrial goods and services.

Overall, the restrictive policies continue to affect the credit market, with a marked weakness in demand for loans and a decline in bank funding. Despite this, in 2023 there was an improvement in public accounts, with a reduction in the deficit and in the debt-to-GDP ratio. The agreement on the reform of the European budget rules represents a further significant development, with additional numerical criteria that constrain the dynamics of debt and the structural deficit.

GROUP ACTIVITIES

2023 was marked, as illustrated in detail below, by a gradual decrease in commodity prices. Despite a brief uptick in the third quarter, prices steadily dwindled throughout the year: the average annual price of electricity (PUN) down from 304 euro/MWh in 2022 to 127 euro/MWh in 2023 and gas (PSV DA) from 122 euro/MWh to 42 euro/MWh. This decline appears to be propelled not only by international efforts to strengthen the supply source diversification within the European energy system, but also by the strong recovery in the electricity production of French nuclear power plants, key assets in the European power grid, and by the widespread and persisting weakness in residential and industrial demand.

To complete the overview of external factors with the greatest impact on Group performance, it should be highlighted that the availability of water resources was particularly low in the first part of the year, especially in the first 4 months, while from May it was fortunately possible to consider the prolonged period of drought that began in the last quarter of 2021 to be over, at least thus far. Furthermore, the rainfall recorded, and consequently the contribution to water resources for production plants, was essentially at normal levels.

In addition to the factors mentioned above, the Group's results were also driven by the effects of extraordinary measures implemented, especially in 2022, to combat high energy prices. In particular, based on the provisions of Art. 15-bis of Italian Law Decree 4/2022, as amended by Italian Law Decree 115/2022, until 30 June 2023 the vast majority of the Group's hydroelectric output was subject to the price cap or, in other words, the obligation to pay GSE, from 1 February 2022, the difference between the zone price (adjusted if necessary to take into account forward sales before the regulation's entry into force) and the reference value (set for the North at 58 euro/MWh).

The combination of the above mentioned factors, in particular the significant recovery (+50.0% compared to 2022) in the quantities of hydroelectric energy produced and sold at values that, despite the decrease in prices, remain much higher than in the past, and the good recovery of the business unit for the sale of electricity and gas, made it possible to record very positive Group results.

As better described below, consolidated EBITDA amounted to 392.6 million euro, up strongly (100%) on 2022 results. The net profit attributable to the Group amounted to 169.8 million euro, a result not comparable with that of 2022 (8.7 million euro) which in addition to the lower operating performance had suffered from a tax rate that, due to overlaps of the various "windfall" measures, reached 77.7%. Both for EBITDA and for the net profit of the Group, these values represent the higher figures ever achieved since the Group was established.

The net financial position of the Group, calculated as the algebraic sum of the nominal value of financial receivables and payables, amounts to

267.6 million euro, a significant recovery compared to the figure recorded in 2022 (642.8 million euro). This result is due, in addition to cash flows generated during the year, linked to the excellent results reported above, to a significant reduction in working capital linked, on the one hand, to the decrease in commodity prices and consequently in Group turnover (down by approximately 30% from 3.2 to 2.2 billion euro) and, on the other hand, to the increase in tax debt and the presence of a significant value (approximately 34.7 million euro) of net financial receivables relating to the market value of hedging derivatives at the reporting date.

Based on these data, the ratio between the net financial position and EBITDA is 0.7, strongly improved compared to the 2022 figure, and, albeit strongly conditioned by the extraordinary events of the last two years, confirms the Group's financial soundness and its investment capacity to service the business plan approved by the Board of Directors in May 2023.

The Internal Audit and Personal Data Protection department implemented the 2023 internal audit plan approved by the Board of Directors at the meeting of 16 December 2022. The plan consists of assurance and advisory measures designed to enhance and optimize the governance, risk management, and control system. These measures serve as a comprehensive framework of safeguards aimed at preventing, mitigating, monitoring and managing risks related to business activities, with a positive impact on the creation of value for the Group.

The assurance measure in particular concerned corporate processes such as recruiting, sponsorships, infra-group contracts, distributor services, tariffs and payments; cybersecurity controls on Information Technology and Operation Technology systems; compliance with regulations of the Italian Regulatory Authority for Energy, Networks and Environment (ARERA) and the European Data Protection Regulation (GDPR); compliance audits with respect to the Organisation and Control Model pursuant to Italian Legislative Decree 231/01.

Management advisory activities focused on business processes, including offering, credit management, reimbursement management, commercial and execution processes, and corporate processes, including policies for the management of donations and corporate transactions to strengthen and update the risk management controls. With regard to energy risk, the Internal Audit department advised the Energy Model Project Team in the process of defining a project to further strengthen the main elements of control over the Group's energy risk. During 2023, the foundations were also laid for further updating of the risk assessment and control processes with reference to ESG issues. With the aim of strengthening employees' awareness of company policies as a safeguard for risk management, the Internal Audit department coordinated an inter-functional team, with the ICT and Environmental Safety Quality department, which developed a research prototype in the company document system using Generative Artificial Intelligence expected to be made available to all employees.

During 2023, the Company and each of its subsidiaries also updated the whistleblowing procedure and system for the collection and management of reports to adapt to changes introduced by Italian Legislative Decree 24/2023. The outcome of whistleblowing activity carried out by the Group Reporting Committee is periodically disclosed to the Board of Directors, the Board of Statutory Auditors and the Supervisory Body, as well as to the Head of Corruption Prevention, each to the extent of their responsibility.

Periodic reports were made by the Head of Internal Audit and Personal Data Protection to the Board of Directors and the Board of Statutory Auditors on the performance of the internal audit plan in 2023, using not only traditional audit methods but also digital continuous auditing tools and innovative approaches such as agile auditing, reporting on the findings, the progress of follow-up on audit remediation plans, the results and benefits of initiatives to constantly update the corporate governance, risk management and control model.

During the year, the Company's Supervisory Body, appointed to monitor the adequacy, effectiveness and compliance of the Organisational and Control Model pursuant to Italian Legislative Decree No. 231/01 aimed at preventing the predicate offences resulting in the entity's liability under said decree, continued its supervision – also coordinating with the Head of Corruption Prevention for pertinent areas – and periodically reported to the Board of Directors and Board of Statutory Auditors on the outcomes of the inspections carried out on sensitive processes and the corporate design activities, also carefully following regulatory changes.

With reference to compliance with personal data protection legislation regulated by the European Regulations (GDPR), the Dolomiti Energia Group, also in 2023, managed numerous process and service innovation initiatives using new systems, new suppliers and focusing on to new purposes. The prior involvement of the Privacy Officer and the Data Protection Officer, in collaboration with the Data Controller, in the various company initiatives that process personal data, was fundamental to design processes and services that took into account adequate measures to protect the personal data of customers and employees entrusted to the Dolomiti Energia Group. The procedures and methodologies of personal data management in the Dolomiti Energia Group has been strengthened by renewing certain tools to support the accountability of the Data Controller and its Data Processors, also maintaining a strong focus on privacy training for employees and individuals operating within the company.

The Group adopted a specific procedure to manage any Data Breaches in terms of interception, assessment of the severity, assessment of the notice to the Data Protection Authority, disclosures to data subjects and consistent record keeping, subject to partial review in 2023. Internal and external Data Processors (suppliers) are also involved in the process of analysing breaches. In 2023, a total of 4 data breaches were recorded and managed, but conditions of seriousness were not found in any of those indicated above, such as to trigger the obligation to notify the breach to the Data Protection Authority or issue a Disclosure to the Data Subjects involved. For each breach indicated above, additional technical and organisational measures were identified, in agreement with the departments/offices concerned, to prevent the recurrence of similar situations.

With regard to the transactions completed directly or by other subsidiaries or investees, those worthy of comment in this report are as follows.

DOLOMITI ENERGIA HOLDING

On 9 January 2023, a collaboration agreement was signed between Dolomiti Energia and the Federazione Trentino della Cooperazione to jointly support the Energy Communities wishing to establish themselves as cooperatives.

At the meeting of the Board of Directors on 26 May, the new 2023-2027 business plan was approved, which projects the Group towards the future with over 1 billion euro in total investments over the plan period, major economic, industrial and sustainability objectives with a business strategy based on the diversification of renewable production sources and on assets integrated across the entire energy, water and waste value chain.

In line with the Group's values following the flood events that struck the Romagna area in May 2023, a number of Dolomiti Ambiente and Novareti vehicles and operators worked in that area to support Civil Protection and local companies in returning to normal after the disastrous events.

On 27 July, the first scholarships dedicated to the late Chairman, Massimo De Alessandri, were awarded, which the Company wanted to establish as a tangible way of remembering him and the contribution he was able to make, also in terms of knowledge transfer of to the entire Group.

Also in July, Dolomiti Energia Holding was awarded a tender referring to NRRP funds for the construction of an electrolyser for green hydrogen production powered by a series of photovoltaic plants.

The company, in a temporary joint venture with a manufacturer, was awarded the tender called by the municipal administration of Panchià for the construction of a hydroelectric power plant under a profit sharing arrangement. In order to test and evaluate the use of innovative financing and participation instruments for these initiatives, during the year it was decided to launch a crowdfunding action to raise part of the capital necessary for construction. This activity, which was completed in February 2024, met with considerable success, so much so as to record investment demand that exceeded availability.

On 19 October 2023, the equity investment acquisition in Eco Puglia Energia Srl, a company operating within the wind sector, was successfully finalised. To this end, a company 100% owned by Dolomiti Energia Holding was established, called Dolomiti Energia Wind Power, which acquired 42.73% of Eco Puglia Energia srl.

In December, a preliminary contract was signed with the shareholders of EPQ for the purchase of a 67% interest in EPQ share capital. The remaining 33% of the company was already owned by the Group. Consequently, following finalisation of this transaction in January 2024, the entire capital of EPQ is now held by the Dolomiti Energia Group, in anticipation of provisions of the business plan.

Thanks to the excellent cash generation capacity and stabilising of the commodity markets, the 350 million euro loan taken out at the end of 2022 and guaranteed by SACE, with the aim of providing the Group with adequate financial flexibility in the phase of strong market volatility that marked the second half of 2022 in particular, was repaid by the end of December.

On 1 December, the Sustainability department was established, reporting directly to the Chairperson and headed by Alessia Andreatta, formerly Head of Technical-Administrative Management of Dolomiti Ambiente.

NOVARETI

On 29 December, the Autonomous Province of Trento published the tender for reassignment of the natural gas distribution concessions in municipalities of the Single Provincial Area of Trento ("ATEM"). The tender concerns concession of the public natural gas distribution and metering service in all the Trento area Municipalities and the Municipality of Bagolino in the Province of Brescia (for a total of 167 Municipalities), all forming part of the Trento ATEM. On publication of the tender, the Province therefore initiated the procedure for a value of 400,443,481.80 euro (net of VAT and/or other taxes and legal contributions) with the aim of identifying the economic operator to which the public natural gas distribution service for all Municipalities in the Trento ATEM area will be entrusted for the next 12 years. The deadline for the submission of bids is 19 July 2024. Participation in the tender is of strategic interest to Novareti SpA, which is currently the largest operator of the service in the Trento ATEM.

DOLOMITI ENERGIA

As already recorded in the financial statements for the previous year, note that the Antitrust Authority (AGCM) had initiated proceedings in October 2022 relating to the alleged violation of Article 3 of Italian Decree Law 115/2022 (Aiuti bis Decree Law) regarding unilateral changes in the economic conditions of customers, adopting a precautionary measure against Dolomiti Energia of provisional suspension of the implementation of new economic conditions for the supply of electricity and gas following the contractual changes already communicated, but not yet applied and finalised. The Company challenged the measure and the Council of State accepted the precautionary appeal limited to the expiring/expired economic conditions. In the substantive hearing held on 22 February 2023, the Regional Administrative Court, whose judgment was published on 23 June 2023, upheld this stance, finding no evidence of unfair commercial practices in such communications. Instead it froze the unilateral amendments that had not been completed, amendments that the Company had already suspended and never applied to end customers. In light of all the above, the Regional Administrative Court, confirming the legitimacy of the communications updating the expired or expiring contractual conditions issued by the Company, and deeming that there was no alleged aggression in the operator's conduct, accepted the appeal and consequently cancelled the AGCM suspension measure challenged.

The AGCM subsequently closed the proceedings with the issue of a measure, communicated on 15 November 2023, acknowledging that the conduct of the Company in general was fair, censuring only an interpretation of the rule linked to certain specific situations determined by the timing overlap between the communications sent to customers and the entry into force of the aforementioned ruling. Based on these elements, an extremely low administrative fine was applied, in the amount of 50,000 euro, also considering the prompt and total collaboration provided by Dolomiti Energia to the AGCM and the fact that, after issue of the initial measures, the company promptly ordered application of the new proposed contractual conditions to be suspended, essentially eliminating any negative impact on end customers.

In April 2023, around 10,000 customers (microbusinesses and other uses) left the company's scope of business and were assigned to the operator that won the enhanced protection service tender. Despite this, the total number of customers at the end of the year was 733,000 (for energy and gas), compared to 731,000 last year, with a net increase of about 2,000 customers. For the reason mentioned previously, the increase is even greater if the enhanced protection service customers are excluded. In this case, in fact, the total number of customers increased by 33,000 as result of the good commercial results for the year.

HYDROELECTRIC PRODUCTION

Preparation, analysis and assessment activities continued with a view to any concession renewal tenders, although to date, as reported below, the outcome of the Government challenge of provincial regulations that envisaged possible suspension of the tender procedures is still not known.

The minority shareholder of the investee Hydro Dolomiti Energia, represented by an investment fund managed by the Macquaire group, activated the process for the sale of its interest on the basis of its asset rotation policies. It is assumed that this procedure will be completed during 2024.

SET DISTRIBUZIONE

As in the previous year, grid connection requests were recorded in 2023 to connect new production plants (overwhelmingly photovoltaic). During the year, a record number of about 5,700 plants were connected, compared to around 3,500 plants in 2022 and less than the average 1,000 recorded in previous years.
On 1 April, following transfer of the electricity distribution business unit in the Municipality of Cavalese, the scope of activities was also extended to this municipality.

In the first few months of the year, a swap with Azienda Reti Elettriche (distribution company operating in Primiero) was also formalised, involving the exchange between the Predazzo grid (already managed by SET under a lease) and the Vanoi and Sagron Mis grids (leased to A.R.E.) in order to rationalise maintenance and management activities and increase the possibility of investment to benefit service quality.

DOLOMITI AMBIENTE

The company was awarded the tender carried out by Comunità della Vallagarina for management of the waste collection service in the municipality and in the Magnifica Comunità degli Altipiani Cimbri. The Company therefore began managing this new activity on 1 September, with a significant increase in the volume of waste collected and the local community served.

DOLOMITI ENERGIA SOLUTIONS

During the year, the Company implemented a series of projects connected with tax concessions envisaged to incentivise energy efficiency measures in private buildings (110 superbonus and photovoltaic bonus). Note that, with a view to strengthening the structure of the company, Francesco Righi was appointed Chief Executive Officer from 1 July 2023, with the aim of continuing on the Company's growth path by consolidating its organisation and operating capacity.

DOLOMITI ENERGIA GROUP SUMMARY OF ECONOMIC, EQUITY AND FINANCIAL POSITIONS

ECONOMIC STATEMENT

The consolidation scope of the Dolomiti Energia Group comprises 14 companies, which in detail are: in addition to the Parent Company Dolomiti Energia Holding, the subsidiaries Dolomiti Energia Solutions srl, Novareti SpA, Dolomiti Ambiente srl, Dolomiti Energia Trading SpA, Dolomiti Energia SpA, SET Distribuzione SpA, Hydro Dolomiti Energia srl, Dolomiti GNL srl, Dolomiti Energia Hydro Power srl, Dolomiti Edison Energy srl, Gasdotti Alpini srl, Dolomiti Transition Asset srl and Dolomiti Energia Wind Power Srl.

Dolomiti Trentino Depurazione Scarl is no longer part of the Group as it was wound up in 2023.

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

(figures in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2023	2022
Revenue	2,195,159	3,241,087
Revenue from works on assets under concession	78,131	66,901
Other revenue and income	68,002	45,724
Total revenue and other income	**2,341,292**	**3,353,712**
Raw materials and consumables	(1,158,492)	(2,523,365)
Service costs	(545,575)	(427,686)
Costs from works on assets under concession	(76,451)	(65,492)
Costs for other operating charges	(96,742)	(73,045)
Personnel	(78,335)	(69,002)
Operating expenses	**(1,955,595)**	**(3,158,590)**
Gains and expenses from equity investments	6,902	1,382
EBITDA - Gross operating margin	**392,599**	**196,504**
Amortisation, depreciation, allocations and write-downs	(67,301)	(78,040)
EBIT - Operating result	**325,298**	**118,464**
Financial (income)/charges	(10,889)	(9,267)
PROFIT BEFORE TAX	314,409	109,197
Taxes	(82,416)	(84,878)
NET PROFIT/(LOSS) FOR THE YEAR	231,993	24,319
Profit/(loss) - minority interests	62,185	15,609
PROFIT/(LOSS) OF THE GROUP	169,808	8,710

The total revenue and other income amounted to 2,341 million euro (3,354 million euro in 2022).

Operating costs amounted to 1,956 million euro (3,159 million euro in 2022).

Personnel costs amounted to 78.3 million euro (69.0 million euro in 2022).

The gross operating margin (EBITDA), including income from equity investments, rose strongly compared to the previous year to 392.6 million euro (196.5 million euro in 2022). In percentage terms compared to total revenue and other income, it was 16.8% (5.9% in 2022).

Total amortisation/depreciation, allocations and write-downs of fixed assets amounted to 67.3 million euro (78.0 million euro in 2022), a considerable decrease compared to the previous year.

The equity investments result is a positive 6.9 million euro, an increase compared to the previous year when it amounted to 1.3 million euro.

The EBIT achieved amounted to 325.3 million euro, versus 118.4 million euro in 2022.

Financial management shows a charge of 10.9 million euro, deteriorating compared to last year's charge of 9.3 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 82.4 million euro (84.9 million euro in 2022) and take into account the deferred tax assets and liabilities as illustrated in detail in the Explanatory Notes. It should be remembered that in 2022 there were non-recurring "windfall" taxes as envisaged in Art. 37 of Italian Law Decree No. 21 of 21 March 2022 and Italian Law No. 197 of 29 December 2022 (2023 Budget Law) which affect hydroelectric energy production companies.

Consolidated net profit, net of minority interests, was 169.8 million euro (8.7 million euro in 2022).

STATEMENT OF FINANCIAL POSITION

In relation to the equity and financial data, the following information is provided.

(figures in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2023	2022	Differenza
NET FIXED ASSETS			
Property, plant and equipment	1,734,981	1,676,580	58,401
Equity investments	97,872	78,921	18,951
Other non-current assets	23,464	29,607	(6,143)
Other non-current liabilities	(117,828)	(112,585)	(5,243)
TOTAL	**1,738,489**	**1,672,523**	**65,966**
NET WORKING CAPITAL			
Trade receivables	462,015	642,712	(180,697)
Trade payables	(275,338)	(353,077)	77,739
Net tax credits/(payables)	(43,039)	(13,348)	(29,691)
Assets/(liabilities) held for sale			-
Other current assets/(liabilities)	8,904	96,593	(87,689)
TOTAL	**152,542**	**372,880**	**(220,338)**
GROSS INVESTED CAPITAL	**1,891,031**	**2,045,403**	**(154,372)**
SUNDRY PROVISIONS			
Employee benefits	(12,766)	(13,265)	499
Provisions for risks and charges	(32,636)	(41,187)	8,551
Net deferred tax assets	(118,269)	(107,129)	(11,140)
TOTAL	**(163,671)**	**(161,581)**	**(2,090)**
NET INVESTED CAPITAL	**1,727,360**	**1,883,822**	**(156,462)**
SHAREHOLDERS' EQUITY	**1,459,794**	**1,241,025**	**218,769**
NET INDEBTEDNESS	**267,566**	**642,797**	**(375,231)**

The Group's technical investments in 2023 totalled 115.4 million euro (97.6 million euro in 2022).

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	2023	2022	change
ROE	Net profit/Equity	16.70%	1.00%	15.70%
ROI	EBIT/Invested capital	12.50%	3.40%	9.10%
ROS	EBIT/Turnover	13.90%	3.50%	10.40%
EBITDA	Gross operating margin (thousands of Euro)	392,599	196,504	195,095
EBIT	Net operating margin (thousands of Euro)	325,298	118,464	206,834

All indicators are strongly affected by the decrease in turnover, due mainly to the reduced prices for natural gas and electricity and to fiscal pressure that was not affected by the non-recurring taxes recorded in the previous year.

FINANCIAL AND EQUITY INDICATORS

Ratio	Formula	2023	2022	change
Hedging of net fixed assets	Equity + medium/long-term liabilities/net fixed assets	0.85	1.01	(0.16)
Debt ratio	Liabilities/Equity	1.57	3.06	(1.49)
Secondary liquidity ratio	Short-term assets/short-term liabilities	1.28	1.33	(0.05)

RISK ANALYSIS – GROUP OBJECTIVES AND POLICIES ON RISK MANAGEMENT

FINANCIAL RISKS

The Risk Management department operates in the area of financial risks to ensure more effective action in the applicable operating environment.

The "Group Risk Policy" was also updated 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.

LIQUIDITY RISK

Liquidity risk is the risk that a company will not be able to fulfil its financial commitments due to the lack of sufficient liquidity.

The main factors that influence the total liquidity of the Group are the resources generated or absorbed by operations and the contractual characteristics of debt: however, the Group has sufficient cash credit facilities to cover its liquidity needs.

Liquidity risk management aims to define a financial structure in line with the corporate objectives and that can ensure a suitable level of short-term liquidity and a balance in terms of debt duration and breakdown that is capable of supporting the investment programmes.

In order to effectively monitor the Group liquidity, the "Risk Management" department has implemented a control system aimed at ensuring that the credit lines are extensive enough to deal with any prospective stress situations.

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. In that sense, the "Risk Management" department, in association with the "Finance" department, will prepare stress tests to predict the potential economic impact of adverse interest rate trends: the results of said tests will be presented to the Board of Directors every year which will decide on a management strategy for said risk on the basis of said findings.

Total indebtedness as at 31 December 2023 is broken down as follows:

- 62% at fixed rate

- 21% hedged with derivative instruments (IRS plain vanilla)
- 17% at floating rate.

COMMODITY PRICE RISK

Monitoring the price of commodities is fundamental to avoid that its fluctuations mean significant changes in the Group's operating margins.

Using a control system is thus fundamental to limit 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, as well as from the environmental certificates (in particular White Certificates, Guarantees of Origin and EUA – European Emissions Allowances) that make up the Group's source and commitment portfolio.

The objective of the "Risk Management" department is to monitor operations of the Group's Trading companies in the commodities market, to ensure compliance with the limits set to the assumption of economic-financial risks.

Based on these directives, the department was provided with instruments useful to measure exposure to the variability of commodity prices: among them, a fundamental role is played by the ETRM software, which allows automatically to generate numerous indicators, such as Value at Risk and Profit at Risk, which allow to assess the risk of the activity on one or more markets, as well as to prevent the potential negative impacts of future price fluctuations.

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 regulatory risks identified can be summarised as follows:

- risks consequent to changes in domestic and European sector laws, and of regulations and interpretation of the competent Authority (ARERA), which can impact the Group's operation and results;
- risks connected with the obtainment of concessions (assigned with public tenders) from

local authorities for the management of electricity and natural gas distribution services;

- risks connected with the change to the fees applied to electricity and gas distribution services rendered, determined by the sector Authority, whose change may impact the Group's operating results.

OPERATIONAL RISKS

The Group has also identified the following main operational risks:

- risks deriving from the stipulation of partnership and joint venture agreements for the management of new entities and businesses, in which management is not exclusive and may lead to significantly different results from the expected ones;
- risks relating to seasonality and atmospheric conditions, whose variability can significantly influence the generation of hydroelectric energy, as well as the demand for electricity and natural gas;
- risks tied to the concentration of the Group's business mainly in the Trento Province and hence the strong influence which the economic conditions of the reference geographic area can have on the performance of the entity.

RISKS ASSOCIATED WITH CLIMATE CHANGE

Climate change has always characterised and conditioned the history of our planet, but the global warming we have been witnessing for about 150 years is anomalous, because it is triggered by man and his actions. The consequences of climate change still underway have translated into an already evident global warming, with significant reductions in glaciers and an increase in extreme weather events. Climate change is becoming more and more of a climate crisis, because the climate has always changed, but not so quickly and not with rigid and complex infrastructures like cities and the production system that most industrialised countries are used to.

As confirmed in numerous studies and publications available in scientific literature, the effects of climate change expected for the thermo-pluviometric regime will modify the availability of water resources, altering the extent and seasonality of runoff into surface waterways.

With regard to the situation in Trentino, detailed hydrological studies, some of which targeting the analysis of a specific context by the Company, others in the public domain and of a more general context, have shown that there will be a substantial constancy over time in the quantity of cumulative annual precipitation, with very limited precipitation intensity variations, thanks to the persisting effectiveness of convective phenomena generated due to the Alpine topography.

As regards temperature and evapotranspiration, there will be a more marked increase in the long term rather than in the medium term: estimates assume an average increase of 1°C in the short term (2025-2040) and of 2°C in the long term (2041-2060).

Confirming the effect of climate change on the variation in temporal distribution of weather events, in the last 18 months there have been significantly lower levels of rainfall and snowfall compared to historical averages and therefore equally decreased production levels.

This leads management to arrange careful and continuous monitoring of current and future climate changes, in order to safeguard the profitability of its business and the technical-economic value of its physical assets servicing hydroelectric production.

WORKPLACE HEALTH AND SAFETY

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

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 regulatory developments.

The implementation of systems to manage workplace health and safety according to the model defined by the UNI EN ISO 45001:2023 standard continued in 2023. The system is supported by the development and implementation of a specific software adopted for management (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.

During the year, the IMQ certification body, chosen by the Group for the certification of its systems, carried out the annual compliance audit of the SGSL systems of DA, HDE, DEE and NR-GAS with UNI EN ISO 45001 standard.

In SET Distribuzione, models for promoting safe behaviours based on the BBS (Behaviour Based Safety) method, were also implemented.

INJURY PREVENTION FIGURES

The evaluation of injury figures for 2023 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:

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

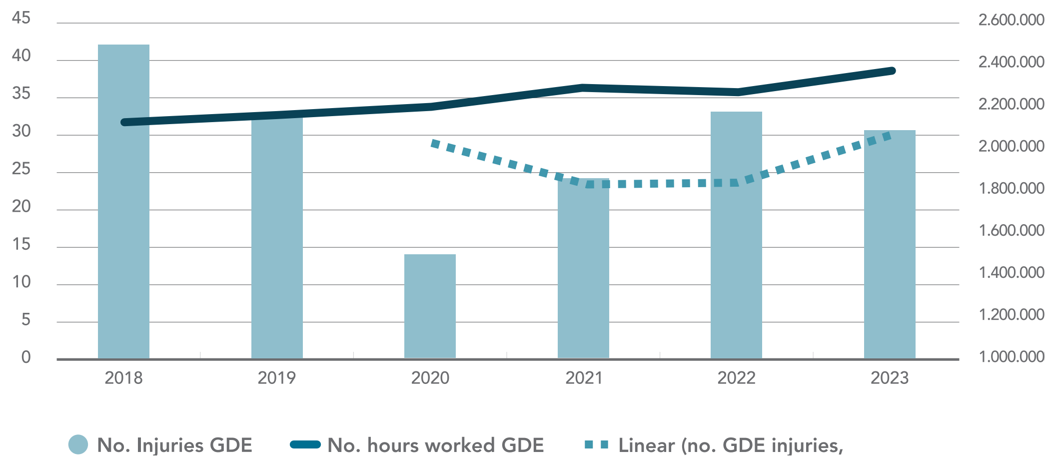
$$\textbf{SEVERITY INDICATOR (Ig)} = \frac{\text{No. workdays missed due to injury x 1,000,000}}{\text{No. hours worked}}$$

In accordance with the indications of UNI 7249:2007, in the determination of the number of injuries, the injuries that did not cause any missed workdays in addition to the day when they occurred are not considered.

Again in 2023, the procedure adopted for the calculation of workdays missed due to injury is that introduced in 2018, i.e. accrual in the year; therefore, the workdays missed due to injury that were considered are those actually measured during the year and thus also include the share of those accidents which, although occurring in the previous year, ended in the year under review.

The total number of injuries recorded in 2023, including commuting injuries, is lower than that recorded in 2022 despite the increase in the number of workers employed and, consequently, the number of hours worked.

No. of GDE accidents (including commuting accidents)



Dolomiti Energia, Dolomiti Energia Solutions and Dolomiti Energia Trading reported no injuries.

Dolomiti Edison Energy recorded only commuting injuries, i.e. during home-work travel of workers outside business hours.

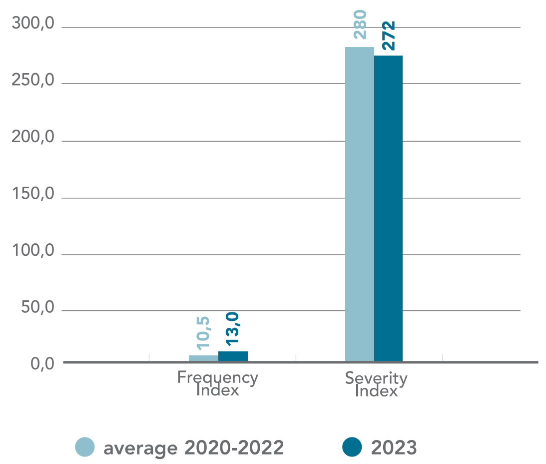
For Dolomiti Energia Holding, only one injury occurred at the home of the worker while smart working.

The Group frequency indicator recorded in 2023 shows a deterioration compared to the three-year period 2020-2022, whereas the severity indicator improved. Both trends are influenced by the results recorded in 2020 – a year that, due to the COVID-19 pandemic, resulted in a decidedly limited number of injuries and which still significantly affects calculation of the period trend.

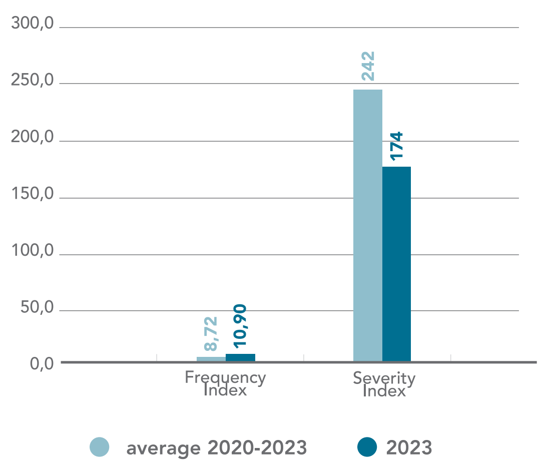
Considering all events (including commuting injuries), the 2023 frequency indicator was 2.5 points higher than the average value of the previous three-year period.

The severity indicator improved by 8 points from 280 in the three-year period 2020-22 to 272 in 2023.

Accident indices
(including traveling)



Accident indices
(excluding traveling)

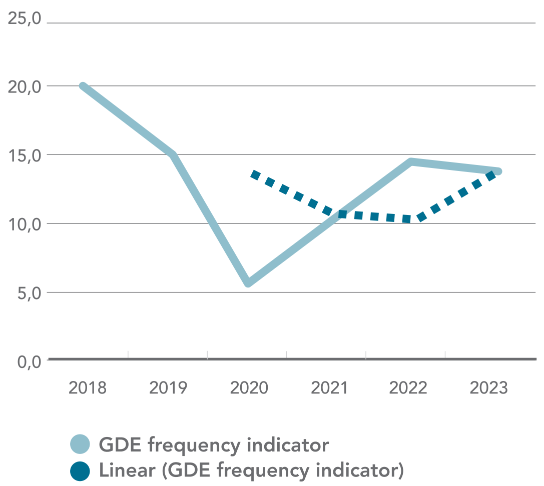


Excluding commuting injuries from the calculation, comparison with the previous three-year period confirms an increase of 2.18 points in the frequency indicator compared to the average value of the previous three years.

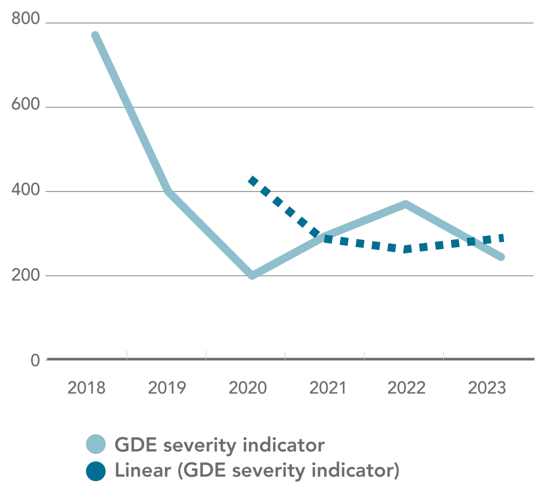
The severity indicator, on the other hand, declined from 242 in the three-year period 2020-22 to 174 in 2023.

Comparing the results on a broader basis shows that both indices recorded in 2023 are improving compared to the previous five-year period; both including and excluding commuting injuries.

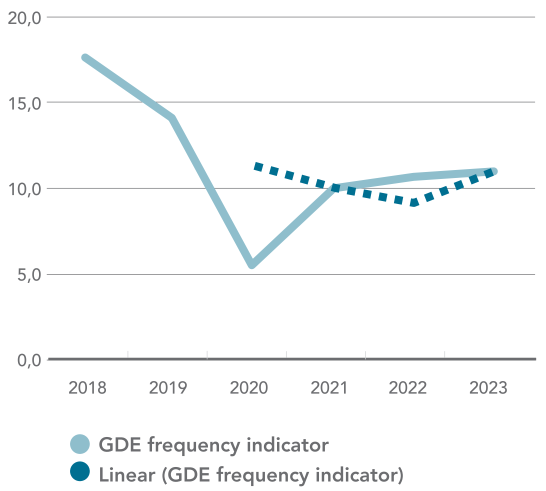
GDE frequency indices
(including commuting accidents)



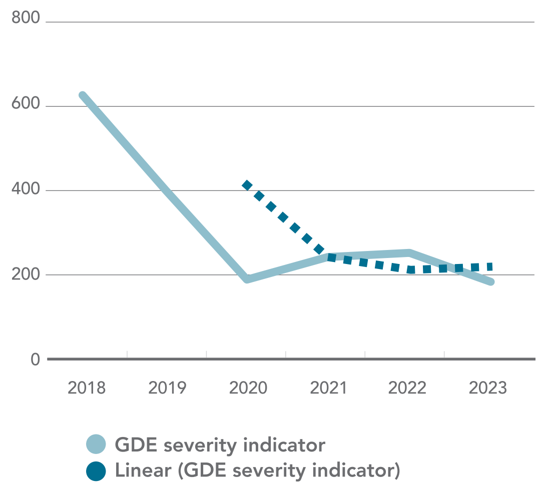
GDE severity indices
(including commuting accidents)



GDE frequency indices
(excluding commuting accidents)



GDE severity indices
(excluding commuting accidents)



HEALTH SURVEILLANCE

In 2023, workers' health surveillance entailed 1,460 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.

DOLOMITI ENERGIA HOLDING SPA

SUMMARY OF ECONOMIC, EQUITY AND FINANCIAL POSITIONS

INCOME STATEMENT

(figures in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER		
	2023	2022	change
Revenue	11,066	22,214	(11,148)
Other revenue and income	32,644	29,054	3,590
TOTAL REVENUE AND OTHER INCOME	**43,710**	**51,268**	**(7,558)**
Raw materials and consumables	(2,251)	(14,900)	12,649
Service costs	(27,684)	(24,838)	(2,846)
Costs for other operating charges	(1,695)	(2,591)	896
Personnel	(16,052)	(14,294)	(1,758)
OPERATING EXPENSES	**(47,682)**	**(56,623)**	**8,941**
EBITDA - GROSS OPERATING MARGIN	**(3,972)**	**(5,355)**	**1,383**
Amortisation, depreciation, allocations and write-downs	(10,952)	(9,763)	(1,189)
Gains and expenses from equity investments	44,318	51,917	(7,599)
EBIT - OPERATING RESULT	**29,394**	**36,799**	**(7,405)**
Financial (income)/charges	(3,467)	9,747	(13,214)
PROFIT BEFORE TAX	**25,927**	**46,546**	**(20,619)**
Taxes	2,713	1,791	922
NET PROFIT/(LOSS) FOR THE YEAR	**28,640**	**48,337**	**(19,697)**

Total revenue and other income amounted to 43,7 million euro.

Operating costs amounted to 47.7 million euro (56.6 million euro in 2022), of which:

- personnel costs amounted to 16.0 million euro;
- amortisation, depreciation, allocations and write-downs amounted to 10.9 million euro.

The EBITDA recorded a negative value of 4.0 million euro.

The EBIT, net of income and expenses from equity investments, had a negative value of 14.9 million euro.

EBIT including gains from equity investments was positive for 29.4 million euro.

Gains from equity investments amounted to 44.3 million euro (51.9 million euro in 2022).

Charges from financial management were 3.5 million euro.

Income taxes for the year amounted to 2.7 million euro and take into account the Group tax consolidation income and the deferred tax assets and liabilities as described in detail in the Explanatory Notes.

Profit for the year came to 28.6 million euro, decreasing by 19.7 million euro compared to the result achieved in 2022.

STATEMENT OF FINANCIAL POSITION

(figures in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2023	2022	Differenza
NET FIXED ASSETS			
Property, plant and equipment	63,705	63,547	158
Equity investments	852,692	822,636	30,056
Other non-current assets	2,253	1,771	482
Other non-current liabilities	(107)	(75)	(32)
TOTAL	**918,543**	**887,879**	**30,664**
NET WORKING CAPITAL			-
Trade receivables	10,642	11,860	(1,218)
Trade payables	(11,951)	(14,500)	2,549
Net tax credits/(payables)	(41,041)	4,030	(45,071)
Assets/(liabilities) held for sale			-
Other current assets/(liabilities)	32,501	(7,621)	40,122
TOTAL	**(9,849)**	**(6,231)**	**(3,618)**
GROSS INVESTED CAPITAL	**908,694**	**881,648**	**27,046**
SUNDRY PROVISIONS			-
Employee benefits	(2,339)	(2,385)	46
Provisions for risks and charges	(1,252)	(2,235)	983
Net deferred tax assets	4,728	4,161	567
TOTAL	**1,137**	**(459)**	**1,596**
NET INVESTED CAPITAL	**909,831**	**881,189**	**28,642**
SHAREHOLDERS' EQUITY	**600,730**	**597,305**	**3,425**
NET INDEBTEDNESS	**309,101**	**283,884**	**25,217**

Investments in fixed assets made by the Company in 2023 totalled 10.7 million euro (8.4 million euro in 2022).

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 risk that the Company is exposed to may be broken down as follows:

- price risk: the electricity generated by the plants is sold at a fixed price to Dolomiti Energia Trading, to which the price risk is thus transferred;
- exchange rate risk: the Company mainly operates on the national market and is thus marginally exposed to floating currency exchange rates;
- interest rate risk: with the aim of mitigating this risk, the Company has entered into interest rate derivative transactions, details of which are listed in the Explanatory Notes.

OPERATIONAL RISKS

RISKS RELATING TO JOINT VENTURE AND PARTNERSHIP AGREEMENTS

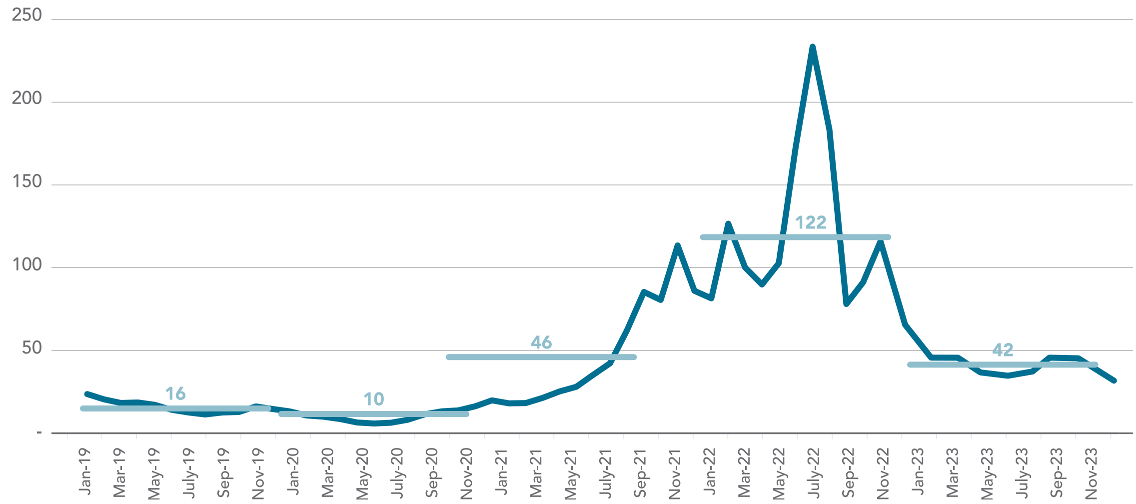
The Company has signed sharing agreements for the management of significant businesses mainly in the hydroelectric field and in other energy segments. In the future, the Company may enter into other partnerships with the same counterparties or with new ones. The expected return for these transactions imply the use of assumptions and estimates by the management and they may lead to results that are even significantly different from the expectations. In addition, it should be pointed out that in these partnerships the Company may not have an exclusive position in decision-making processes and that certain risks may also derive from the integration of persons, processes, technologies and products. The above may significantly influence the economic and financial results of the Company.

THE ENERGY, MARKET AND REGULATORY SCENARIO

GENERAL PERFORMANCE OF THE ENERGY MARKETS

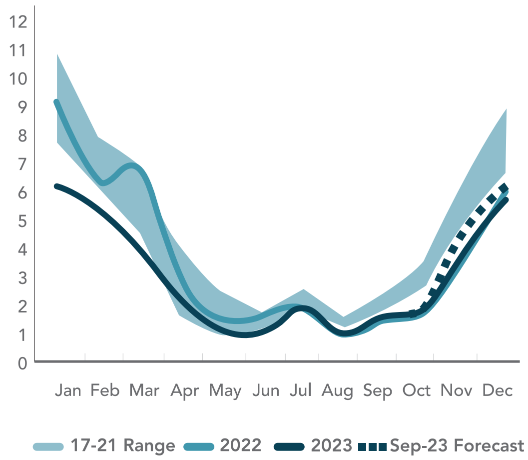
2023 was characterised by a sharp drop in the price of all commodities, in particular natural gas whose arithmetic average price fell from an average 122 euro/MWh in 2022 to an average 42 euro/MWh in 2023.

PSV DA, €/MWh

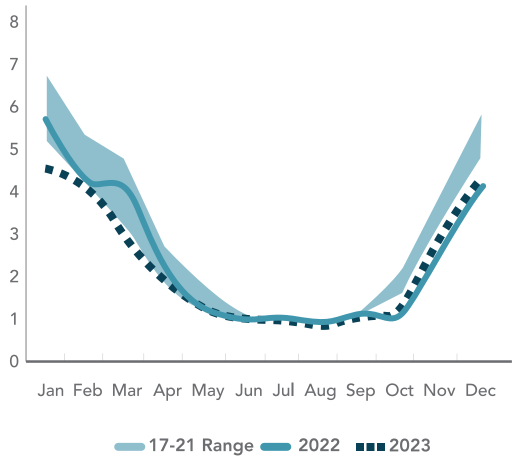


This decline is mainly attributable to a stagnating economy, which contributed to a significant decrease in consumption in the industrial sector (in both natural gas and electricity) and natural gas consumption in the thermoelectric sector. In addition to this, a not particularly harsh winter, which, combined with changed domestic heating habits, influenced by price dynamics, significantly reduced consumption.

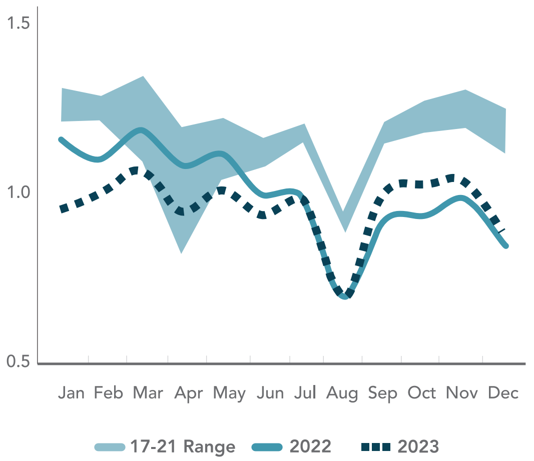
Total Gas Demand (Bcm)



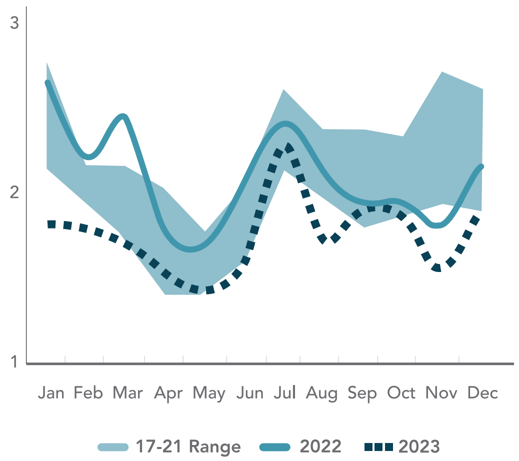
Households Gas Demand (Bcm)



Industrial Gas Demand (Bcm)

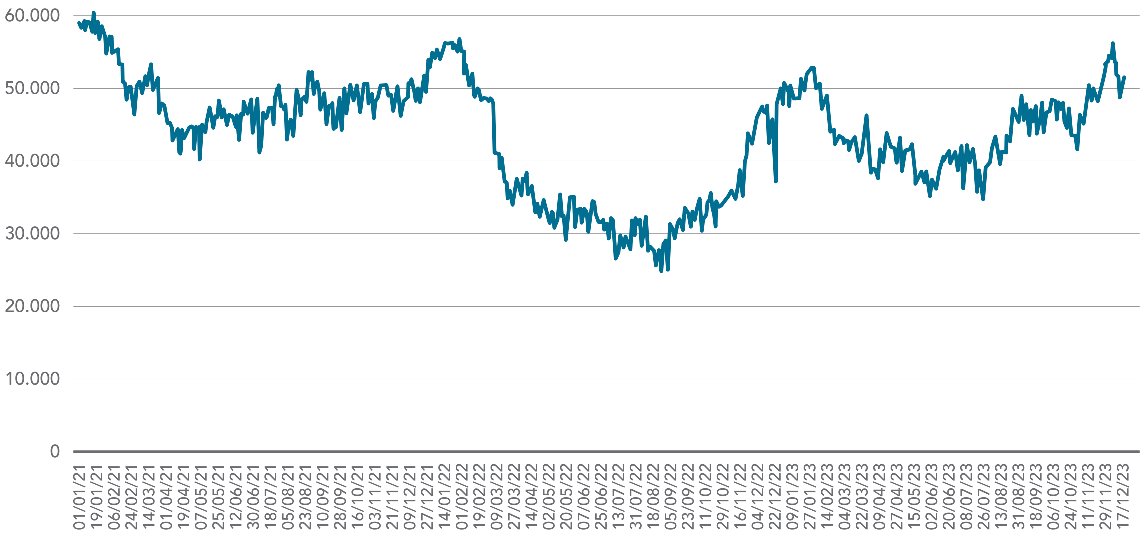


Thermoelectric Gas Demand (Bcm)



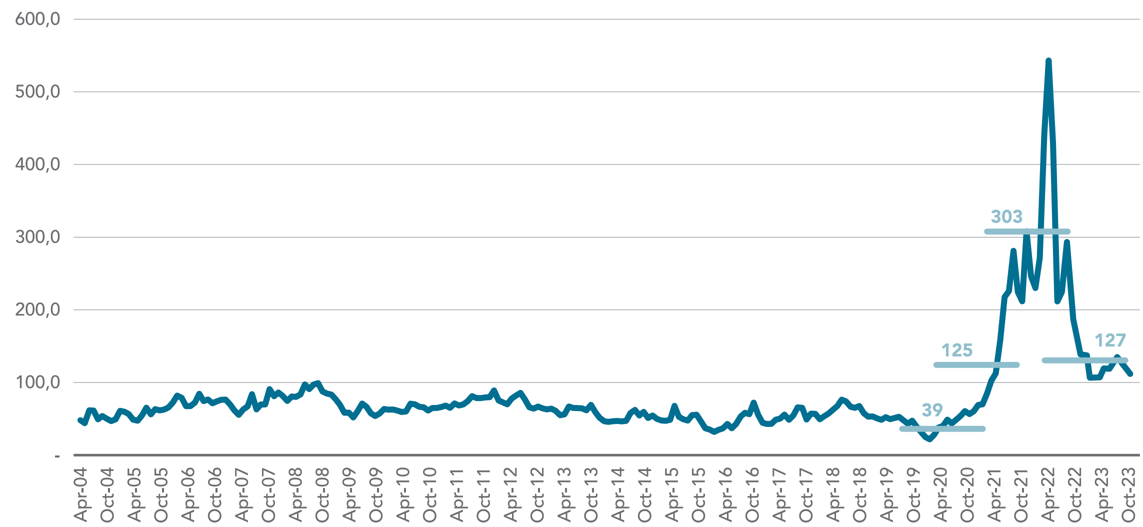
The increase in electricity imports, due to a recovery in the French nuclear production sector, which in 2022 had instead recorded a significant lack of plant availability and consequently of electricity produced, contributed especially in the second part of 2023 to reducing demand for electricity generated in Italy, and consequently gas consumption.

Available French nuclear capacity, MW



As, again in 2023, the marginal price of electricity in Italy was determined for most of the hours by the combined cycle gas production, the drop in the gas price in turn led to a drop in the Single National Price (PUN), which in 2023 more than halved from an average 303 euro/MWh in 2022 to an average 127 euro/MWh in 2023.

Average monthly PUN, €/MWh



In particular, the PUN values gradually decreased from January to June, when it reached the minimum value of 105.3 euro/MWh, regaining strength in the following months, also due to the return of Israeli-Palestine conflict broke out on 7 October, then dropping back to lower values in December.

Average monthly PUN (€/MWh)

	2023	2022	Change	
			Diff.	**%**
January	174.5	224.5	-50.0	-22%
February	161.1	211.7	-50.6	-24%
March	136.4	308.1	-171.7	-56%
April	135.0	246.0	-111.0	-45%
May	105.7	230.1	-124.3	-54%
June	105.3	271.3	-166.0	-61%
July	112.1	441.7	-329.6	-75%
August	111.9	543.2	-431.3	-79%
September	115.7	429.9	-314.2	-73%
October	134.3	211.5	-77.2	-37%
November	121.7	224.5	-102.8	-46%
December	115.5	294.9	-179.4	-61%
AVERAGE FOR THE YEAR	**127.2**	**304.0**	**-176.7**	**-58%**

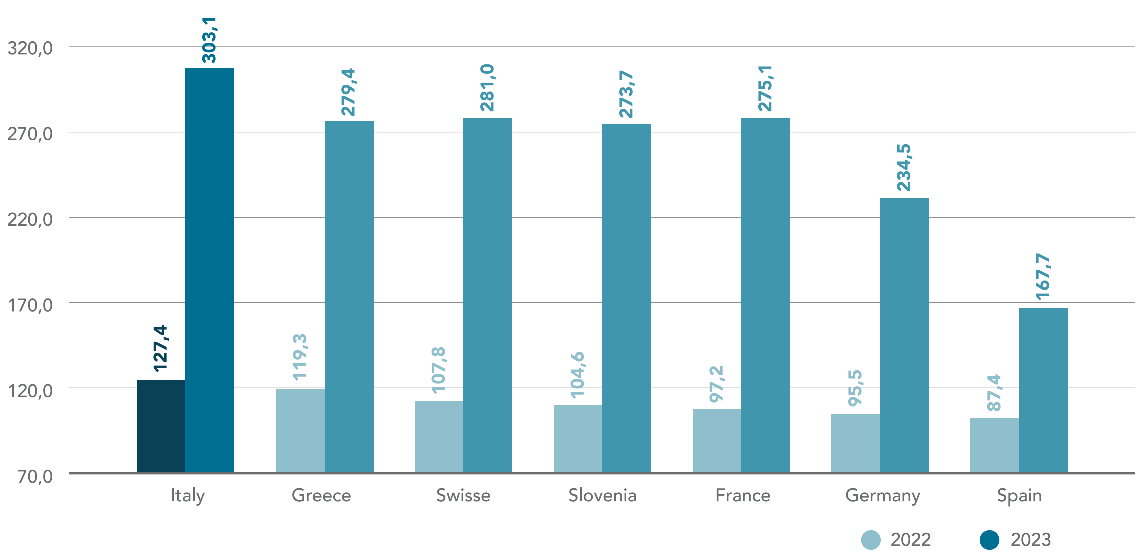
Despite the decline, in 2023 the PUN again remains well above the historic averages recorded on the power exchange since it opened (2004). The average from April 2004 to the end of 2020 was 62 euro/MWh, while 2021 to 2023 figures were 125, 303 and 127 euro/MWh, respectively.

The average zone prices in Italy saw the Central Northern area in top spot with 129 euro/MWh (+2 euro/MWh compared to the PUN) while Sardinia ranks last with an average price of 123 euro/MWh (-4 euro/MWh compared to the PUN).

Zonal electricity prices in Italy 2023, €/MWh

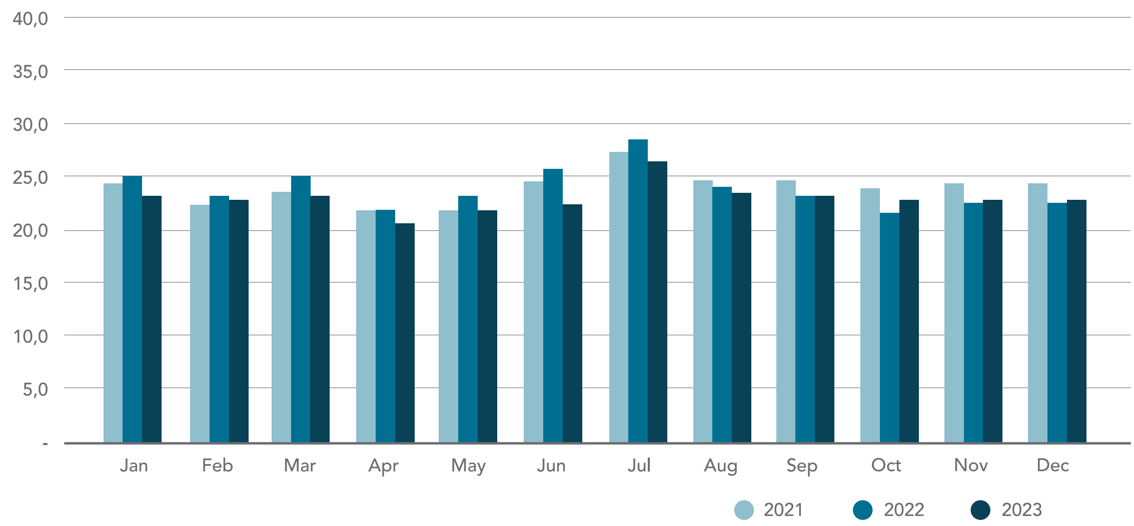
Also in Europe, prices in 2023 returned to levels lower than in 2022. Italy remains one of the European countries with the highest price, followed by Greece, Switzerland, Slovenia, France, Germany and, lastly, Spain.

Electricity prices in Europe 2023 vs 2022, €/MWh



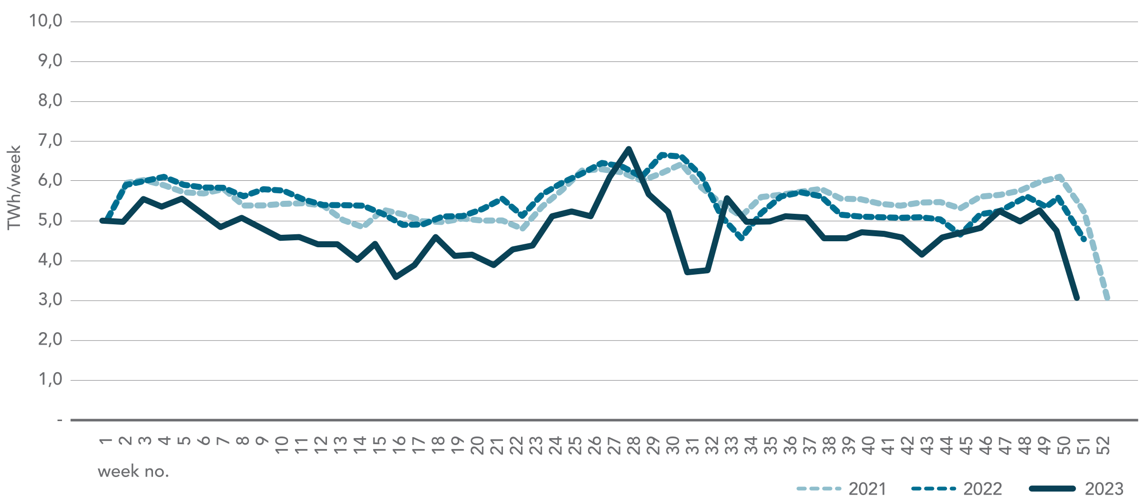
LNational electricity demand in 2023 (306 TWh) was 2.8% lower than in 2022 (315 TWh), especially in the first part of the year, partially recovering in the second half of 2023 (Source: Terna).

Electricity consumption in Italy, TWh (source Terna)



The weekly trend in electricity demand is shown below, with peak demand in week 29 (17-23 July 2023).

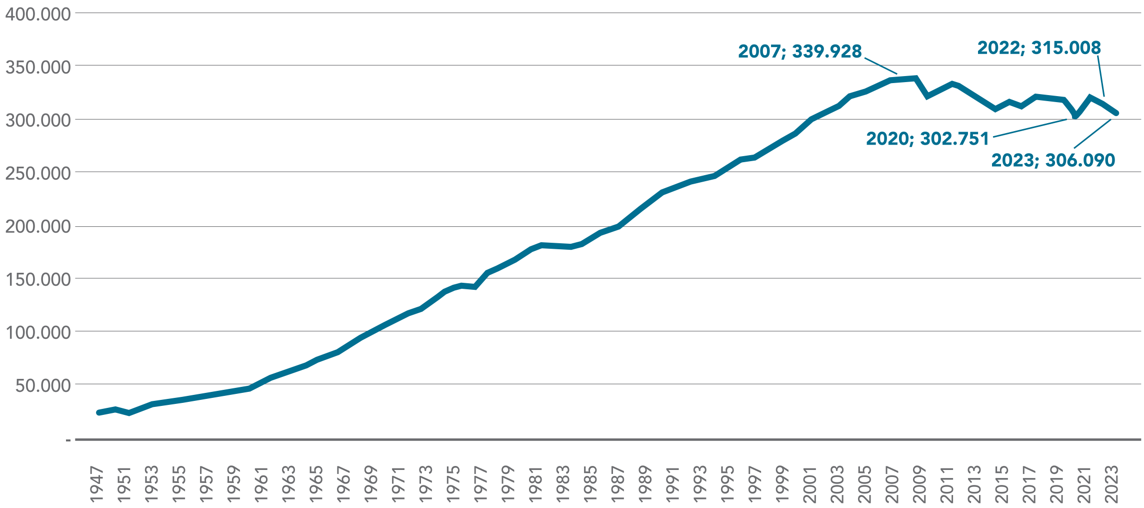
Weekly demand Italy, TWh



The final figure for 2023 is also almost 4% lower than that of 2021 and only 1% higher than the 2020 figure, the year of the COVID lockdown.

As seen, the Italian electricity consumption curve increases in a straight line until 2007, apart from the crises of the mid-'70s and '80s. After 2007, however, electricity consumption decreased, with a relative minimum in 2020 (303 TWh).

Electricity consumption in Italy



GENERAL PERFORMANCE OF THE ENERGY MARKETS

ELECTRICITY

According to the latest available final data (from Terna S.p.A.), electricity consumption in Italy in 2023 stood at around 306,090 million kWh, a decrease of 2.8% compared to 2022. Demand coverage was guaranteed from the various sources shown in the following table:

Millions of kWh

	2023	2022	% change
Hydroelectric	38,244	28,094	36.1%
Pump consumption in production[2]	1,529	1,810	-15.5%
Thermal	157,934	191,276	-17.4%
of which gas	*130,718*	*154,417*	*-15.3%*
of which Biomass	*15,108*	*16,094*	*-6.1%*
of which coal	*12,108*	*20,765*	*-41.7%*
Geothermal	5,347	5,449	-1.9%
Wind	23,374	20,304	15.1%
Photovoltaic	30,595	27,674	10.6%
TOTAL PRODUCTION, NET	**257,023**	**274,607**	**-6.4%**
ENERGY FOR PUMPING	**2,185**	**2,586**	**-15.5%**
TOTAL NET PRODUCTION FOR CONSUMPTION	**254,838**	**272,021**	**-6.3%**
of which RES[3]	*112,668*	*97,615*	*15.4%*
of which NON RES	*142,170*	*174,406*	*-18.5%*
Import	54,572	47,379	15.2%
Export	3,320	4,392	-24.4%
FOREIGN BALANCE	**51,252**	**42,987**	**19.2%**
DEMAND IN ELECTRICITY (1)	**306,090**	**315,008**	**-2.8%**

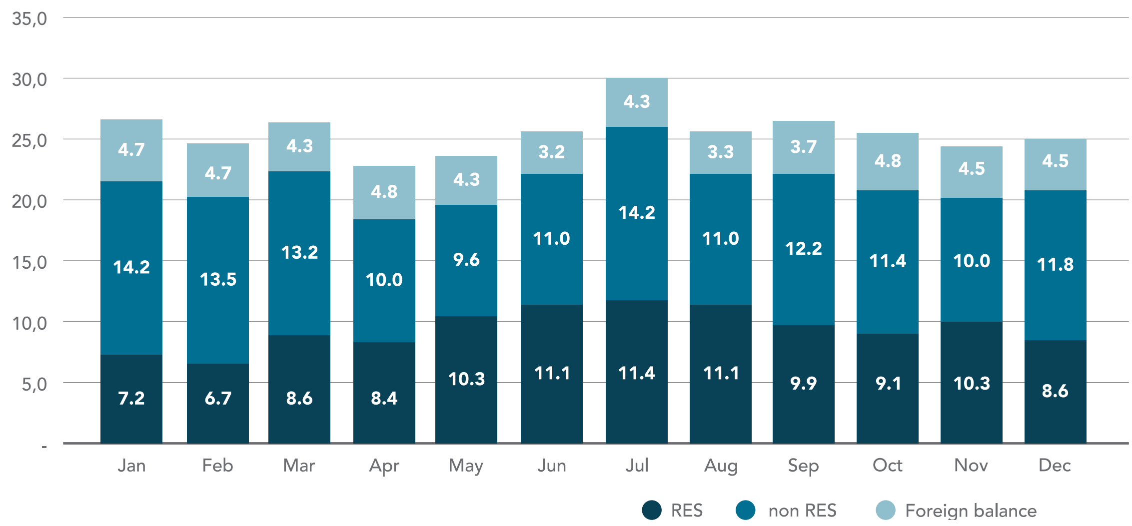
(1) Demand in electricity = Total net production for consumption + Foreign balance, where Total net production for consumption = Total net production - energy for pumping
(2) Percentage production from pumping, calculated with the theoretical average yield from pumping in absorption
(3) Production from RES = Renewable Water + Biomass + Geothermal + Wind + Photovoltaic

The demand for energy was relatively stable during 2023, with a peak of about 30 TWh in July, when the absolute peak in required capacity was also recorded, equal to 58,778 MW between 16:00 and 17:00 on 19 July 2023.

The month with the highest consumption was July recording an energy demand of around 30 TWh, while that with the lowest consumption was April recording a demand of around 24 TWh.

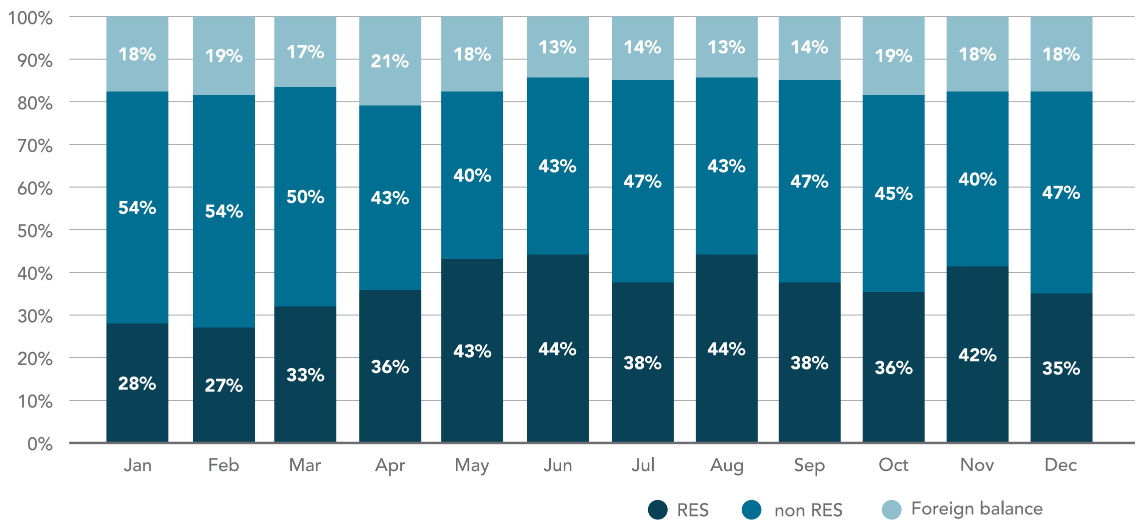
The chart below shows the monthly breakdown of energy demand divided between RES, NON RES and imports.

Monthly trend of the composition of energy demand, TWh



As seen, the contribution of RES is higher than NON RES in certain months: for example, in May 2023, 43% of energy demand was covered from RES and 40% from NON RES, in addition to the 18% foreign balance.

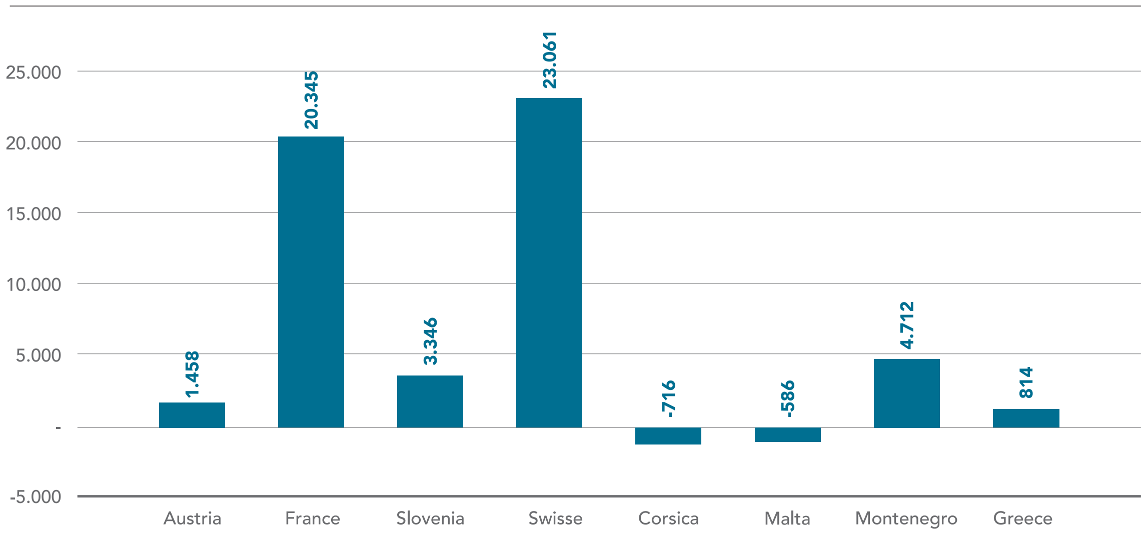
Monthly trend of the composition of energy demand, %



Net domestic production in 2023 (255 TWh) decreased by 6.4% compared to 2022 (272 TWh), while the foreign balance (51 TWh) increased by 19.2% compared to 2022 (43 TWh) due to higher imports (+15.2%) and lower exports (-24.4%).

Most of the electricity imported in 2023 came from Switzerland (23 TWh) followed by France with 20 TWh. Imports from Montenegro (4 TWh) and Slovenia (3.3 TWh) were more limited.

Import of electricity in Italy 2023, GWh

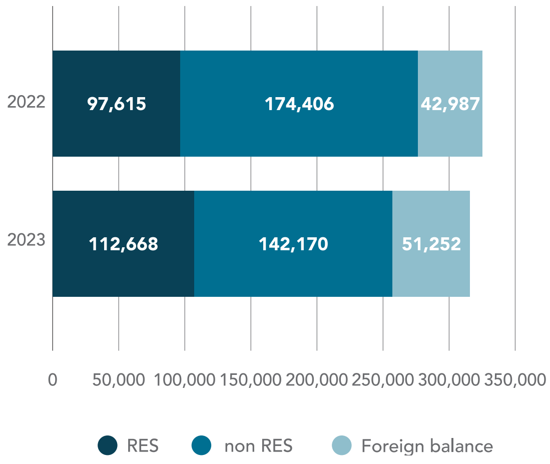


The national electricity demand (306 TWh) was met for 83% from net national production for consumption (86% in 2022), calculated net of auxiliary production services and consumption for pumping, and for 17% from the net foreign balance. The thermoelectric source (gas, coal and biomass), equal to 158 TWh (191 TWh in 2022), contributed 52% to the energy demand.

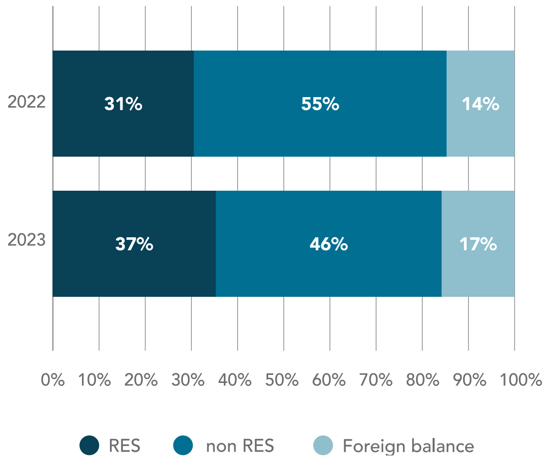
Gas production, equal to approximately 131 TWh, contributed 43% to satisfying energy demand (49% in 2022), while biomass (15 TWh) contributed 5% (as in 2022). Coal (12 TWh), on the other hand, contributed 4% (7% in 2022). Production from coal was, in particular, lower than that of 2022 by more than 8 TWh, mainly due to the termination of production obligations imposed by the government in 2022, returning almost to the 2021 figure (12.8 TWh).

The contribution of Renewable Sources (RES) in 2023 grew by more than 15% compared to 2022, reaching over 112 TWh produced (97.6 TWh in 2022).

Composition of energy demand in Italy, TWh

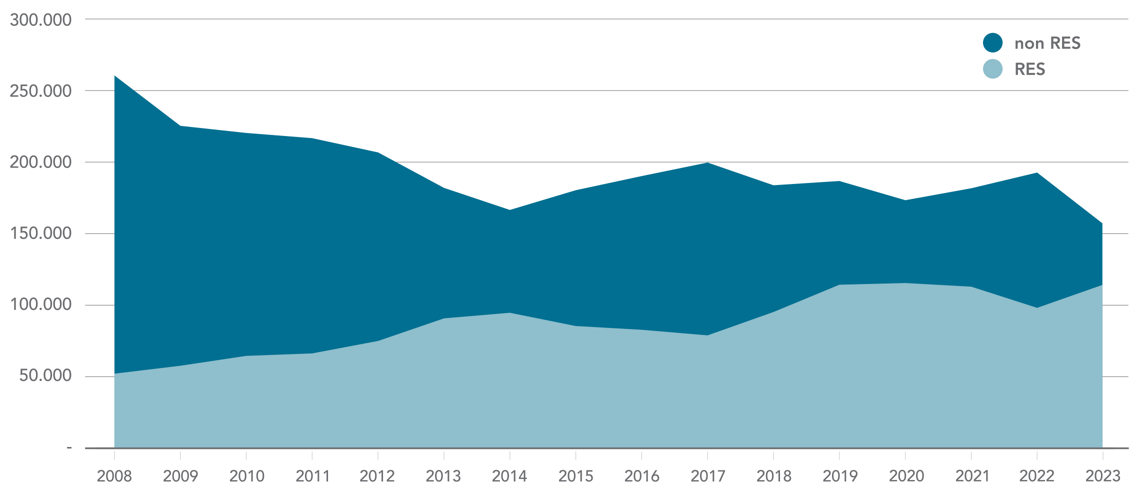


Percentage composition of the request in Italy, TWh

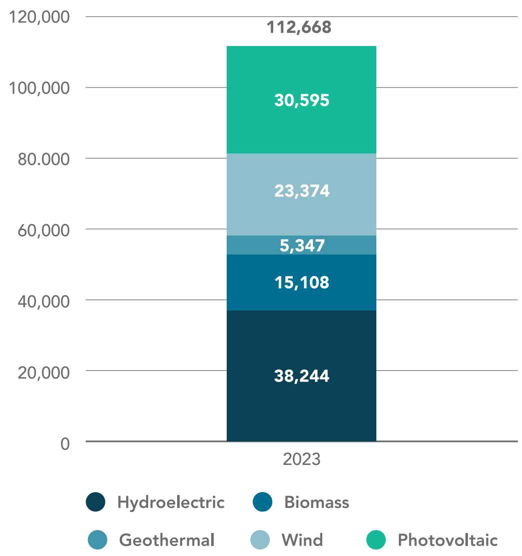


RES (hydroelectric, biomass, photovoltaic, wind and geothermal) contributed 37% to the demand for energy in Italy in 2023, a sharp increase compared to 31% in 2022.
In recent years, the relative weight of RES production compared to NON RES has increased progressively from around 50 TWh in 2008 (less than 20%) to 112 TWh in 2023 (over 40%).
With regard to the RES production, hydroelectric is the strongest contributor (38 TWh, equal to 34% of total RES), followed by photovoltaic (31 TWh, 27%), wind (23 TWh, 21%), biomass (15 TWh, 13%) and geothermal (5 TWh, 5%).

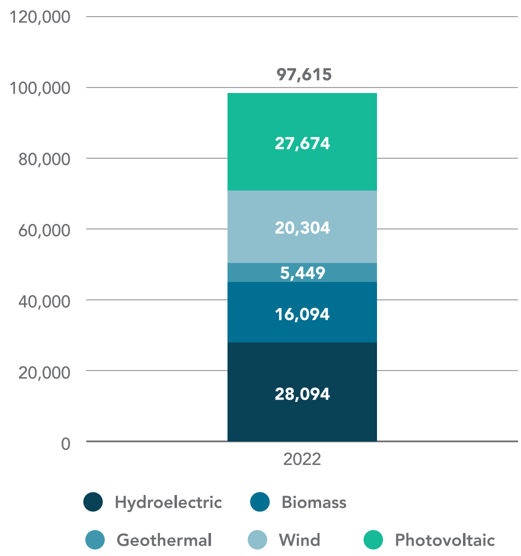
Historical trend of non RES production and RES production, GWh



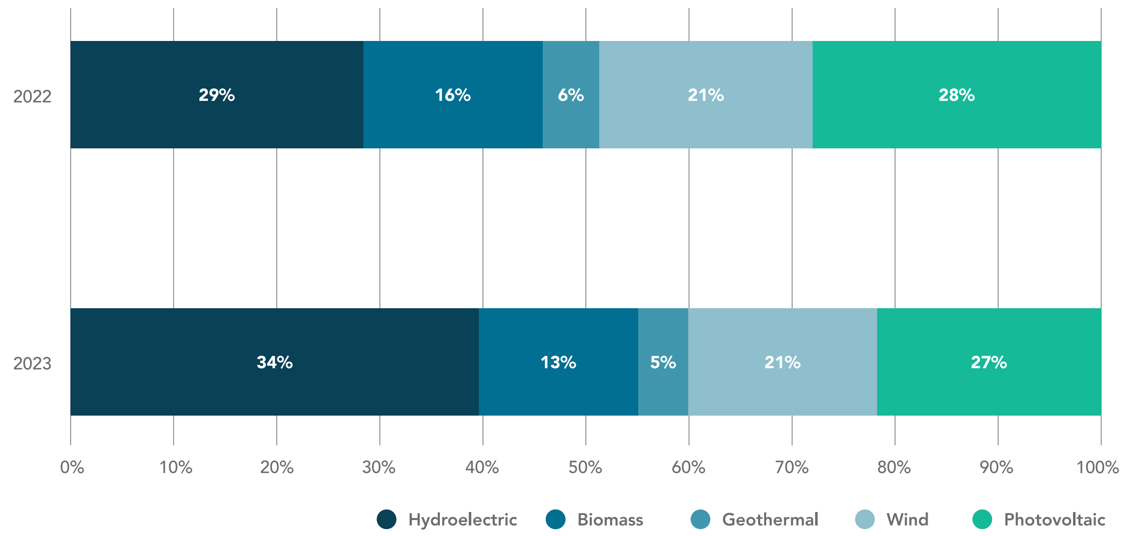
Detail of renewable sources 2023
GWh



Detail of renewable sources 2023
GWh



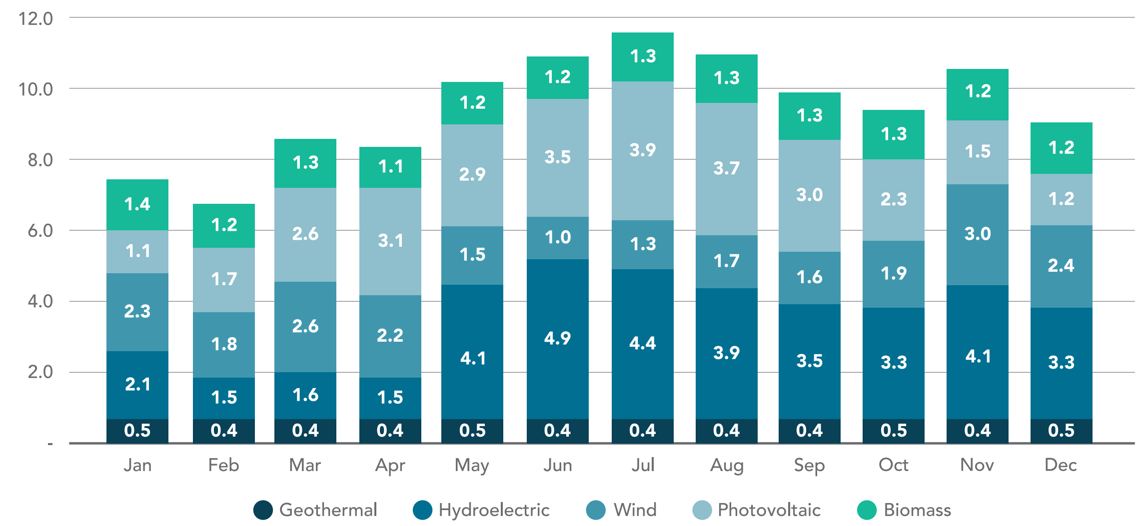
Detail of renewable sources



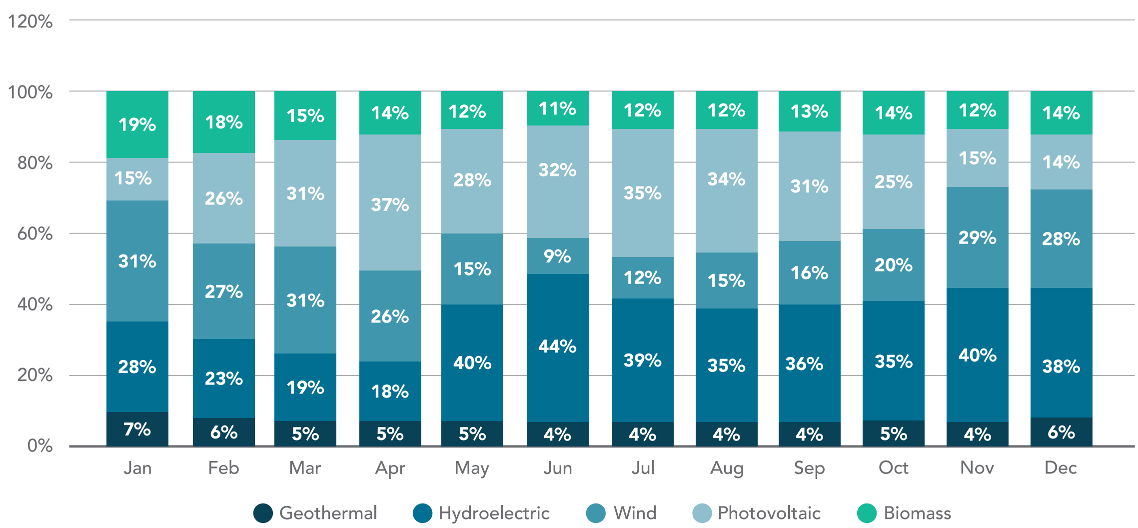
The contribution of the water source rose from 1.5 TWh in April to 4.1 TWh in May and 4.9 TWh in June, demonstrating the significant increase in the value of water supply from May onwards.

The contribution of hydroelectric to the RES production mix rose from 18% in April to 40% in May.

RES sources detail 2023, TWh

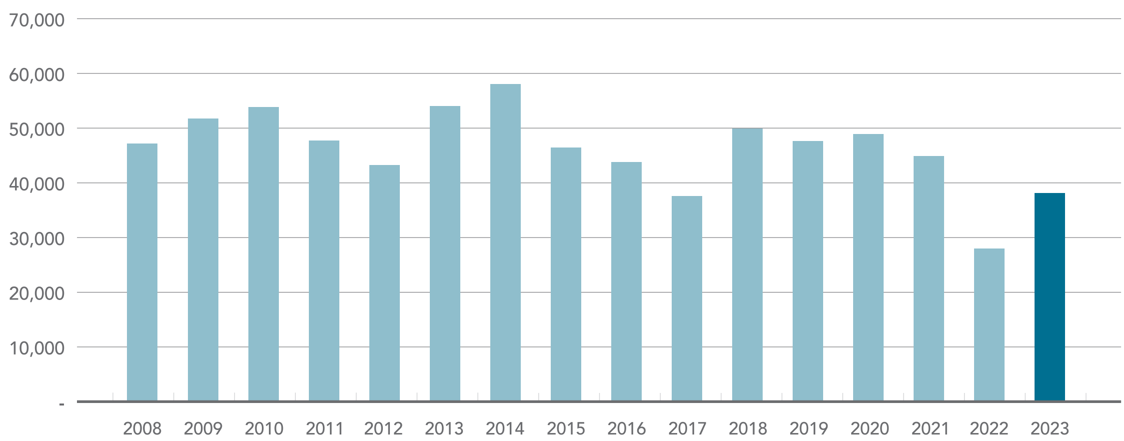


Detail of RES sources 2023, %



Hydroelectric production grew considerably compared to 2022 (+36%) thanks to the return of water levels to historic average values in the second half of the year. The average hydroelectric energy production from 2008 to 2023 was approximately 46 TWh.

Historical trend of hydroelectric production, GWh



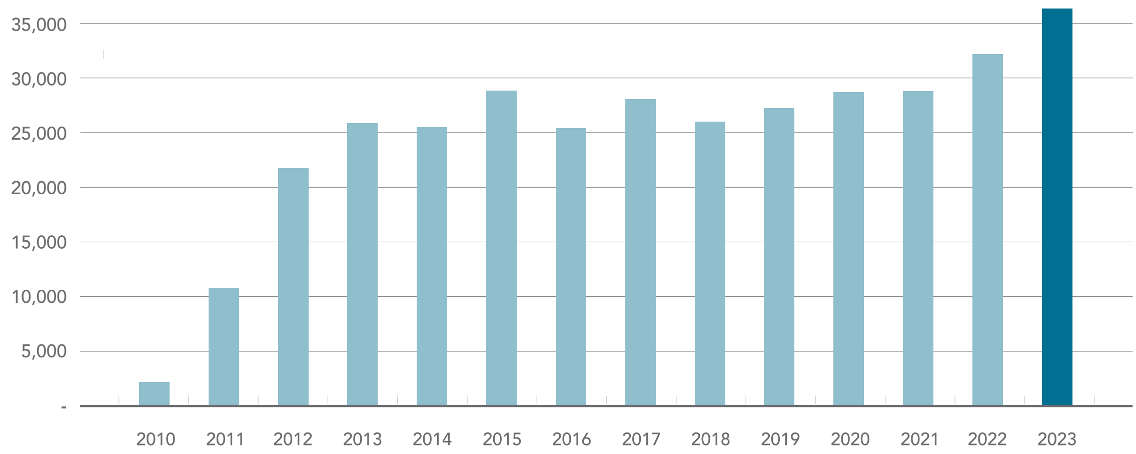
The great drought that affected all Italian alpine regions from autumn 2021, continued until the end of April 2023, resulting in production in the first four months significantly lower than historic values. From May 2023, water levels were once again in line with historic averages, and hydroelectric production in the months from May to December was back in line with historic values, well above those recorded in 2022.

In Italy, the total energy in storage tanks as at 31 December 2023 is equal to 50.3% of the reservoir maximum. As at 31 December 2022, the figure was 34.3% (source: Terna).

In the North, the reservoir %/reservoir maximum as at 31 December 2023 was 53.5% compared to 29.5% as at 31 December 2022 (source: Terna).

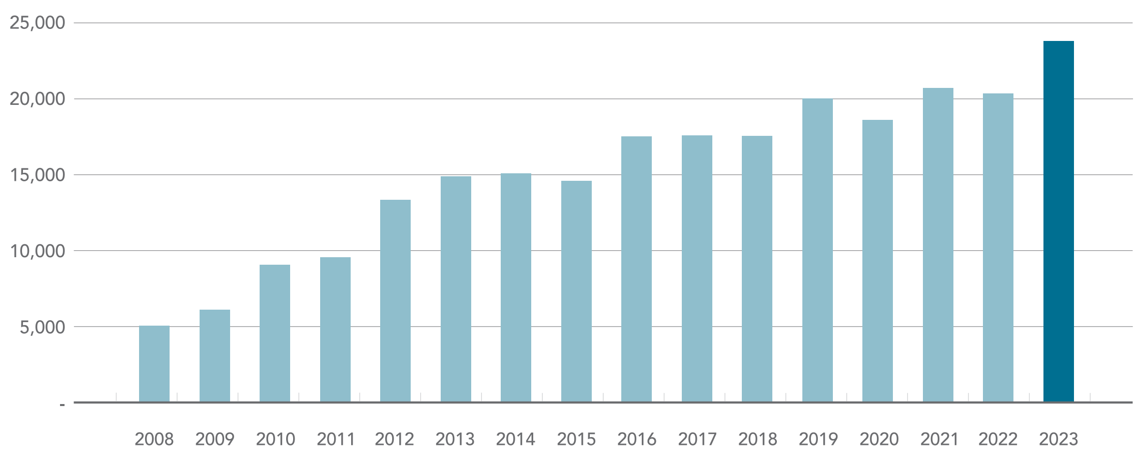
Photovoltaic production grew by more than 10% in 2023 compared to 2022, reaching over 30 TWh. As at 31 December 2023, the installed photovoltaic capacity was over 30 GW, an increase of 5,234 MW from 31 December 2022 (Terna data). The region with the greatest increase was Lombardy (+804 MW), followed by Veneto (+621 MW) and Piedmont (+519 MW).

Historical trend of photovoltaic production, GWh



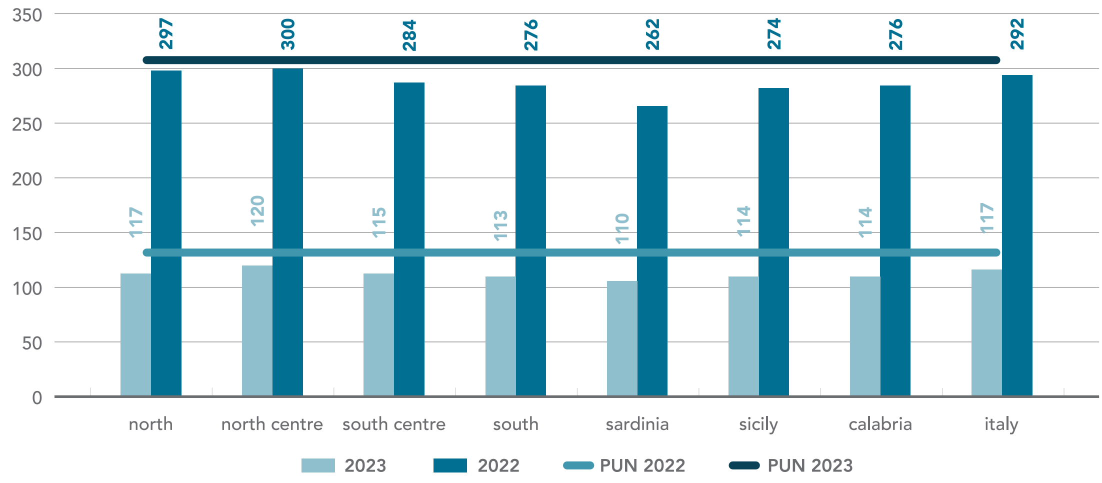
In 2023 wind production grew by more than 15% compared to 2022, standing at around 23 TWh. As at 31 December 2023, installed wind capacity was approximately 12.3 GW, an increase of 487 MW from 31 December 2022 (Terna data). The region with the greatest increase was Apulia (+106 MW), followed by Sicily (+92 MW) and Campania (+81 MW).

Historical trend of wind production,, GWh



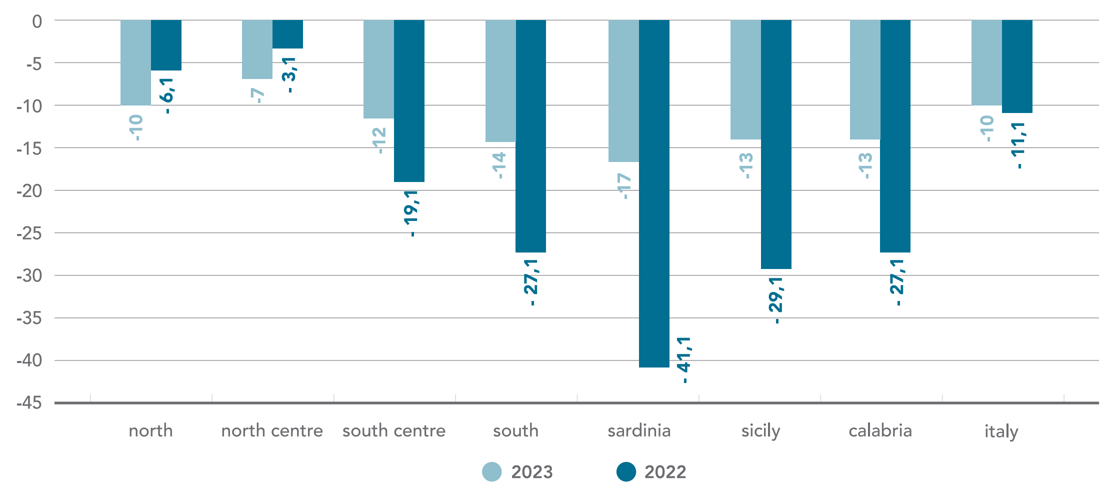
On the one hand, the increase in photovoltaic production, concentrated in the central hours of the day, and the decrease in demand, on the other hand, helped to lower the average prices captured by photovoltaic technology and consequently increase the spread between the captured price and the average PUN.

Captured Solar Price 2023 vs 2022, €/MWh



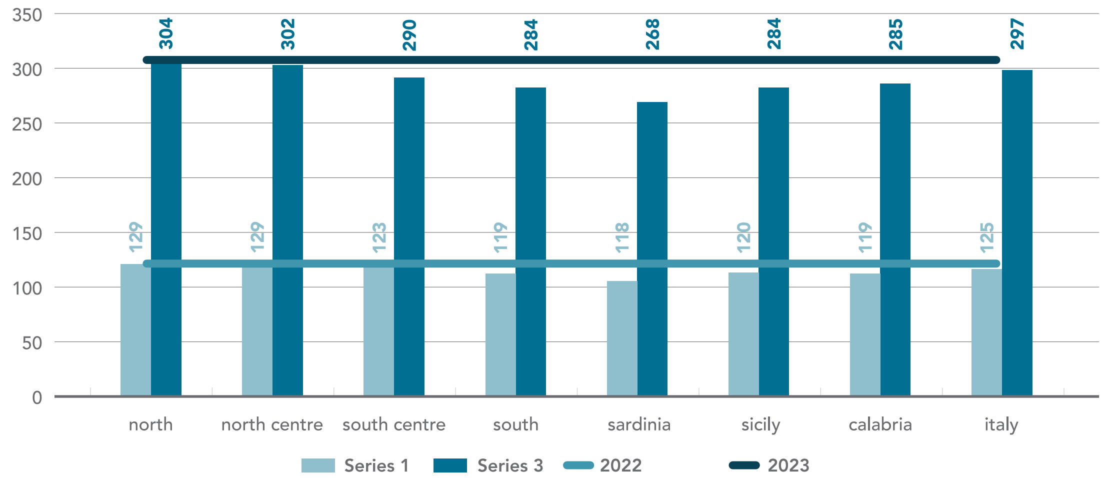
As seen in the chart, in 2023, in Sardinia, the photovoltaic price was lower than the average PUN by about 17 euro/MWh, while in Central Northern Italy it was about 7 euro/MWh lower. The comparison with 2022 is not particularly significant, as the averages for the 2022 scenario are completely distorted by August and September figures.

Captured Price Solar 2023 vs PUN baseload 2023 and 2022, €/MWh (source MBSconsulting)



Much the same can be said for wind technology: the average captured price was lower than the arithmetic average PUN in 2023, albeit to a lesser extent than in 2022.

Captured Price Wind Energy 2023 vs PUN baseload 2023 and 2022, €/MWh (source MBSconsulting)



NATURAL GAS

The demand for gas in Italy in 2023 fell strongly compared to 2022 (-10%), reaching around 61 billion cubic metres compared to 68 billion cubic metres in 2022.

Monthly balance sheet of natural gas in Italy

(Millions of standard cubic metres at 38.1 MJ/m³)

			DECEMBER			JANUARY-DECEMBER		
			2023	2022	% Change	2023	2022	% Change
a)	DOMESTIC PRODUCTION (2)		240	280	-14,2%	2.988	3.316	-9,9%
b)	IMPORTS		4.836	5.918	-18,3%	61.608	72.309	-14,8%
	by entry point	MAZARA DEL VALLO	1.782	2.302	-22,6%	23.040	23.554	-2,2%
		GELA	167	295	-43,6%	2.522	2.619	-3,7%
		TARVISIO	223	719	-68,9%	2.844	13.976	-79,7%
		PASSO GRIES	322	346	-6,8%	6.567	7.587	-13,5%
		MELENDUGNO	804	802	0,2%	9.988	10.320	-3,2%
		PIOMBINO (2)	359	-	-	1.242	-	-
		PANIGAGLIA (2)	60	248	-75,9%	2.603	2.205	18,0%
		CAVARZERE (2)	727	839	-13,3%	8.873	8.277	7,2%
		LIVORNO (2)	386	357	8,0%	3.860	3.718	3,8%
		GORIZIA	5	7	-36,6%	41	26	59,7%
		OTHER	2	3	-17,0%	29	27	5,7%
c)	Exports		117	515	-77,3%	2.619	4.594	-43,0%
d)	Change in stocks (2)		-2.276	-1.670	36,2%	457	2.581	-82,3%
e) = a)+b)-c)-d)	Gross Domestic Consumption		7.235	7.353	-1,6%	61.520	68.450	-10,1%

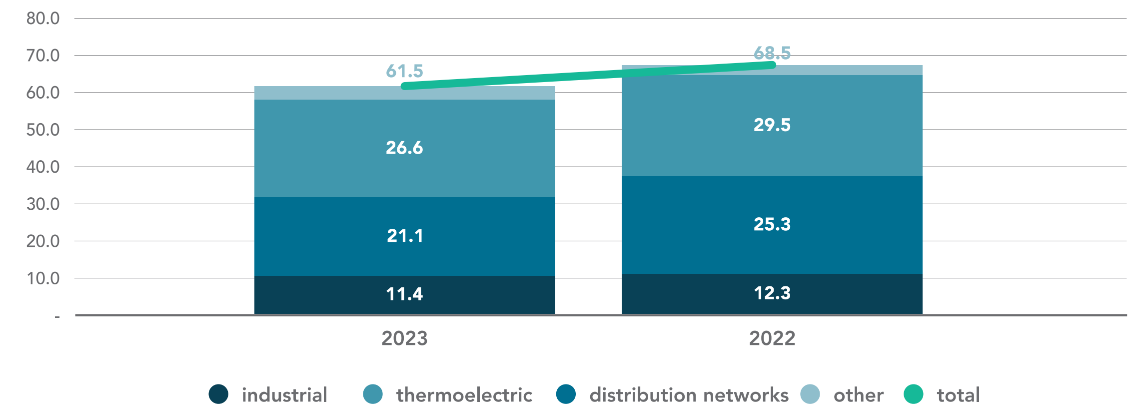
Source: Italian Ministry of the Environment and Energy Safety - Energy Department - DGIS
(1) Preliminary figures net of transits
(2) includes consumption and losses

Gas consumption in Italy in 2023 was the lowest in recent years, almost 20% less than in 2008, which amounted to approximately 85 billion cubic metres.

Natural gas consumption in Italy (MSmc)

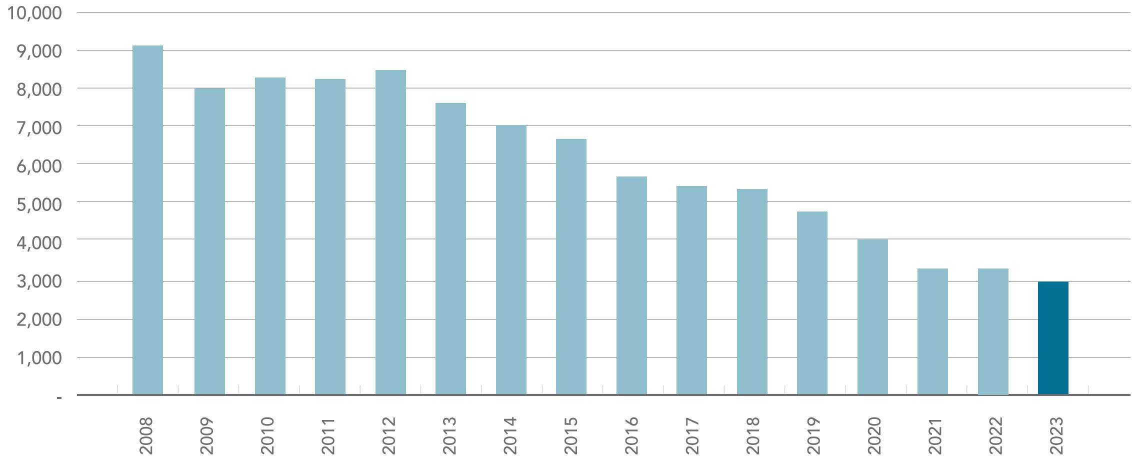
The reduced consumption compared to 2022 is due to the drop in industrial consumption (-7%), in consumption for thermoelectric use (-17%) and the decline in mixed residential/industrial use connected to the distribution networks (-10%).

Mix of natural gas consumption in Italy, billions of Smc



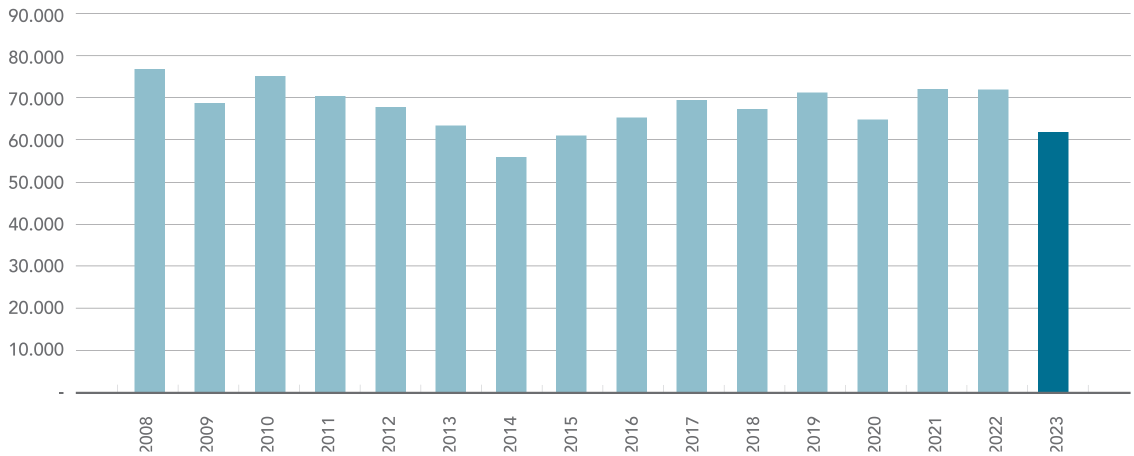
As regards gas procurement sources, the decline in national production, which in 2023 was around 3 billion cubic metres, was confirmed (national production of natural gas was 8.6 billion cubic metres in 2012).

National production of natural gas in Italy, millions of Smc



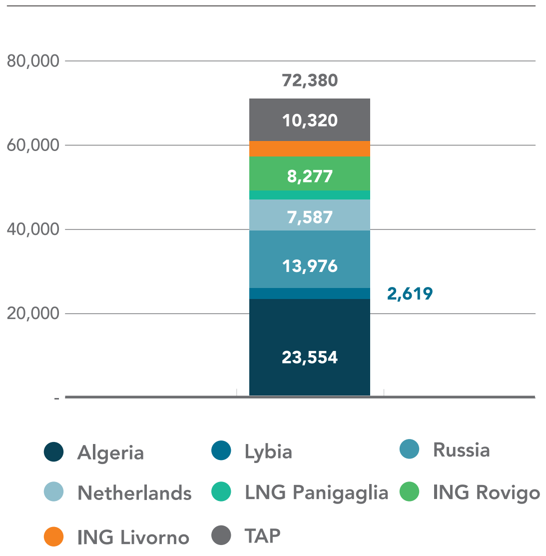
In 2023 gas imports into Italy fell by 15%, mainly due to the drop in imports from Russia, despite the increase in LNG imports due to the start of regasification operations at the Piombino terminal.

Natural gas imports, millions of Smc

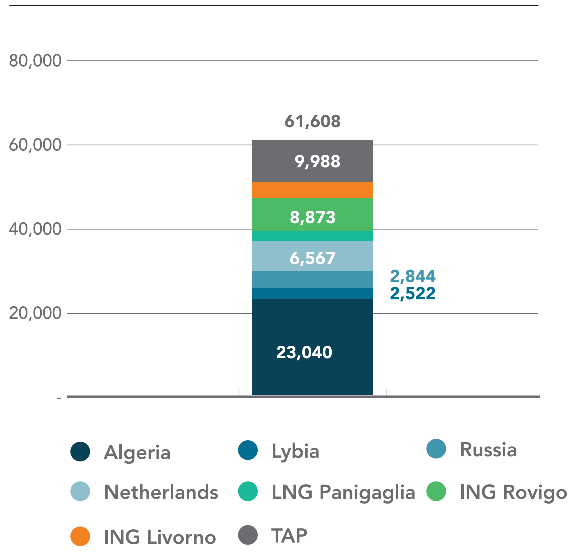


The domestic supply mix in 2023 saw a sharp decline in incoming volumes from Tarvisio (-80% compared to 2022), while imports via pipeline from Mazara del Vallo (-2% compared to 2022), from Melendugno (-3% compared to 2022) and from Gela (-4% compared to 2022) remained relatively stable. Gas imports from the Gries Pass were down (-13% compared to 2022) while total regasified gas (16.6 billion cubic metres) was up sharply (+17% compared to 2022) due to the effect of regasified LNG on the Panigalia (+18%), Livorno (+4%) and Rovigo (+7%) terminals in addition to start-up of the Piombino terminal (1.2 billion cubic metres regasified, equal to approximately 7% of the total regasified in Italy in 2023).

Natural gas import mix
2022

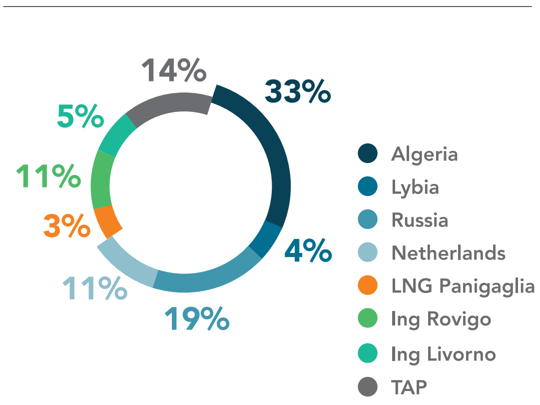


Natural gas import mixe
2023

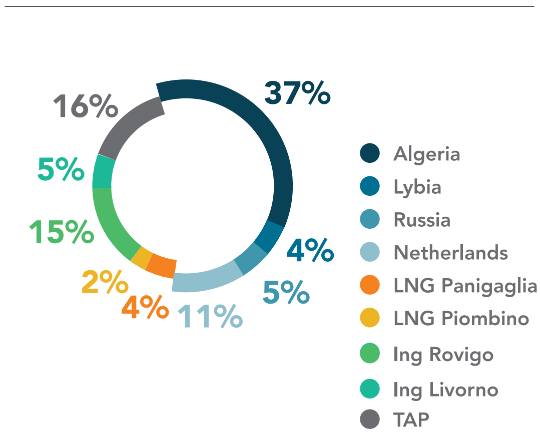


It can be seen that the percentage weight of procurement from LNG sources rose from 20% of the total imported in 2020 to 27% in 2023, while gas from Russia fell from 19% in 2022 to 5% in 2023.

2023

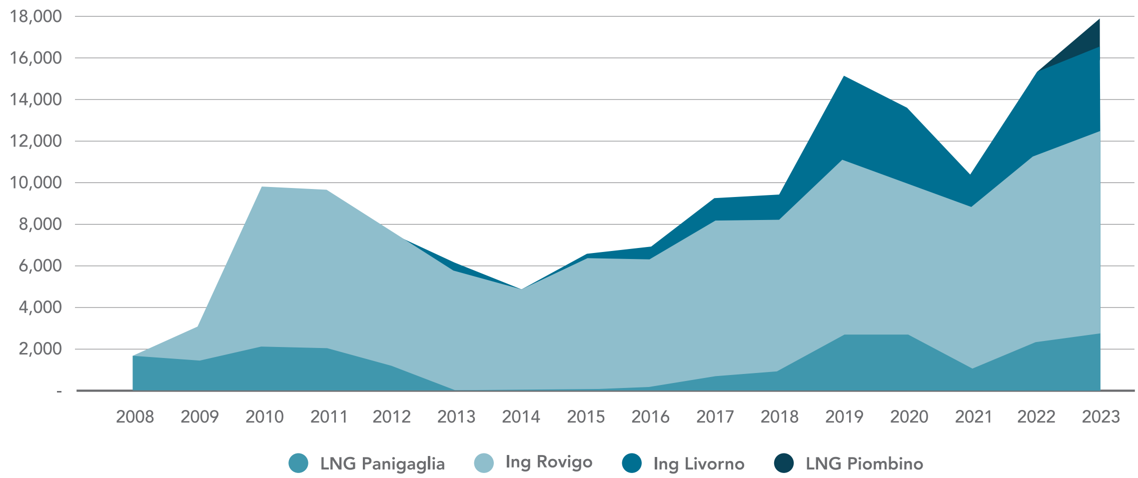


2022

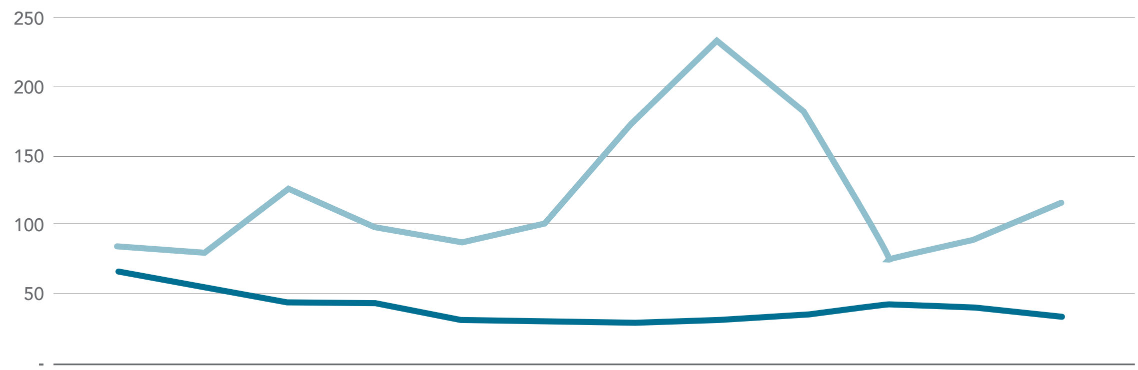


LNG imports through the regasification terminals of Rovigo, Panigaglia, Livorno and Piombino increased from around 2 billion cubic metres in 2008 to over 16 billion cubic metres in 2023.

LNG import mix in Italy, millions of cubic metres



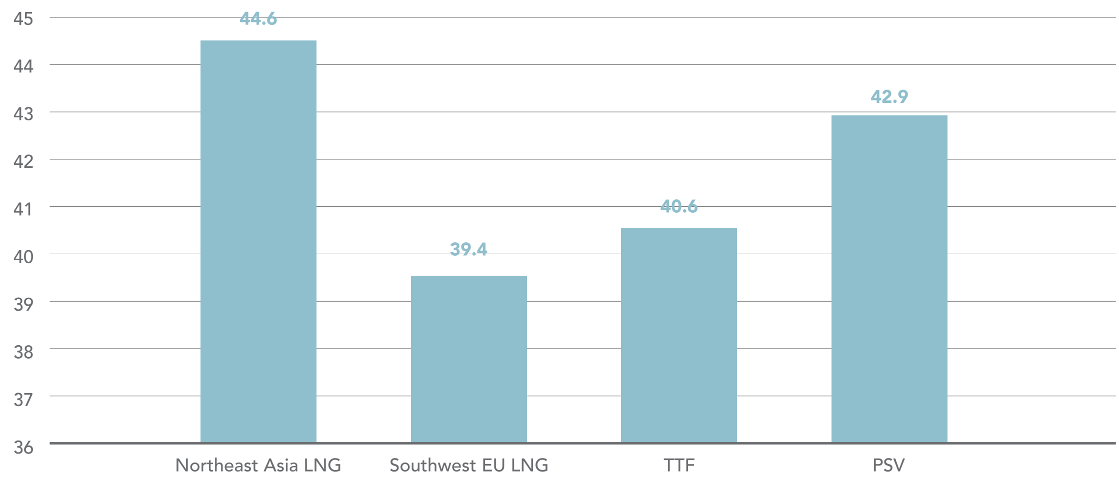
The price of natural gas in 2023 fell sharply compared to the prices recorded in 2022, not only in Italy. The reference price in Italy (PSV) was approximately 42 euro/MWh, down 65% compared to 122 euro/MWh in 2022.



	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
2022	56	81	127	100	90	103	173	234	183	78	91	117
2023	68	57	47	45	34	33	31	33	37	44	43	36

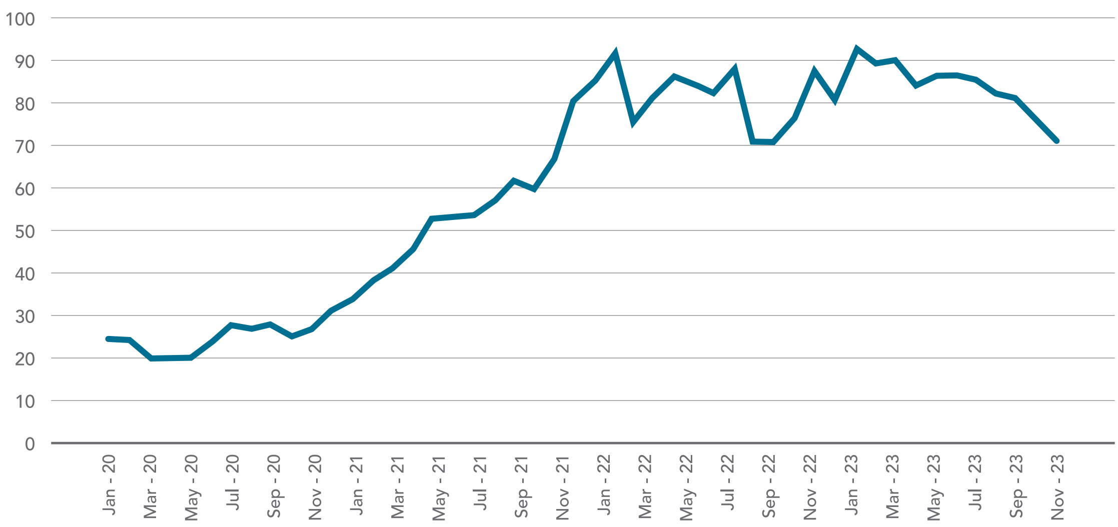
The European reference price (TTF) was 41 euro/MWh, while the Asian reference price was slightly higher at 44.6 euro/MWh.

Natural gas prices 2023, €/MWh (source MBSconsulting)



CO2 prices remained very high for all of 2023, with a peak of more than 92 euro/ton in February. This also contributed to sustaining the electricity price in hours in which the marginal price was made by gas technology, which is subject to the CO2 charge.

CO2 spot €/ton



FUNCTIONAL UNBUNDLING – ARERA RESOLUTION NO. 296/2015/R/COM (TIUF).

After the approval from ARERA at the end of the trial period (ref. Resolution No. 213/2021/R/Com), the self-audit protocol was consolidated as an alternative protocol for the disengagement of the compliance manager function and compliance with functional unbundling restrictions.

The main innovative aspects and related benefits deriving from application of this procedure are listed below.

The ongoing evaluation of distribution service management practices, particularly regarding commercially sensitive data implemented in the self-audit procedure, according to ARERA, enhances the protection of interests covered by functional unbundling. Consequently, it allows the recognition of important formal exemptions to companies adopting the approved procedure (consider the restrictions on commercially sensitive information not managed through the IWS, or those relating to the submission of annual grid infrastructure development plans to ARERA).

At the same time, the role of the Compliance Officer (ILM) as auxiliary to the regulator in managing controls through a protocol certified by that regulator, means that the findings reported to the regulator in terms of consistency with the regulatory framework serve as a reliable indicator of compliance in terms of accountability activities of the DSO and the vertically integrated company. No professional audit/certification function can produce this result.

In this regard, the approval measure even states that ILM, the compliance manager, may be used by ARERA as part of the self-audit procedure to manage inspections on company premises in place of the ordinary Guardia di Finanza teams/ARERA officers.

This impact is amplified by the fact that, through a specific decision directed towards one of the companies adopting the self-audit procedure, ARERA confirmed that the same procedure may allow the use of enforcement procedures alternative to sanctioning-repressive procedures based on a collaborative approach. This means that operator reporting in the self-audit procedure of situations of possible conflict with the regulatory framework would not give rise to a dispute and the initiation of sanction proceedings, but rather to a collaborative process in which a remediation plan can be agreed with the offices of the regulator.

With specific regard to the intercompany contracts segment, note that the audit method developed by ILM as part of the self-audit procedure is the only one formally approved by the regulator thus far, and therefore guarantees a reliable assessment of compliance with the economic benchmarks envisaged in the TIUF (no professional affirmation can offer such a result). A further important impact on this front is that the cases managed by ILM, the results of which were assessed by ARERA, did not give rise to any reservations regarding the agreements on the basis of which the DSO relies on the organisational structures of other group companies, not applying similar procedures internally, which the TIUF excludes and on which in the past the Authority has challenged distributors it had inspected.

These are results that constitute an alternative platform for the regulated-regulator relationship with important benefits in terms of cost reduction and objectively appreciable regulatory risks.

BUSINESS SEGMENTS

SALE OF ELECTRICITY AND NATURAL GAS

The sector relating to the sale of methane gas recorded a slight decrease compared to the previous year with 431.0 million cubic metres sold at around 240,000 delivery points.
The volumes of electricity sold to end customers (including those served in the enhanced protection service market) amounted to approximately 4.1 TWh. The number of delivery points, around 490,000, is in line with that of the previous year.

ELECTRICITY PRODUCTION

REGULATORY AND TARIFF FRAMEWORK

THE REASSIGNMENT OF DIVERSION CONCESSIONS.

Given the complexity of the regulatory framework relating to the important and impactful issue of the reassignment of hydroelectric diversion concessions, for completeness of information and the need for an overview for their correct understanding, the considerations already contained in the report to the financial statements for the previous year, supplemented on the basis of developments in 2023.

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 Italian Presidential Decree No. 670 of 31 August 1972 and in short it assigned 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".

Said law also provided as follows:

a) 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 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.

Subsequently, with the entry into effect of Italian Law No. 160 of 27 December 2019 "State forecast budget for financial year 2020 and multi-year budget for the 2020-2022 three-year period" - ref. Articles 76 and 77 - Article 13 of the consolidated text per Italian Presidential Decree No. 670 of 31 August 1972 was amended once again; more specifically, the words "31 December 2022" were replaced by the following: "31 December 2023" and following the words "the aforementioned date" the following was added: "and exercised up to that date under the conditions established by the Provincial laws and rules and regulations of the concession in place at the date of their expiry".

On 21 October 2020, Provincial Law No. 9 was approved, which, by modifying Provincial Law No. 4/1998, regulated the procedural rules for the holding of competitions and therefore implemented the provisions of Art. 13 of Italian Presidential Decree No. 670 of 31 August 1972.

In November and December 2020, the Water and Energy Resources Management Department of the Autonomous Province of Trent notified the extension by right of the thirteen large hydroelectric concessions held by HDE "for the period needed to complete the public bidding process and, in any case, not later than 31 December 2023, pursuant to Article 13 of Italian Presidential Decree No. 670 of 31 August 1972 and Provincial Law No. 4 of 6 March 1998".

In the light of the above and in consideration of the further postponement of the 31 December 2023 deadline to 31 December 2024 due to the regulations introduced in 2022 as described below, the Company arranged depreciation remodelling of the assets subject to reversion free of charge.

The precept set out in point b) above has been set out, though not exhaustively regulated, in Article 26-quater of the updated Provincial Law No. 4/1998; this Article states that the outgoing concession holder is entitled to an indemnity equal to the value of the part of the asset which has not been depreciated under the following conditions:

I. exclusively in reference to investments on the assets referred to in the first paragraph of Article 25 of Italian Royal Decree No. 1775 of 1933, also provided for by the acts of concession, subject to authorisation of the Province, provided that the increase in the overall producibility of the plant or its modulating capacity or the overall efficiency of the same is achieved;

II. the concession holder has entrusted the works, supplies and services undertaken in order to carry out the investments on the assets in compliance with the public evidence procedures provided for by the legislation on public contracts.

In consideration of the absence of investments with the characteristics referred to in point I. above and given the failure to define the indemnity calculation method, which Provincial Law 4/1998 entrusted to a specific Council Resolution, the assumption of zeroing the net book value of "wet works" at the end of the concession has been confirmed.

Further salient elements contained in the aforementioned Provincial Law No. 9 of 21 October 2020 are as follows:

- with regard to the method used to evaluate so-called "dry" works (basically, hydroelectric power plants and their contents), the criterion set forth in paragraph 2 of Article 25 of Italian Royal Decree No. 1775 of 11 December 1933 is reiterated, contrary to what is established by the national legislation, "price equal to the estimated value of the material being worked, calculated at the time of entry into possession, not considering the income that can be made from it from any measurement";
- the assets referred to in the preceding point may be acquired by the Autonomous Prov-

ince of Trento; otherwise, the assets may be acquired by the incoming concession holder, if the latter provides for their use when submitting its bid; the provincial law therefore also establishes the concept of "cherry picking", i.e. the right given to the incoming concession holder not to acquire all or part of the dry assets, without the consequent obligation to pay compensation to the transferor. Any assets not transferred will therefore remain fully available to the transferor, which can freely dispose of them, also through sale to third parties other than the incoming concession holder;

- in the context of verifying the existence of interests in the competing use of water, which is a preliminary act with respect to the tender procedures, special consideration will be given to initiatives involving "positive effects on the territory and the community generated also by the historical electric cooperatives" referring to the case of self-production;

- the subject of the call for tender (concession and its characteristics) will be defined through an Environmental Impact Assessment procedure that will have as its initial reference the current concessions, possibly aggregated or, in some cases, unbundled, pre-restricted following the assessment of the existence of competing use interests referred to in the previous point;

- in accordance with the provisions of national law, concessions may be awarded through the use of one of the following methods:

  a) running of a public procurement procedure;

  b) assignment to mixed public-private companies established in accordance with the provisions of the same law;

  c) through forms of public-private partnership, pursuant to Article 179 of Italian Legislative Decree No. 50 of 18 April 2016 (Public Contracts Code);

- the contents of the call for tender are defined as well as the requirements of the participants, part of which will be calibrated on the basis of the characteristics of the specific concession.

On 18 December 2020, the Italian Council of Ministers ordered that Provincial Law No. 9 of 21 October 2020 be challenged in the Constitutional Court, with subsequent appeal No. 140 of 24 December 2020, in the same way as it had already been ordered for similar regulations of the Lombardy, Veneto and Piedmont Region Administrations.

Against this challenge, Trento Autonomous Province, by means of two subsequent legislative measures, Provincial Law No. 6 of 23 April 2021 and Provincial Law No. 18 of 04 August 2021, amended the reference standard to incorporate the content of the aforementioned appeal.

The same legislative measures introduced important innovations also and above all with regard to the regulations governing concessions for small hydroelectric diversions, significantly modifying Provincial Law No. 18 of 8 July 1976 introducing ex novo the provision of a tender also for these concessions on their natural expiry, postponing the rules to a subsequent regulation.

The regulation was approved on 20 October 2023 by Provincial Council Resolution No. 2057, and issued by Italian Presidential Decree No. 28-104 of 27 October 2023, despite the tougher and known significance of Constitutional Court decision No. 265 of 10 November 2022 which, in relation to assessment of the constitutional nature of the extensions introduced by Friuli Venezia Giulia Regional Law 13/2021, expressed its opinion in favour, confirming that the specific case of the Public Contracts Code was inapplicable and emphasising that the current state regulatory framework on small hydroelectric diversion concessions, dating back to Royal Decree No. 1775/1933, is in no manner whatsoever inspired by competitive needs.

Again with specific regard to small hydroelectric diversions, on 4 August 2023 Provincial Council Resolution No. 1386 established criteria that allow direct reassignment to the outgoing concession holder, essentially consisting in the need/possibility to confirm subjugation of the plants under concession to self-consumption or powering of Energy Communities, production and distribution cooperatives or groups acting in concert.

Returning to the context of large diversion concessions, despite the dismissal (in September 2021) of infringement proceedings 2011/2016 relating to Italy, together with similar proceedings against Germany, the United Kingdom, Poland, Austria and Switzerland, on 2 August 2022 the Italian Parliament, in compliance with NRRP provisions (prepared and approved prior to the aforementioned dismissal), approved Italia Law 118/2022 (2021 Annual Market and Competition Law). Art. 7 of this law introduced remodelling and postponement of the deadlines granted by the Regional Authorities for completion of related legislative activities (31 December 2023) and for conclusion of the reassignment procedures (31 December 2025). Art. 7, paragraph 2 of the law amended Art. 13, paragraph 6 of Italian Presidential Decree No. 670 of 31 August 1972, confirming the extension to 31 December 2024 of concessions already expired under Law 34/2022 and dynamically linking this new deadline to a subsequent deadline which could be defined at national level ("or later date decided by the State for similar large hydroelectric diversion concessions located in Italy").

On 30 November 2022, the Provincial Council approved Law No. 16/2022 (in force from 9 December 2022) which, amending Provincial Law No. 4/98, envisages deferral from 2024 to 2029 of the deadline for conclusion of the reassignment procedures for large hydroelectric plant concessions due to expire by 31 December 2024. The aim of this Provincial Law is to mitigate the negative effects of the energy crisis in the short and long terms. The measure introduces the option for concession holders to submit a business plan to the Provincial Administration for increasing the efficiency, resilience, accumulation capacity, as well as the capacity and energy performances of existing plants. At the same time, a new variable charge was added to support energy consumption costs within the province.

On 2 February 2023, the Council of Ministers challenged the above-described Provincial Law before the Constitutional Court. In 2023, the Provincial and State authorities set up a discussion group to solve the dispute brought before the Constitutional Court. As a result, based on the joint petition, the first hearing scheduled for October 2023 was adjourned to May 2024. As at the date of this report, the outcomes of discussions and of the dispute are as yet unknown. The stalemate situation prevented implementation of the procedure envisaged in Provincial Law 16/2022 and resulted in postponement of the reassignment deadline to 2029, as the implementing regulation envisaged in the law has not been issued.

In the strongly uncertain context illustrated above, the action of contracting authorities in 2023 was confused and uncoordinated. Despite the Regional regulations in force, national law envisaged and still envisages 31 December 2023 as the deadline for launch of the reassignment procedures. As far as we are aware, only the Lombardy and Abruzzo regions acted in compliance with the law, the first issuing Regional Council resolution on 18 December 2023 that launched tenders for the reassignment of two concessions (without publication of the tender) and the second issuing Regional Agency Decision for the Contracting Authority on 31 December 2023 that launched a tender for three concessions. Lastly, note the completion in 2023 of the feasibility study by the Piedmont Region regarding a proposed public-private partnership submitted by the outgoing concession holder in relation to 6 concessions.

CONCESSION FEES

From 1 January 2019 and until the expiry of the concessions, a redetermination of additional charges was recognised to take into account that the new DMVs were not applied. The remodelling led to an annual reduction in the charges of approximately 1 million euro compared to that paid up to 2018. This is by effect of:

- the adoption, by the Trento Autonomous Province (PAT), of the resolution of 5 October 2019, which implemented the provisions of Article 23 ter, paragraph 3 bis, of Provincial Law No. 4/1998;
- the execution by the Company and by the Trento Autonomous Province, on 19 October 2019, of the document for the mutually agreed termination of the Agreement relating to the experimental remodulation of the releases of water flow rates for the DMV, entered into with the PAT on 11 November 2016, but never implemented as a result of the stated positions and of the discussions held between the PAT and the local authorities involved.

By Executive Decision of 24 November 2023, the characteristics of the large hydroelectric water diversion concessions for Santa Massenza (GDI 22 SA), Torbole (GDI 23 SA) and Predazzo (GDI 06 AV) were redetermined following the issue of new licenses which allowed third parties to use of artificial snow, with slight decreases in the nominal capacity values of the concession.

"WINDFALL" MEASURES

The rules issued during 2022 and amended several times that year targeted withdrawal of the alleged "windfalls" described in detail in the report on operations to the financial statements for the previous year, were applied again in 2023.

This as a result of the amendment introduced by Italian Law Decree 115/2022 ("Aiuti bis") to Art. 15-bis of Italian Decree Law 4/2022 ("Sostegni TER"), which envisaged that:

- from 1 February 2022 to 30 June 2023, a two-way compensation mechanism will be applied to energy prices, in reference to electricity supplied to the grid by:
  a) PV plants with capacities of >20 kW that benefit from fixed bonuses under the "Conto Energia" mechanism, not dependent on market prices;
  b) plants with capacities of >20 kW powered by solar, hydroelectric, geothermoelectric and wind sources which have no access to incentive mechanisms and became operational prior to 1 January 2010.
- The GSE calculates the difference between a reference price (58 euro/MWh for northern Italy) and a market price as follows:
  1. for PV plants with capacity of >20 kW (point a) powered by solar, wind, geothermal and run-of-the-river hydroelectric, the zone price per hour on the electricity market, i.e. for supply contracts signed before 27 January 2022 (and for 2023 those signed before 5 August 2022) the price stated in the contracts;
  2. for other plants (point b), the arithmetic monthly average zone price per hour on the electricity market, i.e. for supply contracts signed before 27 January 2022 (and for 2023 those signed before 5 August 2022) the price stated in the contracts;
- If the difference between the reference price and market price as calculated above is positive, the GSE disburses the related amount to the producer. If negative, the GSE asks the producer to pay the corresponding amount or offset it against other items.
- The difference is settled between the GSE and the producer solely for supply contracts signed before 5 August 2022, provided these contracts are not linked to energy market spot price trends and, in any event, were not signed at an average price more than 10% above the

reference market price, limited to the duration of the contracts.

- For the purpose of points 1) and 2) above, the only valid contracts are those signed between companies pertaining to the same group as the producer, even if not producers themselves, and other natural persons or legal entities external to the producer's corporate group.

The settlement of items relating to the period 1 February 2022 – 31 December 2022, begun in October 2022 on the basis of provisions of ARERA Resolution 266/2022/R/eel and related GSE Implementing Technical Rules, was suspended in December 2022 and is still pending.

The settlement of items relating to the same regulatory provision for the period 1 January 2023-30 June 2023, consisting of a single adjusting payment at the end of the period, has not yet been activated by the GSE; in September 2023, the Group provided all the information, data and declarations necessary for implementation of the aforementioned regulatory provision and its specific implementing rules for the first half of 2023, consisting of ARERA Resolution 143/2023/R/eel and related update of 23 June 2023 to the Implementing Technical Rules issued by the GSE.

As mentioned in the Report on Operations to the previous year's financial statements, the 2023 Budget Law, in implementation of Regulation (EU) No. 2022/1854, approved on 29 December 2022, introduced an additional one-way mechanism that requires payment to the GSE from 1 December 2022 to 30 June 2023 of revenues, if any, referring to the difference between the market price and the 180 euro/MWh cap value, associated with renewable source production plants not already subject to the 58 euro/MWh cap introduced by Art. 15-bis of Italian Decree Law 4/2022. The implementing rules were issued by ARERA through Resolution 143/2023/R/eel (the same resolution for settlement of the 58 euro/MWh cap in the 2023 application period). Despite arranging updating of the Implementing Technical Rules on 23 June 2023, the GSE has not started to gather information from producers. Consequently, to date, the requirements are not met for commencing settlement of the related accounts. It should be mentioned at this point that in the first half of 2023, the average monthly MGP prices were always lower than the 180 euro/MWh cap.

Lastly, in 2023, the financial effects were seen of the "solidarity contribution" envisaged in the 2023 Budget Law, applying to entities that are producers of electricity and gas, that produce, distribute and market oil products, electricity and gas resellers and entities that import electricity or gas for subsequent resale. This contribution, payable if at least 75% of revenues (in the tax period prior to that in progress as at 1 January 2023) derives from the activities indicated, equals 50% of the IRES taxable amount, in the period prior to that in progress as at 1 January 2023, which exceeds by at least 10% the average income in the four tax periods prior to that in progress as at 1 January 2022, with a limit set at 25% of the shareholders' equity.

INITIATIVES AND INVESTMENTS

The investments in hydroelectric energy production made by the Group in 2023, totalling 14.3 million euro, mainly refer to efficiency maintenance activities (Stay in Business), the adaptation of plants to legal requirements on environment and safety (Mandatory), development activities (Development), preparatory activities for participation in tenders for the renewal of hydroelectric concessions (LIC Development) and the purchase of new equipment; the investments for the most significant activities are described below.

S. Massenza plant: 2,186 thousand euro recognised for the replacement of dischargers and hydraulic systems for units 1, 6, 2 and 5, 625 thousand euro for the installation of the static exciters on units 1, 6, 2 and 5 and 626 thousand euro for upgrading of the engine room ventilation system.

Molveno reservoir: 246 thousand euro was recognised for new controls on the syphon intake sluice gate for the Val Genova tank.

Nembia plant: 554 thousand euro recognised for consolidation of the hillside above the plant, 272 thousand euro for extraordinary maintenance on the turbine.

Cimego plant: 332 thousand euro recognised for gradient upgrading works, 229 thousand euro for insulation works on the Cimego offices, construction of the external insulation system and replacement of fixtures and fittings, and 241 thousand euro for external painting of the Cimego 1 penstock.

Malga Boazzo reservoir: 198 thousand euro recognised for upgrading of the dam discharge control circuit.

Cogolo plant: 379 thousand euro recognised for extraordinary maintenance of the plant roof.

Drò plant: 398 thousand euro recognised for replacement of the gravel-removing sluice gate on the Fies intake, the penstock interceptor sluice gate and the screen cleaner.

VOLUMES AND OPERATING EFFICIENCY

Most of the hydroelectric generating plants are owned by the companies HDE (a 60% investee), 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 power-driven cogeneration plants in Rovereto as well as the combined cycle turbogas plant of Ponti 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 2023 was 3,137 GWh (2,140 in 2022), of which 3,090 GWh hydroelectric.

ELECTRICITY DISTRIBUTION

REGULATORY AND TARIFF FRAMEWORK

In 2023, the reference regulations of the electricity distribution system did not undergo any particular changes or significant interventions. It should be remembered that EU, national and provincial rules govern the sector, given the legal responsibility attributed to the Trento Autonomous Province (PAT).

At national level, the sector is regulated by Italian Legislative Decree No. 79 of 16 March 1999 (the Bersani Decree), implementing Directive 96/92/EC, which requires that distribution companies in operation at the date of entry into force of its provisions continue to provide the service as a monopoly until 31 December 2030, based on the concession issued by the Italian Ministry. Subsequently the award must be via tender.

In the provincial context, following the transfer of energy-related functions from the State to the Autonomous Provinces from 1 January 2000, the structure of electricity distribution was regulated through the distribution plan approved by the provincial government on 27 September 2013. This Plan identified a single area for the province and dictated the methods for gradual reorganisation of the service, in which SET Distribuzione plays the role of aggregating entity.

This basic regulatory context, substantially unaltered, must however be supplemented by a series of measures of a lower ranked regulatory hierarchy, but not for this without mandatory and operational significance and scope for companies in the sector. This refers, in particular, to the measures adopted by ARERA in its areas of responsibility and which also form an integral and substantial part of the reference regulatory framework.

In 2023, a number of important measures were first opened to consultation and then issued, determining new rules for the 2024-2027 regulatory period.

INITIATIVES AND INVESTMENTS

From 2023, a five-year plan was drawn up on network investment needs. This plan, with works that are targeted and already accurately identified, contemplates a time horizon up to 2027 and forms the reference basis for communications envisaged by the Authority within the scope of the integrated regulations on unbundling.
Overall, investments made in 2023 amounted to 52.3 million euro, a significant increase compared to the previous year.

TECHNICAL INVESTMENTS DUE TO UTILITY REQUEST

The interventions on the MV and LV grid to satisfy the connection requests of utilities were in line with 2022 for a total of around 16.01 million euro.

In 2023 the grid connections of photovoltaic plants (5,684) and other mainly hydroelectric production plants increased by 161% compared to 2022, for a total installed capacity of over 534 MW.

Connection requests for accumulation systems associated with generating plants from a renewable source, mainly photovoltaic, almost doubled compared to the previous year, driven by the Superbonus incentive.

TECHNICAL INITIATIVE INVESTMENTS

Due to the growth in investments per user request and for the mass replacement plan of meters, in 2023 the initiatives of Set Distribuzione relating to network expansion, improvement of the service and adaptation of plants to standards were slightly lower than in previous years, for a total of approximately 8.93 million euro.

Work continued on interventions that guarantee the maximum return in terms of improving the quality of the service provided to users, wherever possible adopting low-environmental impact solutions. The plan to reduce the number of overhead lines in wooded sections continued, as did the technological renewal of primary and secondary substations.

At the end of the year, construction of the new primary substation of Cirè di Pergine was almost complete, and is expected to be connected to the Terna grid at 132 kV at the end of 2024.

With regard to primary substations, the installation of new control panels with fibre optic connections continues, ready for the new automated fault detection technology on the MV grid.

On the medium-voltage grid, the main investments carried out in 2023 can be summarised as follows:

- laying new MV underground cables to assure a second power supply to some locations and to replace overhead lines with bare conductors;
- replacement of lines with bare conductors in wooded areas with lines with insulated overhead cable;
- requalification of numerous obsolete secondary substations, fitted 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 grid and allow it to be controlled remotely from the Integrated Remote Control Centre of Trento.

2G METER PROJECT

As envisaged by the PMS2 Plan agreed with ARERA, the campaign for the mass replacement of electricity meters began in September 2022, with the planned transition to second-generation meters by the middle of 2025 for all users connected to the SET Distribuzione grid.

The mass replacement involves three external companies, selected via specific tender, and the Operating Units of SET Distribuzione through a replacement plan which, for 2023, focused mostly on the Municipalities of Trento and Rovereto and in other Municipalities in Valle dell'Adige.

At the end of 2023, 173,781 second-generation meters were installed on withdrawal points and 14,488 on production.

REDUCTION OF ENVIRONMENTAL IMPACT

During the year, action continued to reduce environmental impact by overhauling existing plants and using the best solutions for the construction of new plants:

- undergrounding of overhead power lines
- reduction in the number of pole-mounted transformers
- use of transformers equipped with insulating oil of plant origin
- use of medium voltage switches without sulphur hexafluoride gas

TECHNOLOGICAL DEVELOPMENT

The push to electrify consumption and increase production from renewable sources calls for a need to manage the electricity grid in an increasingly advanced way, also using distributed flexibility resources where possible as also incentivised by ARERA Resolution 352/2021/R/EEL. From this perspective, the plan for technological development of the protection and control equipment adopted in the primary and secondary substations continues (reaching 82% at the end of 2023), as well as the development of communication channels between the central systems and the equipment installed along the medium- and low-voltage grid.

The installation plan for the new advanced supervision system continues in the primary substations, increasing the control of strategic assets as well as the level of safety of personnel working at the plant.

In 2023, virtualisation activities were completed on the remote control system, allowing observability of the MV production plants with nominal capacity of >1 MW (more than 80% of users migrated).

The upgrading of the remote control system, new network and new communication equipment made it possible in 2023 to start the laboratory experimentation of advanced automation that, on some lines, will reproduce the new fault selection method in the plant with the aim of further improving the quality of service to MV and LV users and the indicators envisaged by the Authority.

In 2023, a preliminary study was conducted to define the implementation of an Advanced Distribution Management System capable of providing advanced network calculation, planning, monitoring and operation functions, which will allow SET to provide power more resilient, secure and efficient to its users.

During the year, the supply of drones and the certification of an adequate number of pilots were further strengthened, who effectively conducted the inspection activities of the medium voltage overhead lines, reducing the need for inspections on foot.

VOLUMES AND OPERATING EFFICIENCY

Electricity grid and distribution management is provided by SET Distribuzione in approximately 160 Trentino Municipalities.

The total electricity distributed was 2,562 GWh (2,640 GWh in 2022).
Additional information:

Electricity distribution		2023	2022
High voltage grids	km	0	0
Medium voltage grids	km	3,611	3,562
Low voltage grids	km	9,198	9,058
Total customers connected to the grid	No.	343,935	337,807

QUALITY OF THE SERVICE PROVIDED

TECHNICAL QUALITY

In 2023, the indicators relating to the number and duration of outages generally show a trend in line with the previous year, particularly in the medium and low concentration area where most of the users served are located.

The 2022 results, officially published with resolution 485/2023/R/eel, show once again that SET Distribuzione is among the best companies in the electricity distribution sector, allowing your Company, as recognition for the excellent results achieved, to obtain a bonus of 1.92 million euro, which is the highest in terms of relative value per user among the medium-large sized entities. In detail, in each of the areas of competence (high, medium and low concentration of users), the average duration of the outages in 2022 was better than the targets the Authority assigned to SET Distribuzione (high concentration: standard 28 minutes - result 14.86 minutes; medium concentration: standard 45 minutes - result 14.95 minutes; low concentration: standard 68 minutes - result 24.64 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 0.66; medium concentration: standard 2.25 - result 1.54; low concentration: standard 4.30 - result 0.81).

COMMERCIAL QUALITY

Again in 2023, due to external factors mainly attributable to the tax concessions governed by Italian Decree Law No. 34/2020 (the 110% superbonus), there were strong increases in demand for services on the electricity grid, mainly focused on system transfers (for the installation of thermal insulation systems in buildings) and especially in requests for connection to the photovoltaic plant grid (relating to the works "driven" by the 110% superbonus). Compared to 2022, there was a 139% increase in active connections (mainly from photovoltaic sources).

The SET Distribuzione structure, despite having reorganised the processes and dedicated resources during the year, suffered from the inevitable delays in provision of the services requested. These results led to the obligation for SET Distribuzione to disburse automatic indemnities to applicants who have suffered delays in the provision of requested services. The amount of these automatic indemnities amounted to 40,862 euro disbursed in 2023 to passive users and 128,962.96 euro disbursed in 2023 to active users.

NATURAL GAS DISTRIBUTION

REGULATORY AND TARIFF FRAMEWORK

The Italian Regulatory Authority for Energy, Networks and Environment (ARERA) has set its actions, in addition to the criteria and goals already established for 2022 and in the Strategic Framework of the Authority for the period 2022-2025, especially on the creation and application of measures – in line with and in execution of the law decrees approved by Italian Government – which aim to mitigate the effects of rising energy commodity prices and the resulting higher bills for end consumers.

In July 2023, ARERA published the "2023 Annual Report" on its website, which summarises the state of the Services and the activities carried out in 2022. A particular focus is dedicated to the price crisis with energy markets still under pressure, subject to strong changes and sensitive to the delayed action to structurally rebalance demand and supply, which began during the emergency. Among the activities carried out, note the Authority's decision in July 2022, not implemented, to change the pricing mechanism for the gas protection service, moving from quarterly TTF indexing to the Italian PSV.

In addition to cost containment measures for end customers, given the international context and the energy procurement crisis, during the year ARERA also took steps, again in coordination with other provisions adopted at national level, to adopt provisions to promote the security of energy procurement, particularly measures on filling storage facilities and the monitoring of imported gas procurement contracts.

With Resolution 269/2022/R/gas issued on 23 June 2022, ARERA published the review of the metering service regulation, with redefinition of the outputs and performance of the metering service through smart meters, modifying the current metering service regulation for their commissioning, frequency and metering data collection method for G4 and G6 smart gas meters and automatic indemnities to end customers; a system of indemnities against distributors was also envisaged, aimed at increasing the performance of distribution companies in recording and making available metering data and also introducing some adjustments to sales company invoicing obligations to end customers. The measure also envisaged partial compensation (in consideration of a predetermined physiological level of unsuccessful remote reading) of the costs incurred by the distribution companies for indemnities for unread meters disbursed to end customers.

With reference to review of the gas metering service regulation – with redefinition of the outputs and performance of the metering service through smart meters – implemented through resolution 269/2022/R/gas, in February ARERA (resolution 60/2023/R/gas) identified the data that the distribution companies will have to submit to the CSEA for the purpose of calculation and disbursement of the component in partial recognition of costs deriving from the disbursement of non-reading compensation to end customers with G4 and G6 smart meters installed, in relation to a predefined physiological level of unsuccessful remote reading.

In terms of tariffs, during 2023 the Authority also carried out the usual periodic updates to a number of tariff components (relating to general system charges for the natural gas sector). At the time of these updates, given the significant problems of energy prices, increased energy bills and legislative measures adopted in this regard, the Authority, as already envisaged at the end of 2022, ordered the elimination, for all customers in the gas sector, of the components relating to management charges, the introduction of supplementary social bonuses and an update to the UG2 distribution charge (through the application of a negative sign component (until April 2023) to consumption brackets up to 5 thousand cubic meters per year), in order to immediately transfer to end customers, especially those of small dimensions, the containment effects of the measures adopted in relation to the exceptional situation of gas market tension.

At the end of the procedure lasting almost two years and after a detailed consultation process, the Authority (resolution 163/2023/R/gas) approved the first consolidated version of the criteria and general principles of the regulation by expenditure objectives and service for the period 2024-2031 (TIROSS), containing provisions common to all regulated gas and electricity infrastructure services and those relating to the ROSS-based model. The TIROSS provisions are valid for 8 years, with a duration of the regulatory periods for individual services equal to 4 years (within the scope of which the more detailed application provisions for each service will be defined).

Among the main innovations introduced by this tariff regulation model, in aimed at aligning the tariff regulation criteria across different infrastructure services, are: the acquisition from companies of simplified four-year economic, equity and financial forecasts and the use of key debt metrics (derived from rating agency analyses) to assess the potential level of financing operators' investments; breakdown of the total efficiency recovery (i.e. the difference between total reference expenditure and total actual expenditure) into two portions, one relating to CapEx and the other to OpEx, with the possibility of choosing between two incentive schemes in relation to the operational management share (low or high incentive); identification of indicators to monitor the physical progress of investments against capital expenditure incurred; determination of the capitalisation rate based on retrospective and forward-looking assessments, where possible differentiated by company (or cluster of companies in the case of distribution services).

With specific reference to the gas distribution service, ARERA then envisaged that, following further assessments, specific rules will be adopted to ensure maximum compatibility between the ROSS-based approach and award of the service via ATEM tender.

At the end of May (resolution 220/2023/R/gas), in application of Art. 37 of Italian Legislative Decree 199/2021 and following the consultation process carried out in 2022 (DCO 423/2022/R/gas), the Authority adopted provisions to optimise the connections of biomethane plants to the gas networks, simplifying related Directives and mandating Snam Rete Gas to define a procedure for integrated management of information made available also by the distribution companies, GSE and biomethane producers. This procedure, for each request to connect biomethane production plants to the gas network, will make it possible to identify, among the various possible connection configurations, that characterised by a lower infrastructure cost based on predefined standard connection costs.

ARERA also continued to defend its guidance on non-application of the provisions of Art. 114-ter of Italian Decree Law 34/20 (resolutions 525/2022/R/gas and 528/2022/R/gas, respectively on the subject of tariff recognition of investments in start-up locations and criteria for the formulation of observations to tenders for award of the gas distribution service). In handling legal proceedings initiated by operators and local authorities, ARERA delegated its representation to specific professionals (resolutions 1/2023/C/gas, 22/2023/C/gas and 48/2023/C/gas at the beginning of the year), instead of, as usually happens, to the Attorney General, given the latter's conflict of interest or incompatibility. In the meantime, the provisions of Art. 114-ter of Italian Decree

Law 34/2020 were repealed by Italian Decree Law 69/2023 and, in this regard, ARERA submitted a statement in June (statement 306/2023/I/com) to the European Union Policies Commission of the Senate on the Italian Decree "Conversion to law of Decree Law No. 69 of 13 June 2023, containing urgent provisions for the implementation of obligations deriving from European Union acts and from infringement and pre-infringement procedures pending against the Italian State" (the "Salva infrazioni" Decree Law) expressing its opinion with specific reference to provisions pertaining to matters under its responsibility. These also include Art. 22, which repeals Art. 23, paragraph 4-bis of Italian Legislative Decree 164/2000 (introduced – in fact – by Art. 114-ter of Italian Law Decree 34/2020), in relation to which it fully endorsed repeal of the paragraph in order to prevent inefficient development of the service to the detriment of end customers.

As regards activities relating to gas tenders, in particular the tender called by the Autonomous Province of Trento – Provincial Agency for Water Resources and Energy Contracting Authority of the Single Autonomous Province of Trento ATEM, with resolution 19 December 2023 608/2023/R/GAS, ARERA approved the observations on the reimbursement value to be paid to the holders of natural gas distribution service tenders and concessions for Municipalities in the Autonomous Province of Trento.

INITIATIVES AND INVESTMENTS

The investments, in line with recent years, were allocated mainly to the modernisation of existing infrastructures (including extensions in already served Municipalities) and to the completion of previously planned works.

Investments made in the gas sector in 2023 totalled 16.5 million euro (24.1 million euro in 2022), and the main interventions involved:

- extraordinary maintenance of existing plants and distribution networks;
- replacement of traditional meters with electronic ones;
- the extension of the pipelines in the managed municipalities.

During 2023, Novareti was the winner of two tender procedures, launched respectively by the Municipal Administrations of Canazei and Cavalese, for the concession, through public project financing, of the construction and temporary management of the natural gas distribution plant in those municipalities, pending award of the concession for management of the public gas distribution service in the single area of Trento.

The purpose of the concession is the construction of the initial networks, management of the public natural gas distribution service, including in particular: i) the final and executive planning of works to be carried out, safety coordination during the planning and execution phase — including any additions/changes proposed by the Concessionaire in the technical bid submitted during the tender phase — as well as the Works Management; ii) the construction of an urban network and related plants for the distribution of natural gas, including any additions/changes proposed by the Concessionaire in the technical bid submitted during the tender phase; iii) the management, on a transitional basis, of the public natural gas distribution service, including ordinary and extraordinary maintenance of the network. The total presumed value of the concession, net of VAT, amounts to 7,212,116 euro for Canazei (of which 5,033,232 euro relating to the total for distribution plant construction works and 2,178,884 euro relating to management of the service, conventionally assuming a service management duration of 5 years) and to 2,491,860 euro for Cavalese (of which 1,831,160 euro relating to the total works and 660.700 euro relating to management of the service, conventionally assuming a management duration of 5 years).

At the end of 2023, after a long approval and construction process that began in 2015, the new REMI substation in Giovo came into operation (maximum transport capacity of 30,000 cubic meters per hour), preparatory to methanisation of the municipalities of Cavalese and Canazei but essential to the resilience of the gas distribution system in eastern Trentino.

On the remaining REMI plants, the revamping of REMI substations was consolidated, with significant investments particularly for the replacement of old filters, exchangers and reducers and technological upgrading of the metering process.

In 2023, the ISO 9001:2018, ISO 14001:2018 and ISO 45001:2018 certifications were reconfirmed in relation to the quality management, environmental and occupational health and safety management systems regarding the management, construction, operation and maintenance of natural gas distribution plants and networks.

Of note for the calendar year 2023 is the decreased effect of application of the "Superbonus", which had led to a reduction in gas redelivery points (PDR) following the replacement of fossil fuel heat generators with electric heat pumps. Over the course of 2023, the redelivery points increased again by 215 units.

METERING

On the issue of gas metering, in 2023 activities were completed for the replacement of traditional meters with latest generation electronic meters in compliance with the objectives of resolution 501/2020/R/GAS of 1 December 2020, which for Novareti identified a minimum replacement percentage of 85% of existing meters, a value more than achieved. The ability to successfully provide remote meter readings on a monthly basis as envisaged with reference to the review of the gas metering service regulation – from the definition of the outputs and performance of the metering service through smart meters –implemented through resolution 269/2022/R/gas, remains to be addressed as an open and binding critical issue, as indicated by ARERA in February (resolution 60/2023/R/gas). The complexity of the territory, which is fragmented and positioned at markedly different altitudes, makes it difficult for the devices (concentrators) to collect meter readings, achieving a success rate lower than the national average and higher than the established tolerance level, thus exposing the company to the application of costly economic indemnities.

VOLUMES AND OPERATING EFFICIENCY

Distribution is carried out in 88 municipalities in the Trento province, Valle dell'Adige, Valsugana and Tesino, Valle di Non, Valle dei Laghi, the upland of Paganella, the valleys of Cembra, Fiemme and Fassa and the uplands 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 Trento province (Brentino Belluno and Salorno).

Gas distributed during the year totalled 271.3 million m3 (291.4 million m3 in 2022).

Natural gas		2023	2022
Length of the network	km	2,728	2,696
Total utility contracts	No.	168,684	168,470

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 2023, the general index of the services performed within the standard times, for quality of service parameter purposes, amounted to 99.60%.

AREA TENDERS

With regard to the possible participation in tenders outside the province, in 2022 Novareti had expressed its interest in participating in the negotiated procedure launched by ATAC Civitanova SpA for the selection of a partner and targeting joint participation in the gas tender to be called in the Macerata 2 nord-est ATEM. Macerata 2 nord-est ATEM has a total of 55,200 redelivery points with 677 km of network. ATAC Civitanova SpA is currently present in this ATEM with 22,131 redelivery points and approximately 187 km of network, covering 34% of the ATEM.

After the procedure, Novareti was selected as partner by ATAC Civitanova SpA. Consequently, considering that ATAC Civitanova SpA is the outgoing operator with the largest share of redelivery points and kilometres of network under management, being selected as partner clearly represents an excellent opportunity in view of the future tender for the Macerata 2 nord-est ATEM.

On 25 January 2023, the Partnership agreements and the RTI Agreement were signed, along with the reimbursement of selection costs (in the order of 85% as per Article 2 of the Invitation Letter) and the establishment of the Steering Committee according to Art. 4.2 of the RTI agreement for the joint participation in the gas tender that will be launched in the Macerata 2 nord-est ATEM.

As regards the Trento area, it should be remembered that Provincial Law No. 18 of 4 August 2021 amended Art. 39 of Provincial Law No. 20 of 4 October 2012 by inserting the following:

"3 quater. The publication deadline for the call for tender envisaged in this article is postponed if the deadline for the issue of preliminary opinions or observations by ARERA is postponed or passed, for the period corresponding to the suspension or delay. Furthermore, the deadline is deferred for the time necessary in the event of exercise of the substitute power of municipal authorities pursuant to article 2, paragraph 6, of Italian Ministerial Decree No. 226 of 12 November 2011 (Regulations for tender criteria and the assessment of bids for award of the natural gas distribution service, in implementation of article 46-bis, Italian Decree Law No. 159 of 1 October 2007, converted with amendments to Italian Law No. 222 of 29 November 2007)."

After a long process, the preliminary investigation phase for determination of the residual industrial value (VIR) to be paid to the outgoing gas infrastructure concession holder was concluded at the end of October 2023. The contracting authority subsequently sent the set of information to ARERA, expecting that the values investigation would be completed in early December.

The ARERA audit was completed on 5 December 2023 with a positive outcome, as confirmed in its adopted resolution 577/2023/R/gas. As part of the procedure for publication of the tender notice, the Italian Regulatory Authority for Energy, Networks and Environment (ARERA) plays an important role, as it is called upon to express its opinion on the suitability of the aforementioned VIR agreed between the parties (contracting authorities and outgoing operators) for the purpose of its subsequent tariff recognition. This is due to the sum that the winning tenderer will pay to the outgoing operators as reimbursement value, in order to acquire ownership of the plants from them will qualify as "invested capital" and as such remunerated through the tariff.

Consequently, from early December, the contracting authority had all the elements necessary to publish the tender notice.

In fact, with a publication date of 29 December, under number [AT122784] the Provincial Agency for Contracts and Tenders published the OPEN TENDER, ABOVE THE COMMUNITY THRESHOLD, FOR AWARD OF THE NATURAL GAS DISTRIBUTION SERVICE IN THE SINGLE PROVINCIAL AREA OF TRENTO – CIG A03C546272, with deadline for submission of bids set at 12:00 noon on 19 July 2024.

Currently, the Trento Contracting Authority is the only one in Italy, out of approximately 188 areas, to have launched a new tender procedure for its strategic asset on the basis of tender regulations currently under review by the Italian Ministry, as several parts are deemed outdated.

COGENERATION AND DISTRICT HEATING

REGULATORY AND TARIFF FRAMEWORK

With regard to obligations dictated by the Regulatory Authority for Energy, Networks and Environment (ARERA), note the following main aspects for 2023:

a) On 23 July 2023, ARERA issued Resolution No. 346/2023/R/TLR), "Provisions on the technical quality of district heating and cooling services (RQTT)", in force from 1 January 2024. As a result, the relative internal procedures PG-COG-11/12/13/14/15/16 were updated.

b) In light of the results of the fact-finding investigation ARERA 80/2022/R/tlr, launched on 1 March 2022, with report 568/2022/I/tlr of 15 November 2022, the Authority brought the opportunity of introducing a cost reflective regulation of district heating service prices to the attention of the Parliament and the Italian Government, and on 3 August 2023 issued Consultation Paper No. 388/2023/R/TLR, "Guidelines for definition of the tariff method for the district heating service", with request for opinions from stakeholders.

c) On 28 December 2023, ARERA issued Resolution No. 638/2023/R/TLR), "Approval of the district heating tariff method for the transitional period (MTL-T)", approval of the "District heating tariff method for the transitional period 1 January 2024 – 31 December 2024 (MTL-T)", which imposes a constraint on revenues for the district heating service determined on the basis of the cost avoided for the end customer, also envisaging a safeguarding clause to guarantee minimum profitability for operators. Note that the application of the new tariff method would imply a decrease in revenues from the sale of thermal energy of around 20% compared to the pre-measure situation. On the other hand, application of the safeguarding clause makes it possible to limit the decrease in revenues to 10%. Consequently, this criterion was adopted, though without formalising the decision until the questions and requests for clarification sent to ARERA through trade associations are answered.

d) On 20 December 2023, the Italian Ministry of the Environment and Energy Safety put the "OIERT" decree up for public consultation, to define the methods by which public and private companies selling thermal energy to third parties in the form of heat for heating and cooling, in quantities exceeding 500 TOE per year, ensure that a portion of the energy sold is renewable, in application of Italian Legislative Decree No. 199 of 8 November 2021.

The decree aims to implement the EU RED III directives on decarbonisation and safety of the energy system, providing for an indicative increase in the renewable share for the air conditioning of environments up to a value close to 48% by 2030. For the district heating and cooling sector, this results into the inclusion of incremental shares of renewable energy, 1.00% in 2024, 2.00% in 2025, 3.00% in 2026, 4.50% in 2027 , 6.50% in 2028, 8.00% in 2029, 9.00% in 2030, up to a total of 34% of the energy injected into the network in 2030."

FUEL PROCUREMENT

As regards natural gas supply for the cogeneration plants and thermal energy production boilers at all the Novareti plants, in 2023 Dolomiti Energia supplied it with determination of the commodity price, consisting of a base linked to the monthly average of the PSVDA index plus a variable "spread", that reduces quarter by quarter from 15 to around 8 euro cents per STM.

INITIATIVES AND INVESTMENTS

In 2023, the "Refurbishment" project for the high-efficiency cogeneration unit of the Tecnofin cogeneration plant in via Zeni, Rovereto, was carried out, replacing the natural gas-fired internal combustion engine and the related electric generator. In addition, a heat pump was installed to recover a portion of thermal energy deriving from cooling of the fuel mix, which was previously dissipated into the environment. The first electrical parallel was made on 06 June 2023, while the commissioning of the complete unit with heat pump was certified on 13 September 2023.

These works allow 10-year access to the incentive in the form of Energy Efficiency Certificates, in an amount estimated at between 800 and 1,400 EEC per year, based on the annual operating hours of the CAR unit.

With regard to participation in the NRRP tender for efficiency improvement to the Rovereto district heating network, which at the end of 2022 had seen the Novareti proposal classified as admissible but not eligible for funding, note that in December 2023 – based on the provisions of Italian Law Decree 181/202 – the MASE extended the number of projects eligible for financing, but still excluded certain projects considered eligible in the previous rankings as incompatible with Commission Implementing Decision C (2023) 6641 final of 29 September 2023. The Novareti project was among those excluded.

VOLUMES AND OPERATING EFFICIENCY

Heat distribution via the district heating network was carried out in the Rovereto municipal area and in the "Le Albere" district in Trento, where refrigerated water for air conditioning was also distributed.

In 2023, the following quantities of energy were injected into the network:

- 74 GWh of heating and cooling
- 34,6 GWh of electricity.

The Industrial zone cogeneration plant in Rovereto, also subject to Emission Trading System obligations, emitted 10,385 t of CO2, 9,343 of which payable at a cost of 83.46 euro/t.

INTERNAL USER NETWORK MANAGEMENT

As part of activities related to the industrial zone cogeneration plant in Rovereto, there is also management of the Internal User Network (RIU) of Rovereto, which provides an MV connection for the Suanfarma plant and facility to the national grid operated by Terna, by means of a 132/20 kV transformer.

The RIU is regulated by ARERA as part of the closed distribution systems.

During 2023, Suanfarma Italia S.p.A. installed a new photovoltaic system, with the consequent commitment of Novareti staff, in the company's role of electricity network operator, to prepare and verify all authorisation process documentation for the purpose of connection and operational start-up of the new production plant.

WATER CYCLE (WATER SUPPLY SYSTEM AND SEWERAGE)

REGULATORY AND TARIFF FRAMEWORK

Note that, following the effects of the popular referendum on the regulation of local public services and consequent indications received from Municipalities where the service is currently provided, water sector activities are destined to exit the scope of Novareti activities. In this regard, in 2023, there were no particular new developments and no significant steps forward were made.

We would like to underline how your company's activities continue in any case in a regular manner and without being subject to particular conditions in its operating and investment choices. The only element of normal prudence involves the preparation of multi-year investment plans in the water sector, shared with the main Municipalities receiving the water service, in order to prevent any possible future distortion.

INITIATIVES AND INVESTMENTS

In 2023, work continued to enhance the water supply structures, consistent with the multi-year business plan issued and presented to the municipal administrations in 2018.

Investments in the sector in 2023, even in the presence of a not fully defined regulatory framework and of the uncertain outlook for the Company, totalled 8.6 million euro (9.2 million euro in 2022).
As regards operations in the Municipality of Trento, replacement of the water supply feeder pipes continued with the operational start-up of a new electricity production plant at Campo Pozzi Sparagni. This plant exclusively feeds the water drainage wells located there and will offer good energy savings in terms of pumping energy. The construction of new hydraulic districts continued which, combined with the new consumption analysis and monitoring system, will allow rapid reporting of new water leaks, guiding the work of the leak detection teams. Participation in a PNIISI tender for water savings was arranged, in partnership with the Municipality of Trento, to obtain

grants to cover the costs of domestic feeder pipe replacement.

In the Municipality of Rovereto, with regard to the water supply service, normal network maintenance continued while numerous water districts are in the executive planning phase in preparation for works awaiting NRRP funds in which Novareti participated in partnership with the Municipality of Rovereto.

Novareti also participated in two PNIISI tenders, again with the Municipality of Rovereto, one for completion of the interconnection between Trento and Rovereto and one for the construction of 4 new strategic wells serving the city.

As regards the sewerage service, the rainwater collection system with groundwater dispersion was further upgraded to allow a better flow of rainwater in the event of particularly intense events, especially to protect the Lizzanella district.

Minor interventions were carried out in the other municipalities managed.

METERING

In 2019, the team dedicated to the massive replacement of water meters was established, and it worked on the definition of the technical regulations for the preparation of the tender for the supply of the new devices. Mass replacement of meters continued in 2023, while the survey and scheduling phases of the replacements continue in parallel. The set of meters is being replaced with smart meters that will allow remote reading by means of operator drive-by. At the same time, all connections will be overhauled. To date, more than 20,000 smart meters have been installed, and their remote reading in drive-by mode with automatic metering capture has commenced.

VOLUMES AND OPERATING EFFICIENCY

The service is provided in 9 Trentino municipalities (approximately 200,000 residents), essentially located in the Adige Valley.

The water quantities supplied to the network totalled 26.6 million m3 (27.4 million in 2022).
Additional information:

Water cycle		2023	2022
Length of the network	km	1,468*	1,467*
Total utility contracts	No.	77,659	76,272

(*) the figure includes utility connections.

WASTE MANAGEMENT

REGULATORY FRAMEWORK

The Economic and Financial Plans for the period 2022-25 were prepared on the basis of the MTR-2, the calculation method introduced by ARERA with various defining resolutions, and were delivered to the Rovereto Municipal Administration on 27 January 2021 and to the Trento Municipal Administration on 3 February 2021.

On 25 October 2022, ARERA approved the five-year Economic and Financial Plan for Trento (second approval in Italy), whilst that for Rovereto was approved on 17 January 2023 (twelfth approval in Italy). To date, ARERA has approved only 18 Economic and Financial Plans in Italy.

Also note the latest ARERA resolution No. 15/2022/R/RIF of 18 January 2022 entitled "Regulation of the quality of the municipal waste management service", which defines the quality standards relating to user management: from service activation to billing management; from the response to requests for information/complaints to the contact methods; as well as the provisions regarding the obligation of continuity and regularity of the waste collection and transport services and the street sweeping and cleaning service, the latter aspect of course having a much greater impact on our Company. For example, Art. 35.2 of attachment A to the aforementioned resolution requires the preparation of a "Collection and transport plan" from which it is possible to deduce, for each road/street, the scheduled date and time slot for waste collection. Similarly and of greater impact for the office will be compliance with Article 42 "obligations regarding the continuity and regularity of the street sweeping and cleaning service" which requires a plan of these activities to be prepared, indicating the date and time slot for providing the services, with the obligation to recover any services not promptly performed within 24 hours.

In the last few months of 2023, the Municipal Administrations, at the proposal of Dolomiti Ambiente, approved level 1 of the quality of collection and sweeping services, in line with the vast majority of Italian operators in the sector.

INITIATIVES AND INVESTMENTS

In 2023, 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, Rovereto and Vallagarina;
- collection of special waste;
- preparation of a public-private partnership project, presented to Comunità della Vallagarina in July 2021, obtaining the statement of public interest by resolution of 22 November 2021. During 2022, Comunità della Vallagarina launched the tender for award of the service management concession (a 17-year concession with a value of around 136 million euro). On 28 August 2023, the concession contract was signed for award of the contracted service.

The investments made in municipal sanitation services in 2023 totalled 4.6 million euro (1.4 million euro in 2022).

Of particular note is the updating of the vehicle fleet with purchases for 905 thousand euro, including advances paid for a number of withdrawals planned in 2023, added to which were 305 thousand euro for the commissioning in 2023 of 2022 purchases comprising: 8 compactors, 2 sweepers, presses and containers, one roll-off with automatic crane and small sweeping vehicles.

With respect to the budget forecasts, the works on the 2nd lot to refurbish the Tangenziale Ovest operating site in Trento and the relocation of the treatment plant did not commence, as the works authorisation procedure of the competent bodies has not yet been completed and concession contracts are not yet suspended.

VOLUMES AND OPERATING EFFICIENCY

In 2023, 66,596 tons were collected (69,707 tons in 2022), 194,749 utility contracts were managed, also considering the appurtenances (132,295 in 2022) and 120,079 taxpayers were served (88,799 in 2022).

It is also worth noting the decrease in the production of mixed waste in Rovereto in 2023, coinciding with the start of the quantity-based tariff, is certainly benefiting Rovereto in reducing disposal costs.

In 2023, separate waste collection in the municipality of Trento reached 83.5% (82.1% in 2022), 81.1% in the municipality of Rovereto (82.3% in 2022) and 74.3% in the Vallagarina District.

OTHER BUSINESS ACTIVITIES

The Dolomiti Energia Holding laboratory carries out chemical and microbiological testing, quality control of water intended for human consumption and soil and waste analysis. It serves the Dolomiti Energia Group companies and numerous Trentino municipalities, offering necessary support by carrying out internal controls and monitoring of water intended for human consumption, guaranteeing the distribution of healthy, clean water. It is also a reference point for the environmental controls of many entities, professionals and companies that today make up a significant portion of its clientèle.

ACCREDIA certifies its competence, independence and impartiality according to the international standard UNI CEI EN ISO/IEC 17025:2018, which requires compliance with specific and stringent quality and organisational standards.

The activities are thus also guaranteed by an external control body and monitoring covers the quality system in place, procedures, quality of analytical data, sampling and customer focus.

Thanks to advanced scientific instruments and the expertise of its staff, the laboratory is able to promptly and professionally respond to every customer request.

Overall, during the year 13,282 samples were examined (11,829 in 2022), of which 55% (55% in 2022) for third parties.

HUMAN RESOURCES

As at 31 December 2023 the Group workforce numbered 1,544 (1,424 in 2022). There was a total increase of 120 employees during the year compared to 2022.

	2023	2022	Change
Dolomiti Energia Holding	237	219	18
Dolomiti Ambiente	342	264	78
Dolomiti Energia	208	192	16
Novareti	220	224	(4)
Dolomiti Energia Solutions	18	22	(4)
SET Distribuzione	282	263	19
Gasdotti Alpini	3	3	-
Dolomiti Edison Energy	30	30	-
Hydro Dolomiti Energia	179	183	(4)
Dolomiti Energia Trading	25	24	1
TOTAL	**1,544**	**1,424**	**120**

Comparison of the situation of the Group 2023– 2022 by grade

	executives	managers	employees	manual workers	total
Situation as at 31/12/2023	19	65	819	641	1,544
Situation as at 31/12/2022	18	62	777	567	1,424
CHANGE 2023 VS. 2022	**1**	**3**	**42**	**74**	**120**

Training: the Dolomiti Energia Group is committed to the training and development of its people, at all levels and in the various fields of competence. People are a key asset for the Group in every interaction with its internal and/or external customers, in every small detail, day in, day out.

With the support of the Human Resources & Business Partner Department, the Dolomiti Energia Group is committed to building fair processes aimed at attracting and retaining the best resources, developing their potential and guaranteeing vertical and/or horizontal professional and salary growth paths.

Training – in person, synchronous online or e-learning – focuses on the four clusters identified when defining the training catalogue: Health, Safety & Environment, Technical Skills, Digital Skills and Life Skills.

Training and the development of skills in the field of Health, Safety & Environment are of vital importance for compliance with regulations, and bear witness to the Dolomiti Energia Group's commitment to all its stakeholders. Respect for the individual as such and for their health and safety in the working environment are equally fundamental. Attention to environmental protection and the working environment has recently been gaining increasing importance.

The development and maintenance of technical area skills is a prerequisite for the Group's people in order to perform their work more and more excellently and to improve processes. Failure to develop role skills results in a missed opportunity for both the Group and the individual. The same applies to digital skills, which are increasingly important in today's labour market.

Equally important is the focus on personal and professional development, which is nurtured through training courses with a focus on soft skills. Attention to these skills makes it possible to raise managerial standards for the present and the future, accompanying the culture of care in people and enabling the development of those skills necessary to maintain business continuity in an increasingly volatile and uncertain environment.

54% (57% in 2022) of the training initiatives involved the topic of Health, Safety & Environment and 34% (30% in 2022) involved the development and maintenance of sector-specific technical-specialist skills. 2023 also saw a growing number of commitments regarding Digital and Life skills.

Overall (reference population: employees, temporary workers, interns and other co-workers), there was a 38% increase in the training provided or 53,895 hours (39,070 in 2022) of which 51,280 hours to employees.

Staff training and development is carried out on the basis of specific annual plans. Projects for the acquisition and growth of both technical and managerial skills are constructed in order to develop careers and potential. These paths aim to accompany the growth of roles and responsibilities.

99% (same percentage in 2022) of employees attended at least 1 training course; 1,322 courses were held (1,079 in 2022) for a total (criterion adopted: average hourly cost of parties involved in the training and the cost of training recognised in the financial statements) of 2,872,589 euro (1,840,539 euro in 2022).

Organisation: the evolution of the model and the processes for managing and valuing the Group's own human resources, directed at fulfilling the potential of Group employees by introducing new ongoing information, collaboration and training tools;

The focus on human resources within our organisation has undergone a significant evolution, moving from a bureaucratic and hierarchical approach to one more oriented towards talent and employee involvement. In the context of the Group, the adoption of new tools for the management and enhancement of human resources has become crucial to maximising employee potential and promoting organisational growth. This report will explore the evolution of these models and processes, focusing on the introduction of continuous information, collaboration and training tools.

1. From the Traditional Model to Strategic Human Resource Management

In the past, human resources were mainly managed through bureaucratic and regulated processes. However, over time, the DE Group has recognised the strategic value of its human resources and has adopted approaches focused on employee involvement and development.

2. The Importance of Continuous Information

The introduction of the Group Intranet platform has made an important contribution to the management of transparent and inclusive internal communication. The Intranet also allows the launch of surveys and real-time feedback systems that allow a more accurate assessment of the skills and needs of employees. This approach allows more proactive management of human resources, quickly identifying strengths and areas for improvement.

3. Investments in Training and Development

Investment in employee training and development is fundamental to improving skills and promoting professional growth by focusing training both on business needs and individual development plans, oriented towards career plans and talent retention. The introduction of the LMS -Docebo- platform allows employees to independently access teaching materials at any time and from any place, making them proactive in building their development paths. This flexible approach to training promotes self-learning and the continuous acquisition of skills.

4. The Challenge of Change Management

Managing change is an important challenge. It is essential to involve employees by providing adequate support and training. Furthermore, it is important to carefully manage any resistance to change and promote an organisational culture open to innovation and continuous improvement. Based on these assumptions, relevant work was carried out to review the Group's Values, Mission and Vision, the starting point for the definition of a new Leadership model.

5. Measuring the Impact and Effectiveness of the New Approaches

To assess the effectiveness of new tools and processes, it is essential to constantly monitor results and measure the impact on organisational performance and employee engagement. The key metrics we are analysing are turnover, retention rate, employee satisfaction and the organisation's ability to attract new talent. Using this information, it is possible to make any adjustments and optimise the approach to human resource management.

To conclude, the evolution of the model and processes for the management and enhancement of human resources is a crucial element for the Group's success and sustainability. Through the introduction of new tools for continuous information, collaboration and training, the organisation can maximise the potential of its employees, promoting innovation, growth and long-term success.

RESEARCH AND DEVELOPMENT

In 2023, activities with high innovative 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.

The Group has implemented innovative research in various sectors, some of which are summarised below.

Industry 4.0: numerous innovative projects have been implemented on Group 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 digitisation of all processes to serve the gas and electricity customer base;
- the design and implementation of data analysis tools to support the identification of strategic, prevention and support actions for business processes;
- the design and implementation of tools for the automation of activities on the networks to optimise intervention times and the quality of interventions;
- the implementation of the redundancy of remote control systems of hydroelectric plants and of the electricity, water and gas distribution;
- the study and implementation of new software for water district management and the preventive identification of leaks in the water supply systems;
- the set-up and design of the process and software directed at the execution of energy management activities to balance and optimise the Group's energy sources (Plants and outside purchases) with respect to the consumption of its electricity and gas customer base;
- 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 evolution 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 by introducing new ongoing information, collaboration and training tools;
- the introduction of automated management tools for documentation and protocolling and digital signature operations;
- the creation of application software to optimise waste management, resource management and route optimisation of vehicles travelling in the area;

the setup, design and introduction of new Data Center solutions for the management of business applications and data, based on Cloud technology to increase the level of resilience, security and scalability of the Group's IT infrastructures (initiative in progress).

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 improve the service offered to customers.

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

Sunrise: in 2023, Hydro Dolomiti Energia continued important research activity as part of the Horizon 2020 project called SUNRISE: "Strategies and Technologies for United and Resilient Critical Infrastructures and Vital Services in Pandemic-Stricken Europe". This initiative, which involves various industrial and institutional partners at European level, aims to develop active cooperation and joint response strategies in the field of European Critical Infrastructures (ECIs) and, at the same time, to increase the preparation and equipment of the CIs to adequately assess, address and manage the risks created by future pandemics. The Company is focusing in particular on the proposition and examination of a case study consisting in remote inspection of strategic hydraulic works (using drones, combined satellite remote reading-signal processing based on artificial intelligence systems)

Renewable energy production systems: Hydro Dolomiti Energia continued the experimentation of innovative technology continued for the conversion of hydraulic energy into electricity, which can be installed and used along open-channel hydraulic transport works designed by the partner HE-Powergreen S.r.l. with which a specific agreement was signed in 2020. During 2023, testing activities continued on the machinery installed along the Biffis canal, relating to the Bussolengo Chievo concession owned by HDE, which will continue pursuant to the provisions of the agreement referred to above.

Innovative calculation systems: in 2023 the commitment of Hydro Dolomiti Energia continued as regards preparatory activities for the experimental production of computing power through the use of electricity drawn from auxiliary services of SEU-configuration plants; the procurement of special electronic devices and plant preparation continued for the installation of a computer system at the Dro hydroelectric plant, at first voluntarily slowed in view of the energy market price trend in 2022 and 2023, and later hampered by authorisation-related difficulties. The experimental activity is expected to begin in 2024.

Hydrogen: in 2022, a course of in-depth study was completed in the field of hydrogen production from electricity generated by run-of-the-river hydroelectric plants; in this context, a specific consultancy contract was assigned to the FBK research company. The opportunity and possibility of implementing trials will be assessed in the future. Again in the first quarter of 2022, collaborations were concluded with the Bruno Kessler Foundation and DNV, respectively, aimed at providing a general in-depth analysis of the effects induced by mixing hydrogen with natural gas on the distribution network (leaks, impacts on materials, safety, etc.) and on end uses, as well as detailed investigation on the compatibility of existing high and medium pressure networks at different mixing levels. In addition, in collaboration with the Istituto Italiano della Saldatura (Italian Institute of Welding), new technical rules were drawn up for the welding and control of steel pipes for the transport of hydrogen.

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 is managed by an advanced controller coupled to a real-time model, which assesses, 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 of the renewable energies obtained from dedicated solar plants is maximised, optimally exploiting the management of tanks and pumping systems. The system is developing continuously to better match network demand. In particular, new photovoltaic plants that became operational in 2023 will be entered on the calculation system in the near future.

Remote Management Systems: in order to adapt the IT systems to the progressive installation and management of latest generation electricity meters, the new remote management system "2Beat", produced and developed by Gridspertise and adopted by all the main Italian distributors, was implemented.

Again for the management of new meters and related information flows, SET has developed the MDM System, a custom database structured on the need to manage, validate and send quarterly readings to all third parties involved (SII, Terna, GSE, CSEA).

During 2023, the new systems underwent consolidation and optimisation.

With reference to natural gas metering, in 2023 the optimisation of remote management systems continued with the aim of increasing the meter readings percentage, also in response to the new regulatory framework that envisaged the transition to monthly reading of all mass market utilities commissioned (class G4-G6).

Water network management: work continued on optimising water supply management through advanced simulation and network control tools. In particular, the controller for the management of water districts and predictive detection of leaks is being further refined. The campaign for the mass replacement of traditional meters with smart meters continues, and remote meter reading using drive-by technology has commenced.

The experimentation of new monitoring systems of the sewerage networks is in the initial stages in order to determine any inefficiencies and the presence of parasitic water.

Electricity network management: the push to electrify consumption and increase production from renewable sources calls for a need to manage the electricity grid in an increasingly advanced way, also using distributed flexibility resources where possible as also incentivised by ARERA Resolution 352/2021/R/EEL. From this perspective, the plan for technological development of the protection and control equipment adopted in the primary and secondary substations continues (reaching 82% at the end of 2023), as well as the development of communication systems between the central systems and the equipment installed along the medium and low voltage network.

The installation plan for the new advanced supervision system continues in the primary substations, increasing the control of strategic assets as well as the level of safety of personnel working at the plant.

In 2023, virtualisation activities were completed on the remote control system, allowing observability of the MV production plants with nominal capacity of >1 MW (more than 80% of users migrated).

The upgrading of the remote control system, new network and new communication equipment made it possible in 2023 to start the laboratory experimentation of advanced automation that, on some lines, will reproduce the new fault selection method in the plant with the aim of further improving the quality of service to MV and LV users and the indicators envisaged by the Authority.

In 2023, a preliminary study was conducted to define the implementation of an Advanced Distribution Management System capable of providing advanced network calculation, planning, monitoring and operation functions, which will allow SET to provide power more resilient, secure and efficient to its users.

During the year, the supply of drones and the certification of an adequate number of pilots were further strengthened, who effectively conducted the inspection activities of the medium voltage overhead lines, reducing the need for inspections on foot.

RELATED PARTY TRANSACTIONS

DOLOMITI ENERGIA HOLDING SPA RELATIONS WITH THE LOCAL AUTHORITIES

IThe 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 Municipal Administration 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.

INFRAGROUP RELATIONS

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

Service agreements signed between Dolomiti Energia Holding and the subsidiaries Dolomiti Energia, Novareti, Dolomiti Energia Solutions, SET Distribuzione, Hydro Dolomiti Energia and Dolomiti Energia Trading. It governs general administrative, IT, technical and logistics 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 Holding 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 at 0.4 million euro.

FINANCIAL AND TAX SERVICES

Agreements are in force governing economic and organisational relations with authorities for the tax consolidation scheme, Group VAT and cash pooling, entered into with the subsidiaries Dolomiti Energia, SET, Novareti, Dolomiti Energia Solutions, Dolomiti Energia Trading, Depurazione Trentino Centrale, Hydro Dolomiti Energia, DGNL and Dolomiti Edison Energy.

Infra-Group debit/credit and purchase/sales relations and such relations with subsidiaries are illustrated in detail in Note 10 of the Explanatory Notes to the Separate Financial Statements and in Note 9 of the Explanatory Notes to the Consolidated Financial Statements.

BUSINESS OUTLOOK

Unlike last year, the first few months of 2024 were marked by a level of rainfall in line with historic averages, higher in some cases. This fact and the price trend which, though decreasing, nevertheless remains quite high when compared to the average pre-crisis level, allow us to forecast good results for production activities, at least for the first part of the year.

Despite the negative performance of tenders for protection assignments, the expectations for commercial activity are very optimistic as the positive effects, reported in the second part of 2023, of decisions to reposition the customer portfolio should be seen in full, taking into account the new market context. Note that the new information system, which became fully operational in February 2024, involved a major investment of both financial and human resources, with a view to improving customer service and enabling new products and services to strengthen the company's competitiveness.

The outlook for other Group activities is positive.

With regard to regulated activities, the aforementioned publication of the tender for the gas distribution service in the province of Trento is not expected to impact the current year, bull will obviously have significant effects in the medium term.

With regard to electricity distribution, note that in 2023 the regulatory framework of the new system for defining allowed revenues (ROSS) was completed, the effects of which will be better assessed only after the first determination of tariffs for 2024.

The outlook is therefore for a positive result overall, even if – considering the general context, and commodity market performance in particular – it will not be easy to repeat the extraordinary results achieved in the year just ended.

With reference to the internal organisational structure, note that from 3 April Stefano Granella will take up his duties as General Manager of the Group.

TREASURY SHARES

As at 31 December 2022, Dolomiti Energia Holding owned 26,369,875 treasury shares with a nominal value of 26,369,875 euro. The percentage of this shareholding comes to 6.4%.

Rovereto, 29 March 2024

As at 31 December 2022, Dolomiti Energia Holding did not own, either directly or through trust companies or third parties, any shares in parent companies.

on behalf of the BOARD OF DIRECTORS
Dolomiti Energia Holding SpA

Chairperson
Silvia Arlanch

DOLOMITI ENERGIA HOLDING SPA

Financial Statements as at 31 December 2023

Statement of Financial Position

(figures in Euro)

Assets	Notes	AS AT 31 DECEMBER 2023	2022
NON-CURRENT ASSETS			
Rights of use	8.1	1,797,562	1,872,799
Intangible assets	8.2	18,597,715	16,360,259
Property, Plant and Equipment	8.3	43,309,277	45,314,183
Equity investments	8.4	852,691,549	822,635,505
Non-current financial assets	8.5	11,438,923	10,635,355
Deferred tax assets	8.6	5,817,289	6,161,582
Other non-current assets	8.7	2,252,843	1,771,251
TOTAL NON-CURRENT ASSETS		**935,905,158**	**904,750,934**
Current assets			
Inventories	8.8	5,288	5,289
Trade receivables	8.9	10,641,928	11,860,487
Income tax credits	8.10	-	3,650,205
Current financial assets	8.11	252,121,858	446,517,496
Other current assets	8.12	41,451,221	16,071,455
Cash and cash equivalents	8.13	27,764,286	16,501,685
TOTAL CURRENT ASSETS		331,984,582	494,606,617
Shareholders' equity			
Share capital	8.14	411,496,169	411,496,169
Reserves	8.14	160,727,504	137,784,494
Reserve - IAS 19	8.14	(133,208)	(313,256)
Net profit/(loss) for the year	8.14	28,639,602	48,337,188
TOTAL SHAREHOLDERS' EQUITY		**600,730,067**	**597,304,595**
Liabilities			
NON-CURRENT LIABILITIES			
Provisions for non-current risks and charges	8.15	68,334	1,372,389
Employee benefits	8.16	2,339,073	2,385,028
Deferred tax liabilities	8.6	1,089,004	2,000,981
Non-current financial liabilities	8.17	171,252,680	529,776,580
Other non-current liabilities	8.18	107,191	77,032
TOTAL NON-CURRENT LIABILITIES		**174,856,282**	**535,612,010**
CURRENT LIABILITIES			
Provisions for current risks and charges	8.15	1,183,910	862,972
Trade payables	8.19	11,951,037	14,500,249
Current financial liabilities	8.17	429,171,811	227,760,730
Income tax payables	8.10	41,040,572	-
Other current liabilities	8.18	8,956,061	23,316,995
TOTAL CURRENT LIABILITIES		**492,303,391**	**266,440,946**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,267,889,740	1,399,357,551

Comprehensive Income Statement

(figures in Euro)

	Notes	AS AT 31 DECEMBER 2022	2021
Revenue	9.1	11,066,013	22,214,209
Other revenue and income	9.2	32,643,762	29,054,460
TOTAL REVENUE AND OTHER INCOME		**43,709,775**	**51,268,669**
Raw materials, consumables and merchandise	9.3	(2,250,985)	(14,900,217)
Service costs	9.4	(27,683,625)	(24,837,776)
Personnel costs	9.5	(16,051,827)	(14,294,343)
Amortisation, depreciation, allocations, write-downs and net write-backs (write-downs) of receivables	9.6	(10,952,477)	(9,763,194)
Other operating costs	9.7	(1,694,624)	(2,591,538)
TOTAL COSTS		**(58,633,538)**	**(66,387,068)**
Gains and expenses from equity investments	9.8	44,318,134	51,916,972
OPERATING RESULT		**29,394,371**	**36,798,573**
Financial income	9.9	18,208,825	14,493,278
Financial charges	9.9	(21,675,517)	(4,746,218)
PROFIT BEFORE TAX		**25,927,680**	**46,545,633**
Taxes	9.10	2,711,923	1,791,555
PROFIT/(LOSS) FOR THE YEAR (A)		**28,639,602**	**48,337,188**
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Actuarial profit/(loss) for employee benefits		172,475	269,984
Tax effect on actuarial profit/(loss) for employee benefits		7,573	(117,563)
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (B1)		**180,048**	**152,421**
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Profit/(loss) on cash flow hedge instruments		(3,196,432)	12,468,741
Tax effect on change in fair value in cash flow hedge derivatives		909,832	(3,549,102)
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (B2)		**(2,286,600)**	**8,919,639**
TOTAL OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX EFFECT (B) = (B1)+(B2)		**(2,106,553)**	**9,072,060**
TOTAL AGGREGATE RESULT FOR THE YEAR (A)+(B)		**26,533,050**	**57,409,248**

Cash Flow Statement

(in thousands of Euro)

	Notes	AS AT 31 DECEMBER 2023	2022
PROFIT/(LOSS) FOR THE YEAR		**28,640**	**48,337**
ADJUSTMENTS FOR:			
Amortisation/depreciation of:			
- rights of use	9.6	515	558
- intangible assets	9.6	6,466	6,404
- property, plant and equipment	9.6	2,802	2,802
Write-downs of assets	8.5	1,170	
Allocations to/(absorptions from) provisions for risks and charges	8.16; 8.17	(56)	612
(Gains)/expenses from equity investments	9.8	(44,318)	(51,917)
Result of equity investments measured at equity and other companies			
Financial (income)/charges	9.9	3,467	(9,747)
(Capital gains)/Capital losses from sale of property, plant and equipment		4	555
Other non-monetary elements	9.5	(79)	(26)
Income taxes	9.10	(2,712)	(1,792)
Cash flow from operations before changes in net working capital		*(4,102)*	*(4,214)*
CHANGES IN NET WORKING CAPITAL:			
(Increase)/Decrease in inventories	8.8	0,00	447
(Increase)/Decrease in trade receivables	8.9	1,219	4,469
(Increase)/Decrease in other assets	8.12	26,155	27,994
Increase/(Decrease) in trade payables	8.20	(2,549)	(2,825)
Increase/(Decrease) in other liabilities	8.19	(2,796)	4,365
Dividends collected	9.8	44,795	52,383
Interest and other financial income collected	9.9	19,566	11,759
Interest and other financial expenses paid	9.9	(19,232)	(4,298)
Utilisation of provisions for risks and charges	8.16; 8.17	(793)	(931)
Income taxes paid		(15,860)	(24,170)
CASH FLOWS FROM OPERATIONS (A)		**46,402**	**64,979**
Net investments in rights of use		-	-
Net investments in intangible assets	8.2	(8,704)	(5,171)
Net investments in property, plant and equipment	8.3	(1,969)	(3,134)
Net investments in equity investments	8.4	(30,556)	(1,136)
(Increase)/decrease in other investment activities	8.11	189,054	91,444
CASH FLOWS FROM INVESTMENT ACTIVITIES (B)		**147,825**	**82,003**
Capital increases/Sale of treasury shares		-	-
Payments for share issue expenses		-	-
Financial payables (new issues of long-term loans)	8.18	(350,000)	350,000
Financial payables (reimbursements and other net changes)	8.18	190,143	(519,230)
Dividends paid		(23,108)	(38,513)
CASH FLOWS FROM FINANCING ACTIVITIES (C)		**(182,964)**	**(207,743)**
Effect of changes on cash and cash equivalents (d)		-	-
Increase/(decrease) in cash and cash equivalents (a+b+c+d)		11,263	(60,761)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**16,502**	**77,263**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**27,764**	**16,502**

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/(loss) for the year	Total Shareholders' Equity
BALANCE AS AT 1 JANUARY 2022							
TRANSACTIONS WITH SHAREHOLDERS:							
Dividend distribution	-	-	-	-	-	(38,513)	(38,513)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**-**	**-**	**-**	**-**	**(38,513)**	**(38,513)**
ALLOCATION TO RESERVES OF PROFIT/(LOSS) FOR THE YEAR	**-**	**2,265**	**-**	**-**	**4,520**	**(6,785)**	**-**
AGGREGATE RESULT FOR THE YEAR:							
Net profit (loss)	-	-	-	-	-	48,337	48,337
Other comprehensive profit (loss), net of tax effect	-	-	-	-	9,073	-	9,073
TOTAL AGGREGATE RESULT FOR THE YEAR	**-**	**-**	**-**	**-**	**9,073**	**48,337**	**57,410**
BALANCE AS AT 31 DECEMBER 2022	**411,496**	**39,656**	**994**	**(53,515)**	**150,337**	**48,337**	**597,305**
TRANSACTIONS WITH SHAREHOLDERS:							
Dividend distribution	-	-	-	-	-	(23,108)	(23,108)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**-**	**-**	**-**	**-**	**(23,108)**	**(23,108)**
ALLOCATION TO RESERVES OF PROFIT/(LOSS) FOR THE YEAR	-	2,417	-	-	22,812	(25,229)	-
AGGREGATE RESULT FOR THE YEAR:							
Net profit (loss)	-	-	-	-	-	28,640	28,640
Other comprehensive profit (loss), net of tax effect	-	-	-	-	(2,107)	-	(2,107)
TOTAL AGGREGATE RESULT FOR THE YEAR	**-**	**-**	**-**	**-**	**(2,107)**	**28,640**	**26,533**
BALANCE AS AT 31 DECEMBER 2023	**411,496**	**42,073**	**994**	**(53,515)**	**171,042**	**28,640**	**600,730**

EXPLANATORY NOTES

1. GENERAL INFORMATION

Dolomiti Energia Holding S.p.A. (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 S.p.A. 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 2023, the Company's share capital was held by:

Shareholder	No. of shares	%
PUBLIC ENTITIES		
FINDOLOMITI ENERGIA Srl	199,612,381	48.51%
TRENTO MUNICIPAL ADMINISTRATION	24,315,908	5.91%
ROVERETO MUNICIPAL ADMINISTRATION	17,852,031	4.34%
MORI MUNICIPAL ADMINISTRATION	5,060,563	1.23%
ALA MUNICIPAL ADMINISTRATION	3,852,530	0.94%
BIM ADIGE	3,373,989	0.82%
BIM SARCA-MINCIO-GARDA	3,322,260	0.81%
OTHER PUBLIC AUTHORITIES	5,290,357	1.29%
UTILITY		
AMAMBIENTE S.p.A.	12,630,771	3.07%
AIR AZIENDA INTERCOMUNALE ROTALIANA S.p.A.	4,085,912	0.99%
CEDIS CONSORZIO ELETTRICO DI STORO Scarl	2,783,799	0.68%
PRIMIERO ENERGIA	2,430,900	0.59%
CEIS CONSORZIO ELETTRICO INDUSTRIALE DI STENICO S.c.	2,322,983	0.56%
CEPF POZZA DI FASSA	944,716	0.23%
ACSM AZIENDA CONSORZIALE SERVIZI MUNICIPALIZZATI S.p.A.	823,006	0.20%
AZ. SERV. MUNIC. - TIONE DI TRENTO	14,850	0.00%
PRIVATI		
FT ENERGIA S.p.A.	28,727,315	6.98%
FONDAZIONE CASSA DI RISPARMIO DI TRENTO E ROVERETO	22,218,753	5.40%
EQUITIX ITALIA HOLDCO 1 SRL	20,574,809	5.00%
I.S.A. - IST. ATESINO DI SVILUPPO SpA	17,442,965	4.24%
ENERCOOP S.r.l.	7,417,550	1.80%
MONTAGNA Sig.ra ERMINIA	27,540	0.01%
ELETTROMETALLURGICA TRENTINA Srl	203	0.00%
POMARA LUCIANA	203	0.00%
PUBLIC ENTITIES	**262,680,019**	**63.84%**
PRIVATE ENTITIES	**96,409,338**	**23.43%**
UTILITY	**26,036,937**	**6.33%**
TREASURY SHARES	**26,369,875**	**6.41%**
TOTAL	**411,496,169**	**100%**

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 European 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 Italian Legislative Decree No. 38 was issued, then amended by Italian 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 IFRS ("Transition Date"). Additionally, on 14 July 2017, the Company finalised the listing transactions on the Irish Stock Exchange of a previously existing bond loan for a residual nominal amount of 5 million euro, taking on the classification as a Public Interest Entity (PIE) and therefore with the obligation to draw up its own financial statements in accordance with the EU IFRS standards.

The 2023 Financial Statements were drawn up in compliance with EU IFRS standards in force at their approval date. 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 Regulation (EC) No. 1606/2002, approved by the European Parliament and the European Council on 19 July 2002.

The Financial Statements were drafted on a going concern basis and based on the conventional criterion of 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 EU IFRS standards 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.

In relation to the Ukraine-Russia and Israel-Palestine conflicts, any resulting effects were considered in the analysis of estimates and assumptions used in the financial statements, with no specific risks identified.

These draft Financial Statements were approved by the Company's Board of Directors on 29 March 2024.

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;

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.

The Financial Statements are audited by the Independent Auditors PricewaterhouseCoopers S.p.A.

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 S.p.A. 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 Italian Presidential Decree 633/72 (Group VAT) for VAT payments;

c) the Company opted for the national tax consolidation with regard to direct taxes.

2.4 MEASUREMENT CRITERIA

RIGHTS OF USE (LEASES)

The Company holds tangible assets used in carrying out its business activities, through long-term rental contracts. At the contract start date, it is determined whether the contract is or contains a lease. The definition of a lease under IFRS 16 is applied when the contract transfers the right to control the use of an underlying asset for a period of time in exchange for consideration. The Company recognises an asset consisting of the right to use the underlying asset and a lease liability on the effective date of the contract (i.e. the date on which the underlying asset is available for use). The asset consisting of the right of use represents the lessee's right to use the underlying asset for the duration of the lease and its initial measurement corresponds to the lease liability, initially measured at the present value of the payments due under the contract, to be paid over its term. In calculating the present value of the payments due, the lessee's marginal borrowing rate at the effective date of the lease is used. After the effective date, the lease liability is measured at amortised cost using the effective interest rate method and restated as certain events occur. The Company applies the exception to the recognition of short-term leases to its contracts with a duration of 12 months or less from the effective date; it also applies the exception to the recognition of leases in which the underlying asset is of "low value" and the amount of which is estimated as not significant. Payments due on short-term leases and those where the underlying asset is of low value are recognised as an expense on a straight-line basis over the term of the contract. In accordance with the provisions of the standard, the Company separately reports interest expense on lease liabilities and portions of depreciation for assets consisting of the right of use.

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:

	Term/Rate %
Concessions	20 years
Patent and software rights	20%

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 modernisation 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 S.p.A. and A.S.M. S.p.A. on 16 December 2002, the accounting treatment is as follows:

Assets from A.S.M. S.p.A., acquired prior to 31 December 1997

Assets acquired prior to the above date are 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 S.p.A. acquired prior to 31 December 1997

Assets acquired prior to 31 December 1997 are 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 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 01 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 S.p.A. (now Dolomiti Energia Holding 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 S.p.A. (now Novareti 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.

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 revenue, 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 subsidiaries, associates and joint ventures are recognised at purchase or formation cost.

Should impairment indicators occur, the recoverability of the book value is assessed by comparing the book value with the value in use, calculated by discounting prospective cash flows of the equity investments and, whenever possible, the hypothetic sales value, determined based on recent transactions or market multiples, whichever higher.

The portion of losses exceeding the book value is recorded in a specific liability fund to the extent that the Company considers that there are legal or implicit obligations to cover losses and in any case within the limits of the book shareholders' equity. If the subsequent performance of the investee subject to write-down shows such an improvement that the reasons for the write-downs no longer apply, the investments are revalued within the limits of the write-downs recorded in previous years.

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 receivables 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 value of trade receivables is shown in the financial statements net of the relevant provisions for write-downs, which is determined on the basis of risk situations in order to align the amount value of receivables to their estimated realisable value.

NON-DERIVATIVE FINANCIAL ASSETS

Non-derivative financial assets are distinguished by fixed or calculable payments not listed in an active market, for which the Company's objective is to achieve the contractual cash flows represented by payment of the principal and interest. 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 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.

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 the income statement, 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 liabilities (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 12 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 eventually 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 "personnel costs" item, while
- net financial charges on defined-benefit liabilities or assets are recognised in the income statement under "Financial income/(charges)" item, 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 profits 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 comprehensive income statement, 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 im-

portant 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.

REVENUE RECOGNITION

Revenue is recognised based on the recognition model provided for by IFRS 15, which is based on 5 steps:

i. identification of the contract with the customer. The term contract means the approved trade agreement between two or more parties that creates demandable rights and obligations. The standard contains specific provisions for assessing whether two or more contracts must be combined with each other and for identifying the accounting implications of a contractual amendment;

ii. identification of the "Performance obligations" contained in the contract;

iii. determination of the "Transaction price". Among other things, in order to determine the transaction price, it is necessary to consider the following elements:

   - any amounts collected on behalf of third parties that must be left out of the consideration;

   - variable price components (such as performance bonuses, penalties, discounts, refunds, incentives, etc.);

   - financial component, if the terms of payment grant the customer a significant extension;

iv. allocation of the price to the performance obligations on the basis of the "Relative Stand Alone Selling Price";

v. recognition of revenue when the performance obligation is met. Transfer of the asset or service takes place when the customer obtains control of the asset or service, that is to say, when it has the ability to decide and/or address its use and basically obtain all of its benefits. The principle stated by IAS 18 for which the revenue is recognised by looking at the benefits that can be gained from the asset and at the assessment of likelihood of collecting the relevant receivable is replaced. Control can be transferred at a point in time or over time.

According to the type of transaction, revenue is recognised based on the following specific criteria:

i. revenue from sales of goods is recognised when, along with control over the asset, the risks and benefits related to the ownership of the assets are transferred to the purchaser and their amount can be determined reliably;

ii. revenue for sales and transport of electricity is recognised when the supply or service is provided, even if not yet invoiced. This revenue is based on stock exchange prices and contract prices, taking into account, when applicable, the tariffs and criteria established by measures of law and by the Regulatory Authority for Energy Networks and Environment, in force during the reference period. Revenue not yet ascertained with the counterparty is determined with appropriate estimates;

iii. revenue for the sale of certificates is recorded upon transfer thereof;

iv. 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.

Deferred tax assets and liabilities are calculated based on all differences that arise between tax value of an asset or liability and the related carrying amount. Deferred tax assets, 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. Deferred tax assets and liabilities 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 rate at the reporting date.

Current, deferred tax assets and liabilities 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.

"WINDFALL" MEASURES

The rules issued during 2022 and amended several times that year targeted withdrawal of the alleged "windfalls" described in detail in the report on operations to the financial statements for the previous year, were applied again in 2023.

This as a result of the amendment introduced by Italian Law Decree 115/2022 ("Aiuti bis") to Art. 15-bis of Italian Decree Law 4/2022 ("Sostegni TER"), which envisaged that:

- from 1 February 2022 to 30 June 2023, a two-way compensation mechanism will be applied to energy prices, in reference to electricity supplied to the grid by:
  a) PV plants with capacities of >20 kW that benefit from fixed bonuses under the "Conto Energia" mechanism, not dependent on market prices;
  b) plants with capacities of >20 kW powered by solar, hydroelectric, geothermoelectric and wind sources which have no access to incentive mechanisms and became operational prior to 1 January 2010.
- The GSE calculates the difference between a reference price (58 euro/MWh for northern Italy) and a market price as follows:
  1. for PV plants with capacity of >20 kW (point a) powered by solar, wind, geothermal and run-of-the-river hydroelectric, the zone price per hour on the electricity market, i.e. for supply contracts signed before 27 January 2022 (and for 2023 those signed before 5 August 2022) the price stated in the contracts;
  2. for other plants (point b), the arithmetic monthly average zone price per hour on the electricity market, i.e. for supply contracts signed before 27 January 2022 (and for 2023 those signed before 5 August 2022) the price stated in the contracts;
- If the difference between the reference price and market price as calculated above is positive, the GSE disburses the related amount to the producer. If negative, the GSE asks the producer to pay the corresponding amount or offset it against other items.
- The difference is settled between the GSE and the producer solely for supply contracts signed before 5 August 2022, provided these contracts are not linked to energy market spot price trends and, in any event, were not signed at an average price more than 10% above the

reference market price, limited to the duration of the contracts.

- For the purpose of points 1) and 2) above, the only valid contracts are those signed between companies pertaining to the same group as the producer, even if not producers themselves, and other natural persons or legal entities external to the producer's corporate group.

The settlement of items relating to the period 1 February 2022 – 31 December 2022, begun in October 2022 on the basis of provisions of ARERA Resolution 266/2022/R/eel and related GSE Implementing Technical Rules, was suspended in December 2022 and is still pending.

Against this specific government measure, the separate financial statements as at 31 December 2022 included an estimated charge of 178 thousand euro included in the item "Other operating costs". In August 2023, the Company sent the final technical report for the period 1 February 2022-31 December 2022 to the GSE, revising the calculations underlying the determination of the average sale price and consequently restating the cost for 2022 as 126 thousand euro, with consequent recognition in 2023 of a contingent asset of 52 thousand euro.

In September 2023, the Company sent the final technical report for the period 1 January 2023-30 June 2023 to the GSE, which showed a charge for 2023 of 528 thousand euro.

The aforementioned government measure had an overall negative impact on the 2023 Income Statement for a total of 477 thousand euro.

The settlement of items relating to the same regulatory provision for the period 1 January 2023-30 June 2023, consisting of a single adjusting payment at the end of the period, has not yet been activated by the GSE; in September 2023, the Group provided all the information, data and declarations necessary for implementation of the aforementioned regulatory provision and its specific implementing rules for the first half of 2023, consisting of ARERA Resolution 143/2023/R/eel and related update of 23 June 2023 to the Implementing Technical Rules issued by the GSE.

As at 31 December 2023, the item "Other payables" included payables to the GSE for 513 thousand euro (36 thousand euro as at 31 December 2022) specifically referring to this government measure.

As mentioned in the Report on Operations to the previous year's financial statements, the 2023 Budget Law, in implementation of Regulation (EU) No. 2022/1854, approved on 29 December 2022, introduced an additional one-way mechanism that requires payment to the GSE from 1 December 2022 to 30 June 2023 of revenues, if any, referring to the difference between the market price and the 180 euro/MWh cap value, associated with renewable source production plants not already subject to the 58 euro/MWh cap introduced by Art. 15-bis of Italian Decree Law 4/2022. The implementing rules were issued by ARERA through Resolution 143/2023/R/eel (the same resolution for settlement of the 58 euro/MWh cap in the 2023 application period). Despite arranging updating of the Implementing Technical Rules on 23 June 2023, the GSE has not started to gather information from producers. Consequently, to date, the requirements are not met for commencing settlement of the related accounts. It should be mentioned at this point that in the first half of 2023, the average monthly MGP prices were always lower than the 180 euro/MWh cap. This measure had no effect for the year ended 31 December 2023.

Lastly, in 2023, the financial effects were seen of the "solidarity contribution" envisaged in the 2023 Budget Law, applying to entities that are producers of electricity and gas, that produce, distribute and market oil products, electricity and gas resellers and entities that import electricity or gas for subsequent resale. This contribution, payable if at least 75% of revenues (in the tax period prior to that in progress as at 1 January 2023) derives from the activities indicated, equals 50% of the IRES taxable amount, in the period prior to that in progress as at 1 January 2023, which exceeds by at least 10% the average income in the four tax periods prior to that in progress as at 1 January 2022, with a limit set at 25% of the shareholders' equity. This measure, which had no effect on the Company for the year ended 31 December 2022, consequently had no financial effect in 2023.

4. 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 carrying amount 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 carrying amount 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) **Deferred tax assets:** deferred tax assets are recognised on the basis of expectations of taxable income in future years to be used for their recovery. The valuation of the expected taxable income for the purpose of recognising deferred tax assets depends on factors that can vary over time and significantly affect the deferred tax assets recoverability.

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 financial instruments:** the calculation of the 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.

5. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT ARE APPLICABLE IN THESE FINANCIAL STATEMENTS

The following accounting standards and amendments to the accounting standards issued by IASB and implemented by the European Union, where foreseen, are mandatorily applicable starting from 1 January 2023.

- Amendments to IAS 1 "Presentation of financial statements".
  The document published by the IASB includes amendments to the "IFRS Practice Statement 2 – Making Materiality Judgements" which aim to provide guidance on, for example, how to apply the concept of "materiality" in disclosures relating to accounting standards. In particular, the standard establishes that only material accounting standards must be described in the financial statements, not all the significant accounting standards.
  Information is material if, considered together with other information included in the financial statements, it can reasonably influence decisions made by the primary financial statement users. To assess the "materiality" of the disclosure, it is necessary to consider both the amount of transactions and their nature, therefore considering both quantitative and qualitative factors.
- Amendments to IAS 8 "Definition of Accounting Estimates".
  The amendments to IAS 8 clarify the distinction between changes in accounting standards and changes in accounting estimates. In the financial statements, accounting estimates must be classified as material monetary amounts that have measurement uncertainties. An accounting estimate is made to achieve the objective of the accounting standard, as an accounting standard could require financial statement items to be measured as monetary amounts that cannot be observed directly and, for this reason, must be estimated through the use of assessments and assumptions based on the most recent, reliable and available information. In addition, changes to accounting estimates as a result of new information should not be considered error corrections.
- Amendments to IAS 12, "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction".
  The amendments clarify that the exemption from initial recognition no longer applies to transactions that give rise to taxable and deductible temporary differences of the same amount, reducing the scope of application of the exception. For transactions subject to the amendments, the related deferred tax assets and liabilities must be recognised at the beginning of the first comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings (or other components of shareholders' equity)

at that date. In addition, on 8 November 2023, with Regulation (EU) 2023/2468, published in the European Official Journal on 9 November 2023, the European Commission adopted the amendments to IAS 12 which introduce a temporary exception from accounting for deferred taxes arising from the implementation of OECD Pillar II rules, as well as targeted disclosures. Note that the OECD tax reform "Global Anti-Base Erosion Model rules" introduced a model to address the tax challenges arising from the digitalisation of the economy. The Pillar II rules aim to limit tax competition by introducing a minimum global rate of 15% in each jurisdiction in which large multinational companies operate.

- Amendments to IFRS 17 "Insurance Contracts".
  IFRS 17 was issued in May 2017, replacing IFRS 4, with the aim of introducing a consistent model for measuring insurance contracts, defining the criteria for recognition, measurement and presentation. With this aim, the standard:
  - Introduces a single accounting model for all insurance contracts;
  - Requires that updated information is provided in relation to the risks and performance of insurance contracts and obligations;
  - Improves the transparency of financial information.

With reference to the application of these standards, amendments and new interpretations, it should be noted that there was no impact on the Company's 2023 financial statements.

6. ACCOUNTING STANDARDS APPLICABLE IN YEARS AFTER THAT ENDED 31 DECEMBER 2023

The following accounting standards, amendments to accounting standards and interpretations issued by the IASB and incorporated by the European Union at the date of presentation of the 2023 financial statements must be applied for the financial years following 2023.

- Amendments to IAS 1 "Presentation of financial statements"
  The amendments, issued on 31 October 2022 and effective from 1 January 2024 with early application permitted, clarify the requirements to be considered in determining whether, in the statement of financial position, payables and other liabilities with an uncertain settlement date should be classified as current or non-current (including payables extinguishable by conversion into equity instruments). The proposed changes clarify that a liability is classed as current when, at the closing date of the year, the entity does not have the right to defer its payment for at least 12 months. The right to defer payment must not be unconditional, but rather substantial and existent at the year-end date. It is irrelevant whether the entity intends to exercise this right or not during the subsequent 12 months (e.g. the intention to refinance a loan by extending its maturity) and any decisions adopted between the reporting date and the publication of the financial statements (e.g. decision to arrange early repayment of the loan). Furthermore, if the right to defer payment beyond 12 months on a liability arising from a loan agreement is dependent on compliance with covenants, classification of the liability is current or non-current must take the following into account:

- compliance with contractual covenants up to the financial statements closing date is material in determining the existence or not of the right to defer payment of the liability for at least 12 months;
- compliance with contractual covenants up to the financial statements closing date is not material in determining the existence or not of the right to defer payment of the liability for at least 12 months.

With reference to disclosure in the financial statements, the entity must provide the following additional information in the explanatory notes to the financial statements in reference to subsequent events that do not result in an adjustment:

- long-term refinancing of a liability classed as current;
- settlement of a breach of a long-term loan agreement classified as a current liability;
- granting by the lender of a grace period for settlement of a breach of a long-term loan agreement classified as a current liability;
- settlement of a liability classed as non-current.

If the entity has liabilities deriving from loan agreements classed as non-current, on which the right to defer payment is dependent upon compliance with covenants to be calculated in the 12 months after the closing date of the financial statements, the following additional information must be provided in the explanatory notes to the financial statements:

- amount of non-current liabilities subject to compliance with covenants in the following 12 months;
- description of the covenants and indication of the dates on which the entity must comply with them;
- events and circumstances, if any, proving the entity's difficulty in complying with the covenants (e.g. action taken before and/or after the reporting date to avoid breach of the covenants, the fact that the covenants to be complied with in the following 12 months would be breached if the figures as at year end were used).

- Amendment to IFRS 16 "Leases: Lease Liability in a Sale and Leaseback"
  The amendments, issued on 22 September 2022 and applicable from 1 January 2024 with early application permitted, concern the accounting of a sale and leaseback transaction, which provides for the payment of variable fees by the lessee-seller.
- Amendments to IAS 7 "Statement of Cash Flows".
  On 25 May, the IASB published "Supplier Finance Arrangements", amending IAS 7 to regulate the requirements for the presentation of liabilities and related cash flows deriving from supply chain finance arrangements and related additional disclosures. Before the amendments, neither IAS 7 nor IFRS 7 envisaged specific disclosure requirements for reverse factoring. The standard requires information to be provided that allows financial statements users to assess the nature and extent of the risks deriving from financial instruments to which the entity is exposed; reverse factoring often gives rise to liquidity risk due to the concentration of part of the liabilities with one financial institution. These provisions are applicable from 1 January 2024.
- Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates".
  On 15 August 2023, the IASB published "Lack of Exchangeability", which mainly defined:
  - The requirements for establishing when a currency is convertible into another and when it is not;
  - The requirements for estimating the spot exchange rate when a currency is not con-

vertible into another and the related additional disclosure requirements.

This amendment will enter into force from 1 January 2025.

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);
- 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 2023, the Company's indebtedness also included a bond loan for 5,051,800 euro.

The Company has fixed-rate and floating-rate loans in place, the latter benchmarked mainly to Euribor rate plus a 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

2023 and 2022 to hedge interest rate fluctuations are summarised as follows:

IRS

	AS AT 31 DECEMBER 2023	
Date of transaction	25/05/2017	26/05/2017
Company	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa
Counterparty	Unicredit	Intesa San Paolo
Effective date	01/01/2021	01/01/2021
Maturity	30/09/2032	30/09/2032
Notional in Euro	36.458.333	36.458.333
Floating interest rate	3M Euribor (floor -0.80)	3M Euribor (floor -0.80)
Fixed interest rate	1.34E-2	1.3235E-2
Fair value	1.707.393	1.731.530

	AS AT 31 DECEMBER 2022	
Date of transaction	25/05/2017	26/05/2017
Company	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa
Counterparty	Unicredit	Intesa San Paolo
Effective date	01/01/2021	01/01/2021
Maturity	30/09/2032	30/09/2032
Notional in Euro	40.625.000	40.625.000
Floating interest rate	3M Euribor (floor -0.80)	3M Euribor (floor -0.80)
Fixed interest rate	1.34E-2	1.3235E-2
Fair value	3.275.725	3.359.630

Sensitivity Analysis related to interest rate risk

The Company's exposure to interest rate risk was measured through a sensitivity analysis that considered current financial liabilities. Within the hypotheses made, the effects on the Company's Income Statement and Shareholders' Equity as at 31 December 2023 were evaluated with respect to a possible change in market rates, which discounted 50 bps 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 2023	210	(210)	210	(210)
Year ended 31 December 2022	1,768	(1,768)	1,768	(1,768)

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 2023 and 31 December 2022 is represented by the sum of financial assets recorded in the financial statements, summarised as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2023	2022	change
Trade receivables	11,282	12,501	(1,219)
Financial assets	263,561	457,152	(193,591)
Other assets	43,704	17,842	25,862
Provision for write-downs	(640)	(641)	1
TOTAL	**317,907**	**486,854**	**(168,947)**

The balance of the "Other assets" item for 2022 differs from that shown in the financial statements of the previous year (17,462 euro) due to the reclassification of 380 thousand euro that will be better illustrated in the following paragraphs (notes 8.10 and 8.12).

Trade receivables as at 31 December 2023 are shown in this table by due date.

(in thousands of Euro)

	Due	Past due 0-30 days	Past due 31-60 days	Past due 61-90 days	Past due 90-180 days	Past due after 180 days
Trade receivables	10,838	59	7	0	1	377
TOTAL	**10,838**	**59**	**7**	**0**	**1**	**377**

7.3 LIQUIDITY RISK

Liquidity risk is the risk that a company will not be able to fulfil its financial commitments due to the lack of sufficient liquidity.

The main factors that influence the total liquidity of the Group are the resources generated or absorbed by operations and the contractual characteristics of debt: however, the Group has sufficient cash credit facilities to cover its liquidity needs.

Liquidity risk management aims to define a financial structure in line with the corporate objectives and that can ensure a suitable level of short-term liquidity and a balance in terms of debt duration and breakdown that is capable of supporting the investment programmes.

In order to effectively monitor the Group liquidity, the "Risk Management" department has implemented a control system aimed at ensuring that the credit lines are extensive enough to deal with any prospective stress situations.

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 5 years:

(in thousands of Euro)	AS AT 31 DECEMBER 2023		
	Maturity		
	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Trade payables	11,951	-	-
Payables due to banks and other lenders	429,172	66,201	105,052
Other payables	8,956	107	-
TOTAL	**450,079**	**66,308**	**105,052**

(in thousands of Euro)	AS AT 31 DECEMBER 2022		
	Maturity		
	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Trade payables	14,500	-	-
Payables due to banks and other lenders	227,761	408,059	121,718
Other payables	23,317	77	-
TOTAL	**265,578**	**408,136**	**121,718**

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 2023 and 31 December 2022:

(in thousands of Euro)	AS AT 31 DECEMBER 2023		
Assets	**Level 1**	**Level 2**	**Level 3**
Derivative instruments (interest rate swap)*	-	3,439	-

[* tale importo accoglie il fair value di tutti gli strumenti finanziari derivati che da un punto di vista contabile sono classificati di copertura].

(in thousands of Euro)	AS AT 31 DECEMBER 2022		
Assets	**Level 1**	**Level 2**	**Level 3**
Derivative instruments (interest rate swap)*	-	6,635	-

[* this amount includes the fair value of all derivatives that, under an accounting viewpoint, are classified as hedging].

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

The following table shows financial assets and liabilities as at 31 December 2023 and 31 December 2022 broken down by category:

(in thousands of Euro)	AS AT 31 DECEMBER 2023			
	Financial assets/ liabilities measured at amortised cost	Financial assets/ liabilities measured at fair value FVOCI	Financial assets/ liabilities measured at fair value FVTPL	Total
CURRENT ASSETS				
Cash and cash equivalents	27,764	-	-	27,764
Trade receivables	10,642	-	-	10,642
Other assets and other current financial assets	293,573	-	-	293,573
NON-CURRENT ASSETS				
Other assets and other non-current financial assets	10,253	3,439	-	13,692
CURRENT LIABILITIES				
Trade payables	11,951	-	-	11,951
Current financial liabilities	429,172	-	-	429,172
Other current liabilities	8,956	-	-	8,956
NON-CURRENT LIABILITIES				
Non-current financial liabilities	171,253	-	-	171,253
Other non-current liabilities	107	-	-	107

(in thousands of Euro)	AS AT 31 DECEMBER 2022			
	Financial assets/ liabilities measured at amortised cost	Financial assets/ liabilities measured at fair value FVOCI	Financial assets/ liabilities measured at fair value FVTPL	Total
CURRENT ASSETS				
Cash and cash equivalents	16,502	-	-	16,502
Trade receivables	11,860	-	-	11,860
Other assets and other current financial assets	462,589	-	-	462,589
NON-CURRENT ASSETS				
Other assets and other non-current financial assets	5,772	6,635	-	12,407
CURRENT LIABILITIES				
Trade payables	14,500	-	-	14,500
Current financial liabilities	227,761	-	-	227,761
Other current liabilities	23,317	-	-	23,317
NON-CURRENT LIABILITIES				
Non-current financial liabilities	529,777	-	-	529,777
Other non-current liabilities	77	-	-	77

7.5 RISKS ASSOCIATED WITH CLIMATE CHANGE

Climate change has always characterised and conditioned the history of our planet, but the global warming we have been witnessing for about 150 years is anomalous, because it is triggered by man and his actions. The consequences of climate change still underway have translated into an already evident global warming, with significant reductions in glaciers and an increase in extreme weather events. Climate change is becoming more and more of a climate crisis, because the climate has always changed, but not so quickly and not with rigid and complex infrastructures like cities and the production system that most industrialised countries are used to.

As confirmed in numerous studies and publications available in scientific literature, the effects of climate change expected for the thermo-pluviometric regime will modify the availability of water resources, altering the extent and seasonality of runoff into surface waterways. With regard to the situation in Trentino, detailed hydrological studies, some of which targeting the analysis of a specific context by the Company, others in the public domain and of a more general context, have shown that there will be a substantial constancy over time in the quantity of cumulative annual precipitation, with very limited precipitation intensity variations, thanks to the persisting effectiveness of convective phenomena generated due to the Alpine topography.

As regards temperature and evapotranspiration, there will be a more marked increase in the long term rather than in the medium term: estimates assume an average increase of 1°C in the short term (2025-2040) and of 2°C in the long term (2041-2060).

This leads management to arrange careful and continuous monitoring of current and future climate changes, in order to safeguard the profitability of its business and the technical-economic value of the physical assets servicing hydroelectric production, as well as the carrying amount of investee companies operating in this segment.

8. NOTES TO THE STATEMENT OF FINANCIAL POSITION

8.1 RIGHTS OF USE

Changes in "Rights of Use" item are shown hereunder for the years ended 31 December 2023 and 2022:

(in thousands of Euro)

	Right of use of buildings	Right of use of other goods	Total
BALANCE AS AT 1 JANUARY 2022	**1,975**	**395**	**2,370**
Of which:			
Historical cost	*10,360*	*730*	*11,090*
Accumulated amortisation	*(8,385)*	*(335)*	*(8,720)*
Increases	-	60	60
Net decreases	-	-	-
Amortisation	(379)	(178)	(557)
BALANCE AS AT 31 DECEMBER 2022	**1,596**	**277**	**1,873**
Of which:			
Historical cost	*10,299*	*704*	*11,003*
Accumulated amortisation	*(8,703)*	*(427)*	*(9,130)*
Increases	252	193	445
Net decreases	-	(5)	(5)
Amortisation	(375)	(140)	(515)
BALANCE AS AT 31 DECEMBER 2023	**1,473**	**325**	**1,798**
Of which:			
Historical cost	*10,551*	*666*	*11,217*
Accumulated amortisation	*(9,078)*	*(341)*	*(9,419)*

"Rights of use of buildings" amounting to 1,473 thousand euro mainly refer to contracts related to the property complex used as the registered office in Rovereto (TN). Note the purchase of land during the year in Lizzana, Rovereto, for 252 thousand euro.

"Rights of use of other goods" amounting to 325 thousand euro refer to contracts for vehicles with an average duration of 5 years. For the company cars, the Company decided on long-term rentals and at the expiry of these contracts, they are replaced with new vehicles and new long-term contracts; sometimes, at the natural expiry of these contracts, they are extended for a further 12 months without a formal renewal.

The information required under EU standard IFRS 16 par. 53 is provided below.

(in thousands of Euro)

	Notes	As at 31 December 2023
Amortisation of rights of use	9.06	515
Interest expense on financial liabilities for leases	9.09	66
Short-term contract related costs	9.04	131
Costs related to contracts for low value goods	9.04	652
Costs related to variable lease payments not included in the measurement of the liability		-
Income from sub-leasing of substantial assets in the right of use		-
TOTAL OUTGOING FINANCIAL FLOW FOR LEASES		**1060**
Profits/(losses) from sales and leaseback transactions		-

8.2 INTANGIBLE ASSETS

Changes in item "Intangible assets" are shown hereunder for the years ended 31 December 2023 and 2022:

(in thousands of Euro)

	Concessions	Industrial patent and intellectual property rights	Other	Work in progress and advance payments	Total
BALANCE AS AT 1 JANUARY 2022	**3,384**	**14,510**	**18**	**26**	**17,938**
Of which:					
Historical cost	*7,824*	*63,965*	*2,256*	*26*	*74,071*
Accumulated amortisation	*(4,440)*	*(49,455)*	*(2,238)*		*(56,133)*
Increases	116	4,720	-	335	5,171
Net decreases	-	(344)	-	-	(344)
Reclassifications	-	-	-	-	-
Amortisation	(386)	(6,012)	(6)	-	(6,404)
BALANCE AS AT 31 DECEMBER 2022	**3,114**	**12,874**	**12**	**361**	**16,361**
Of which:					
Historical cost	*7,940*	*66,152*	*2,256*	*361*	*76,709*
Accumulated amortisation	*(4,826)*	*(53,278)*	*(2,244)*	*-*	*(60,348)*
Increases	-	5,317	-	3,387	8,704
Net decreases	-	(2)	-	-	(2)
Reclassifications	-	133	-	(133)	-
Amortisation	(387)	(6,072)	(6)	-	(6,465)
BALANCE AS AT 31 DECEMBER 2023	**2,727**	**12,250**	**6**	**3,615**	**18,598**
Of which:					
Historical cost	*7,940*	*71,600*	*2,256*	*3,615*	*85,411*
Accumulated amortisation	*(5,213)*	*(59,350)*	*(2,250)*	*-*	*(66,813)*

The Concessions item refers to charges on franchises on small water diversions of the Mini Idro plants purchased from Dolomiti Energia Holding in previous years (2,196 thousand euro). The amortisation of the concession is related to its duration, equal to twenty years with expiry in 2029; It also includes a thirty-year concession of the Oleificio Costa power plant of 423 thousand euro, expiring in 2048, and a surface right with a duration of 25 years, acquired in 2022 for the construction of a photovoltaic plant for a net value of 109 thousand euro.

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, with an increase of 5,317 thousand eur orelating to investments for the development of software applications used by the Group companies.

Work in progress and payments on account at the end of the year amounted to 3,615 thousand euro and mainly relate to the Cavelonte Panchià power plant (1,316 thousand euro), a hydroelectric pumping development project (549 thousand euro) and software development for the Company and the subsidiaries Dolomiti Energia, Hydro Dolomiti Energia and Dolomiti Edison Energy (1,175 thousand euro).

8.3 PROPERTY, PLANT AND EQUIPMENT

Changes in "Property, plant and equipment" item are shown hereunder for the years ended 31 December 2023 and 2022:

(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 1 JANUARY 2022	**27,017**	**14,420**	**566**	**1,730**	**1,460**	**45,193**
Of which:						
Historical cost	*41,448*	*38,945*	*4,370*	*12,317*	*1,460*	*98,540*
Accumulated depreciation	*(14,431)*	*(24,525)*	*(3,804)*	*(10,587)*	*-*	*(53,347)*
Increases	758	1,738	361	252	91	3,200
Net decreases	(8)	(266)	(1)	(2)	-	(277)
Reclassifications	1	289	-	-	(290)	-
Depreciation	(1,264)	(891)	(125)	(522)	-	(2,802)
BALANCE AS AT 31 DECEMBER 2022	**26,504**	**15,290**	**801**	**1,458**	**1,261**	**45,314**
Of which:						
Historical cost	*42,199*	*40,613*	*4,709*	*12,410*	*1,261*	*101,192*
Accumulated depreciation	*(15,695)*	*(25,323)*	*(3,908)*	*(10,952)*	*-*	*(55,878)*
Increases	712	516	115	504	122	1,969
Net decreases	-	-	-	(2)	(1,170)	(1,172)
Reclassifications	-	63	-	-	(63)	-
Depreciation	(1,355)	(954)	(98)	(395)	-	(2,802)
BALANCE AS AT 31 DECEMBER 2023	**25,861**	**14,915**	**818**	**1,565**	**150**	**43,309**
Of which:						
Historical cost	*42,911*	*41,192*	*4,824*	*12,820*	*150*	*101,897*
Accumulated depreciation	*(17,050)*	*(26,277)*	*(4,006)*	*(11,255)*	*-*	*(58,588)*

With regard to property, plant and equipment, costs have been capitalised for services provided by internal staff for 384 thousand euro.

The land item includes that related to hydro and thermoelectric works for 316 thousand euro, and other land purchased for expansion projects of company offices for 5,477 thousand euro. On 1 January 2003, following the merger by incorporation of SIT and ASM into Dolomiti Energia (now Dolomiti Energia Holding SpA), a capital gain of 5,907 thousand euro was allocated to land (note 2.4).

The buildings item also includes capitalisations of buildings of the hydroelectric production plants with a residual value of 1,777 thousand euro; improvements made in the offices in Rovereto, which are rented from the Municipality, for a residual value of 1,879 thousand euro, as well as the building of the offices in Trento, for a residual value of 4,070 thousand euro, and the building "Le Albere" in Trento, for a residual value of 4,322 thousand euro. On 1 January 2003, following the merger by incorporation of SIT and ASM into Dolomiti Energia (now Dolomiti Energia Holding SpA), a capital gain of 2,200 thousand euro was allocated to the item buildings (note 2.4), for a residual value at 31 December 2023 of 361 thousand euro.

The plant and equipment item 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 13,423 thousand euro, proprietary thermoelectric equipment and photovoltaic plants (1,016 thousand euro). This also includes fixed systems of the corporate offices and charge stations for the vehicle fleet for a net value of 476 thousand euro.

The industrial and commercial fittings item includes equipment for the chemical-bacteriological laboratory (residual value of 739 thousand euro), as well as remote control systems and other equipment for the hydroelectric sector (residual value of 3 thousand euro) and other inventory fittings (residual value 74 thousand euro).

The other assets item concerns furniture and office equipment (residual value of 921 thousand euro) and hardware for a residual value of 624 thousand euro.

Work in progress at the end of the year amounted to 150 thousand euro and mainly concerns photovoltaic plants (44 thousand euro), machinery for the Chizzola, Fontanedo, La Rocca and San Mauro hydroelectric plants (81 thousand euro) and structural hydraulic works for the San Colombano and Pozzena plants (25 thousand euro).

8.4 EQUITY INVESTMENTS

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

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2023	2022	change
Equity investments in subsidiaries	777,512	747,700	29,812
Equity investments in associates and joint ventures	51,329	51,084	245
Equity investments in other companies	23,851	23,851	-
TOTAL	**852,692**	**822,635**	**30,057**

Changes in equity investments in subsidiaries, associates, joint ventures and other companies for the year ended 31 December 2023 and 2022 are shown hereunder:

Description of equity investments

(in thousands of Euro)

	Percentage owned	Carrying amount as at 31 December 2022	Changes in 2023	Reclassif. in 2023	Carrying amount in 2023	Provision for write-downs as at 31 December 2022	Changes in 2023	Provision for write-downs as at 31 December 2023	Net Value as at 31 December 2023	Net Value as at 31 December 2022
DOLOMITI EN.SOLUTIONS SRL	100.00%	5,916		-	5,916	-	-	-	5,916	5,916
NOVARETI SPA	100.00%	139,266	-	-	139,266	-	-	-	139,266	139,266
DOLOMITI EN.HYDRO POWER SRL	100.00%	4,500	-		4,500	-	-	-	4,500	4,500
DOLOMITI GNL SRL	100.00%	1,600	-	-	1,600	-	-	-	1,600	1,600
DOLOMITI AMBIENTE SRL	100.00%	16,010	-	-	16,010	-	-	-	16,010	16,010
GASDOTTI ALPINI SRL	100.00%	1,010	-	-	1,010	-	-	-	1,010	1,010
DOLOMITI EN.TRADING SPA	100.00%	-	26,165	-	26,165	-	-	-	26,165	-
DOLOMITI ENERGIA SPA	98.72%	13,334	-	-	13,334	-	-	-	13,334	13,334
S.E.T.DISTRIBUZIONE SPA	82.96%	32,619	-	-	32,619	-	-	-	32,619	32,619
DOLOMITI TRANSITION ASSET SRL	69.34%	85,800	-	-	85,800	-	-	-	85,800	85,800
HYDRO DOLOMITI ENERGIA SRL	100.00%	7,128	3,652	-	10,780	-	-	-	10,780	7,128
DEP.TRENTINO CENTRALE Sc.ar.l.	60.00%	408,402	-	-	408,402	-	-	-	408,402	408,402
DOLOMITI EDISON ENERGY SRL	57.00%	6	(6)	-	-	-	-	-	-	6
TOTAL SUBSIDIARIES		**747,700**	**29,811**	**-**	**777,511**	**-**	**-**	**-**	**777,511**	**747,700**
SF ENERGY SRL	50.00%	27,545	-	-	27,545	-	-	-	27,545	27,545
NEOGY SRL	50.00%	4,400	500	-	4,900	(4,400)	(500)	(4,900)	-	-
IVI GNL SRL	50.00%	580	-	-	580	-	-	-	580	580
GIUDICARIE GAS SPA	43.35%	839	-	-	839	-	-	-	839	839
EPQ SRL	33.00%	12,843	245	-	13,088	-	-	-	13,088	12,843
TECNODATA TRENTINA SRL	25.00%	413	-	-	413	-	-	-	413	413
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		**55,484**	**745**	**-**	**56,229**	**(4,400)**	**(500)**	**(4,900)**	**51,329**	**51,084**
PRIMIERO ENERGIA SPA	19.94%	4,614	-	-	4,614	-	-	-	4,614	4,614
INIZIATIVE BRESCIANE SPA	16.53%	17,659	-	-	17,659	-	-	-	17,659	17,659
SPREENTECH VENTURES SRL	12.05%	100	-	-	100	-	-	-	100	100
BIO ENERGIA FIEMME SPA	11.46%	785	-	-	785	-	-	-	785	785
CHERRYCHAIN SRL	10.00%	300		-	300	-	-	-	300	300
DISTR. TECN.TRENTINO Sc.ar.l.	2.49%	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		**23,851**	**-**	**-**	**23,851**	**-**	**-**	**-**	**23,851**	**23,851**
TOTAL EQUITY INVESTMENTS		**827,035**	**30,556**	**-**	**857,591**	**(4,400)**	**(500)**	**(4,900)**	**852,691**	**822,635**

(in thousands of Euro)

	Percentage owned	Carrying amount as at 31 December 2021	Changes in 2022	Reclassif. in 2022	Carrying amount in 2022	Provision for write-downs as at 31 December 2021	Changes in 2023	Provision for write-downs as at 31 December 2022	Net Value as at 31 December 2022	Net Value as at 31 December 2021
DOLOMITI EN.SOLUTIONS SRL	100.00%	5,916		-	5,916	-	-	-	5,916	5,916
NOVARETI SPA	100.00%	139,266	-	-	139,266	-	-	-	139,266	139,266
DOLOMITI EN.HYDRO POWER SRL	100.00%	4,500	-		4,500	-	-	-	4,500	4,500
DOLOMITI GNL SRL	100.00%	1,600	-	-	1,600	-	-	-	1,600	1,600
DOLOMITI AMBIENTE SRL	100.00%	16,010	-	-	16,010	-	-	-	16,010	16,010
GASDOTTI ALPINI SRL	100.00%	1,010	-	-	1,010	-	-	-	1,010	1,010
DOLOMITI EN.TRADING SPA	98.72%	13,334	-	-	13,334	-	-	-	13,334	13,334
DOLOMITI ENERGIA SPA	82.96%	32,619	-	-	32,619	-	-	-	32,619	32,619
S.E.T.DISTRIBUZIONE SPA	69.34%	85,800	-	-	85,800	-	-	-	85,800	85,800
DOLOMITI TRANSITION ASSET SRL	66.67%	7,128	-	-	7,128	-	-	-	7,128	7,128
HYDRO DOLOMITI ENERGIA SRL	60.00%	408,402	-	-	408,402	-	-	-	408,402	408,402
DEP.TRENTINO CENTRALE Sc.ar.l.	57.00%	6	-	-	6	-	-	-	6	6
DOLOMITI EDISON ENERGY SRL	51.00%	32,109	-	-	32,109	-	-	-	32,109	32,109
TOTAL SUBSIDIARIES		**747,700**	**-**	**-**	**747,700**	**-**	**-**	**-**	**747,700**	**747,700**
SF ENERGY SRL	50.00%	27,545	-	-	27,545	-	-	-	27,545	27,545
NEOGY SRL	50.00%	3,400	1,000	-	4,400	(2,944)	(1,456)	(4,400)	-	456
IVI GNL SRL	50.00%	580	-	-	580	-	-	-	580	580
GIUDICARIE GAS SPA	43.35%	839	-	-	839	-	-	-	839	839
EPQ SRL	33.00%	12,843	-	-	12,843	-	-	-	12,843	12,843
TECNODATA TRENTINA SRL	25.00%	377	36	-	413	-	-	-	413	377
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		**54,448**	**1,036**	**-**	**55,484**	**(2,944)**	**(1,456)**	**(4,400)**	**51,084**	**51,504**
PRIMIERO ENERGIA SPA	19.94%	4,614	-	-	4,614	-	-	-	4,614	4,614
INIZIATIVE BRESCIANE SPA	16.53%	17,659	-	-	17,659	-	-	-	17,659	17,659
SPREENTECH VENTURES SRL	12.05%	-	100	-	100	-	-	-	100	-
BIO ENERGIA FIEMME SPA	11.46%	785	-	-	785	-	-	-	785	785
CHERRYCHAIN SRL	10.00%	300		-	300	-	-	-	300	300
DISTR. TECN.TRENTINO Sc.ar.l.	2.49%	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		**23,751**	**100**	**-**	**23,851**	**-**	**-**	**-**	**23,851**	**23,751**
TOTAL EQUITY INVESTMENTS		**825,899**	**1,136**	**-**	**827,035**	**(2,944)**	**(1,456)**	**(4,400)**	**822,635**	**822,955**

SUBSIDIARIES

DOLOMITI ENERGIA SOLUTIONS Srl – Trento. Fully paid-up Share Capital of 120,000 euro, represented by 120,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The company operates in the renewable energy, savings and energy efficiency sector, and is qualified for the design, construction and redevelopment of photovoltaic systems and public lighting systems. The financial year ended 31 December 2023 recorded a net profit of 1,425,699 euro.

NOVARETI S.p.A. – 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 ended 31 December 2023 recorded a profit of 10,193,811 euro. The company is engaged in the distribution of network services: gas, cogeneration, district heating and the fully integrated water cycle.

DOLOMITI ENERGIA HYDRO POWER Srl – Trento. Fully paid-up Share Capital of 100,000 euro, represented by 100,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The company operates in the hydroelectric sector, managing a number of power stations, as well as holding investments in companies that produce energy from renewable sources. The financial year ended 31 December 2023 recorded a profit of 909,032 euro.

DOLOMITI GNL Srl – Trento. Fully paid-up Share Capital of 600,000 euro, represented by 600,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The company is still in the development phase of LNG distribution infrastructure and, as at 31 December 2023, reported a loss of 118,564 euro.

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. The company operates in the municipal waste services segment of Trento and Rovereto. As at 31 December 2023 it recorded a profit of 1,914,006 euro.

GASDOTTI ALPINI Srl – Rovereto. Fully paid-up Share Capital of 10,000 euro, represented by 10,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The company, established at the end of 2021 for the regional transport of natural gas, has not completed the authorisation process. It closed the year as at 31 December 2023 with a loss of 12,040 euro.

DOLOMITI ENERGIA WIND POWER Srl – Trento. Fully paid-up Share Capital of 100,000 euro, represented by 100,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The company holds a 42.73% equity investment in Ecopuglia Srl, a company operating in the wind energy production sector. It closed the year as at 31 December 2023 with a profit of 698 euro.

DOLOMITI ENERGIA TRADING S.p.A. – 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 company is a Group wholesaler in charge of the wholesale marketing of electricity from renewable sources and natural gas. It closed the year as at 31 December 2023 with a profit of 61,295,737 euro.

DOLOMITI ENERGIA S.p.A. – Trento. Fully paid-up Share Capital of 20,440,936 euro, represented by 20,440,936 shares of 1 euro each; Dolomiti Energia Holding holds 82.89% of the Share Capital equal to 16,942,700 shares with a nominal value of 16,942,700 euro. In the first few months of 2023, the Shareholders' Meeting resolved to increase the share capital from 20,423,673 euro to 20,440,936 euro, fully released by the Municipality of Cavalese through contribution in kind of the electricity marketing business unit. Dolomiti Energia is the Group's commercial company, dedicated to providing the best energy, gas and other services to Italian households and businesses. The financial year ended 31 December 2023 recorded a profit of 4,339,412 euro.

SET DISTRIBUZIONE S.p.A. – Rovereto. Fully paid-up Share Capital of 121,973,694 euro, represented by 121,973,694 shares with a value of 1 euro each; Dolomiti Energia Holding holds 68.58% of the Share Capital, equal to 83,645,346 shares with a nominal value of 83,645,346 euro. In the first few months of 2023, the Shareholders' Meeting resolved to increase the share capital from 120,637,335 euro to 121,973,694 euro, fully released by the Municipalities of Palù del Fersina and Cavalese through contribution in kind of the electricity marketing business units. The financial year ended 31 December 2023 recorded a profit of 13,008,416 euro. The company is an electricity distributor in more than 160 municipal administrations in the Trento Autonomous Province, in which it is the concession holder.

DOLOMITI TRANSITION ASSETS Srl – Trento. Fully paid-up Share Capital of 1,000,000 euro, divided into 1,000,000 shares with a value of 1 euro each; Dolomiti Energia holds 100% of the Share Capital, equal to 1,000,000 shares and a nominal value of 1,000,000 euro, after recognising the interests of shareholders NPV Holding srl and Firefly Srl on 23 November 2023. The company, born from the partnership with EPQ srl, was established in 2021 to operate in the field of energy transition and sustainability. The company closed the financial year ended 31 December 2023 with a profit of 264,506 euro.

HYDRO DOLOMITI ENERGIA Srl – Trento. 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 60% of the Share Capital, equal to 1,800,000 shares with a nominal value of 1,800,000 euro. The company is a leader in Trentino in the production of energy from renewable sources, operating its own power stations and others under direct management. As at 31 December 2023, it closed the financial year with a profit of 142,913,008 euro.

DEPURAZIONE TRENTINO CENTRALE S. Cons. a r.l. (in liquidation) – Trento. Fully paid-up Share Capital of 10,000 euro, represented by 10,000 shares of 1 euro each; Dolomiti Energia Holding held 57% of the Share Capital equal to 5,700 shares with a nominal value of 5,700 euro. The company was fully wound up in 2023.

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, a joint venture between Dolomiti Energia and Edison, operates in the sector of electricity production from renewable sources in the province of Trento, through the management of five large hydroelectric plants; it closed the year as at 31 December 2023 with a loss of 421,615 euro.

ASSOCIATES AND JOINT VENTURES

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).

NEOGY Srl – Bolzano. Fully paid-up Share Capital of 750,000 euro, represented by 750,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 50.00% of the Share Capital, equal to 375,000 shares with a nominal value of

375,000 euro. The company was established from the joint venture between Dolomiti Energia and Alperia in order to jointly promote electrical mobility and with the aim of organising a widespread recharging infrastructure in the territory to serve both private customers and companies. In this business expansion phase, during the year the company was recapitalised for 500 thousand euro. Analysing past losses and those of 2022, it was prudentially decided to fully write-down the residual value of the equity investment (500 thousand euro).

IVI GNL Srl – Santa Giusta Oristano. Fully paid-up Share Capital of 1,100,000 euro, represented by 1,100,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 50% of the Share Capital, equal to 550,000 shares with a nominal value of 550,000 euro. IVI GNL operates in the sector of gaseous fuels distribution and the construction of regasification and storage plants for liquid methane gas.

GIUDICARIE GAS S.p.A. – 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.

EPQ Srl – Trento. Fully paid-up Share Capital of 100,000 euro, divided into 100,000 shares with a value of 1 euro each; Dolomiti Energia holds 33% of the Share Capital, equal to 33,000 shares and a nominal value of 33,000 euro. The investee operates in the field of energy management and transition. The remaining 67% of the share capital was acquired in the first few months of 2024.

TECNODATA TRENTINA Srl – Trento. Fully paid-up Share Capital of 12,560 euro, represented by 12,560 shares with a value of 1 euro each; Dolomiti Energia Holding holds 25% of the Share Capital, equal to 3,140 shares with a nominal value of 3,140 euro. The company operates in the IT field of interconnection services.

BIOENERGIA TRENTINO Srl – San Michele All'Adige. 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 S.p.A. – 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 the multiutility that manages the distribution of electricity, gas methane, drinking water and district heating in the Alto Garda and Ledro areas.

OTHER COMPANIES

PRIMIERO ENERGIA S.p.A. – 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 several large hydroelectric plants in the Primiero valley.

INIZIATIVE BRESCIANE S.p.A. – Breno (BS). Fully paid-up Share Capital of 26,018,840 euro, represented by 5,203,768 shares with a value of 5 euro each; Dolomiti Energia Holding holds 16.53% of the Share Capital, equal to 859,993 shares with a nominal value of 4,299,965 euro. The company operates in the production of electricity from renewable sources, managing over forty hydroelectric plants located in the provinces of Brescia, Bergamo, Cremona, Trento, Lucca and Florence.

SPREENTECH VENTURES Srl – Rovereto (TN). Fully paid-up Share Capital of 50,000 euro, represented by 50,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 12.05% of the Share Capital, equal to 6,024 shares with a nominal value of 6,024 euro. Established in April 2022, the company stems from a major Trento-based project of Polo Edilizia 4.0, with the task of constructing a state-of-the-art centre of excellence for the development of skills, offer of services and innovations to support businesses, managers and industries in the construction sector.

BIO ENERGIA FIEMME S.p.A. – 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. The company operates in the district heating and circular energy fields, producing alternative energy and heat from fossil fuels, in addition to producing pellets from wood waste.

CHERRYCHAIN Srl – Pergine Valsugana. Fully paid-up Share Capital of 269,417 euro, represented by 269,417 shares with a value of 1 euro each; Dolomiti Energia Holding holds 9.84% of the Share Capital, equal to 26,500 shares with a nominal value of 26,500 euro. The company works in the ICT sector, mainly dealing with software development, digital identity management systems and regulatory compliance.

DISTRETTO TECNOLOGICO TRENTINO Soc. Cons. a r.l. – Rovereto. Fully paid-up Share Capital of 189,000 euro, represented by 189,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 2.76% of the Share Capital, equal to 5,221 shares with a nominal value of 5,221 EURO. The company is committed to environmental sustainability.

ISA – ISTITUTO ATESINO DI SVILUPPO S.p.A. – 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.


NOVARETI

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
DOLOMITI ENERGIA SOLUTIONS	SRL	100.00%
NOVARETI	SPA	100.00%
DOLOMITI ENERGIA HYDRO POWER	SRL	100.00%
DOLOMITI GNL	SRL	100.00%
DOLOMITI AMBIENTE	SRL	100.00%
GASDOTTI ALPINI	SRL	100.00%
DOLOMITI ENERGIA WIND POWER	SRL	100.00%
DOLOMITI ENERGIA TRADING	SPA	98.72%
DOLOMITI ENERGIA	SPA	82.89%
SET DISTRIBUZIONE	SPA	68.58%
DOLOMITI TRANSITION ASSETS	SRL	100.00%
HYDRO DOLOMITI ENERGIA	SRL	60.00%
DEPUR. TRENTINO CENTR.	SCARL	0.00%
DOLOMITI EDISON ENERGY	SRL	51.00%
TOTAL SUBSIDIARIES		

Associates and joint ventures		Percentage owned
SF ENERGY	SRL	50.00%
NEOGY	SRL	50.00%
IVI GNL	SRL	50.00%
GIUDICARIE GAS	SPA	43.35%
EPQ	SRL	33.00%
TECNODATA TRENTINA	SRL	25.00%
BIOENERGIA TRENTINO	SRL	24.90%
AGS	SPA	20.00%
TOTAL ASSOCIATED COMPANIES AND JOINT VENTURES		

Other companies		Percentage owned
PRIMIERO ENERGIA	SPA	19.94%
INIZIATIVE BRESCIANE	SPA	16.53%
SPREENTECH VENTURES	SRL	12.05%
BIO ENERGIA FIEMME	SPA	11.46%
CHERRYCHAIN	SRL	10.00%
DISTRETTO TECNOLOGICO TRENT.	SCARL	2.49%
ISTITUTO ATESINO SVILUPPO	SPA	0.32%
CONS.ASSINDUSTRIA ENERGIA	CONS.	0.00%
CASSA RURALE ROVERETO	SCARL	0.00%
TOTAL OTHER COMPANIES		

(*) The values of share capital, shareholders' equity and profit for the year relate to the year 2023, unlike the other associates and joint ventures for which the values shown are for 2022.

	Associates registered office	Share Capital in 2023	Shareholders' equity in 2023	Profit/(Loss) for the year 2023	Cost	Actual
	Via Fersina 23 - 38123 Trento	120,000	8,167,737	1,425,699	5,915,576	5,915,576
	Via Manzoni 24 - 38068 Rovereto	28,500,000	350,396,127	10,193,811	139,266,500	139,266,500
	Via Fersina 23 - 38123 Trento	100,000	5,351,873	909,032	4,500,000	4,500,000
	Via Fersina 23 - 38123 Trento	600,000	565,984	(118,564)	1,600,000	1,600,000
	Via Manzoni 24 - 38068 Rovereto	2,000,000	26,023,749	1,914,006	16,010,000	16,010,000
	Via Manzoni 24 - 38068 Rovereto	10,000	968,659	(12,040)	1,010,000	1,010,000
	Via Fersina 23 - 38123 Trento	100,000	26,100,698	698	26,165,077	26,165,077
	Via Fersina 23 - 38123 Trento	2,478,429	65,845,151	61,295,737	13,334,259	13,334,259
	Via Fersina 23 - 38123 Trento	20,440,936	87,072,027	4,339,412	32,619,062	32,619,062
	Via Manzoni 24 - 38068 Rovereto	121,973,694	248,903,689	13,008,416	85,800,504	85,800,504
	Via Fersina 23 - 38123 Trento	1,000,000	11,110,584	264,506	10,779,667	10,779,667
	Viale Trieste 43 - 38121 Trento	3,000,000	809,715,211	142,913,008	408,402,210	408,402,210
	Via Fersina 23 - 38123 Trento	-	-	-	-	-
	Via Fersina 23 - 38123 Trento	**5,000,000**	**52,049,436**	**(421,615)**	**32,108,741**	**32,108,741**
					777,511,597	**777,511,597**

	Associates registered office	Share Capital in 2022	Shareholders' equity in 2022	Profit/(Loss) for the year 2022	Cost	Actual
	Via Dodiciville 8 - 39100 Bolzano	7,500,000	18,995,330	28,110	27,545,000	27,545,000
	Via Dodiciville 8 - 39100 Bolzano	750,000	(108,237)	(3,020,393)	4,900,000	-
	Loc.Cirras - 09096 Santa Giusta OR	1,100,000	999,382	(35,606)	580,000	580,000
	Via Stenico 11 - 38079 Tione-Trento	1,780,023	3,414,035	96,714	838,789	838,789
	Via Fersina 23 - 38123 Trento	100,000	7,285,485	5,086,709	13,088,239	13,088,239
	Via Romano Guardini 17 - 38121 Trento	12,560	636,155	95,280	413,539	413,539
	loc.Cadino 18/1 38010 S.Michele AA	3,000,000	10,130,313	1,233,989	1,768,935	1,768,935
	Via Ardaro 27 - 38066 Riva d.Garda	23,234,016	63,641,946	9,490,505	7,094,721	7,094,721
					56,229,223	**51,329,223**

	Associates registered office	Share Capital in 2022	Shareholders' equity in 2022	Profit/(Loss) for the year 2022	Cost	Actual
	Via Guadagnini 31-38054 Fiera Primiero	9,938,990	55,309,950	801,013	4,614,702	4,614,702
	Piazza Vittoria 19 - 25043 Breno BS	26,018,840	68,971,998	1,603,044	17,658,513	17,658,513
	P.za Manifattura 1 - 38068 Rovereto	50,000	792,200	(37,800)	100,000	100,000
	Via Pillocco, 4 - 38033 Cavalese	7,058,964	15,420,868	1,614,343	784,639	784,639
	V.le Dante, 151 - 38057 Pergine Valsug.	269,417	1,036,836	(128,152)	300,000	300,000
	P.za Manifattura 1 - 38068 Rovereto	189,000	977,282	141,227	5,000	5,000
	Viale A.Olivetti, 36 - 38122 Trento	79,450,676	142,386,536	6,838,391	387,200	387,200
	Via Degasperi 77 - 38123 Trento	-	-		516	516
	Via Manzoni 1 - 38068 Rovereto	-	-		160	160
					23,850,730	**23,850,730**

In the above table some qualified equity investments are recorded at a higher value than the percentage equity pertaining to Dolomiti Energia Holding. In this cases the Company reported no loss in value and deems that the higher value is due to expected future results for these investees. In particular, the subsidiary Dolomiti GNL carries out activities that are still in the development phase in the field of energy efficiency and distribution of LNG and from which increasing positive results are expected in the next few years; Dolomiti Energia Hydro Power (acquired in 2020) and SF Energy are companies that manage hydroelectric energy production plants through concessions with expiry dates that justify significant future cash flows. Likewise Iniziative Bresciane, whose shares are traded on the Euronext Growth Milan with a carrying amount approaching the market price. Lastly, in 2021 the Company acquired 33% of the share capital of EPQ srl (the remaining 67% was acquired in early 2024), a company operating in the energy market to support high-energy consumption companies to best enhance their energy assets; major results are expected in the future, especially from the competitive advantage the investee is exploiting in a new, strongly expanding market.

With regard to the 60% equity investment in Hydro Dolomiti Energia Srl (HDE) and the 51% equity investment in Dolomiti Edison Energy (DEE), companies that operate large-scale diversionary hydroelectric power plants located mainly in the Trento Autonomous Province under concessions, most of which will expire in the next few years, the following is a summary of the regulatory framework governing concessions for large-scale diversionary power plants.

Depreciable amount of certain elements of the Provincial hydroelectric supply chain as a result of changes to sector regulations

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 Italian Presidential Decree No. 670 of 31 August 1972 and in short it assigned 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".

Said law also provided as follows:

a) 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 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.

Subsequently, with the entry into effect of Italian Law No. 160 of 27 December 2019 "State forecast budget for financial year 2020 and multi-year budget for the 2020-2022 three-year period" - ref. Articles 76 and 77 - Article 13 of the consolidated text per Italian Presidential Decree No. 670 of 31 August 1972 was amended once again; more specifically, the words "31 December 2022" were replaced by the following: "31 December 2023" and following the words "the aforementioned date" the following was added: "and exercised up to that date under the conditions established by the Provincial laws and rules and regulations of the concession in place at the date of their expiry".

On 21 October 2020, Provincial Law No. 9 was approved, which, by modifying Provincial Law No. 4/1998, regulated the procedural rules for the holding of competitions and therefore implemented the provisions of Art. 13 of Italian Presidential Decree No. 670 of 31 August 1972.

In November and December 2020, the Water and Energy Resources Management Department of the Autonomous Province of Trent notified the extension by right of the thirteen large hydroelectric concessions held by HDE "for the period needed to complete the public bidding process and, in any case, not later than 31 December 2023, pursuant to Article 13 of Italian Presidential Decree No. 670 of 31 August 1972 and Provincial Law No. 4 of 6 March 1998".

In the light of the above and in consideration of the further postponement of the 31 December 2023 deadline to 31 December 2024 due to the regulations introduced in 2022 as described below, the subsidiaries Hydro Dolomiti Energia Srl and Dolomiti Edison Energy Srl arranged depreciation remodelling of the assets subject to reversion free of charge during 2022.

The precept set out in point b) above has been set out, though not exhaustively regulated, in Article 26-quater of the updated Provincial Law No. 4/1998; this Article states that the outgoing concession holder is entitled to an indemnity equal to the value of the part of the asset which has not been depreciated under the following conditions:

I. exclusively in reference to investments on the assets referred to in the first paragraph of Article 25 of Italian Royal Decree No. 1775 of 1933, also provided for by the acts of concession, subject to authorisation of the Province, provided that the increase in the overall producibility of the plant or its modulating capacity or the overall efficiency of the same is achieved;
II. the concession holder has entrusted the works, supplies and services undertaken in order to carry out the investments on the assets in compliance with the public evidence procedures provided for by the legislation on public contracts.

In consideration of the absence for the subsidiaries Hydro Dolomiti Energia Srl and Dolomiti Edison Energy Srl of investments with the characteristics referred to in point I. above and given the failure to define the indemnity calculation method, which Provincial Law 4/1998 entrusted to a specific Council Resolution, the assumption of zeroing the net book value of "wet works" at the end of the concession has been confirmed.

Further salient elements contained in the aforementioned Provincial Law No. 9 of 21 October 2020 are as follows:

- with regard to the method used to evaluate so-called "dry" works (basically, hydroelectric power plants and their contents), the criterion set forth in paragraph 2 of Article 25 of Italian Royal Decree No. 1775 of 11 December 1933 is reiterated, contrary to what is established by the national legislation, "price equal to the estimated value of the material being worked, calculated at the time of entry into possession, not considering the income that can be made from it from any measurement";
- the assets referred to in the preceding point may be acquired by the Autonomous Province of Trento; otherwise, the assets may be acquired by the incoming concession holder, if the latter provides for their use when submitting its bid; the provincial law therefore also establishes the concept of "cherry picking", i.e. the right given to the incoming concession holder not to acquire all or part of the

dry assets, without the consequent obligation to pay compensation to the transferor. Any assets not transferred will therefore remain fully available to the transferor, which can freely dispose of them, also through sale to third parties other than the incoming concession holder;

- in the context of verifying the existence of interests in the competing use of water, which is a preliminary act with respect to the tender procedures, special consideration will be given to initiatives involving "positive effects on the territory and the community generated also by the historical electric cooperatives" referring to the case of self-production;
- the subject of the call for tender (concession and its characteristics) will be defined through an Environmental Impact Assessment procedure that will have as its initial reference the current concessions, possibly aggregated or, in some cases, unbundled, pre-restricted following the assessment of the existence of competing use interests referred to in the previous point;
- in accordance with the provisions of national law, concessions may be awarded through the use of one of the following methods:
  - running of a public procurement procedure;
  - assignment to mixed public-private companies established in accordance with the provisions of the same law;
  - through forms of public-private partnership, pursuant to Article 179 of Italian Legislative Decree No. 50 of 18 April 2016 (Public Contracts Code);
- the contents of the call for tender are defined as well as the requirements of the participants, part of which will be calibrated on the basis of the characteristics of the specific concession.

On 18 December 2020, the Council of Ministers ordered that Provincial Law No. 9 of 21 October 2020 be challenged in the Constitutional Court, with subsequent appeal No. 140 of 24 December 2020, in the same way as it had already been ordered for similar regulations of the Lombardy, Veneto and Piedmont Regions.

Against this challenge, Trento Autonomous Province, by means of two subsequent legislative measures, Provincial Law No. 6 of 23 April 2021 and Provincial Law No. 18 of 04 August 2021, amended the reference standard to incorporate the content of the aforementioned appeal.

The same legislative measures introduced important innovations also and above all with regard to the regulations governing concessions for small hydroelectric diversions, significantly modifying Provincial Law No. 18 of 8 July 1976 introducing ex novo the provision of a tender also for these concessions on their natural expiry, postponing the rules to a subsequent regulation.

The regulation was approved on 20 October 2023 by Provincial Council Resolution No. 2057, and issued by Italian Presidential Decree No. 28-104 of 27 October 2023, despite the tougher and known significance of Constitutional Court decision No. 265 of 10 November 2022 which, in relation to assessment of the constitutional nature of the extensions introduced by Friuli Venezia Giulia Regional Law 13/2021, expressed its opinion in favour, confirming that the specific case of the Public Contracts Code was inapplicable and emphasising that the current state regulatory framework on small hydroelectric diversion concessions, dating back to Royal Decree No. 1775/1933, is in no manner whatsoever inspired by competitive needs.

Again with specific regard to small hydroelectric diversions, on 4 August 2023 Provincial Council Resolution No. 1386 established criteria that allow direct reassignment to the outgoing concession holder, essentially consisting in the need/possibility to confirm subjugation of the plants under concession to self-consumption or powering of Energy Communities, production and distribution cooperatives or groups acting in concert.

Returning to the context of large diversion concessions, despite the dismissal (in September 2021) of infringement proceedings 2011/2016 relating to Italy, together with similar proceedings against Germany, the United Kingdom, Poland, Austria and Switzerland, on 2 August 2022 the Italian Parliament, in compliance with NRRP provisions (prepared and approved prior to the aforementioned dismissal), approved Italia Law 118/2022 (2021 Annual Market and Competition Law). Art. 7 of this law introduced remodelling and postponement of the deadlines granted by the Regional Authorities for completion of related legislative activities (31 December 2023) and for conclusion of the reassignment procedures (31 December 2025). Art. 7, paragraph 2 of the law amended Art. 13, paragraph 6 of Italian Presidential Decree No. 670 of 31 August 1972, confirming the extension to 31 December 2024 of concessions already expired under Law 34/2022 and dynamically linking this new deadline to a subsequent deadline which could be defined at national level ("or later date decided by the State for similar large hydroelectric diversion concessions located in Italy").

On 30 November 2022, the Provincial Council approved Law No. 16/2022 (in force from 9 December 2022) which, amending Provincial Law No. 4/98, envisages deferral from 2024 to 2029 of the deadline for conclusion of the reassignment procedures for large hydroelectric plant concessions due to expire by 31 December 2024. The aim of this Provincial Law is to mitigate the negative effects of the energy crisis in the short and long terms. The measure introduces the option for concession holders to submit a business plan to the Provincial Administration for increasing the efficiency, resilience, accumulation capacity, as well as the capacity and energy performances of existing plants. At the same time, a new variable charge was added to support energy consumption costs within the province.

On 2 February 2023, the Italian Council of Ministers challenged the above-described Provincial Law before the Constitutional Court. In 2023, the Provincial and State authorities set up a discussion group to solve the dispute brought before the Constitutional Court. As a result, based on the joint petition, the first hearing scheduled for October 2023 was adjourned to May 2024. As at the date of this report, the outcomes of discussions and of the dispute are as yet unknown. The stalemate situation prevented implementation of the procedure envisaged in Provincial Law 16/2022 and resulted in postponement of the reassignment deadline to 2029, as the implementing regulation envisaged in the law has not been issued.

In the strongly uncertain context illustrated above, the action of contracting authorities in 2023 was confused and uncoordinated. Despite the Regional regulations in force, national law envisaged and still envisages 31 December 2023 as the deadline for launch of the reassignment procedures. As far as we are aware, only the Lombardy and Abruzzo Region Administrations acted in compliance with the law, the first issuing Regional Council resolution on 18 December 2023 that launched tenders for the reassignment of two concessions (without publication of the tender) and the second issuing Regional Agency Decision for the Contracting Authority on 31 December 2023 that launched a tender for three concessions. Lastly, note the completion in 2023 of the feasibility study by the Piedmont Region regarding a proposed public-private partnership submitted by the outgoing concession holder in relation to 6 concessions.

8.5 NON-CURRENT FINANCIAL ASSETS

The "Non-current financial assets" item as at 31 December 2023 and 31 December 2022 is detailed as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2023	2022	change
Financial receivables from associates	8,000	4,000	4,000
IRS derivatives	3,439	6,635	(3,196)
TOTAL	**11,439**	**10,635**	**804**

The "Non-current financial assets" item includes the real estate fund Clesio (net carrying amount of zero), with an original historical cost of 15,678 thousand euro, deriving from the subscription of 322 units of the Clesio real estate fund, of which 101 units received by way of dividend in kind from Urbin S.p.A. 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. In previous years, the Company decided to fully write down the residual amount of the units, on a prudential basis due to the very poor performance of the property market and the difficulty in liquidating the Fund units.

In 2021, the Company signed a long-term financing plan in favour of the associate SF Energy for a maximum financing amount of 15,000 thousand euro, with interest at market rates and payable in multiple instalments by 31 December 2026. The shareholder loan must be repaid no later than 31 December 2040, with the option of early repayment. As at year end, Dolomiti Energia Holding had disbursed tranches for a total of 8,000 thousand euro (4,000 thousand euro in the current year).

The Company entered into derivative contracts (IRS) to hedge exposure to the fluctuations in cash flows deriving from the payment of instalments on a variable-rate loan. The fair value of derivatives as at 31 December 2023 was positive for 3,439 thousand euro (positive for 6,635 thousand euro as at 31 December 2022), and is recognised among non-current financial assets as a balancing entry for a specific equity reserve.

8.6 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities as at 31 December 2023 and 31 December 2022 are broken down by type of temporary differences as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2023	2022	change
Property, plant and equipment	337	358	(21)
Provision for write-downs	114	114	-
Production bonuses	334	247	87
Provisions for risks and charges	19	402	(383)
Non-deductible interest expense	926	926	-
Real estate fund write-down	3,763	3,763	-
Other	10	2	8
Membership fees	-	16	(16)
Employee termination and other benefits	189	180	9
IFRS 16	125	153	(28)
TOTAL DEFERRED TAX ASSETS	**5,817**	**6,161**	**(344)**
Property, plant and equipment	53	55	(2)
Provision for write-downs	57	57	-
Fair value of derivatives	979	1,889	(910)
TOTAL DEFERRED TAX LIABILITIES	**1,089**	**2,001**	**(912)**

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 31/12/2022	Increases/ (Decreases) in Income Statement	Increases/ (Decreases) in Shareholders' Equity	Other changes in Income Statement	Other changes in Shareholders' Equity	al 31.12.2023
DEFERRED TAX ASSETS:						
Property, plant and equipment	**358**	(21)	-	-	-	**337**
Provision for write-downs	**114**	-	-	-	-	**114**
Production bonuses	**247**	87	-	-	-	**334**
Provisions for risks and charges	**402**	(383)	-	-	-	**19**
Non-deductible interest expense	**926**	-	-	-	-	**926**
Real estate fund write-down	**3,763**	-	-	-	-	**3,763**
Other	**2**	8	-	-	-	**10**
Membership fees	**16**	(16)	-			**-**
Employee termination and other benefits	**180**	54	(45)	-	-	**189**
IFRS 16	**153**	(28)		-	-	**125**
TOTAL DEFERRED TAX ASSETS	**6,161**	**(299)**	**(45)**	**-**	**-**	**5,817**
DEFERRED TAX LIABILITIES:						
Property, plant and equipment	**55**	(2)	-	-	-	**53**
Provision for write-downs	**57**	-	-	-	-	**57**
Fair value of derivatives	**1,889**	-	(910)	-	-	**979**
TOTAL DEFERRED TAX LIABILITIES	**2,001**	**(2)**	**(910)**	**-**	**-**	**1,089**

8.7 OTHER NON-CURRENT ASSETS

The "Other non-current assets" item as at 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2023	**2022**	**change**
Other assets	2.253	1.771	482
TOTAL	**2,253**	**1,771**	**482**

The "other non-current receivables" item includes ecobonus tax credits for 1,238 thousand euro, purchased by the subsidiary Dolomiti Energia Solutions and which will be used in the coming years. The item also includes guarantee deposits paid to suppliers (56 thousand euro), portions of deferred income for multi-year SW licence fees (917 thousand euro) and other multi-year receivables (42 thousand euro).

8.8 INVENTORIES

The "Inventories" item as at 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2023	2022	change
Raw materials and consumables	5	5	(0)
TOTAL	5	5	(0)

Inventories of raw materials refer to stocks of meters and other materials (5 thousand euro) purchased by the Parent Company for the subsidiaries. There was no change in the value of inventories compared to the previous year.

8.9 TRADE RECEIVABLES

The "Trade receivables" item as at 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2023	2022	change
Receivables from customers	2,176	5,699	(3,523)
Receivables from subsidiaries	8,982	6,657	2,325
Receivables from associates	27	44	(17)
Receivables from parent companies	96	101	(5)
Provision for write-downs	(640)	(641)	1
TOTAL	10,641	11,860	(1,219)

The "trade receivables" item, shown net of the related provision for write-downs, mainly includes receivables from customers deriving from the sale of energy produced and from the invoiced chemical analysis laboratory services. The decrease in receivables from customers of 3,523 thousand euro derives essentially from a decrease in receivables for the sale of thermoelectric energy produced by the combined cycle gas turbine plant of Ponti sul Mincio.

Receivables from subsidiaries include receivables 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 if any.

During the year, the provision for write-downs was used for 1 thousand euro. The changes for 2022 and 2023 are shown below.

(in thousands of Euro)

	Provision for write-downs
AS AT 1 JANUARY 2021	**641**
Provisions/Uses	-
AS AT 31 DECEMBER 2022	**641**
Provisions/Uses	(1)
AS AT 31 DECEMBER 2023	**640**

8.10 INCOME TAX CREDITS

The "Income tax credits" item as at 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2023	2022	change
IRES credit (corporate tax)	0	3,650	(3,650)
TOTAL	**0**	**3,650**	**(3,650)**

The Group IRES receivable as at 31 December 2023, determined in application of the tax consolidation agreement, was zero (3,650 thousand euro in the previous year).

For a better presentation of the financial statement items, note the prospective reclassification during the year of miscellaneous tax credits, investment bonuses and Ecobonus tax credits from the balance sheet assets item "Income tax credits" to the "Other current assets" item. For a better comparison, the balance of the previous year was also reclassified, resulting in a decrease in income tax credits for 380 thousand euro and an increase for the same amount in the Other current assets item.

The table hereunder shows the income tax payable as at 31 December 2023 and 2022:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2023	2022	change
IRES	41,041	-	41,041
TOTAL INCOME TAX PAYABLES	**41,041**	**0**	**41,041**

The IRES payable represents the balance of the Group's entire management of the tax consolidation.

8.11 CURRENT FINANCIAL ASSETS

The "Current financial assets" item as at 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	AL 31 DICEMBRE		
	2023	2022	change
Financial assets - subsidiaries	229,774	442,585	(212,811)
Financial assets - associates	22,348	3,932	18,416
TOTAL	**252,122**	**446,517**	**(194,395)**

Financial receivables from subsidiaries include receivables for cash pooling and related interest for 228,405 thousand euro as at 31 December 2023 (441,148 thousand euro at the end of the previous year). The Parent Company also recognises other receivables for sureties and commissions for making funds available to subsidiaries for 1,369 thousand euro as at 31 December 2023 (1,437 thousand euro as at 31 December 2022). The receivable due from associates includes receivables for a shareholder loan granted to IVI Gnl for a nominal amount of 110 thousand euro (125 thousand euro as at 31 December 2022) repayable in the short term; an interest-bearing shareholder loan granted to Neogy for a nominal amount of 5,000 thousand euro (2,750 thousand euro at the end of the previous year); an interest-bearing shareholder loan granted to EPQ Srl for a nominal amount of 7,200 thousand euro with related interest as at 31 December 2023 of 38 thousand euro; an advance for the purchase of shares from EPQ Srl shareholders (Firefly Srl and NPV Holding) for a total of 10,000 thousand euro, the balance of 35,000 thousand euro for the purchase of these shares being paid in January 2024.

8.12 OTHER CURRENT ASSETS

The "Other current assets" item as at 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2023	2022	change
VAT credit	4,749	7,355	(2,606)
Prepayments and accrued income	1,420	593	827
Other receivables	245	272	(27)
Miscellaneous tax credits	46	80	(34)
Investment bonus tax credits	47	21	26
Ecobonus tax credits	279	279	-
Renewable source certificates	-	125	(125)
Advances/Deposits	49	54	(5)
Receivables from Social security institutions	-	3	(3)
Receivables from subsidiaries	34,616	7,289	27,327
TOTAL OTHER CURRENT ASSETS	41,451	16,071	25,380

The VAT credit is the year-end balance of the centralised management of Group VAT, recording a decrease compared to 31 December 2022.

Prepayments mainly include software fees paid in advance (1,185 thousand euro), charges for guarantee policies (27 thousand euro), and prepayments for hydroelectric surcharges equal to 204 thousand euro.

Receivables from subsidiaries, totalling 34,616 thousand euro, represent the receivables deriving from application of the tax consolidation agreement (7,289 thousand euro at the end of 2022) and are due from subsidiaries recording an IRES tax payable as at 31 December 2023.

As reported in paragraph 8.10, note the reclassification during the year of miscellaneous tax credits, investment bonuses and Ecobonus tax credits from the balance sheet assets item "Income tax credits" to the "Other current assets" item.

These receivables amounted to 372 thousand euro at the end of 2023 (380 thousand euro at the end of 2022) and mainly refer to the Ecobonus credit (279 thousand euro) acquired by the subsidiary Dolomiti Energia Solutions.

TAX CONSOLIDATION SCHEME

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 scheme" (SET Distribuzione, Novareti, Dolomiti Energia, Dolomiti Energia Solutions, Dolomiti Energia Trading, Hydro Dolomiti Energia, Dolomiti Edison Energy, Dolomiti GNL and Dolomiti Transition Asset):

- 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.

8.13 CASH AND CASH EQUIVALENTS

The "Cash and cash equivalents" item as at 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)

	AL 31 DICEMBRE		
	2023	2022	change
Bank and postal current accounts	27,761	16,500	11,261
Cash on hand	3	2	1
TOTAL CASH AND CASH EQUIVALENTS	27,764	16,502	11,262

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

8.14 SHAREHOLDERS' EQUITY

Changes in equity reserves is shown in the tables of these financial statements for the year.

As at 31 December 2023, 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		
	2023	2022	change
Share capital	411,496	411,496	-
Legal reserve	42,073	39,656	2,417
Share premium reserve	994	994	-
Treasury shares reserve	(53,515)	(53,515)	-
OTHER RESERVES AND RETAINED EARNINGS	*1,128*	*1,128*	-
Revaluation reserve	1,128	1,128	-
Contributions reserve	13,177	13,177	-
Extraordinary reserve	94,931	89,130	5,801
Deferred tax reserve	19,437	19,437	-
Merger surplus from share swap reserve	33,866	33,866	-
FTA reserve	-	(17,011)	17,011
Reserve for retained earnings and losses carried forward	6,176	6,176	-
Reserve - IAS 19	(133)	(313)	180
Reserve for hedges on expected cash flows	2,460	4,747	(2,287)
OTHER RESERVES	**171,042**	**150,337**	**20,705**
Net profit/(loss) for the year	28,640	48,337	(19,697)
TOTAL SHAREHOLDERS' EQUITY	**600,730**	**597,305**	**3,425**

The Revaluation Reserve was set up following the merger by absorption of the former companies SIT S.p.A. and A.S.M. S.p.A.; this reserve is subject to tax deferment.

The Contributions Reserve was set up by resolution of the Shareholders' Meeting and refers to the transfer of business activities to Dolomiti Energia S.p.A. (former Trenta SpA).

The FTA reserve included the effect on shareholders' equity of the transition to IFRS, determined as at the transition date of 1 January 2015. In 2023 this reserve was fully covered from the allocation of profit for the year.

The Deferred Tax Reserve reflects the positions below:

Deferred tax reserve

	Balance as at 31/12/2023
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 RESERVES	**12,422**
POST-1993 CONTRIBUTIONS RESERVES	**7,015**
TOTAL DEFERRED TAX 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 euro (*)
- Swap surplus of 34,092,454 euro

(*) 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)

	31/12/2023	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	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	2,460	-	-		
PROFIT RESERVES					
Legal reserve	42,073	B	-	-	-
Treasury shares reserve	(53,515)	-	-	-	-
Contributions reserve	13,177	A,B,C	13,177	-	-
Extraordinary reserve	94,931	A,B,C	94,931	-	-
Deferred tax reserve	19,437	A,B,C	19,437	-	-
Retained earnings or losses carried forward	6,176	A,B,C	6,176		
Reserve - IAS 19	(133)				
TOTAL	**572,090**		**169,709**	**-**	**-**
NON-DISTRIBUTABLE PORTION			**(34,860)**		
RESIDUAL DISTRIBUTABLE PORTION			**134,849**		

* 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.

8.15 PROVISIONS FOR RISKS AND NON-CURRENT AND CURRENT CHARGES

The "Provisions for non-current risks and charges" and "Provisions for current risks and charges" items as at 31 December 2023 and 2022 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2023	2022	change
Provision for plant risks	68	1,372	1,304
TOTAL PROVISION FOR NON-CURRENT RISKS	**68**	**1,372**	**1,304**

The provision for risks as at 31 December 2023 amounted to 68 thousand euro, decreasing by 1,304 thousand euro during the year as there are no longer risks relating to the management of plants and adjoining areas located in the Municipality of Trento. The amount was allocated to cover the cost of divesting thermoelectric power plants (68 thousand euro), which, even if written down, could generate additional disposal costs.

The "Provisions for current risks and charges" item amounted to 1,184 thousand euro as at 31 December 2023 and is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2023	2022	change
Provision for performance bonus	1,184	863	321
TOTAL PROVISION FOR CURRENT RISKS	**1,184**	**863**	**321**

The provision for performance bonuses includes the estimated liability for employee performance bonuses, to be paid in 2024 on the basis of the final results for 2023 (1,184 thousand euro). The provision as at 31 December 2022 was used after the final balance of the previous year's results was calculated for 475 thousand euro; the excess (388 thousand euro) was released and recognised under contingent assets in the income statement.

8.16 EMPLOYEE BENEFITS

The "Employee benefits" item, as at 31 December 2023, included 1,684 thousand euro related to the Provision for employee termination benefits and 655 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 as at 31 December 2023 and 31 December 2022, are broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER 2023					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Energy discounts	Medals	Total
LIABILITIES AT BEGINNING OF THE YEAR	**1,673**	**300**	**230**	**98**	**84**	**2,385**
Current cost of service	-	19	7	-	6	33
Interest to be discounted	59	11	5	-	3	79
Benefits paid	(85)	(23)	(19)	(98)	(9)	(233)
Actuarial loss/(profit)	12	2	17	(211)	8	(172)
Transfers	25	10	-	-	2	37
Other changes	-	-	-	211	-	211
LIABILITIES AT END OF THE YEAR	**1,685**	**319**	**241**	**-**	**94**	**2,339**

(in thousands of Euro)

	AS AT 31 DECEMBER 2022					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Energy discounts	Medals	Total
LIABILITIES AT BEGINNING OF THE YEAR	**1,974**	**346**	**279**	**168**	**95**	**2,862**
Current cost of service	-	22	9	-	7	38
Interest to be discounted	19	3	2	-	1	25
Benefits paid	(160)	(40)	(15)	(70)	(11)	(296)
Actuarial loss/(profit)	(181)	(34)	(45)	-	(10)	(270)
Transfers	21	3	-	-	2	26
LIABILITIES AT END OF THE YEAR	**1,673**	**300**	**230**	**98**	**84**	**2,385**

In October 2018, the Company reached an agreement with the trade union organisations that, as from 1 January 2020, provides for payment of a one-off gross amount in replacement of the electricity tariff reductions for former retired employees and surviving beneficiary spouses as at the date of 31 December 2018 with charges borne by Dolomiti Energia Holding. Moreover, in November 2021, the Company signed an agreement with the representatives of the workers that also governs the establishment of tariff subsidies for employees still on the workforce. The agreement provides for maintenance of the economic benefit entailing the supply of electricity on favourable terms for its employees until they retire if they are employed in one of the Group companies. An ad personam amount was recognised once recognition of the discount ceased on retirement, the final tranche of which was disbursed with the salaries for December 2023. As discounts for electricity consumption are no longer recognised after the employment relationship ends, the Energy Discount provision is no longer subject to actuarial measurement and was released in full as at 31 December 2023.

The assumptions used for actuarial measurements are shown hereunder:

	AS AT 31 DECEMBER
	2023
Technical annual discount rate	3.17% - 3.08%
Annual inflation rate	2.00%
Annual rate of total compensation increase	3.00%
Rate of increase in employee termination benefits	3.00%

SA sensitivity analysis, as at 31 December 2023, related to the main actuarial assumptions included in the calculation model is shown hereunder, considering the 0.5 baseline 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:

(in thousands of Euro)

	AS AT 31 DECEMBER 2023					
	Discount rate +0.50%	Discount rate -0.50%	Inflation rate +0.25%	Inflation rate -0.25%	Turnover rate +2.00%	Turnover rate -0.50%
Employee termination benefits	1,627	1,744	1,702	1,668	1,691	1,683

8.17 FINANCIAL LIABILITIES (CURRENT AND NON-CURRENT)

The table hereunder shows current and non-current financial liabilities as at 31 December 2023 and 2022:

(in thousands of Euro)

	AS AT 31 DECEMBER					
	2023		2022		Change	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Payables due to banks	88,400	164,584	118,267	522,903	(29,867)	(358,319)
Bond loans	-	5,052	-	5,052	-	-
IRS derivatives	-	-	-	-	-	-
Payables for cash pooling to subsidiaries	337,319	-	108,413	-	228,906	-
Payables due to other lenders	616	1,617	581	1,822	35	(205)
Other financial payables	2,837	-	500	-	2,337	-
TOTAL	**429,172**	**171,253**	**227,761**	**529,777**	**201,411**	**(358,524)**

As at 31 December 2023, payables due to banks include two loans with the following characteristics:

- the loan disbursed in 2016 by the European Investment Bank (EIB) for a nominal 100,000 thousand euro, maturing in 2032 and with a residual value as at 31 December 2023 of 72,917 thousand euro (81,250 thousand euro at the end of the previous year). The contract envisages the payment of quarterly deferred floating rate instalments; to hedge interest rate risk, the Company has entered into IRS derivative contracts for an original notional value of 100,000 thousand euro, the fair value of which as at 31 December 2023 was positive for 3,439 thousand euro (note 8.5);
- the loan disbursed in 2021 by the European Investment Bank (EIB) for a nominal 100,000 thousand euro, maturing in 2037 and with a residual value as at 31 December 2023 of 100,000 thousand euro (unchanged compared to the end of the previous year). The contract envisages the payment of quarterly deferred fixed-rate instalments, the first of which due on 30 June 2025 and the last on 31 March 2037;
- On 21 December 2023, the loan disbursed on 28 December 2022 by a pool of banks for 350,000 thousand euro, maturing on 30 September 2025 and with a residual value as at 31 December 2022 of 349,986 thousand euro, determined in application of the amortised cost criterion. The contract envisaged an initial grace period and then payment of quarterly deferred floating-rate installments, the first of which due on 31 March 2024 and the last on 30 September 2025. The credit facility was backed by a SACE S.p.A. guarantee issued pursuant to the "Aiuti" Decree (Italian Law Decree No. 50 of 17 May 2022), as amended, for 80% of the amounts disbursed as principal plus interest and accessory charges. In application of the provisions of the contractual agreements with the lending banks, the loan had been disbursed to Dolomiti Energia Holding SpA and was used to support the working capital of Dolomiti Energia SpA.

The two EIB loans indicated above envisage, as usual for financial transactions of this kind, a series of commitments borne by the Company ("Covenants") and a series of limitations on the possibility of carrying out certain transactions, if not in compliance with certain financial parameters or specific exceptions provided for in the respective contracts. Specifically, in fact, there are certain limitations on the assumption of financial debt, the carrying out of certain investments and disposals of assets and corporate activities.

The last audit carried out confirmed that all covenants were satisfied.

Accounts payable to banks also include current account overdrafts and/or short-term loans for 80,000 thousand euro.

BOND LOAN

The outstanding Bond Loan has a residual amount of 5,052 thousand euro; on 27 July 2021, the amendment to the loan regulation was decided, envisaging the name change (Dolomiti Energia Holding Spa - Subordinato - tasso variabile 2010 – 2029) and determination of the new maturity date as 1 August 2029.

As at 31 December 2023 and 31 December 2022, the Company had the following bond loans in place:

Bond loan

(in thousands of Euro) AS AT 31 DECEMBER 2023

					Accounting balance			
	COMPANY	TAKING OUT	MATURITY	OPENING BALANCE	TOTAL	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Fondazione CARITRO	Dolomiti Energia Holding SpA	10-Feb-10	01-Aug-29	30,000	5,052	-	-	5,052
TOTAL					**5,052**	**-**	**-**	**5,052**

(in thousands of Euro) AS AT 31 DECEMBER 2022

					Accounting balance			
	COMPANY	TAKING OUT	MATURITY	OPENING BALANCE	TOTAL	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Fondazione CARITRO	Dolomiti Energia Holding SpA	10-Feb-10	01-Aug-29	30,000	5,052	-	-	5,052
TOTAL					**5,052**	**-**	**-**	**5,052**

The following table shows the breakdown and changes during the year in liabilities for rental and lease agreements, recognised under payables due from other lenders, determined in accordance with EU IFRS 16.

(in thousands of Euro)

	as at 31/12/2022	New contracts	Refunds	as at 31/12/2023	of which current quota
Financial payables for buildings	2,118	252	-468	1,902	484
Financial payables for other moveable assets	285	187	-141	331	131
PAYABLES DUE TO OTHER LENDERS	**2,403**	**439**	**-609**	**2,233**	**615**

Financial payables to subsidiaries and other financial payables include payables for cash pooling (337,319 thousand euro) and related interest (2,837 thousand euro) as at 31 December 2023 (108,413 thousand euro and 500 thousand euro, respectively, at the end of the previous year).
Below is a breakdown of Dolomiti Energia Holding SpA's net financial indebtedness as at 31 December 2023 and 2022, determined in accordance with the document published by ESMA on 4 March 2021 "Guidelines on disclosure obligations" pursuant to Regulation (EU) 2017/1129 (the Prospectus Regulation), the adoption of which was also recommended by CONSOB through "Warning Notice No. 5/21" of 29 April 2021.

(figures in thousands of Euro)	AL 31 DICEMBRE	
	2023	2022
A. Cash	27,764	16,502
B. Cash equivalents	-	-
C. Other current financial assets	252,122	446,517
D. Cash and cash equivalents (A+B+C)	**279,886**	**463,019**
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(420,839)	(219,428)
F. Current portion of non-current financial debt	(8,333)	(8,333)
G. Current financial indebtedness (E+F)	**(429,172)**	**(227,761)**
H. Current net financial indebtedness (D+G)	**(149,286)**	**235,258**
I. Non-current financial debt (excluding the current portion and debt instruments)	(166,201)	(524,725)
J. Debt instruments	(5,052)	(5,052)
K. Trade payables and other non-current payables	-	-
L. Non-current financial indebtedness (I+J+K)	**(171,253)**	**(529,777)**
M. Total financial indebtedness (H+L)	**(320,539)**	**(294,519)**

8.18 OTHER LIABILITIES (CURRENT AND NON-CURRENT)

The "Other non-current liabilities" and "Other current liabilities" items as at 31 December 2023 and 2022 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2023	2022	change
Accrued liabilities and deferred income	107	77	30
TOTAL OTHER NON-CURRENT LIABILITIES	107	77	30

Deferred income refers to multi-year operating grants.

(in thousands of Euro)	AS AT 31 DECEMBER		
	2023	2022	change
Social security and welfare payables	1,061	818	243
Accrued liabilities and deferred income	40	54	(14)
VAT	892	825	67
IRPEF	571	465	106
Other tax payables	25	35	(10)
Other payables	737	319	418
Payables to employees	734	612	122
Payables for direct and indirect taxes to subsidiaries	4,895	20,189	(15,294)
TOTAL OTHER CURRENT LIABILITIES	**8,955**	**23,317**	**(14,362)**

Social security payables concerned charges and withholding taxes to employees at the end of the financial year, paid in the following month. Similarly, payables for IRPEF concerned withholding taxes for December, paid in January 2024.

The payables to employees include payables for holidays, leaves and overtime hours accrued over the year and to be taken in the following year, for a total of 734 thousand euro.

Among other payables, note the payable for charges accrued and not invoiced by the GSE as at 31 December 2023 amounting to 513 thousand euro, in application of Art. 15-bis of Italian Decree Law 4/2022, which introduced to Italian law a two-way compensation mechanism on the price of electricity produced, among others, by plants with a capacity of more than 20 kW powered from hydroelectric sources (for further details, please refer to the paragraph "Windfall measures").

The Parent Company recognises payables to subsidiaries for Group VAT of 3,414 thousand euro (6,248 thousand euro at the end of the previous year) and IRES tax payables resulting from the tax consolidation scheme for 1,481 thousand euro (13,941 thousand euro as at 31 December 2022).

8.19 TRADE PAYABLES

The "Trade payables" item as at 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2022	2021	change
Payables to subsidiaries	2,451	3,354	(903)
Payables to associates	3	4	(1)
Payables to parent companies	298	277	21
Payables to other companies	9,199	10,865	(1,666)
TOTAL TRADE PAYABLES	**11,951**	**14,500**	**(2,549)**

The "payables to subsidiaries" item includes all relations between Dolomiti Energia Holding and Group companies and includes, among the more significant amounts, seconded personnel, service contracts and all supplies of goods and services.

The payables to parent companies item is related to payables due to the Municipal Administration of Rovereto for rentals.

Trade payables to other companies include payables for invoices received for 4,730 thousand euro (3,320 thousand euro at the end of the previous year), and for invoices to be received equal to 4,469 thousand euro (7,545 thousand euro at the end of 2022). Compared to the previous year, the payable to suppliers for invoices to be received reduced when the purchase price of electricity and gas decreased after the increases that brought prices to unprecedented levels. Note that the company purchases electricity and gas to be used at the Mincio plant, of which it is co-owner with A2A Spa and AGSM-AIM Spa, for the production of thermoelectric energy.

9. NOTES TO THE INCOME STATEMENT

9.1 REVENUE

The "Revenue" item for the years ended 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2023	2022	change
Electricity production	9,352	19,616	(10,264)
Energy certificates	391	1,443	(1,052)
Other services	1,323	1,155	168
TOTAL	**11,066**	**22,214**	**(11,148)**

Hydroelectric energy production saw an upward turn in 2023, after the drought and very low rainfall that characterised 2022 (57,134 MWh in 2023 – 25,027 MWh in 2022). The revenue achieved in 2023 amounted to 6,993 thousand euro compared to 2,595 thousand euro in 2022.

Revenue from thermoelectric energy sales amounted to 2,360 thousand euro in 2023 (17,021 thousand euro in 2022) and derives from production by the combined cycle gas turbine plant in Ponti sul Mincio; the considerable decrease was caused by the decline in market prices, lower production (11,827 MWh in 2023 – 46,128 MWh in 2022). For a complete and more detailed overview of production performance for the year, please refer to the Report on Operations.

Energy certificates refer to the revenue from the former green certificate incentive tariff recognised by the GSE and accrued in 2023 on the production of thermoelectric energy.

Other services regarded sales of laboratory chemical analyses for third parties for 1,322 thousand euro (1,155 thousand euro in 2022).

All revenue was achieved in Italy.

9.2 OTHER REVENUE AND INCOME

The "Other revenue and income" item for the years ended 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER		
	2023	2022	change
Other revenue	129	357	(228)
S. Colombano Operations	1,003	544	459
Real estate income	99	373	(274)
Gains from standard operations	-	57	(57)
Other revenue and income	169	1,044	(875)
Software user license revenue	216	391	(175)
Services to third parties	15	5	10
Purification management	-	-	-
Revenue from services to subsidiaries	27,746	24,254	3,492
Revenue from services to associates	30	21	9
Seconded personnel	1,090	975	115
Core contingent assets	2,015	484	1,531
Grants - plants	23	6	17
Operating grants	109	544	(435)
TOTAL	32,644	29,055	3,589

This item includes mainly:

- "other revenue and income", primarily referring to the turnover for guided visits to the hydroelectric plants as part of the Hydrotour project for 50 thousand euro, safety activities for construction sites of the subsidiaries Dolomiti Energia Solutions and Novareti (24 thousand euro), the annual fee for the Eurovending catering service (27 thousand euro) and waivers of directors' fees (15 thousand euro);
- "revenue from subsidiaries", mostly referring to service contracts entered into to regulate the administrative, logistics and IT services between the Parent Company and Subsidiaries (24,351 thousand euro), up 3,000 thousand euro compared to the previous year after upgrading; bank sureties and parent company guarantees for 3,395 thousand euro in 2023, up 492 thousand euro on last year;
- revenue for "seconded personnel" refers to its personnel seconded to Hydro Dolomiti Energia (593 thousand euro), Dolomiti Energia Solutions (290 thousand euro), Dolomiti Ambiente (167 thousand euro) and Dolomiti Energia (39 thousand euro);
- contingent assets for 1,304 thousand euro referring to release of the provision for land reclamation (see Paragraph 8.15), for 388 thousand euro as recognition of the deviation from the estimated performance bonus allocated in 2022 and released in 2023, for 52 thousand euro as restatement of windfalls due to GSE

for 2022 and, for the remainder (260 thousand euro), to other adjustments to estimates made for the 2022 financial statements;

- operating grants include contributions in the form of tax credits for non-energy-intensive/ gas-intensive companies, recognised to partially offset the higher charges incurred by companies for the increase in electricity and gas prices (32 thousand euro) and grants received in relation to training projects (62 thousand euro).

9.3 RAW MATERIALS, CONSUMABLES AND MERCHANDISE

The "Raw materials, consumables and merchandise" item for the years ended 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2023	2022	change
Purchases of elect. raw materials	142	1,104	(962)
Purchases of gas raw materials	1,539	12,355	(10,816)
Purchases of inventories	-	473	(473)
Purchase of fuels and vehicle spare parts	161	144	17
Purchases of laboratory and chemicals	243	230	13
Changes in inventories of raw materials, consumables and merchandise	-	446	(446)
Contingent liabilities on purchases	4	-	4
Other purchases	162	148	14
TOTAL	**2,251**	**14,900**	**(12,649)**

In detail they include:

- purchases of electricity and gas relate to the thermoelectric energy production of the Mincio plant, which the Company co-owns with A2A Spa and AGSM-AIM Spa; the strong decrease is due to the drastic drop in the prices of electricity and especially natural gas, which in 2022 had reached unprecedented levels;
- the "other purchases" item includes consumables not managed in stock such as PPE devices and miscellaneous small parts.

9.4 SERVICE COSTS

The "Service costs" item for the years ended 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER		
	2023	2022	change
External maintenance services	13,463	13,246	217
Insurance, banking and financial services	1,792	674	1,118
Other services	3,938	3,339	599
Commercial services	771	564	207
General services	4,555	4,527	28
Contingent liabilities for services	206	123	83
Rental expense	153	85	68
Rental fees	782	660	122
Water diversion charges	2,024	1,620	404
TOTAL	**27,684**	**24,838**	**2,846**

External maintenance services essentially concern the operation and maintenance of the systems, the costs to manage the hydroelectric and thermal power plants (1,780 thousand euro), hardware and software fees (10,939 thousand euro in 2023 compared to 9,606 thousand euro in 2022) and the maintenance of buildings and the vehicle fleet (742 thousand euro).

Insurance service costs corresponded to 559 thousand euro, while the banking and financial services comprised bank commissions and charges for guarantees and financial professional services that amounted to 1,233 thousand euro. The difference compared to 2022 is attributable to the commissions on the SACE loan (Euro 1,047 thousand), which was disbursed to the Company in December 2022 and repaid in full in December 2023.

The "other services" item includes services provided to employees for 1,225 thousand euro mainly relating to canteen, payslip processing, training and medical examination expenses. Cleaning and security services (569 thousand euro), technical, IT and consultancy professional services are also included for a total amount of 2,050 thousand euro. Lastly, note the laboratory analysis costs (50 thousand euro) and other transport costs (42 thousand euro).

Commercial services include transmission, modulation and balancing services, as well as service contracts with subsidiaries (544 thousand euro in 2023, 452 thousand euro in 2022), as well as sponsorship, advertising and communication services (227 thousand euro).

Telephone costs (1,891 thousand euro), utility bills (1,084 thousand euro), annual membership fees (185 thousand euro) and costs for seconded personnel (621 thousand euro) are included under General services. The item also includes costs for financial statements' certification and fees to directors and statutory auditors (explanatory notes 12 and 13). 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.

Contingent liabilities include costs for software fees (140 thousand euro) and other costs accrued in the previous year but settled during the year.

Rental fees refer to the cost of hiring vehicles for the Company's business with contracts of less than 12 months and the cost of hiring goods of less than 5 thousand euro (electronic office machines).

The water diversion fees include state charges (278 thousand euro), surcharges to BIM (468 thousand euro) and surcharges to riparian municipalities (104 thousand euro). In 2023, note the 750 thousand euro in additional fees for extension of the San Colombano hydroelectric concession. The costs relating to electricity supplied pursuant to Art. 13 of Italian Presidential Decree 670/72 (418 thousand euro) were down sharply compared to the previous year (766 thousand euro) due to the reduction in electricity prices.

9.5 PERSONNEL COSTS

The "Personnel costs" item for the years ended 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2023	2022	change
Wages and salaries	11,589	10,632	957
Social security costs	3,426	3,157	269
Employee termination benefits	797	734	63
Other costs	240	(229)	469
TOTAL	16,052	14,294	1,758

Personnel costs include an estimate of employee bonuses earned as a result of the achievement of corporate objectives for the amount of 1,167 thousand euro (863 thousand euro in the previous year). The "Other costs" item includes costs for temporary personnel (163 thousand euro) and the value of capitalised internal costs (therefore deducted from personnel costs) for a total amount of 384 thousand euro (476 thousand euro in the previous year).

The overall increase in personnel costs is mainly attributable to the increase in the number of employees by 18 compared to the previous year. As regards the seconding of employees over the year, reference is made to section "Human Resources" in the Report on Operations. As at 31 December 2023, the Company had a workforce of 237, including: 11 executives, 24 managers, 193 white collar employees and 9 manual workers.

9.6 AMORTISATION, DEPRECIATION, ALLOCATIONS, WRITE-DOWNS AND WRITE-BACKS (WRITE-DOWNS) OF RECEIVABLES

The "Amortisation, depreciation, allocations, write-downs and write-backs (write-downs) of receivables" item for the years ended 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2023	2022	change
Amortisation of rights of use	515	557	(42)
Amortisation of intangible assets	6,465	6,403	62
Depreciation of property, plant and equipment	2,802	2,802	-
Credit losses	-	1	(1)
Write-downs of property, plant and equipment	1,170	-	1,170
TOTAL	10,952	9,763	1,189

The 2023 amortisation and depreciation are in line with the previous year. Note the write-down relating to the construction project for the new office block at the headquarters in Via Fersina, Trento (1,134 thousand euro).

9.7 OTHER OPERATING COSTS

The "Other operating costs" item for the years ended 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2023	2022	change
Miscellaneous costs	433	298	135
Sales management expenses	910	1,624	(714)
IMU (property tax)	270	246	24
Core contingent liabilities	30	108	(78)
Losses from standard operations	2	268	(266)
Postal charges	3	2	1
Other taxes	47	46	1
TOTAL	1,695	2,592	(897)

Other costs include stamp and registry tax, vehicle circulation tax, stationary costs and other sundry charges for the company's ordinary management.

Sales management expenses refer to the costs for fulfilling the CO2 emissions obligations on thermoelectric production of the Mincio plant (382 thousand euro) and charges for 528 thousand euro payable to the GSE deriving from application of the windfall regulations pursuant to Art. 15 of Italian Decree Law 4/2022 (note 2.4).

The contingent liabilities are essentially attributable to prior years' costs and adjustments to revenue estimated in previous years, which generated adjustments in the current year (30 thousand euro).

Other taxes and duties include stamp duty and the annual contributions to ARERA and CONSOB.

9.8 GAINS AND EXPENSES FROM EQUITY INVESTMENTS

The "Gains and expenses from equity investments" item for the years ended 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2023	2022	change
Dividends from subsidiaries	41,542	50,159	(8,617)
Dividends form associates and joint ventures	2,704	1,204	1,500
Dividends and income from other Companies	572	2,010	(1,438)
Write-downs of equity investments and securities	(500)	(1,456)	956
TOTAL	**44,318**	**51,917**	**(7,599)**

Dividends collected over the year and recognised in the income statement were from subsidiaries: SET Distribuzione (5,019 thousand euro), Hydro Dolomiti Energia (34,200 thousand euro), Depurazione Trentino Centrale (23 thousand euro) and Dolomiti Ambiente (2,300 thousand euro).

Dividends from associates and joint ventures were paid by Alto Garda Servizi (223 thousand euro), EPQ srl (2,365 thousand euro), Tecnodata Trentina (17 thousand euro) and Bioenergia Trentino (100 thousand euro).

The "income from other companies" item includes the collection of dividends from Primiero Energia (396 thousand euro), Iniziative Bresciane (138 thousand euro), Bioenergia Fiemme (24 thousand euro) and Istituto Atesino Sviluppo (14 thousand euro).

The write-down concerns the equity investment of the associate Neogy srl for 500 thousand euro, already written down in the previous year for 1,456 thousand euro (note 8.4).

9.9 FINANCIAL INCOME AND CHARGES

The "Financial income" and "Financial charges" items for the years ended 31 December 2023 and 2022 are broken down as follows:

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER		
Financial income	2023	2022	change
Financial income from subsidiaries	14,398	14,117	281
Financial income from associates	268	129	139
Financial income from other companies	3,543	247	3,296
TOTAL	18,209	14,493	3,716

The "Financial income from subsidiaries" item includes interest accrued on positive cash pooling balances (12,630 thousand euro, compared to 12,404 thousand euro last year – in line with the previous year) and commissions for the provision of funds (1,768 thousand euro in 2023 compared to 1,499 thousand euro in 2022).

Financial income from associates includes interest on shareholder loans granted to SF Energy (179 thousand euro), Neogy (50 thousand euro) and EPQ (38 thousand euro).

The considerable increase in financial income from other companies is largely due to interest income accrued on current accounts (2,841 thousand euro) and interest income on short-term financial deposits (684 thousand euro), a figure that was affected by the improved financial position of the company and the higher interest rates recognised on bank deposits.

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER		
Financial charges	2023	2022	change
Financial charges due to subsidiaries, associates and joint ventures	(5,880)	(627)	(5,253)
Financial charges due to other companies	(15,659)	(4,027)	(11,632)
Interest to be discounted	(136)	(92)	(44)
TOTAL	(21,675)	(4,746)	(16,929)

The "Financial charges due to subsidiaries" item relate to interest expense on cash pooling accounts with Group companies (5,880 thousand euro), a considerable increase compared to the previous year (627 thousand euro).

The increase in Financial charges to other companies is mainly due to interest expense on loans (14,952 thousand euro compared to 2,770 thousand euro in the previous year), including interest for the SACE loan (12,465 thousand euro) repaid in December 2023.

This item also includes interest expense on current accounts for 278 thousand euro (952 thousand euro in the previous year) and interest expense on the bond loan for 247 thousand euro (101 thousand euro in 2022).

9.10 TAXES

The "Taxes" item for the years ended 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER		
	2023	2022	change
Current taxes	-	(506)	506
Deferred tax liabilities	2	4	(2)
Deferred tax assets	207	(93)	300
Income/charge from tax consolidation	2,277	2,361	(84)
Taxes from prior years	226	26	200
TOTAL	**2,712**	**1,792**	**920**

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			
	2023	%	2022	%
PROFIT BEFORE TAX	**25,928**		**46,546**	
Theoretical IRES	6,223	24.00%	11,171	24.00%
Permanent differences	(28,140)		(43,799)	
Temporary differences	110		(163)	
ACE	515		476	
IRES taxable amount	(2,617)		2,108	
Actual IRES	-		506	
OPERATING RESULT	**29,394**		**36,799**	
Interest margin	(4,514)		9,773	
Costs without relevance for IRAP purposes	17,605		14,770	
Revenue without relevance for IRAP purposes	(44,318)		(51,917)	
TOTAL	**(1,833)**		**9,425**	
Theoretical IRAP	-	4.65%	438	4.65%
Permanent differences	(15,073)		(13,621)	
Temporary differences	(443)		(887)	
Actual IRAP	-		-	
CURRENT INCOME TAXES			**506**	
DEFERRED TAX ASSETS - TAX CONSOLIDATION INCOME	**(628)**			

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 2023 and 2022, the main transactions with related parties concerned the following:

(in thousands of Euro)

	AS AT 31 DECEMBER							
	2023				2022			
	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES
DTC	-	-	-	-	292	1	(214)	(98)
Dolomiti Energia	1,587	123,129	(217)	(1,047)	6,973	208,999	(325)	(7,466)
Dolomiti Energia Solutions	454	45,583	(76)	(106)	2,795	32,538	(271)	-
Set Distribuzione	1,198	9	(20)	(35,079)	1,129	8	(76)	(39,076)
Novareti	1,143	49,205	(141)	(188)	1,131	44,107	(226)	(2,272)
Hydro Dolomiti Energia	1,285	14,844	(1,490)	(195,795)	7,647	105	(2,108)	(58,367)
Dolomiti Edison Energy	133	11,561	-	(370)	138	16,416	-	(1,763)
Dolomiti Energia Trading	2,362	20,600	(399)	(98,719)	649	138,511	(17)	(4,963)
Dolomiti GNL	8	1,758	-	(42)	55	1,884	-	(15)
IVI GNL	-	-	-	-	5	-	-	-
Dolomiti En.Hydro Power	2	1	-	(1,773)	2	1	-	(623)
Gasdotti Alpini	1	-	(105)	(518)	-	-	(89)	(530)
Dolomiti Transition Asset	4	39	-	(10,938)	9	-	-	(10,842)
Dolomiti Energia Wind Power	-	2,394	-	-				
Dolomiti Ambiente	803	15	(3)	(475)	481	15	(28)	(3,087)
TOTAL	**8,982**	**269,138**	**(2,451)**	**(345,050)**	**21,306**	**442,585**	**(3,354)**	**(129,102)**

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER															
	2023								2022							
	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	-	2	6	-	-	-	-	(2)	-	5	-	-	-	-	5	-
Dolomiti Energia	-	7,467	-	-	(405)	(28)	6,183	-	-	5,937	-	-	(538)	(27)	2,626	-
Dolomiti Energia Solutions	-	1,035	-	-	(666)	-	2,410	-	-	809	1	-	(651)	-	881	-
Set Distribuzione	-	5,343	-	-	(97)	-	10	(1,254)	-	5,204	-	(3)	(145)	-	10	(244)
Novareti	-	5,159	-	-	(303)	-	2,855	-	-	5,347	-	-	(206)	-	1,312	-
Hydro Dolomiti Energia	-	4,426	-	-	(1,560)	-	345	(2,632)	-	3,857	-	-	(1,601)	-	344	(322)
Dolomiti Edison Energy	-	626	-	-	-	-	829	-	-	577	-	-	-	-	229	-
Dolomiti Energia Trading	5,813	3,256	-	-	(17)	(382)	1,667	(1,481)	1,746	3,057	-	-	(17)	-	8,645	-
Dolomiti GNL	-	13	-	-	-	-	63	-	-	13	-	-	-	-	15	-
Dolomiti En.Hydro Power	-	25	-	-	-	-	4	(40)	-	25	-	-	-	-	9	(2)
Gasdotti Alpini	-	1	-	-	(105)	-	-	(20)	-	-	-	-	(89)	-	-	(2)
Dolomiti Transition Assets	-	50	-	-	-	-	-	(357)	-	50	-	-	-	-	4	(41)
Dolomiti Energia Wind Power	-	-	-	-	-	-	12	-								
Dolomiti Ambiente	-	2,141	-	-	(93)	(1)	20	(94)	-	1,786	-	-	(91)	-	37	(16)
TOTAL	**5,813**	**29,544**	**6**	**-**	**(3,246)**	**(411)**	**14,398**	**(5,880)**	**1,746**	**26,667**	**1**	**(3)**	**(3,338)**	**(27)**	**14,117**	**(627)**

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

11. GUARANTEES AND COMMITMENTS

The breakdown of guarantees and commitments undertaken by the Company as at 31 December 2023 and 2022, in favour of third parties and mainly in the interest of other companies in the Dolomiti Energia Group is provided below:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2023	2022	change
Guarantees given to third parties	591,457	546,533	44,924
Financial commitments in favour of third parties	129,813	185,389	(55,576)
TOTAL	**721,270**	**731,922**	**(10,652)**

The banking/insurance system has undertaken commitments in favour of third parties and in the interest of the Company for the following values:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2023	2022	change
Usage of signature facilities to issue bank/insurance guarantee	2,378	3,012	(634)
TOTAL	**2,378**	**3,012**	**(634)**

Guarantees given to third parties (591,457 thousand euro) include parent company guarantees issued in favour of subsidiaries/associates, in the amount of 249,752 thousand euro (264,828 thousand euro as at 31 December 2022), as well as guarantees given to banks and insurance companies for loans/credit lines granted to investees, in the amount of 341,705 thousand euro (281,705 thousand euro at the end of previous year). The Company also undertook financial commitments in favour of third parties, equal to 129,813 thousand euro, in relation to counter-guarantees released to the financial system for the issue of bank guarantees.

12. FEES TO DIRECTORS AND STATUTORY AUDITORS

The fees to directors and statutory auditors of the Company, for the years ended 31 December 2023 and 2022 are broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2023	2022
Fees to Directors	433	417
Fees to Board of Statutory Auditors	94	89
TOTAL	527	506

Remunerations are substantially in line with the previous year.

13. INDEPENDENT AUDITORS' FEES

The following table shows the remuneration received by the independent auditors PricewaterhouseCoopers S.p.A. for the auditing services of the financial statements for the years ended 31 December 2023 and 2022, as well as remuneration for Other audit services:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2023	2022
Statutory audit	51	48
Other audit services	15	8
TOTAL	66	56

14. AGREEMENTS NOT DISCLOSED IN THE STATEMENT OF FINANCIAL POSITION

No agreements are to be reported that are not disclosed in the Statement of Financial Position and that could significantly affect the Company's financial position and results of operations.

15. SIGNIFICANT EVENTS OCCURRED AFTER YEAR END

No significant events after the reporting date of these financial statements are to be reported that have not been recognised and that would significantly change the equity, financial and economic representation of the 2023 financial statements.

16. REVENUE OR COST ELEMENTS OF EXCEPTIONAL EXTENT OR IMPACT

Pursuant to article 2427, item 13, of the Italian Civil Code, it is noted that, during the year, the Company reported no revenue or costs of exceptional extent or impact.

17. TRANSPARENCY IN THE PUBLIC FUNDING SYSTEM

In application of Article 1, paragraphs 125 et seq. of Italian law 124/2017 (annual market and competition law) as reformulated by Article 35 of Italian decree law No. 34/2020 ("crescita" decree), published on the Official Gazette No. 100 of 30 April 2021, please refer to the National Registry of State aid, section "Transparency" in order to view any funding, subsidies, benefits, contributions or aid, in money or in kind, that are not general and that are not of a payment or remuneration nature or for damages, actually disbursed by the public administrations and the parties described under Article 2-bis of Italian legislative decree No. 33/2013 in 2023.

18. PROPOSED ALLOCATION OF PROFITS OR LOSS COVERAGE

We propose to the Shareholders' Meeting that profit for the year of 28,639,602 euro be allocated as follows:

- 1,431,980 euro, equal to 5% of profit for the year, to the legal reserve;
- 27,207,622 euro as ordinary dividend to shareholders;
- it is also proposed to use 19,007,533 euro of the extraordinary reserve to bring the total dividend to 46,215,155 euro, corresponding to 0.12 euro per share, to be paid from 1 July 2024.

Rovereto, 29 marzo 2024

on behalf of the BOARD OF DIRECTORS
Dolomiti Energia Holding SpA

Chairperson
Silvia Arlanch

CERTIFICATION OF THE FINANCIAL STATEMENTS

The undersigned Silvia Arlanch and Michele Pedrini of Dolomiti Energia Holding SpA, taking account of provisions set out by regulations in force, hereby certify the following:

- the adequacy in relation to the business characteristics and
- the actual application of the administrative and accounting procedures for the formation of the financial statements during 2023.

No significant aspects emerged to this regard.

It is also certified that:

- the financial statements:
  - 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.
- The Report on Operations includes a reliable analysis of performance and the results of operations, and of the general situation of the Issuer, together with a description of the principal risks and uncertainties to which it is exposed.

Rovereto, 29 March 2024

Signed by the delegated management bodies
Silvia Arlanch

Signed by the Responsible Party of the Issuer
Michele Pedrini

REPORTS

BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING

PURSUANT TO ARTICLE 2429, PARAGRAPH 2, OF THE ITALIAN CIVIL CODE AND PURSUANT TO ARTICLE 3, PARAGRAPH 7 OF ITALIAN LEGISLATIVE DECREE 254/2016

To the Shareholders' Meeting of Dolomiti Energia Holding S.p.A.

Dear Shareholders,

In accordance with the articles of association in force, the Board of Statutory Auditors was assigned the function of supervising compliance with law and with the articles of association, as well as compliance with the principles of sound administration pursuant to Article 2403 of the Italian Civil Code, whilst statutory audit of the accounts was assigned to the independent auditor PricewaterhouseCoopers S.p.A.

Following the admission to listing on the regulated market of the Irish Stock Exchange of the bond loan issued by the Company, it acquired the qualification of Public Interest Entity pursuant to Italian Legislative Decree No. 39 of 27 January 2010.

As a consequence of the above, and to the purpose herein:

- pursuant to Article 22 of the articles of association, the Board of Statutory Auditors acts as the "Internal Control and Auditing Committee", which is responsible for supervising and overseeing the audit and the internal control systems;
- the Company is bound to comply with provisions set out by Italian Legislative Decree 254/2016 and, among other things, prepare the Consolidated Non-financial Statement.

REPORT ON SUPERVISORY ACTIVITIES PURSUANT TO ARTICLE 2429, PARAGRAPH 2 OF THE ITALIAN CIVIL CODE

During the year ended 31 December 2023, our activities were governed by legal provisions and the "Code of Conduct of the Board of Statutory Auditors of unlisted companies" issued by the Italian Accounting Profession.

This report brings to your attention the activities carried out and the results achieved.

The Financial Statements of Dolomiti Energia Holding S.p.A. for the year ended 31 December 2023 are submitted for your examination. They were drafted in compliance with Italian regulations governing their preparation and record a profit for the year of 28,639,602 euro. The financial statements were made available to us by the legal deadline.

The audit report of 11 April 2024, containing an unmodified opinion, was delivered to us by the independent auditor, PricewaterhouseCoopers S.p.A.

According to the Independent Auditor's Report, the financial statements for the year ended 31 December 2023 provide a true and fair view of the financial position, economic result and cash flows of your Company, and were drafted in compliance with regulations governing their preparation and with the International Financial Reporting Standards adopted by the European Union, as well as with measures issued in implementation of Article 9 of Italian Legislative Decree 38/05.

As it is not responsible for the statutory audit, the Board of Statutory Auditors performed supervisory activities on the financial statements as envisaged in Rule 3.8 of the "Code of Conduct for the Board of Statutory Auditors of unlisted companies", consisting in an overall summary control to confirm that the financial statements were prepared correctly. Audit of the accuracy of the accounting data, in fact, is the responsibility of the independent auditor.

SUPERVISORY ACTIVITIES PURSUANT TO ARTICLES 2403 ET SEQ., ITALIAN CIVIL CODE

We monitored compliance with the law, the articles of association and the principles of sound administration and, in particular, on the adequacy of the organisational, administrative and accounting structure adopted by the company and its concrete functioning.

We attended the shareholders' meeting, the meetings of the Board of Directors and the meetings of the Executive Committee, and, based on the information available, we have no particular findings to report.

We obtained information from the Board of Directors, suitably in advance and also during the meetings held, 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. Based on the information acquired, we have no particular comments to make.

We promptly exchanged data and information relevant to the performance of our supervisory activities with the independent auditor.

We learned of and monitored the adequacy of the organisational, administrative and accounting structure and its actual operations, also through information obtained from department managers and, in this regard, we have no particular comments to make.

We learned of and monitored, to the extent of our responsibility, the adequacy and operation of the administrative and accounting system, and its reliability in fairly representing operating events, by obtaining information from department managers and from examination of company documents and, in this regard, we have no particular comments to make.

We met with the Supervisory Body and no critical issues emerged with regard to correct implementation of the organisational model that would warrant mention in this report.

In our role as Internal Control and Audit Committee, pursuant to Article 19, paragraph 1 of Italian Legislative Decree 39/2010, as amended by Italian Legislative Decree 135/2016, we carried out the specific information, monitoring, control and audit functions provided for therein, dutifully fulfilling the tasks specified in the aforementioned legislation, among other things examining the additional report pursuant to Article 11 of Regulation (EU) 537/2014 that was made available on 11 April 2024 and on which the Board has no comments to make.

We supervised compliance with the provisions set out in Italian Legislative Decree 254/2016, by examining, among other things, 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 independent auditors, PricewaterhouseCoopers SpA, no significant data or information emerged that would warrant mention in this report.

No complaints were received from shareholders pursuant to Articles 2408 or 2409 of the Italian Civil Code.

We have not issued any reports to the Board of Directors pursuant to Article 15, Italian Decree Law No. 118/2021 or pursuant to Article 25-octies, Italian Legislative Decree No. 14 of 12 January 2019. We have not received reports from public creditors pursuant to Article 25-novies, Italian Legislative Decree No. 14 of 12 January 2019, or pursuant to Article 30-sexies, Italian Decree Law No. 152 of 6 November 2021, converted by Italian Law No. 233 of 29 December 2021, as amended.

No opinions or observations envisaged by law were issued by the Board of Statutory Auditors during the year.

During the course of our supervision, as described above, no other significant events emerged that would require mention in this report. These supervisory activities were performed in meetings of the Board and by taking part in all meetings of the Board of Directors and Executive Committee.

The Chairman of the Board of Statutory Auditors also met the Internal Audit Manager on a number of occasions, and attended meetings with the Supervisory Body during the year.

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

COMMENTS ON THE FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2023 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 Italian Law Decree No. 38 of 28 February 2005, as amended.

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, and in this respect have no particular comments to make.

We checked compliance with the rules of law pertaining to the preparation of the report on operations pursuant to Article 2428 of the Italian Civil Code and, to this regard, we 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 5 of the Italian Civil Code.

CONSOLIDATED NON-FINANCIAL STATEMENT

The Board of Statutory Auditors assessed that the Company complied with obligations set forth by Italian 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 aforementioned Decree.

This statement was accompanied by the certification of the designated auditor KPMG, dated 10 April 2024, on the compliance of disclosures with provisions set forth by the above-mentioned decree, with reference to principles, methodologies and drafting methods. We hereby report that the compulsory contents and the completeness and clarity of disclosure of the consolidated non-financial statement, as required by law, are confirmed.

OBSERVATIONS AND PROPOSALS REGARDING APPROVAL OF THE FINANCIAL STATEMENTS

Considering the results of our activities and the opinion expressed in the Independent Auditor's Report, we have no reason to object to the shareholders' approval of the financial statements for the year ended 31 December 2023, as prepared by the Directors.

The Board of Statutory Auditors agrees with the proposed allocation of profit for the year as formulated by the Directors in the Notes to the Financial Statements.

Rovereto, 12 April 2024

The Board of Statutory Auditors

Mr. **Michele Iori**
Mr. **William Bonomi**
Mrs. **Maura Dalbosco**

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 2023, 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 material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2023, 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.

pwc

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Evaluation on the recoverable value of the equity investment in Hydro Dolomiti Energia Srl *Note 8.4 "Equity investments" of the explanatory notes to the financial statements as of 31 December 2023.* The Company's financial statements as of 31 December 2023 include Equity investments for Euro 852,7 million, of which Euro 408,4 million related to the subsidiary Hydro Dolomiti Energia Srl (hereinafter also HDE), whose activity consists in managing plants for the use of hydroelectric concessions, mainly located in the Autonomous Province of Trento. Law 205 of 27 December 2017 ("2018 Budget Law"), the Law 160 of 27 December 2019 and subsequent regulatory provisions amended Article 13 of the Consolidated Law introduced by Presidential Decree no. 670 of 31 August 1972, prescribing that: • the concessions of large diversions in the provinces of Trento and Bolzano, with expiration date prior to 31 December 2024, 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, determined according to criteria that have to be set forth in a provincial law. Law 9 of 21 October 2020 of the Autonomous Province of Trento defined the criteria for the indemnification for "assets transferable for free".	We analysed the findings of the audit of the financial statements as of 31 December 2023 of HDE. We examined the Company's management estimates of the cash flows expected in the period 2024-2025 from the equity investments in HDE. We examined the appraisal commissioned by the Company's management in 2022 to a third party expert for the estimate of the presumed repayment value of assets held by HDE that are not transferable for free, and verified the correspondence of the terminal values used in the impairment test with the values as per the appraisal. We examined the impairment test, analysing the relating methodological correctness, the mathematical accuracy and, with the support of PwC network's experts, the discount rate used; in addition, we verified the sensitivity analysis carried out by the directors in relation to the assumptions relevant to in order to identify the existance of any impairment of the equity investment. Finally, we verified the adequacy and the completeness of the information included in the explanatory notes.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
The equity investment in the subsidiary Hydro Dolomiti Energia Srl is entered in the financial statements at cost, and eventually impaired. Even in the absence of impairment indicators, as of 31 December 2023 the Company's management has done a specific impairment test based on the discounted cash flow expected from the equity investment. Considering the significance of the equity investment in HDE, the development of the national and provincial regulations on concessions of large diversions as well as the expiry of the main concessions currently held by HDE, the evaluation of the Company's directors on the non-existence of impairment indicators for the equity investment in HDE represented a key matter in the audit of the financial statements.	

Responsibilities of the Board of Directors and the Board of Statutory Auditors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 financial statements and the 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

The directors of Dolomiti Energia Holding SpA are responsible for preparing a report on operations of Dolomiti Energia Holding SpA as of 31 December 2023, 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 2023 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 2023 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 2024

PricewaterhouseCoopers SpA

Signed by

Paolo Vesentini
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

CONSOLIDATED FINANCIAL STATEMENTS
2023

DOLOMITI ENERGIA GROUP

Consolidated Financial Statements as at 31 december 2023


NOVARETI
NOVARETI

Consolidated Statement of Financial Position

(in thousands of Euro)

		AS AT 31 DECEMBER	
Assets	**Notes**	**2023**	**2022**
NON-CURRENT ASSETS			
Rights of use	7.1	6,119	7,027
Assets under concession	7.2	712,688	659,670
Goodwill	7.3	36,866	36,830
Intangible assets	7.3	52,554	47,802
Property, Plant and Equipment	7.4	926,754	925,251
Equity investments measured at equity and other companies	7.5	97,872	78,921
Non-current financial assets	7.6	11,490	10,715
Deferred tax assets	7.7	54,494	76,851
Other non-current assets	7.8	23,464	29,607
TOTAL NON-CURRENT ASSETS		**1,922,301**	**1,872,674**
CURRENT ASSETS			
Inventories	7.9	19,685	81,075
Trade receivables	7.10	462,015	642,712
Receivables for current taxes	7.11	2,876	9,317
Current financial assets	7.12	116,949	727,929
Other current assets	7.13	54,945	52,319
Cash	7.14	30,289	85,376
TOTAL CURRENT ASSETS		**686,759**	**1,598,728**
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS			
TOTAL ASSETS		**2,609,060**	**3,471,402**
Shareholders' equity			
Share capital	7.15	411.496	411.496
Reserves	7.15	433.728	434.055
Net profit/(loss) for the year	7.15	169.808	8.710
TOTAL GROUP SHAREHOLDERS' EQUITY		**1.015.032**	**854.261**
Capital and reserves - minority interests	7.15	382.577	371.156
Profit/(Loss) - minority interests	7.15	62.185	15.608
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY		**1.459.794**	**1.241.025**
Liabilities			
NON-CURRENT LIABILITIES			
Provisions for non-current risks and charges	7.16	24,132	24,105
Employee benefits	7.17	12,766	13,265
Deferred tax liabilities	7.7	172,762	183,980
Non-current financial liabilities	7.18	286,536	698,787
Other non-current liabilities	7.19	117,828	112,585
TOTALE PASSIVITÀ NON CORRENTI		**614,024**	**1,032,722**
CURRENT LIABILITIES			
Provisions for current risks and charges	7.16	8,504	17,082
Trade payables	7.20	275,338	353,077
Current financial liabilities	7.18	139,758	768,030
Liabilities for current taxes	7.21	45,915	22,665
Other current liabilities	7.19	65,727	36,801
TOTAL CURRENT LIABILITIES		**535,242**	**1,197,655**
LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS		**-**	**-**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,609,060**	**3,471,402**

Consolidated Comprehensive Income Statement

(in thousands of Euro)

	Notes	AS AT 31 DECEMBER 2023	2022
Revenue	8.1	2,195,159	3,241,087
Revenue from works on assets under concession	8.2	78,131	66,901
Other revenue and income	8.3	68,002	45,724
TOTAL REVENUE AND OTHER INCOME		**2,341,292**	**3,353,712**
Raw materials, consumables and merchandise	8.4	(1,158,492)	(2,523,365)
Service costs	8.5	(545,575)	(427,686)
Costs from works on assets under concession	8.2	(76,451)	(65,492)
Personnel costs	8.6	(78,335)	(69,002)
Amortisation, depreciation, allocations and write-downs	8.7	(63,701)	(70,617)
Net write-backs (write-downs) of receivables	8.7	(3,600)	(7,423)
Other operating costs	8.8	(96,742)	(73,046)
TOTAL COSTS		**(2,022,896)**	**(3,236,631)**
Result of equity investments measured at equity and other companies	8.9	6,902	1,382
Operating result		**325,298**	**118,463**
Financial income	8.10	12,808	926
Financial charges	8.10	(23,697)	(10,193)
Profit before tax		**314,409**	**109,196**
Taxes	8.11	(82,416)	(84,878)
NET PROFIT/(LOSS) FOR THE YEAR (A) OF CONTINUING OPERATIONS		**231,993**	**24,318**
Discontinuing operations		-	-
NET PROFIT/(LOSS) FOR THE YEAR (B) OF DISCONTINUING OPERATIONS		**-**	**-**
PROFIT/(LOSS) FOR THE YEAR		**231,993**	**24,318**
of which Group		169,808	8,710
of which Minority interests		62,185	15,608
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Actuarial profit/(loss) for employee benefits		669	1,224
Tax effect on actuarial profit/(loss) for employee benefits			(281)
Other components			
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (C1)		**669**	**943**
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Profit/(loss) on cash flow hedge instruments		43,681	194,312
Tax effect on change in fair value in cash flow hedge derivatives		(8,448)	(55,865)
Other components			
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (C2)		**35,233**	**138,447**
TOTAL OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX EFFECT (C) = (C1)+(C2)		**35,902**	**139,390**
TOTAL AGGREGATE RESULT FOR THE YEAR (A)+(B)+(C)		**267,895**	**163,708**
of which Group		184,420	104,691
of which Minority interests		83,475	59,017

Consolidated Cash Flow Statement

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2023	2022
PROFIT BEFORE TAX	314,409	109,196
ADJUSTMENTS FOR:		
Amortisation/depreciation of:		
- intangible assets	15,632	15,435
- property, plant and equipment	14,599	13,828
- assets under concession	29,813	30,177
Write-downs of assets	3,600	7,423
Allocations and releases of provisions	3,657	11,177
Fair value of derivatives on commodities	-	-
Result of equity investments measured at equity and other companies	(2,749)	1,600
Financial (income)/charges	10,889	9,267
(Capital gains)/Capital losses and other non-monetary elements	-	-
Cash flow from operations before changes in net working capital	**389,850**	**198,103**
Increase/(Decrease) in provisions		
Increase/(Decrease) in employee benefits	(499)	(3,361)
(Increase)/Decrease in inventories	61,390	(58,147)
(Increase)/Decrease in trade receivables	177,097	(147,470)
(Increase)/Decrease in other assets/liabilities, deferred tax assets and liabilities	19,002	349,289
Increase/(Decrease) in trade payables	(77,739)	10,705
Interest and other financial income collected	12,808	926
Interest and other financial expenses paid	(23,697)	(10,193)
Utilisation of provisions for risks and charges	(12,208)	(30)
Taxes paid	(53,900)	(66,343)
CASH FLOWS FROM OPERATIONS (A)	**492,104**	**273,479**
Net investments in intangible assets	(20,420)	(16,046)
Net investments in property, plant and equipment	(16,102)	(14,487)
Net investments in assets under concession	(78,892)	(67,045)
Net investments in equity investments	(16,203)	(155)
(Increase)/Decrease in other investment assets		-
CASH FLOWS FROM INVESTMENT/DIVESTMENT ACTIVITIES (B)	**(131,617)**	**(97,733)**
Financial payables (new issues of long-term loans)		350,000
Short-term financial payables (reimbursements and other net changes)	(3,222)	(449,329)
Medium/long-term financial payables (reimbursements and other net changes)	(364,225)	(9,392)
Dividends paid	(48,128)	(69,865)
Change in consolidation area		-
CASH FLOWS FROM FINANCING ACTIVITIES (C)	**(415,574)**	**(178,586)**
Effect of changes on cash and cash equivalents (d)	-	-
Increase/(Decrease) in cash and cash equivalents (a+b+c+d)	*(55,087)*	*(2,840)*
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	85,376	88,216
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	30,289	85,376

Consolidated statement of changes in shareholders' equity

(in thousands of Euro)

	Share capital	Share premium reserve	Treasury shares reserve
BALANCE AS AT 31 DECEMBER 2021	411,496	994	(53,515)
TRANSACTIONS WITH SHAREHOLDERS:			
Dividend distribution			
Other transactions with shareholders			
TOTAL TRANSACTIONS WITH SHAREHOLDERS	-	-	-
AGGREGATE RESULT FOR THE YEAR:			
Net profit (loss)			
Change in consolidation area			
Actuarial profit/(loss) for employee benefits, net of tax effect			
Profit/(loss) on cash flow hedge instruments			
TOTAL AGGREGATE RESULT FOR THE YEAR	-	-	-
BALANCE AS AT 31 DECEMBER 2022	411,496	994	(53,515)
TRANSACTIONS WITH SHAREHOLDERS:			
Dividend distribution			
Other transactions with shareholders			
TOTAL TRANSACTIONS WITH SHAREHOLDERS	-	-	-
AGGREGATE RESULT FOR THE YEAR:			
Net profit (loss)			
Change in consolidation area			
Actuarial profit/(loss) for employee benefits, net of tax effect			
Profit/(loss) on cash flow hedge instruments			
TOTAL AGGREGATE RESULT FOR THE YEAR	-	-	-
BALANCE AS AT 31 DECEMBER 2023	411,496	994	(53,515)

	Other reserves and retained earnings	Total Other reserves	Net profit/(loss) pertaining to the Group	Total shareholders' equity pertaining to the Group	Shareholders' equity pertaining to minority interests	Total Shareholders' Equity
	338,665	286,144	89,993	787,633	358,021	1,145,654
	51,481	51,481	(89,993)	(38,512)	(31,352)	(69,864)
	233	233		233	1,294	1,527
	51,714	**51,714**	**(89,993)**	**(38,279)**	**(30,058)**	**(68,337)**
		-	8,710	8,710	15,608	24,318
		-		-		-
	710	710		710	233	943
	95,487	95,487		95,487	42,960	138,447
	96,197	**96,197**	**8,710**	**104,907**	**58,801**	**163,708**
	486,576	434,055	8,710	854,261	386,764	1,241,025
	(14,397)	(14,397)	(8,710)	(23,107)	(25,020)	(48,127)
	(602)	(602)		(602)	(397)	(999)
	(14,999)	**(14,999)**	**(8,710)**	**(23,709)**	**(25,417)**	**(49,126)**
		-	169,808	169,808	62,185	231,993
		-		-		-
	434	434		434	235	669
	14,238	14,238		14,238	20,995	35,233
	14,672	**14,672**	**169,808**	**184,480**	**83,415**	**267,895**
	486,249	433,728	169,808	1,015,032	444,762	1,459,794

EXPLANATORY NOTES

1. GENERAL INFORMATION

Dolomiti Energia Holding S.p.A. (the "Company" or "DEH") and the companies controlled by the same (the "Dolomiti Energia Group" or the "Group") manage activities 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. Energy services;
7. Other minor services.

Dolomiti Energia Holding S.p.A. 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 2023, the Parent Company's share capital was held by:

Shareholders	No. of shares	%
PUBLIC ENTITIES		
FINDOLOMITI ENERGIA Srl	199,612,381	48.51%
TRENTO MUNICIPAL ADMINISTRATION	24,315,908	5.91%
ROVERETO MUNICIPAL ADMINISTRATION	17,852,031	4.34%
MORI MUNICIPAL ADMINISTRATION	5,060,563	1.23%
ALA MUNICIPAL ADMINISTRATION	3,852,530	0.94%
BIM ADIGE	3,373,989	0.82%
BIM SARCA-MINCIO-GARDA	3,322,260	0.81%
OTHER PUBLIC AUTHORITIES	5,290,357	1.29%
UTILITIES		
AMAMBIENTE S.p.A.	12,630,771	3.07%
AIR AZIENDA INTERCOMUNALE ROTALIANA S.p.A.	4,085,912	0.99%
CEDIS CONSORZIO ELETTRICO DI STORO Scarl	2,783,799	0.68%
PRIMIERO ENERGIA	2,430,900	0.59%
CEIS CONSORZIO ELETTRICO INDUSTRIALE DI STENICO S.c.	2,322,983	0.56%
CEPF POZZA DI FASSA	944,716	0.23%
ACSM AZIENDA CONSORZIALE SERVIZI MUNICIPALIZZATI S.p.A.	823,006	0.20%
AZ. SERV. MUNIC. - TIONE DI TRENTO	14,850	0.00%
PRIVATE ENTITIES		
FT ENERGIA S.P.A.	28,727,315	6.98%
FONDAZIONE CASSA DI RISPARMIO DI TRENTO E ROVERETO	22,218,753	5.40%
EQUITIX ITALIA HOLDCO 1 SRL	20,574,809	5.00%
I.S.A. - IST. ATESINO DI SVILUPPO S.P.A.	17,442,965	4.24%
ENERCOOP S.r.l.	7,417,550	1.80%
ERMINIA MONTAGNA	27,540	0.01%
ELETTROMETALLURGICA TRENTINA Srl	203	0.00%
LUCIANA POMARA	203	0.00%
TREASURY SHARES	**26,369,875**	
TOTAL	**411,496,169**	**100%**

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 European 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 Italian Legislative Decree No. 38 was issued, then amended by Italian 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 2016, by identifying 1 January 2015 as transition date to EU IFRS ("Transition Date"). Additionally, on 14 July 2017, the Parent Company Dolomiti Energia Holding S.p.A. finalised the listing transactions on the Irish Stock Exchange of a previously existing bond loan for a residual nominal amount of 5 million euro, taking on the classification as a Public Interest Entity (PIE) and therefore with the obligation to draw up its own financial statements in accordance with the EU IFRS 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 Regulation (EC) 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 EU IFRS 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.

In relation to the Ukraine-Russia and Israel-Palestine conflicts, any resulting effects were considered in the analysis of estimates and assumptions used in the financial statements, with no specific risks identified.

These Consolidated Financial Statements were approved by the Company's Board of Directors on 29 March 2024.

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 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 S.p.A., 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.

In 2023, the scope of consolidation did not change compared to 2022, except for the line-by-line consolidation of Dolomiti Energia Wind Power (and its interest in Eco Puglia Srl).

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) 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 equity 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/revenue connected with the agreement based on rights/obligations, regardless of the equity investments owned.

2.5 MEASUREMENT CRITERIA

RIGHTS OF USE (LEASES)

The Group holds tangible assets used in carrying out its business activities, through long-term rental contracts. At the contract start date, it is determined whether the contract is or contains a lease. The definition of a lease under IFRS 16 is applied when the contract transfers the right to control the use of an underlying asset for a period of time in exchange for consideration. The Group recognises an asset consisting of the right to use the underlying asset and a lease liability on the effective date of the contract (i.e. the date on which the underlying asset is available for use). The asset consisting of the right of use represents the lessee's right to use the underlying asset for the duration of the lease and its initial measurement corresponds to the lease liability, initially measured at the present value of the payments due under the contract, to be paid over its term. In calculating the present value of the payments due, the lessee's marginal borrowing rate at the effective date of the lease is used. After the effective date, the lease liability is measured at amortised cost using the effective interest rate method and restated as certain events occur. The Group applies the envisaged exception to the recognition of short-term leases to its contracts with a duration of 12 months or less from the effective date; it also applies the envisaged exception to the recognition of leases in which the underlying asset is of "low value" and the amount of which is estimated as not significant. Payments due on short-term leases and those where the underlying asset is of low value are recognised as an expense on a straight-line basis over the term of the contract. In accordance with the provisions of the standard, the Group separately reports interest expense on lease liabilities and portions of depreciation for assets consisting of the right of use.

LEASED ASSETS (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 S.p.A. and gas and water distribution services, through the subsidiary Novareti S.p.A., 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 IFRS 15 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 IFRS 15 and this measurement will be disclosed in the income statement, under item "Revenue from works on assets under concession".

As it is assumed that the future economic benefits of the asset will be used by the concession-holder, the assets under 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. For the natural gas distribution concession, on 27 December 2023 the Autonomous Province of Trento (contracting authority) issued the tender which calls for the submission of bids by the end of July 2024.

Amortisation relating to the assets under concession in relation to natural gas distribution was therefore calculated in consideration of a time span that estimates award of the tender in 2025, taking the estimated RIV as at 31 December 2025 into consideration.

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 carrying amount 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 than 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.

INTANGIBLE ASSETS

Intangible assets include non-monetary elements and are identifiable assets lacking physical substance, controlled by the company and able to produce future economic benefits. 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.

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 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 modernisation 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%

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 future cash flows, used to determine the value in use, are based on the latest economic and financial forecast containing forecasts on revenue, 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 comprehensive income components. 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 receivables 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 Group 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 value of the trade receivables is shown in the financial statements net of their provision for write-downs, calculated applying the simplified method and, more specifically, the matrix provision model that is based on identifying default rates by expired brackets observed on a historic basis, applied for the entire expected lifetime of the receivable and updated based on significant future scenario elements.

NON-DERIVATIVE FINANCIAL ASSETS

Non-derivative financial assets are distinguished by fixed or calculable payments not listed in an active market, for which the Group's objective is to achieve the contractual cash flows represented by payment of the principal and interest. 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 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, GO, EUA and VER) are measured with the FIFO (first in first out) 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.

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 the income statement, 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 segment is a component of an entity that: i) undertakes business operations that generate revenue 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 segment 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, Steam and Cooling production;
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 liabilities (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 12 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 eventually 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 "personnel costs" item, while

- net financial charges on defined-benefit liabilities or assets are recognised in the income statement under "Financial income/(charges)" item, 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 profits 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 comprehensive income statement, 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.

REVENUE RECOGNITION

Revenue is recognised based on the recognition model provided for by IFRS 15, which is based on 5 steps:

i. identification of the contract with the customer. The term contract means the approved trade agreement between two or more parties that creates demandable rights and obligations. The standard contains specific provisions for assessing whether two or more contracts must be combined with each other and for identifying the accounting implications of a contractual amendment;

ii. identification of the "performance obligations" contained in the contract;

iii. determination of the "transaction price". Among other things, in order to determine the transaction price, it is necessary to consider the following elements:

- any amounts collected on behalf of third parties that must be left out of the consideration;

- variable price components (such as performance bonuses, penalties, discounts, refunds, incentives, etc.);

- financial component, if the terms of payment grant the customer a significant extension;

iv. allocation of the price to the performance obligations on the basis of the "Relative Stand Alone Selling Price";

v. recognition of revenue when the performance obligation is met. Transfer of the asset or service takes place when the customer obtains control of the asset or service, that is to say, when it has the ability to decide and/or address its use and basically obtain all of its benefits. The principle stated by IAS 18 for which the revenue is recognised by looking at the benefits that can be gained from the asset and at the assessment of likelihood of collecting the relevant receivable is replaced. Control can be transferred at a point in time or over time.

According to the type of transaction, revenue is 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.

Deferred tax assets and liabilities are calculated based on all differences that arise between tax value of an asset or liability and the related carrying amount. Deferred tax assets, 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. Deferred tax assets and liabilities 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 rate at the reporting date.

Current, deferred tax assets and liabilities 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. Taxes are offset when they are applied by the same tax authority and there is a legal right to offsetting.

"WINDFALL" MEASURES

The rules issued during 2022 and amended several times that year targeted withdrawal of the alleged "windfalls" described in detail in the report on operations to the financial statements for the previous year, were applied again in 2023.

This as a result of the amendment introduced by Italian Law Decree 115/2022 ("Aiuti bis") to Art.

15-bis of Italian Decree Law 4/2022 ("Sostegni TER"), which envisaged that:

- from 1 February 2022 to 30 June 2023, a two-way compensation mechanism will be applied to energy prices, in reference to electricity supplied to the grid by:
  - a) PV plants with capacities of >20 kW that benefit from fixed bonuses under the "Conto Energia" mechanism, not dependent on market prices;
  - b) plants with capacities of >20 kW powered by solar, hydroelectric, geothermoelectric and wind sources which have no access to incentive mechanisms and became operational prior to 1 January 2010.
- The GSE calculates the difference between a reference price (58 euro/MWh for northern Italy) and a market price as follows:
  1. for PV plants with capacity of >20 kW (point a) powered by solar, wind, geothermal and run-of-the-river hydroelectric, the zone price per hour on the electricity market, i.e. for supply contracts signed before 27 January 2022 (and for 2023 those signed before 5 August 2022) the price stated in the contracts;
  2. for other plants (point b), the arithmetic monthly average zone price per hour on the electricity market, i.e. for supply contracts signed before 27 January 2022 (and for 2023 those signed before 5 August 2022) the price stated in the contracts;
- If the difference between the reference price and market price as calculated above is positive, the GSE disburses the related amount to the producer. If negative, the GSE asks the producer to pay the corresponding amount or offset it against other items.
- The difference is settled between the GSE and the producer solely for supply contracts signed before 5 August 2022, provided these contracts are not linked to energy market spot price trends and, in any event, were not signed at an average price more than 10% above the reference market price, limited to the duration of the contracts.
- For the purpose of points 1) and 2) above, the only valid contracts are those signed between companies pertaining to the same group as the producer, even if not producers themselves, and other natural persons or legal entities external to the producer's corporate group.

The settlement of items relating to the period 1 February 2022 – 31 December 2022, begun in October 2022 on the basis of provisions of ARERA Resolution 266/2022/R/eel and related GSE Implementing Technical Rules, was suspended in December 2022 and is still pending. Against this specific government measure, the consolidated financial statements as at 31 December 2022 included an estimated charge of 34,638 thousand euro included in the item "Other operating costs". In August 2023, the Group sent the final technical reports for the period 1 February 2022-31 December 2022 to the GSE, revising the calculations underlying the determination of the average sale price and consequently restating the cost for 2022 as 25,696 thousand euro, with consequent recognition in 2023 of a contingent asset of 8,943 thousand euro. The Group sent the final technical reports to the GSE for the period 1 January 2023-30 June 2023, which showed a charge for 2023 of 45,450 thousand euro. The aforementioned government measure had an overall negative impact on the 2023 Income Statement for a total of 36,507 thousand euro.

The settlement of items relating to the same regulatory provision for the period 1 January 2023-30 June 2023, consisting of a single adjusting payment at the end of the period, has not yet been activated by the GSE; in September 2023, the company provided all the information, data and declarations necessary for implementation of the aforementioned regulatory provision and its specific implementing rules for the first half of 2023, consisting of ARERA Resolution 143/2023/R/eel and related update of 23 June 2023 to the Implementing Technical Rules issued by the GSE.

As at 31 December 2023, the item "Other payables" included payables to the GSE for 44,225 thousand euro (7,718 thousand euro as at 31 December 2022) specifically referring to this government measure.

As mentioned in the Report on Operations to the previous year's financial statements, the 2023 Budget Law, in implementation of Regulation (EU) No. 2022/1854, approved on 29 December 2022, introduced an additional one-way mechanism that requires payment to the GSE from 1 December 2022 to 30 June 2023 of revenues, if any, referring to the difference between the market price and the 180 euro/MWh cap value, associated with renewable source production plants not already subject to the 58 euro/MWh cap introduced by Art. 15-bis of Italian Decree Law 4/2022. The implementing rules were issued by ARERA through Resolution 143/2023/R/eel (the same resolution for settlement of the 58 euro/MWh cap in the 2023 application period). Despite arranging updating of the Implementing Technical Rules on 23 June 2023, the GSE has not started to gather information from producers. Consequently, to date, the requirements are not met for commencing settlement of the related accounts. It should be mentioned at this point that in the first half of 2023, the average monthly MGP prices were always lower than the 180 euro/MWh cap. This measure had no effect for the year ended 31 December 2023.

Lastly, in 2023, the financial effects were seen of the "solidarity contribution" envisaged in the 2023 Budget Law, applying to entities that are producers of electricity and gas, that produce, distribute and market oil products, electricity and gas resellers and entities that import electricity or gas for subsequent resale. This contribution, payable if at least 75% of revenues (in the tax period prior to that in progress as at 1 January 2023) derives from the activities indicated, equals 50% of the IRES taxable amount, in the period prior to that in progress as at 1 January 2023, which exceeds by at least 10% the average income in the four tax periods prior to that in progress as at 1 January 2022, with a limit set at 25% of the shareholders' equity. At the end of June 2023, the subsidiary HDE paid the consideration of 21,258 thousand euro, the economic effect of which had already been correctly recorded in 2022 (note that this measure was not repeated for 2023 and therefore resulted in no charge for the year ended 31 December 2023).

Also note that 2022 was affected by the extraordinary contribution envisaged in art. 37, Italian Law Decree no. 21 of 21 March 2022, as amended, calculated on the increase in the balance between incoming and outgoing transactions net of VAT, invoiced in the period October 2021-April 2022 compared to the period October 2020-April 2021, which resulted in a charge for 2022 of 33,178 thousand euro, included in the item "Taxes" in the 2022 income statement (note that this measure was not repeated for 2023 and therefore resulted in no charge for the year ended 31 December 2023).

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 carrying amount of property, plant and equipment and intangible assets is periodically tested for impairment and whenever circumstances or events require a more frequent assessment. The impairment test shall be carried out on goodwill at least once a year when the accounts are closed. Whenever it is deemed that a carrying amount 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) Deffered tax assets: deferred tax assets are recognised on the basis of expectations of taxable income in future years to be used for their recovery. The valuation of the expected taxable income for the purpose of recognising deferred tax assets depends on factors that can vary over time and significantly affect the deferred tax assets recoverability.

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 financial instruments: the calculation of the 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.

h) Equalisation: the "equalisation" component is estimated for an amount corresponding to the positive or negative difference between the revenue made from end customers and the "revenue restrictions" (VRT) calculated in accordance with the ARERA decisions, updated to the date the financial statements are prepared.

4. ACCOUNTING STANDARDS: AMENDMENTS AND INTERPRETATIONS THAT ARE APPLICABLE IN THESE FINANCIAL STATEMENTS

The following accounting standards and amendments to the accounting standards issued by IASB and implemented by the European Union, where foreseen, are mandatorily applicable starting from 1 January 2023.

- Amendments to IAS 1 "Presentation of financial statements".
  The document published by the IASB includes amendments to the "IFRS Practice Statement 2 – Making Materiality Judgements" which aim to provide guidance on, for example, how to apply the concept of "materiality" in disclosures relating to accounting standards. In particular, the standard establishes that only material accounting standards must be described in the financial statements, not all the significant accounting standards.
  Information is material if, considered together with other information included in the financial statements, it can reasonably influence decisions made by the primary financial statement users. To assess the "materiality" of the disclosure, it is necessary to consider both the amount of transactions and their nature, therefore considering both quantitative and qualitative factors.
- Amendments to IAS 8 "Definition of Accounting Estimates".
  The amendments to IAS 8 clarify the distinction between changes in accounting standards and changes in accounting estimates. In the financial statements, accounting estimates must be classified as material monetary amounts that have measurement uncertainties. An accounting estimate is made to achieve the objective of the accounting standard, as an accounting standard could require financial statement items to be measured as monetary amounts that cannot be observed directly and, for this reason, must be estimated through the use of assessments and assumptions based on the most recent, reliable and available information. In addition, changes to accounting estimates as a result of new information should not be considered error corrections.
- Amendments to IAS 12, "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction".
  The amendments clarify that the exemption from initial recognition no longer applies to transactions that give rise to taxable and deductible temporary differences of the same amount, reducing the scope of application of the exception. For transactions subject to the amendments, the related deferred tax assets and liabilities must be recognised at the beginning of the first comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings (or other components of shareholders' equity) at that date. In addition, on 8 November 2023, with Regulation (EU) 2023/2468, published in the European Official Journal on 9 November 2023, the European Commission adopted the amendments to IAS 12 which introduce a temporary exception from accounting for deferred taxes arising from the implementation of OECD Pillar II rules, as well as targeted disclosures. Note that the OECD tax reform "Global Anti-Base Erosion Model rules" introduced a model to address the tax challenges arising from the digitalisation of the economy. The Pillar II rules aim to limit tax competition by introducing a minimum global rate of 15% in each jurisdiction in which large multinational companies operate.

- Amendments to IFRS 17 "Insurance Contracts".
  IFRS 17 was issued in May 2017, replacing IFRS 4, with the aim of introducing a consistent model for measuring insurance contracts, defining the criteria for recognition, measurement and presentation. With this aim, the standard:
  - Introduces a single accounting model for all insurance contracts;
  - Requires that updated information is provided in relation to the risks and performance of insurance contracts and obligations;
  - Improves the transparency of financial information.

With reference to the application of these standards, amendments and new interpretations, it should be noted that there was no impact on the Group's 2023 consolidated financial statements.

ACCOUNTING STANDARDS APPLICABLE IN YEARS AFTER THAT ENDED 31 DECEMBER 20233

The following accounting standards, amendments to accounting standards and interpretations issued by the IASB and incorporated by the European Union at the date of presentation of the 2023 financial statements must be applied for the financial years following 2023.

- Amendments to IAS 1 "Presentation of financial statements"
  The amendments, issued on 31 October 2022 and effective from 1 January 2024 with early application permitted, clarify the requirements to be considered in determining whether, in the statement of financial position, payables and other liabilities with an uncertain settlement date should be classified as current or non-current (including payables extinguishable by conversion into equity instruments). The proposed changes clarify that a liability is classed as current when, at the closing date of the year, the entity does not have the right to defer its payment for at least 12 months. The right to defer payment must not be unconditional, but rather substantial and existent at the year-end date. It is irrelevant whether the entity intends to exercise this right or not during the subsequent 12 months (e.g. the intention to refinance a loan by extending its maturity) and any decisions adopted between the reporting date and the publication of the financial statements (e.g. decision to arrange early repayment of the loan). Furthermore, if the right to defer payment beyond 12 months on a liability arising from a loan agreement is dependent on compliance with covenants, classification of the liability is current or non-current must take the following into account:
  - compliance with contractual covenants up to the financial statements closing date is material in determining the existence or not of the right to defer payment of the liability for at least 12 months;
  - compliance with contractual covenants up to the financial statements closing date is not material in determining the existence or not of the right to defer payment of the liability for at least 12 months.

  With reference to disclosure in the financial statements, the entity must provide the following additional information in the explanatory notes to the financial statements in reference to subsequent events that do not result in an adjustment:
  - long-term refinancing of a liability classed as current;

- settlement of a breach of a long-term loan agreement classified as a current liability;
- granting by the lender of a grace period for settlement of a breach of a long-term loan agreement classified as a current liability;
- settlement of a liability classed as non-current.

If the entity has liabilities deriving from loan agreements classed as non-current, on which the right to defer payment is dependent upon compliance with covenants to be calculated in the 12 months after the closing date of the financial statements, the following additional information must be provided in the explanatory notes to the financial statements:

- amount of non-current liabilities subject to compliance with covenants in the following 12 months;
- description of the covenants and indication of the dates on which the entity must comply with them;
- events and circumstances, if any, proving the entity's difficulty in complying with the covenants (e.g. action taken before and/or after the reporting date to avoid breach of the covenants, the fact that the covenants to be complied with in the following 12 months would be breached if the figures as at year end were used).

- Amendment to IFRS 16 "Leases: lease Liability in a Sale and Leaseback"
  The amendments, issued on 22 September 2022 and applicable from 1 January 2024 with early application permitted, concern the accounting of a sale and leaseback transaction, which provides for the payment of variable fees by the lessee-seller.

- Amendments to IAS 7 "Statement of Cash Flows".
  On 25 May, the IASB published "Supplier Finance Arrangements", amending IAS 7 to regulate the requirements for the presentation of liabilities and related cash flows deriving from supply chain finance arrangements and related additional disclosures. Before the amendments, neither IAS 7 nor IFRS 7 envisaged specific disclosure requirements for reverse factoring. The standard requires information to be provided that allows financial statements users to assess the nature and extent of the risks deriving from financial instruments to which the entity is exposed; reverse factoring often gives rise to liquidity risk due to the concentration of part of the liabilities with one financial institution. These provisions are applicable from 1 January 2024.

- Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates".
  On 15 August 2023, the IASB published "Lack of Exchangeability", which mainly defined:

  - The requirements for establishing when a currency is convertible into another and when it is not;
  - The requirements for estimating the spot exchange rate when a currency is not convertible into another and the related additional disclosure requirements.

  This amendment will enter into force from 1 January 2025.

5. MARKET RISK

5.1 INTEREST RATE RISK

The Group is exposed to interest rate risk since it has loans and deposits with third parties partly at a floating rate. Changes in market interest rates affect the cost and the yield of the various credit and deposit facilities, therefore affecting the amount of Group financial income and charges. The Group regularly assesses its exposure to the interest rate risk.

As at 31 December 2023, the Group financial indebtedness included the following:

- bond loan, amounting to 110,000 thousand euro, at a fixed rate of 4.6%, issued by the subsidiary SET S.p.A.;
- bond loan, amounting to 5,052 thousand euro, at a floating rate, issued by the parent company Dolomiti Energia Holding S.p.A.;
- floating rate loans benchmarked to the Euribor rate for the period and at fixed rate.

During 2023, a variable-rate mortgage was fully repaid for 350,000 thousand euro, agreed with a pool of banks by the Parent Company Dolomiti Energia Holding S.p.A. and 80% backed by a SACE guarantee pursuant to the "Aiuti" Decree (Italian Law Decree No. 50 of 17 May 2022), as amended.

In order to mitigate the risk of interest rate fluctuations, on some loans the Group has entered into interest rate swap agreements, with the aim of mitigating the possible impact of interest rate fluctuations on the economic result.

The main characteristics of derivatives subscribed by the Group to hedge interest rate fluctuations, in place as at 31 December 2023 and 31 December 2022, are summarised as follows:

IRS

	AS AT 31 DECEMBER 2023	
Date of transaction	25/05/2017	26/05/2017
Company	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa
Counterparty	Unicredit	Intesa San Paolo
Effective date	01/01/2021	01/01/2021
Maturity	30/09/2032	30/09/2032
Notional in Euro	36,458,333	36,458,333
Floating interest rate	3M Euribor (floor -0.80)	3M Euribor (floor -0.80)
Fixed interest rate	1.34%	1.32%
Fair value	1,707,393	1,731,530

	AS AT 31 DECEMBER 2022	
Date of transaction	25/05/2017	26/05/2017
Company	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa
Counterparty	Unicredit	Intesa San Paolo
Effective date	01/01/2021	01/01/2021
Maturity	30/09/2032	30/09/2032
Notional in Euro	40,625,000	40,625,000
Floating interest rate	3M Euribor (floor -0.80)	3M Euribor (floor -0.80)
Fixed interest rate	1.3400%	1.3235%
Fair value	3,275,725	3,359,630

SENSITIVITY ANALYSIS RELATED TO INTEREST RATE RISK

The Group's exposure to the interest rate risk was measured through a sensitivity analysis that considered the contracted floating rate exposures. Within the hypotheses made, the effects on the Group's Income Statement and Shareholders' Equity as at 31 December 2023 were evaluated with respect to a possible change in market rates, which discounted 50 bps write-up and write-down, respectively. The calculation method applied the hypothesis of changes in the interest rate applied during the year to the gross bank indebtedness and deposits. This analysis is based on the assumption of a general and prompt change in the reference interest rate level.

The result of this hypothetical and immediate change in interest rates applicable to the Group's floating rate financial liabilities and deposits are shown in the following table::

(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 2023	206	(206)	206	(206)
Year ended 31 December 2022	1,768	(1,768)	1,768	(1,768)

5.2 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 2023 and 31 December 2022 to hedge commodity price risk, which for accounting purposes can be classified as hedging and non-hedging, are summarised as follows:

Commodity

(in thousands of Euro)	AS AT 31 DECEMBER	
	2023	2022
Date of transaction	2021/2022/2023	2020/2021/2022
Company	Dolomiti Energia Trading S.p.A.	Dolomiti Energia Trading S.p.A.
Counterparty	various (*)	various (*)
Underlying	Power/Gas/CO2	Power/Gas/CO2
Maturity	2024/2025/2026	2023/2024
Notional value of buy transactions	196,102	817,268
Fair value of buy transactions	(31,562)	289,368
Notional value of sell transactions	343,343	862,636
Fair value of sell transactions	62,876	(303,994)

(*) European Energy Exchange, leading banks and electricity and gas wholesalers.

5.3 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 2023 and 31 December 2022 is represented by the sum of financial assets recorded in the financial statements, summarised as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2023	2022
Receivables from customers	477,602	654,746
Receivables from associates	27	44
Receivables from parent companies	96	102
Receivables from sister companies	1,882	7,829
Provision for write-downs	(17,592)	(20,009)
TOTAL	462,015	642,712

5.4 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 5 years:

(in thousands of Euro)	MATURITY		
As at 31 December 2023	Within 1 year	Between 1 and 5 years	Beyond 5 years
Trade payables	275,338		
Payables due to banks and other lenders	139,758	65,993	220,543
Liabilities for current taxes	45,915		
Other payables	65,727	117,828	
TOTAL	526,738	183,821	220,543

(in thousands of Euro)	MATURITY		
al 31 dicembre 2022	Within 1 year	Between 1 and 5 years	Beyond 5 years
Trade payables	353,077	-	-
Payables due to banks and other lenders	768,030	461,508	237,279
Liabilities for current taxes	22,665	-	-
Other payables	36,801	112,585	-
TOTAL	1,180,573	574,093	237,279

5.5 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 2023 and 31 December 2022:

(in thousands of Euro)	AS AT 31 DECEMBER 2023		
	Level 1	Level 2	Level 3
Derivative instruments (interest rate swaps)	-	3,439	-
Financial derivatives (commodities)*	-	31,314	-

[* this amount includes the fair value of all derivatives that, under an accounting viewpoint, are classified as both hedging and not hedging. The positive fair value of the financial derivatives (commodities) is composed of those with positive fair value for 80,443 thousand euro and negative fair value for 49,129 thousand euro.]

(in thousands of Euro)	AS AT 31 DECEMBER 2022		
	Level 1	Level 2	Level 3
Derivative instruments (interest rate swaps)	-	6,635	-
Financial derivatives (commodities)*	-	(14,626)	-

[* this amount includes the fair value of all derivatives that, under an accounting viewpoint, are classified as both hedging and not hedging. The negative fair value of the financial derivatives (commodities) is composed of those with positive fair value for 684,651 thousand euro and negative fair value for 699,277 thousand euro.]

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

The following table shows financial assets and liabilities as at 31 December 2023 and 31 December 2022 broken down by category:

(in thousands of Euro)	AS AT 31 DECEMBER 2023			
	Financial assets/ liabilities measured at *amortised cost*	Financial assets/ liabilities measured at fair value FVOCI	Financial assets/ liabilities measured at fair value FVTPL	Total
CURRENT ASSETS				
Cash and cash equivalents	30,289	-	-	30,289
Trade receivables	462,015	-	-	462,015
Other current assets	54,945	-	-	54,945
Current financial assets	36,506	26,223	54,220	116,949
NON-CURRENT ASSETS				
Other non-current assets	23,464	-	-	23,464
Non-current financial assets	6,983	4,507		11,490
CURRENT LIABILITIES				
Trade payables	275,338	-	-	275,338
Current financial liabilities	92,449	825	46,484	139,758
Other current payables	65,727	-	-	65,727
NON-CURRENT LIABILITIES				
Non-current financial liabilities	284,716	24	1,796	286,536
Other non-current payables	117,828	-	-	117,828

(in thousands of Euro)	AS AT 31 DECEMBER 2022			
	Financial assets/ liabilities measured at *amortised cost*	Financial assets/ liabilities measured at fair value FVOCI	Financial assets/ liabilities measured at fair value FVTPL	Total
CURRENT ASSETS				
Cash and cash equivalents	85,376	-	-	85,376
Trade receivables	642,712	-	-	642,712
Other current assets	52,319	-	-	52,319
Current financial assets	43,278	46,674	637,977	727,929
NON-CURRENT ASSETS				
Other non-current assets	29,607	-	-	29,607
Non-current financial assets	4,080	6,635	-	10,715
CURRENT LIABILITIES				
Trade payables	353,077	-	-	353,077
Current financial liabilities	123,627	29,819	614,584	768,030
Other current payables	36,801	-	-	36,801
NON-CURRENT LIABILITIES				
Non-current financial liabilities	643,912	2,818	52,057	698,787
Other non-current payables	112,585	-	-	112,585

As at 31 December 2023, current and non-current financial liabilities include the amount of 117,067 thousand euro as the value of fixed-rate bonds (note 7.18), whose fair value as at 31 December 2023 is a negative 115,395 thousand euro; this amount was calculated by applying measurement techniques with reference to non-observable market variables (level 3 classification and fair value equal to the current value of the future cash flows provided under the instrument being measured).

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, Steam and Cooling production;
3. Distribution and grids;
4. Commercial and trading;
5. Water cycle and Environment;
6. Energy services;
7. 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:

(in thousands of Euro)

2023	Electricity production	Heat, Steam and Cooling production	Distribution and grids	Commercial and trading	Water cycle and Environment	Energy services	Other minor services	Total
EBITDA	261,072	4,373	65,732	47,379	9,854	**7,671**	(3,482)	**392,599**
EBIT	245,237	2,079	39,197	44,115	2,782	**5,129**	(13,241)	**325,298**

(in thousands of Euro)

2022	Electricity production	Heat, Steam and Cooling production	Distribution and grids	Commercial and trading	Water cycle and Environment	Energy services	Other minor services	Total
EBITDA	147,166	6,194	64,453	(30,916)	9,203	**6,487**	(6,084)	**196,503**
EBIT	132,608	3,922	37,580	(48,450)	1,944	**5,552**	(14,692)	**118,463**

7. NOTES TO THE STATEMENT OF FINANCIAL POSITION

7.1 RIGHTS OF USE

Changes in "Rights of Use" item are shown hereunder for the years ended 31 December 2023 and 2022:

(in thousands of Euro)

	Rights of use - buildings	Rights of use - other assets	Total
BALANCE AS AT 31 DECEMBER 2021	**4.240**	**3.701**	**7.941**
Of which:			
Historical cost	20,798	6,273	27,071
Accumulated amortisation	(16,558)	(2,572)	(19,130)
Increases	666	670	1,336
Amortisation	(1,108)	(1,117)	(2,225)
Disinvestments	(1,056)	(468)	(1,524)
Decreases (accumulated amortisation)	1,056	443	1,499
Change (accumulated amortisation)			-
BALANCE AS AT 31 DECEMBER 2022	**3,798**	**3,229**	**7,027**
Of which:			
Historical cost	20,408	6,475	26,883
Accumulated amortisation	(16,610)	(3,246)	(19,856)
Increases	363	880	1,243
Amortisation	(1,092)	(1,079)	(2,171)
Disinvestments	(126)	(1,080)	(1,206)
Decreases (accumulated amortisation)	110	1,116	1,226
Change (accumulated amortisation)			-
BALANCE AS AT 31 DECEMBER 2023	**3,053**	**3,066**	**6,119**
Of which:			
Historical cost	20,645	6,275	26,920
Accumulated amortisation	(17,592)	(3,209)	(20,801)

"Rights of use of buildings" amounting to 3,053 thousand euro refer to contracts on property complexes to be used as headquarters and offices all over the territory.

"Rights of use of other goods" amounting to 3,066 thousand euro refer to contracts for vehicles with an average duration of 5 years. For the company cars, the Group decided on long-term rentals and at the expiry of these contracts, they are replaced with new vehicles and new long-term contracts; sometimes, at the natural expiry of these contracts, they are extended for a further 12 months without a formal renewal.

The information required under EU standard IFRS 16 par. 53 is provided below.

(in thousands of Euro)

	Notes	As at 31 December 2023
Amortisation of rights of use	8,07	2,171
Interest expense on financial liabilities for leases	8,10	142
Short-term contract related costs	8,05	1,189
Costs related to contracts for low value goods	8,05	652
Costs related to variable lease payments not included in the measurement of the liability		-
Income from sub-leasing of substantial assets in the right of use		-
TOTAL OUTGOING FINANCIAL FLOW FOR LEASES		**4,829**
Profits/(losses) from sales and leaseback transactions		-

7.2 ASSETS UNDER CONCESSION

Changes in "Assets under concession" item are shown hereunder for the years ended 31 December 2023 and 2022:

(in thousands of Euro)

	Electric grid	Gas network	Water network	Total
BALANCE AS AT 31 DECEMBER 2021	**331,235**	**214,560**	**74,609**	**620,404**
Of which:				
Historical cost	802,122	397,076	149,748	1,348,946
Accumulated amortisation	(470,887)	(182,516)	(75,139)	(728,542)
Increases	34,740	24,310	9,145	68,195
Decreases (historical cost)	(1,312)	(889)	(506)	(2,707)
Decreases (accumulated amortisation)	983	290	457	1,730
Reclassifications (accumulated amortisation)		-		-
Amortisation	(19,191)	(4,561)	(4,200)	(27,952)
Change (accumulated amortisation)		-		-
BALANCE AS AT 31 DECEMBER 2022	**346,455**	**233,710**	**79,505**	**659,670**
Of which:				
Historical cost	835,550	406,401	158,387	1,400,338
Accumulated amortisation	(489,095)	(172,227)	(78,882)	(740,204)
Increases	60,742	16,469	8,533	85,744
Decreases (historical cost)	(14,687)	(631)	(640)	(15,958)
Decreases (accumulated amortisation)	10,014	247	149	10,410
Reclassifications (accumulated amortisation)		-		-
Amortisation	(20,172)	(3,011)	(4,459)	(27,642)
Change (accumulated amortisation)		-		-
BALANCE AS AT 31 DECEMBER 2023	**382,352**	**247,248**	**83,088**	**712,688**
Of which:				
Historical cost	881,605	422,239	166,280	1,470,124
Accumulated amortisation	(499,253)	(174,991)	(83,192)	(757,436)

The increases in assets under concession reflect the continuous extraordinary investments and improvements to the Group's gas and water networks and electricity grids.

IMPAIRMENT TESTS ON RIGHTS ON ASSETS UNDER CONCESSION

At the year-end 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 carrying 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). The impairment test was based on the explicit cash flows stated in the 2024 budget and the 2024-2027 economic and financial plan prepared by management, alongside the expected residual value of the works and the assets built during the concession period, which is expected to be received at the end 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 4.4% (6.0% before tax), also using as reference the remuneration recognised to distribution operators by ARERA and the EE measure as announced in ARERA Resolution no. 556/2023/R/Com of 28 November 2023, while the assumed growth rate is 0.

The impairment test performed highlighted no impairment losses with respect to amounts accounted for under rights on assets under concession referring to the distribution of electricity and therefore, no write-downs were made on these assets. Even increasing the WACC used by 25%, the impairment test does not bring to light any impairment.

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 (Provincial Law No. 6 of 17 June 2004 “Provisions on organisation of personnel and public services”) envisage that (Art. 10, par. 5) “upon expiry of concession, assets acquired or possibly realised 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 such provisions, no impairment indicators were identified as regards assets under concession for the distribution of gas and assets under concession for the distribution of water.

7.3 GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in "Goodwill and other intangible assets" item are shown hereunder for the years ended 31 December 2023 and 2022:

(in thousands of Euro)

	Goodwill	Concessions	Industrial patent and intellectual property rights	Other	Work in progress and advance payments	Total
BALANCE AS AT 31 DECEMBER 2021	**36,853**	**21,849**	**14,725**	**2,382**	**8,212**	**84,021**
Of which:						
Historical cost	37,079	67,104	63,952	10,524	8,360	187,019
Accumulated amortisation	(226)	(45,255)	(49,227)	(8,142)	(148)	(102,998)
Increases	81	116	12,593	2,149	4,386	19,325
Decreases (historical cost)	-	-	(2,537)	-	(2,932)	(5,469)
Decreases (accumulated amortisation)	-	-	2,190	-	-	2,190
Reclassifications (historical cost)	-	-	-	-	-	-
Reclassifications (accumulated amortisation)	-	-	-	-	-	-
Amortisation	(104)	(6,009)	(8,285)	(1,037)	-	(15,435)
BALANCE AS AT 31 DECEMBER 2022	**36,830**	**15,956**	**18,686**	**3,494**	**9,666**	**84,632**
Of which:						
Historical cost	37,160	67,220	74,008	12,673	9,814	200,875
Accumulated amortisation	(330)	(51,264)	(55,322)	(9,179)	(148)	(116,243)
Increases	139	-	7,501	573	12,277	20,463
Decreases (historical cost)	-	-	(2)	-	(68)	(70)
Decreases (accumulated amortisation)	-	-	-	-	-	-
Reclassifications (historical cost)	-	-	-	-	-	-
Reclassifications (accumulated amortisation)	-	-	-	-	-	-
Amortisation	(103)	(5,810)	(8,776)	(943)	-	(15,632)
BALANCE AS AT 31 DECEMBER 2023	**36,866**	**10,146**	**17,409**	**3,124**	**21,875**	**89,393**
Of which:						
Historical cost	37,299	67,220	81,507	13,219	22,023	221,268
Accumulated depreciation	(433)	(57,074)	(64,098)	(10,122)	(148)	(131,875)

IMPAIRMENT TESTING ON GOODWILL AS AT 31 DECEMBER 2023

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 CGUs coinciding with the companies SET Distribuzione (electricity distribution) and Dolomiti Energia (electricity and gas sales). The test is performed by comparing the carrying 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 the CGU referring to electricity distribution activities, the goodwill of which amounted to 30,415 thousand euro, the impairment test was based on the explicit cash flows stated in the 2024 budget and the 2025-2027 business plan prepared by management, alongside the expected residual value of the works and the assets built during the concession period, which the Company expects to receive at the end of the concession. 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 4.38% (6.0% before tax), also using as reference the remuneration recognised to distribution operators by ARERA and the EE measure as announced in ARERA Resolution no. 556/2023/R/Com of 28 November 2023, while the assumed growth rate is 0. The impairment test performed brought to light no impairment with reference to the CGU as at 31 December 2023 and, as a result, these assets were not written down.

For the CGU referring to electricity and gas sales, the goodwill of which amounted to 5,589 thousand euro, the impairment test was based on the explicit cash flows stated in the 2024 budget and the 2025-2027 business plan prepared by management. 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 9.5%, while the assumed growth rate is 0. The impairment test performed brought to light no impairment with reference to the amounts recognised in goodwill as at 31 December 2023 and, as a result, these assets were not written down.

For both CGUs, even increasing the WACC used by 25%, the impairment test would not bring to light any impairment.

"Concessions" primarily include the value allocated to this item upon first full consolidation of the investee Hydro Dolomiti Energia Srl, which took place starting from 1 March 2016.

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.

7.4 PROPERTY, PLANT AND EQUIPMENT

Changes in "Property, plant and equipment" item are shown hereunder for the years ended 31 December 2023 and 2022:

(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 2021	**92,564**	**815,945**	**7,088**	**7,235**	**1,761**	**924,593**
Of which:						
Historical cost	138,476	1,483,184	25,429	29,928	1,761	1,678,778
Accumulated depreciation	(45,912)	(667,239)	(18,341)	(22,693)	-	(754,185)
Increases	988	10,123	849	1,112	5,423	18,495
Decreases (historical cost)	(7)	(3,556)	(25)	(238)	(2,883)	(6,709)
Decreases (accumulated depreciation)	-	2,448	24	228	-	2,700
Reclassifications (historical cost)	-	-	-	-	-	-
Reclassifications (accumulated amortisation)	-	-	-	-	-	-
Depreciation	(1,624)	(10,180)	(412)	(1,612)	-	(13,828)
Change in consolidation area	-	-	-	-	-	
historical cost	-	-	-	-	-	-
depreciation	-	-	-	-	-	-
BALANCE AS AT 31 DECEMBER 2022	**91,921**	**814,780**	**7,524**	**6,725**	**4,301**	**925,251**
Of which:						
Historical cost	140,121	1,442,365	26,253	30,802	4,301	1,643,842
Accumulated depreciation	(48,200)	(627,585)	(18,729)	(24,077)	-	(718,591)
Increases	2,313	7,462	580	2,776	6,201	19,332
Decreases (historical cost)	(251)	(3,242)	(2)	(100)	-	(3,595)
Decreases (accumulated depreciation)	96	1,503	2	98	-	1,699
Reclassifications (historical cost)	-	-	-	-	(1,334)	(1,334)
Reclassifications (accumulated amortisation)	-	-	-	-	-	-
Depreciation	(1,726)	(11,010)	(366)	(1,490)	(7)	(14,599)
Change in consolidation area	-	-	-	-	-	
historical cost	-	-	-	-	-	-
depreciation	-	-	-	-	-	-
BALANCE AS AT 31 DECEMBER 2023	**92,353**	**809,493**	**7,738**	**8,009**	**9,161**	**926,754**
Of which:						
Historical cost	142,847	1,399,199	26,831	33,478	9,168	1,611,523
Accumulated depreciation	(50,494)	(589,706)	(19,093)	(25,469)	(7)	(684,769)

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.

The other changes for the year are attributable to the ordinary performance of investments and depreciation.

With reference to the hydroelectric plants, the concessions on many of which are expiring in upcoming years, below is a summary of the reference regulatory framework for large diversion concessions.

REGULATORY AND TARIFF FRAMEWORK

The reassignment of diversion concessions. Given the complexity of the regulatory framework relating to the important and impactful issue of the reassignment of hydroelectric diversion concessions, for completeness of information and the need for an overview for their correct understanding, the considerations already contained in the financial statements for the previous year, supplemented on the basis of developments in 2023.

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 Italian Presidential Decree No. 670 of 31 August 1972 and in short it assigned 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".

Said law also provided as follows:

a) 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 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.

Subsequently, with the entry into effect of Italian Law No. 160 of 27 December 2019 "State forecast budget for financial year 2020 and multi-year budget for the 2020-2022 three-year period" - ref. Articles 76 and 77 - Article 13 of the consolidated text per Italian Presidential Decree No. 670 of 31 August 1972 was amended once again; more specifically, the words "31 December 2022" were replaced by the following: "31 December 2023" and following the words "the aforementioned date" the following was added: "and exercised up to that date under the conditions established by the Provincial laws and rules and regulations of the concession in place at the date of their expiry".

On 21 October 2020, Provincial Law No. 9 was approved, which, by modifying Provincial Law No. 4/1998, regulated the procedural rules for the holding of competitions and therefore implemented the provisions of Art. 13 of Italian Presidential Decree No. 670 of 31 August 1972.

In November and December 2020, the Water and Energy Resources Management Department of the Autonomous Province of Trent notified the extension by right of the thirteen large hydroelectric concessions held by HDE "for the period needed to complete the public bidding process and, in any case, not later than 31 December 2023, pursuant to Article 13 of Italian Presidential Decree No. 670 of 31 August 1972 and Provincial Law No. 4 of 6 March 1998".

In the light of the above and in consideration of the further postponement of the 31 December 2023 deadline to 31 December 2024 due to the regulations introduced in 2022 as described below, the subsidiaries Hydro Dolomiti Energia Srl and Dolomiti Edison Energy Srl arranged depreciation remodelling of the assets subject to reversion free of charge during 2022.

The precept set out in point b) above has been set out, though not exhaustively regulated, in Article 26-quater of the updated Provincial Law No. 4/1998; this Article states that the outgoing concession holder is entitled to an indemnity equal to the value of the part of the asset which has not been depreciated under the following conditions:

I. exclusively in reference to investments on the assets referred to in the first paragraph of Article 25 of Italian Royal Decree No. 1775 of 1933, also provided for by the acts of concession, subject to authorisation of the Province, provided that the increase in the overall producibility of the plant or its modulating capacity or the overall efficiency of the same is achieved;

II. the concession holder has entrusted the works, supplies and services undertaken in order to carry out the investments on the assets in compliance with the public evidence procedures provided for by the legislation on public contracts.

In consideration of the absence of investments with the characteristics referred to in point I. above and given the failure to define the indemnity calculation method, which Provincial Law 4/1998 entrusted to a specific Council Resolution, the assumption of zeroing the net book value of "wet works" at the end of the concession has been confirmed.

Further salient elements contained in the aforementioned Provincial Law No. 9 of 21 October 2020 are as follows:

- with regard to the method used to evaluate so-called "dry" works (basically, hydroelectric power plants and their contents), the criterion set forth in paragraph 2 of Article 25 of Italian Royal Decree No. 1775 of 11 December 1933 is reiterated, contrary to what is established by the national legislation, "price equal to the estimated value of the material being worked, calculated at the time of entry into possession, not considering the income that can be made from it from any measurement";
- the assets referred to in the preceding point may be acquired by the Autonomous Province of Trento; otherwise, the assets may be acquired by the incoming concession holder, if the latter provides for their use when submitting its bid; the provincial law therefore also establishes the concept of "cherry picking", i.e. the right given to the incoming concession holder not to acquire all or part of the dry assets, without the consequent obligation to pay compensation to the transferor. Any assets not transferred will therefore remain fully available to the transferor, which can freely dispose of them, also through sale to third parties other than the incoming concession holder;
- in the context of verifying the existence of interests in the competing use of water, which is a preliminary act with respect to the tender procedures, special consideration will be given to initiatives involving "positive effects on the territory and the community generated also by the historical electric cooperatives" referring to the case of self-production;
- the subject of the call for tender (concession

and its characteristics) will be defined through an Environmental Impact Assessment procedure that will have as its initial reference the current concessions, possibly aggregated or, in some cases, unbundled, pre-restricted following the assessment of the existence of competing use interests referred to in the previous point;

- in accordance with the provisions of national law, concessions may be awarded through the use of one of the following methods:
    - running of a public procurement procedure;
    - assignment to mixed public-private companies established in accordance with the provisions of the same law;
    - through forms of public-private partnership, pursuant to Article 179 of Italian Legislative Decree No. 50 of 18 April 2016 (Public Contracts Code);
- the contents of the call for tender are defined as well as the requirements of the participants, part of which will be calibrated on the basis of the characteristics of the specific concession.

On 18 December 2020, the Italian Council of Ministers ordered that Provincial Law No. 9 of 21 October 2020 be challenged in the Constitutional Court, with subsequent appeal No. 140 of 24 December 2020, in the same way as it had already been ordered for similar regulations of the Lombardy, Veneto and Piedmont Region Administrations.

Against this challenge, Trento Autonomous Province, by means of two subsequent legislative measures, Provincial Law No. 6 of 23 April 2021 and Provincial Law No. 18 of 04 August 2021, amended the reference standard to incorporate the content of the aforementioned appeal.

The same legislative measures introduced important innovations also and above all with regard to the regulations governing concessions for small hydroelectric diversions, significantly modifying Provincial Law No. 18 of 8 July 1976 introducing ex novo the provision of a tender also for these concessions on their natural expiry, postponing the rules to a subsequent regulation.

The regulation was approved on 20 October 2023 by Provincial Council Resolution No. 2057, and issued by Italian Presidential Decree No. 28-104 of 27 October 2023, despite the tougher and known significance of Constitutional Court decision No. 265 of 10 November 2022 which, in relation to assessment of the constitutional nature of the extensions introduced by Friuli Venezia Giulia Regional Law 13/2021, expressed its opinion in favour, confirming that the specific case of the Public Contracts Code was inapplicable and emphasising that the current state regulatory framework on small hydroelectric diversion concessions, dating back to Royal Decree No. 1775/1933, is in no manner whatsoever inspired by competitive needs.

Again with specific regard to small hydroelectric diversions, on 4 August 2023 Provincial Council Resolution No. 1386 established criteria that allow direct reassignment to the outgoing concession holder, essentially consisting in the need/possibility to confirm subjugation of the plants under concession to self-consumption or powering of Energy Communities, production and distribution cooperatives or groups acting in concert.

Returning to the context of large diversion concessions, despite the dismissal (in September 2021) of infringement proceedings 2011/2016 relating to Italy, together with similar proceedings against Germany, the United Kingdom, Poland, Austria and Switzerland, on 2 August 2022 the Italian Parliament, in compliance with NRRP provisions (prepared and approved prior to the aforementioned dismissal), approved Italia Law 118/2022 (2021 Annual Market and Competition

Law). Art. 7 of this law introduced remodelling and postponement of the deadlines granted by the Regional Authorities for completion of related legislative activities (31 December 2023) and for conclusion of the reassignment procedures (31 December 2025). Art. 7, paragraph 2 of the law amended Art. 13, paragraph 6 of Italian Presidential Decree No. 670 of 31 August 1972, confirming the extension to 31 December 2024 of concessions already expired under Law 34/2022 and dynamically linking this new deadline to a subsequent deadline which could be defined at national level ("or later date decided by the State for similar large hydroelectric diversion concessions located in Italy").

On 30 November 2022, the Provincial Council approved Law No. 16/2022 (in force from 9 December 2022) which, amending Provincial Law No. 4/98, envisages deferral from 2024 to 2029 of the deadline for conclusion of the reassignment procedures for large hydroelectric plant concessions due to expire by 31 December 2024. The aim of this Provincial Law is to mitigate the negative effects of the energy crisis in the short and long terms. The measure introduces the option for concession holders to submit a business plan to the Provincial Administration for increasing the efficiency, resilience, accumulation capacity, as well as the capacity and energy performances of existing plants. At the same time, a new variable charge was added to support energy consumption costs within the province.

On 2 February 2023, the Italian Council of Ministers challenged the above-described Provincial Law before the Constitutional Court. In 2023, the Provincial and State authorities set up a discussion group to solve the dispute brought before the Constitutional Court. As a result, based on the joint petition, the first hearing scheduled for October 2023 was adjourned to May 2024. As at the date of this report, the outcomes of discussions and of the dispute are as yet unknown. The stalemate situation prevented implementation of the procedure envisaged in Provincial Law 16/2022 and resulted in postponement of the reassignment deadline to 2029, as the implementing regulation envisaged in the law has not been issued.

In the strongly uncertain context illustrated above, the action of contracting authorities in 2023 was confused and uncoordinated. Despite the Regional regulations in force, national law envisaged and still envisages 31 December 2023 as the deadline for launch of the reassignment procedures. As far as we are aware, only the Lombardy and Abruzzo Region Administrations acted in compliance with the law, the first issuing Regional Council resolution on 18 December 2023 that launched tenders for the reassignment of two concessions (without publication of the tender) and the second issuing Regional Agency Decision for the Contracting Authority on 31 December 2023 that launched a tender for three concessions.

Lastly, note the completion in 2023 of the feasibility study by the Piedmont Region regarding a proposed public-private partnership submitted by the outgoing concession holder in relation to 6 concessions.

7.5 EQUITY INVESTMENTS MEASURED AT EQUITY AND OTHER COMPANIES

The "Equity investments measured at equity and other companies" item is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2023	2022
Equity investments in associates	74,018	55,067
Equity investments in other companies	23,854	23,854
TOTAL EQUITY INVESTMENTS	97,872	78,921

Associates include companies measured at equity. For the description of investees, reference is made to the following pages.

Changes in equity investments in associates and other companies for the year ended 31 December 2023 and 2022 are shown hereunder:

(in thousands of Euro)

	% of share capital as at 31 December 2023	As at 1 January 2022	Acquisitions - Sales	Other changes	Revaluations	Write-downs	As at 31 December 2022	Acquisitions - Sales	Other changes	Write-downs, Revaluations, Adjustments	As at 31 December 2023
ASSOCIATES											
SF ENERGY	50,00%	25,756	-	-		(843)	24,913			(661)	24,252
IVI GNL	50,00%	508	-	-		(18)	490			(15)	475
NEOGY	50,00%	456	-	-		(456)	-		500	(500)	-
ECOPUGLIA ENERGIA	42,73%							15,958		254	16,212
GIUDICARIE GAS	43,35%	1,417	-	-		-	1,417			42	1,459
EPQ	33,00%	11,582	-	-		(389)	11,193	245		265	11,703
RABBIES ENERGIA	31,02%	2,393	-	-		125	2,518			41	2,559
TECNODATA	25,00%	372	36	-		(35)	373			(47)	326
BIOENERGIA TRENTINO	24,90%	1,613	-	-		(75)	1,538			675	2,213
MASOENERGIA	26,25%	1,536	-	-		(38)	1,498			55	1,553
AGS Riva del Garda	20,00%	10,749	-	-		(125)	10,624			2,104	12,728
SG ELETRICA BRASIL	20,00%	7	-	-		-	7				7
VERMIGLIANA	20,00%	444	-	-		30	474			35	509
RENEVABILITY		-	20	-		-	20				20
ENERGY_NET	20,00%	2	-	-		-	2				2
TOTAL ASSOCIATES		**56,835**	**56**	**-**	**-**	**(1,824)**	**55,067**	**16,203**	**-**	**2,748**	**74,018**
OTHER COMPANIES											
PRIMIERO ENERGIA	19,94%	4,615	-	-		-	4,615				4,615
INIZIATIVE BRESCIANE	16;53%	17,660	-	-		-	17,660				17,660
BIO ENERGIA FIEMME	11,46%	785	-	-		-	785				785
CHERRYCHAIN	10,00%	300	-	-		-	300				300
DISTR. TECNOL. TRENT. S. Cons.	1,77%	5	-	-		-	5				5
ISTITUTO ATESINO SVILUPPO	0,32%	387	-	-		-	387				387
SPREENTECH	-	-	100	-		-	100				100
COOPERATIVA ENERGYLAND	-	1	-	-		-	1				1
CONS.ASSINDUSTRIA ENERGIA	-	1	-	-		-	1				1
TOTAL OTHER COMPANIES		**23,754**	**100**	**-**	**-**	**-**	**23,854**	**-**	**-**	**-**	**23,854**
		80,589	**156**	**-**	**-**	**1,824**	**78,921**	**16,203**	**-**	**2,748**	**97,872**

Equity investments in associates were measured using the relative financial statements as at 31 December 2023 approved by the respective administrative bodies, with the exception of the equity investments in Rabbies Energia, Tecnodata, Bioenergia Trentino, Masoenergia, AGS Riva del Garda and Vermigliana for which the financial statements as at 31 December 2022 were used (as the financial statements as at 31 December 2023 were not yet available).

The summary of economic and financial figures for joint ventures by entity, as at 31 December 2023 and 2022, is shown hereunder:

(in thousands of Euro)	SUMMARY DATA AS AT 31/12/2023	
	SF Energy Srl 50%	**Neogy srl 50%**
Dividends received		
INCOME STATEMENT		
Revenue	20,307	8,089
GROSS OPERATING MARGIN	**2,008**	**(297)**
Amortisation, depreciation and write-downs	(1,223)	(1,004)
NET OPERATING RESULT	**785**	**(1,301)**
Interest income	28	
Interest expense	(360)	(100)
Income taxes	(64)	
PROFIT/(LOSS) FOR THE YEAR	**389**	**(1,401)**
STATEMENT OF FINANCIAL POSITION		
Total assets	47,136	13,240
Shareholders' Equity	19,384	(509)
Cash and cash equivalents	9,012	797
Current financial liabilities	-	(10,000)
Non-current financial liabilities	16,000	

(in thousands of Euro)	SUMMARY DATA AS AT 31/12/2022	
	SF Energy Srl 50%	**Neogy srl 50%**
Dividends received		
INCOME STATEMENT		
Revenue	16,678	4,424
GROSS OPERATING MARGIN	**1,544**	**(2,149)**
Amortisation, depreciation and write-downs	(1,063)	(830)
NET OPERATING RESULT	**481**	**(2,979)**
Interest income	11	
Interest expense	(200)	(57)
Income taxes	(264)	(6)
PROFIT/(LOSS) FOR THE YEAR	**28**	**(3,042)**
STATEMENT OF FINANCIAL POSITION		
Total assets	31,659	9,670
Shareholders' Equity	18,995	2,912
Cash and cash equivalents	5,189	646
Current financial liabilities	50	(5,516)
Non-current financial liabilities	8,000	

ASSOCIATES AND JOINT VENTURES

Information on the main associates and joint ventures in which the Group owns equity investments is shown hereunder.

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 large diversion concession holder of the hydroelectric plant of San Floriano (Egna). The equity investment valuation reflects expectations of significant future cash flows linked to the duration of the concessions.

NEOGY Srl – Bolzano. Fully paid-up Share Capital of 750,000 euro, represented by 750,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 50.00% of the Share Capital, equal to 375,000 shares with a nominal value of 375,000 euro. The company was established from the joint venture between Dolomiti Energia and Alperia in order to jointly promote electrical mobility and with the aim of organising a widespread recharging infrastructure in the territory to serve both private customers and companies. In this business expansion phase, during the year the company was recapitalised for 500 thousand euro. Analysing past losses and those of the current year, it was prudentially decided to fully write-down the residual value of the equity investment (500 thousand euro).

IVI GNL Srl – Santa Giusta Oristano. Fully paid-up Share Capital of 1,100,000 euro, represented by 1,100,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 50% of the Share Capital, equal to 550,000 shares with a nominal value of 550,000 euro. IVI GNL operates in the sector of gaseous fuels distribution and the construction of regasification and storage plants for liquid methane gas.

GIUDICARIE GAS S.p.A. – 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.

EPQ Srl – Trento. Fully paid-up Share Capital of 100,000 euro, divided into 100,000 shares with a value of 1 euro each; Dolomiti Energia holds 33% of the Share Capital, equal to 33,000 shares and a nominal value of 33,000 euro. The investee operates in the field of energy management and transition. The remaining 67% of the share capital was acquired in the first few months of 2024.

TECNODATA TRENTINA Srl – Trento. Fully paid-up Share Capital of 12,560 euro, represented by 12,560 shares with a value of 1 euro each; Dolomiti Energia Holding holds 25% of the Share Capital, equal to 3,140 shares with a nominal value of 3,140 euro. The company operates in the IT field of interconnection services.

BIOENERGIA TRENTINO Srl – San Michele All'Adige. 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 S.p.A. – 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 the multiutility that manages the distribution of electricity, gas methane, drinking water and district heating in the Alto Garda and Ledro areas.

RABBIES ENERGIA S.r.l. – Rabbi (TN). Fully paid-up Share Capital of 518,199.69 euro, divided up between the Shareholders Municipality of Malè, Municipality of Rabbi and Dolomiti Energia Hydro Power, which holds 31.02% of the Capital. The company produces hydroelectric energy.

MASO ENERGIA S.r.l. – Telve (TN). Fully paid-up Share Capital of 1,350,000 euro, divided up between the Shareholders Municipality of Malè, Municipality of Scurelle, Municipality of Telve, ACSM SpA and Dolomiti Energia Hydro Power, which holds 26.25% of the Capital. The company produces hydroelectric energy.

VERMIGLIANA S.r.l. – Ossana (TN). Fully paid-up Share Capital of 273,580 euro, divided up between the Shareholders Municipality of Ossana, Municipality of Vermiglio, Municipality of Pellizzano, Municipality of Pejo and Dolomiti Energia Hydro Power, which holds 20.00% of the Capital. The company produces hydroelectric energy.

ECO PUGLIA ENERGIA s.r.l. Riva del Garda. Fully paid-up share capital of 20,000 euro, divided between the Shareholders Kayros srl and Dolomiti Energia Wind Power srl, which owns 42.73% of the capital. The company produces wind energy.

OTHER COMPANIES

Information on the main other companies in which the Group owns equity investments is shown hereunder.

PRIMIERO ENERGIA S.p.A. – 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 several large hydroelectric plants in the Primiero valley.

INIZIATIVE BRESCIANE S.p.A. - Breno (BS). Fully paid-up Share Capital of 26,018,840 euro, represented by 5,203,768 shares with a value of 5 euro each; Dolomiti Energia Holding holds 16.53% of the Share Capital, equal to 859,993 shares with a nominal value of 4,299,965 euro. The company operates in the production of electricity from renewable sources, managing over forty hydroelectric plants located in the provinces of Brescia, Bergamo, Cremona, Trento, Lucca and Florence.

SPREENTECH VENTURES Srl – Rovereto (TN). Fully paid-up Share Capital of 50,000 euro, represented by 50,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 12.05% of the Share Capital, equal to 6,024 shares with a nominal value of 6,024 euro. Established in April 2022, the company stems from a major Trento-based project of Polo Edilizia 4.0, with the task of constructing a state-of-the-art centre of excellence for the development of skills, offer of services and innovations to support businesses, managers and industries in the construction sector.

BIO ENERGIA FIEMME S.p.A. – 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. The company operates in the district heating and circular energy fields, producing alternative energy and heat from fossil fuels, in addition to producing pellets from wood waste.

CHERRYCHAIN Srl – Pergine Valsugana. Fully paid-up Share Capital of 265,000 euro, represented by 265,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 10% of the Share Capital, equal to 26,500 shares with a nominal value of 26,500 euro. The company works in the ICT sector, mainly dealing with software development, digital identity management systems and regulatory compliance.

DISTRETTO TECNOLOGICO TRENTINO Soc. Cons. a r.l. – Rovereto. Fully paid-up Share Capital of 189,000 euro, represented by 189,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 2.76% of the Share Capital, equal to 5,221 shares with a nominal value of 5,221 euro. The company is committed to environmental sustainability.

ISA – ISTITUTO ATESINO DI SVILUPPO S.p.A. – 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.

7.6 NON-CURRENT FINANCIAL ASSETS

The "Non-current financial assets" item as at 31 December 2023 and 31 December 2022 is detailed as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2023	2022
Securities at the Clesio Real Estate Fund	-	-
Financial receivables from associates	8,000	4,000
Financial derivatives	3,439	6,635
Other	51	80
NON-CURRENT FINANCIAL ASSETS	11,490	10,715

The "Non-current financial assets" item includes the Clesio real estate fund (net carrying amount equal to zero as at 31 December 2023 and at the end of the previous year), with an original historical cost of 15,678 thousand euro, deriving from the subscription of 322 units of the Clesio real estate fund, of which 101 units received by way of dividend in kind from Urbin S.p.A. 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. In previous years, the Group decided to fully write down the residual amount of the units, on a prudential basis due to the very poor performance of the property market and the difficulty in liquidating the Fund units.

In 2021, the Group signed a long-term financing plan with and in favour of the investee SF Energy for a maximum financing amount of 15,000 thousand euro, with interest at market rates and payable in multiple instalments by 31 December 2026. The shareholder loan must be repaid no later than 31 December 2040, with the option of early repayment. During the year, the Group disbursed tranches for a total of 4,000 thousand euro, reaching a total of 8,000 euro disbursed as at 31 December 2023.

The Group entered into derivative contracts (IRS) to hedge exposure to the fluctuations in cash flows deriving from the payment of instalments on a variable-rate loan. The fair value of derivatives as at 31 December 2023 was positive for 3,439 thousand euro (positive for 6,635 thousand euro as at 31 December 2022), and is recognised among non-current financial assets as a balancing entry for a specific equity reserve.

7.7 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities as at 31 December 2023 and 31 December 2022 are broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER	
DEFERRED TAX ASSETS	2023	2022
Fixed assets	37,337	38,751
Provision for write-downs	3,420	3,554
Production bonuses	1,382	1,202
Provisions for risks and charges	4,763	7,021
Fair value of derivatives	1,477	20,151
Non-deductible interest expense	932	936
Real estate fund write-down	3,763	3,763
Employee benefits	1,035	1,085
Other	385	388
TOTAL DEFERRED TAX ASSETS	**54,494**	**76,851**

(in thousands of Euro)

	AS AT 31 DECEMBER	
DEFERRED TAX LIABILITIES	2023	2022
Property, plant and equipment	125,927	126,052
Intangible assets	26,493	28,570
Goodwill	9,891	9,442
Provision for write-downs	57	57
Derivatives	10,357	19,821
Other	37	38
TOTAL DEFERRED TAX LIABILITIES	**172,762**	**183,980**

7.8 OTHER NON-CURRENT ASSETS

The "Other non-current assets" item as at 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2023	2022
Prepayments and accrued income	2,014	1,265
Guarantee deposits	5,615	25,683
Other	15,835	2,659
TOTAL OTHER NON-CURRENT ASSETS	**23,464**	**29,607**

In 2022, the "other non-current assets" item included guarantee deposits and, in particular, interest-free deposits paid as guarantee to the Energy Market Operator (GME) in order to operate in netting on the Italian Power Exchange (IPEX) and gas (MGAS) markets, on the Conti Energia forward platform and on the Daily Energy Products Market (MPEG) for 4,004 thousand euro. During the year, these deposits were fully repaid through replacement with sureties.

The balance also includes guarantee deposits on transactions carried out on the international stock markets for 1,120 thousand euro (5,652 thousand euro at the end of the previous year), a significant decrease compared to the balance at the end of 2022 following the reduction in commitments assumed and transactions carried out on these markets. This item, subject to continuous and systematic adjustments in relation to the volumes traded on the markets, led to reimbursements during the year of 20,609 thousand euro and payments of 16,075 thousand euro.

The year-end balance also includes, among other things, interest-free deposits in favour of Terna Spa for a total of 3,612 thousand euro (6,529 thousand euro as at 31 December 2022), paid in compliance with Capacity Market disciplinary provisions. Deposits in favour of Snam Rete GAS amounting to 4,540 thousand euro as at 31 December 2022 were fully repaid as at 31 December 2023. The item "Other" includes tax receivables relating to the restructuring and energy efficiency measures that can be offset from 2025. The increase derives from finalisation of the transfer.

7.9 INVENTORIES

The "Inventories" item as at 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2023	**2022**
Raw materials and consumables	18,261	78,694
Other inventories	1,424	2,381
TOTAL	**19,685**	**81,075**

Inventories of raw materials, equal to 18,261 thousand euro, include 18,222 thousand euro as the value of property, plant and equipment used mainly in construction of electricity, water and natural gas distribution networks, contract work in progress and natural gas stocks (78,694 thousand euro as at 31 December 2022). During the year, no steps were taken to manage natural gas storage and the reduction in stocks is almost exclusively due to this fact.

In 2022, inventories included the value of stocks of natural gas and LNG in storage for 47,959 thousand euro. The change compared to the previous year reflects the company's strategic and operating policies; in particular, in 2022 all European countries, including Italy, established a forced storage filling programme during summer 2022 in order to cope with peaks in demand during winter 2022/2023.

The "Other inventories" item is instead related to the value of energy certificates (TEE, GO, CO_2 units and VER certificates) traded on the market and not yet sold as at 31 December 2023.

7.10 TRADE RECEIVABLES

The "Trade receivables" item as at 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2023	**2022**
Receivables from customers	477,602	654,746
Receivables from associates	27	44
Receivables from parent companies	96	102
Receivables from sister companies	1,882	7,829
Provision for write-downs	(17,592)	(20,009)
TOTAL	**462,015**	**642,712**

The item trade receivables, shown net of the related provision for write-downs, mainly includes receivables from customers and end users, relating to the sale price of goods and services offered by the Group. The balance decreased sharply compared to 31 December 2022, mainly due to price trends in the energy and gas market.

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 recorded the following changes during the year:

(in thousands of Euro)

	F.do Svalutazione Crediti
AS AT 31 DECEMBER 2022	**20,009**
Allocations	3,812
Utilisations	(6,229)
AS AT 31 DECEMBER 2023	**17,592**

In December 2022, the Group had arranged the factoring to third parties without recourse of trade receivables for a total of 26,839 thousand euro. The factoring of receivables not past due had taken place without notifying the related debtors, but with the transfer of all rights and risks to the factor, to which the Group guaranteed the existence and validity of the receivables. The Group therefore retained the contractual right to collect cash flows on these receivables from customers with, at the same time, the obligation of returning the amount collected to the factor. The Group did not factor any receivables referred to in items as at 31 December 2023.

7.11 RECEIVABLES FOR CURRENT TAXES

The “Receivables for current taxes” item as at 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2023	2022
IRES	2,666	8,106
IRAP	210	1,211
TOTAL	**2,876**	**9,317**

The balance shown represents the excess of tax prepayments made by the Group with respect to the current tax payable accrued during the year.

7.12 CURRENT FINANCIAL ASSETS

The "Current financial assets" item as at 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2023	2022
Loans to associates	34,800	3,932
Loans to others	1,529	39,128
Financial derivatives	80,443	684,651
Other receivables	177	218
CURRENT FINANCIAL ASSETS	116,949	727,929

The "Other financial receivables" item, amounting to 1,529 thousand euro (39,128 thousand euro as at 31 December 2022), also includes 494 thousand euro as advance payment of the fair value of commodity derivative contracts entered into on regulated markets and with delivery in 2024/2025; the significant decrease compared to the previous year is due primarily to the decline in volumes traded on the international stock markets.

The "Financial derivatives" item, equal to 80 million euro (685 million euro as at 31 December 2022) includes 27 million euro related to fair value as at 31 December 2023 of positive derivative contracts on commodities signed to hedge highly probable planned transactions and related to the purchase and sale of electricity and gas and, limited to 31 December 2022, also to hedge the fair value of natural gas stocks. The change in fair value of these derivatives to hedge cash flows, with an effective hedging relationship with the hedged item, were recorded in the special reserve in Shareholders' Equity (reserve for expected cash flow hedging transactions), less the related tax effect. The change in fair value of derivatives entered into to hedge the fair value of natural gas stocks, whose hedging relationship with the hedged item was effective, was recognised in the income statement for the year under financial income and charges.

The amount of 53 million euro is related to the fair value as at 31 December 2023 of positive derivative contracts on commodities that do not fulfil the eligibility requirements to be accounted for as hedging derivatives. The change in their fair value was recorded in the Income Statement for the year.

7.13 OTHER CURRENT ASSETS

The "Other current assets" item as at 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2023	2022
Elect./gas tax credits	13,047	143
Group VAT credit	2	626
Other tax credits	220	2
Prepayments and accrued income	14,764	13,994
Ecobonus credits	7,355	0
Other receivables	1,581	1,875
Receivables from derivatives management		
Receivables from CSEA	5,908	23,832
Renewable source certificates	6,553	9,170
Advances/Deposits	4,345	2,362
Receivables from Social security institutions	65	93
Receivables from Public authorities for contributions	878	16
Receivables from Public authorities	227	205
TOTAL OTHER CURRENT ASSETS	**54,945**	**52,319**

The "receivables from CSEA" (Cassa per i Servizi Energetici e Ambientali) item mainly includes receivables for transport equalisation (distribution and measurement of electricity and gas) and network efficiency (5,253 thousand euro). Receivables for energy efficiency certificates (TEE) are also included in the item, down compared to 2022 due to the collections received from CSEA for 2021 and to the fact that no GRIN incentive grants were recognised in 2023.

The "Elect./gas tax credits" item, amounting to 13,047 euro, refers to excise duty payable on energy and gas commodities, while the Ecobonus credit of 7,355 thousand euro refers to tax credits purchased from customers through the invoice discount mechanism, in relating to renovations and energy efficiency improvements.

Contractual advances paid to suppliers for upcoming electricity purchases also decreased significantly compared to the previous year.

7.14 CASH AND CASH EQUIVALENTS

The "Cash and cash equivalents" item as at 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2023	2022
Bank and postal current accounts	30,283	85,370
Cash on hand	6	6
TOTAL	30,289	85,376

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

7.15 SHAREHOLDERS' EQUITY

Changes in shareholders' equity reserves were shown in the tables of these consolidated financial statements.

As at 31 December 2023, the Group'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.
As at 31 December 2023, the Dolomiti Energia Group held 26,369,875 treasury shares.

In previous financial years, a number of Group companies released Assets under concession and Goodwill, applying the option envisaged in Italian Law Decree 104/2020, and the related equity reserves include 117,870 million euro which, if distributed, will qualify as taxable income pursuant to Article 13, paragraph 3 of Italian Law 323/2000.

7.16 PROVISIONS FOR CURRENT AND NON-CURRENT RISKS AND CHARGES

The "Provisions for current risks and charges" item amounted to 8,504 thousand euro as at 31 December 2023 and is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2023	2022
Provision for risks and charges	2,867	12,648
Provision for performance bonus	5,637	4,434
TOTAL PROVISION FOR CURRENT RISKS AND CHARGES	8,504	17,082

The Provision for risks and charges includes estimated costs accruing in the current year but with financial effects in 2024.

The Provision for risks and charges includes donations to finance solidarity projects: the provision accrues annually on the basis of contractually agreed parameters and the disbursement, to non-profit organisations, takes place against the actual implementation and reporting of solidarity initiatives. The provision amounted to 867 thousand euro as at 31 December 2023. Lastly, the Company deemed it appropriate to allocate 2,000 thousand euro for ongoing disputes concerning relations with its suppliers.

As at 31 December 2022, Provisions for current risks and charges included 10,766 thousand euro allocated to cover the risk of loss for certain contracts stipulated for the fixed-price supply of gas with end customers in the retail segment. This amount was used in full in 2023.

The provision for performance bonuses estimates the liability for employee performance bonuses, to be paid in 2024 on the basis of the final results relating to 2023. At the end of the previous year, a provision of 4,434 thousand euro had been estimated, used for 3,801 thousand euro during the year and increased through the allocation of 5,004 thousand euro.

The "Provisions for non-current risks and charges" item amounted to 24,132 thousand euro as at 31 December 2023 and is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2023	2022
Provision for risks and charges	21,939	22,006
Provision for coverage of waste disposal charges	1,148	1,148
Pension fund	1,045	951
TOTAL PROVISIONS FOR NON-CURRENT RISKS AND CHARGES	24,132	24,105

PROVISIONS FOR RISKS AND CHARGES

The **provision for risks – plants**, of 6,691 thousand euro includes provisions made in previous years to cover the risk of charges resulting from the management of plants and adjoining areas (mainly costs for the restoration of reservoirs managed by Hydro Dolomiti Energia Srl); 1,955 thousand euro was used during the year and the provision was increased by 1,259 thousand euro.

The **provision for charges – tax assessments** of 2,814 thousand euro refers to the amount allocated for Tax Authority disputes for 2019/2020, regarding the IRAP rate applied for 2014 and 2015.

The **provision for disputes and litigation** (70 thousand euro), intended to mainly cover potential liabilities that could derive from pending legal disputes or other litigation. During the year, the provision was used for 25 thousand euro.

IMU (property tax) provision of 8,497 thousand euro was established, in previous years, following subsequent reviews of how to calculate the property registry income of the property units used for special purposes, first by the Land Registry Service of the PAT and afterwards by the Territorial Agency (Circular 6/2012). Due to said changes, the Group received notices of assessment from the Land Registry Office concerning the calculation of the land registry income to attribute to the plants, and notices of assessment by the Municipalities concerning the higher tax (ICI/IMU) and relative sanctions and interest, determined on the income from said adjusted plants. The provision includes the estimate of the potential liabilities resulting from the above. During 2023, the IMU (property tax) provision changed due to allocations of 296 thousand euro and uses of 672 thousand euro.

Provision for facilitated energy – irrigation consortia, equal to 3,827 thousand euro – on 27 March 2012 a formal claim for damages 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 onwards, 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 (formerly 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 GC Italian Decree 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 at the annual average value of electricity, published by AEEG, that defined an estimated cost from 2010 to 2023 of 3,827 thousand euro.

Other provisions for 40 thousand euro.

PROVISION FOR COVERAGE OF WASTE DISPOSAL CHARGES

Provision for coverage of waste disposal charges, equal to 1,148 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 Provincial Council No. 1-41/Legisl. of 26 January 1987 (Consolidated provincial act on the safeguard of environment from pollution), as from 1 January 2014 the Trento Autonomous Province 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 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 1,045 thousand euro, was created in relation to the agency relation in place with its agents.

The changes in provisions for non-current risks and charges for the years ended 31 December 2023 and 2022, are shown hereunder:

(in thousands of Euro)

	Provision for risks and charges	Provision for coverage of waste disposal charges	Pension fund
AS AT 31 DECEMBER 2021	**21,077**	**1,148**	**850**
Allocations	3,674		158
Utilisations	(1,275)		(57)
Releases	(1,470)		
AS AT 31 DECEMBER 2022	**22,006**	**1,148**	**951**
Allocations	2,585	-	186
Utilisations	(1,323)	-	(92)
Releases	(1,329)	-	-
AS AT 31 DECEMBER 2023	**21,939**	**1,148**	**1,045**

Below is an update of the situation concerning the main outstanding disputes, against which no provisions for risks have been recognised, as they refer to cases lodged by the group or disputes for which the risk of an unfavourable outcome is deemed unlikely.

NOVARETI S.P.A./ARERA – LOMBARDY REGIONAL ADMINISTRATIVE COURT – MILAN GEN. REG. NO. 2468/2017 (Decision No. 384/2017 and finding No. 139/2017)

The introductory appeal against ARERA before the Lombardy Regional Administrative Court is still pending and, after the filing of a new petition for hearing on 2 December 2022, the disposal hearing was set for 28 May 2024.

NOVARETI S.P.A./ARERA – LOMBARDY REGIONAL ADMINISTRATIVE COURT – MILAN GEN. REG. NO. 514/2020

On 24 February 2020, a notice of appeal was filed before the Lombardy Regional Administrative Court to overrule, not fully, but limited to certain profiles, the decision of 27 December 2019 570/2019/R/gas adopted by ARERA. As part of the same judgment, with an initial appeal on additional grounds, the Novareti Company requested the annulment of the two ARERA resolutions, 106/2020/R/gas and 107/2020/R/gas, in which the reference tariffs for gas distribution and measurement services for the years 2018 and 2019 are determined. With a second appeal for additional reasons, Novareti challenged ARERA resolution No. 117/2021/R/gas with which ARERA approved the final reference tariffs for gas distribution and metering services for 2020. With a third appeal for additional reasons, Novareti also challenged ARERA resolution No. 350/2021/R/gas which, among other things, approved the final reference tariff for 2020 also for the town of Lavis managed by Novareti. With a fourth appeal for additional reasons, Novareti challenged ARERA resolution No. 154/2022/R/gas containing "Determination of the final reference tariffs for gas distribution and metering services for 2021. Amendments to the RTDG" and Art. 33.3 of the RTDG as amended by Art. 1.2 of ARERA resolution 154/2022/R/gas. With the fifth appeal for additional reasons, Novareti also challenged resolution 525/2022/R/gas with which ARERA, to complete the regulations pursuant to Art. 33.3. of the RTDG, has adopted provisions aimed at defining the application methods of the ceiling on the tariff recognition of investments in locations undergoing goodwill. With the sixth appeal for additional reasons, Novareti also challenged the ARERA resolution containing "Redetermination of reference tariffs for gas distribution and metering services for the years from 2009 to 2021", ARERA resolution 737/2022/R/gas "Interim update of the tariff regulation of gas distribution and metering services for the three-year period 2023-2025. Approval of the RTDG for the three-year period 2023-2025 and amendments to the standard network code for the gas distribution service" and as preliminary acts, ARERA resolution 406/2022/R/gas containing "Initiation of the procedure for the interim update of the RTDG" and DCO 571/2022/R/gas containing "Criteria for the interim update for the years 2023-2025 of the tariff regulation of gas distribution and metering services (RTDG)". At the discussion hearing of 5 April 2023, the case in question was then adjourned to a new hearing on 6 December 2023 with simultaneous court order to ARERA to file the resolution with which it allegedly corrected the calculation errors emerging from the COR and X-FACTOR audit. At the public hearing of 6 December 2023, the case was further adjourned to the hearing of 3 April 2024.

NOVARETI S.P.A./ ARERA – LOMBARDY REGIONAL ADMINISTRATIVE COURT GEN. REG. NO. 7/2023

With an appeal filed on 23 December 2022, Novareti challenged Resolution 528/2022/R/gas because it involves the disapplication of Art. 114-ter of Italian Decree Law No. 34/2000 ("Rilancio" Decree), a regulation that imposes an obligation on the Authority to recognise full tariff coverage of investments for the enhancement or new construction of networks and plants in municipalities already methanised or to be methanised, for example in climate zone F and classified as mountain areas. With decision No. 1230 of 23 May 2023, the Regional Administrative Court rejected the appeal filed by Novareti.

NOVARETI S.p.A/MUNICIPALITY OF LAVIS – TRENTINO RISCOSSIONI – TRENTO COURT OF APPEAL – GEN. REG. NO. 94/2023

The Company challenged decision No. 240/2023 with which the Court of Trento rejected Novareti's claims regarding the application of COSAP for the gas distribution networks located in the Municipality. The next hearing was set for 21 March 2024 and will be replaced pursuant to Art. 127-ter of the Italian Code of Civil Procedure by written submissions.

NOVARETI S.p.A./GSE – COUNCIL OF STATE GEN. REG. NO. 3860/2023

In 2007 Novareti built a cogeneration unit at the TrentoFrutta facility in Trento, and managed it up to 31/12/2017. The Company obtained access to the "white certificate" support system from the GSE for each year from 2008 to 2013 and the assumption that the CAR plant would be recognised for each year from 2011 (the year in which the recognition was established) to 2013. Following a control process on the plant in question, the GSE cancelled the access to the support system for the years 2008 and 2013 and the CAR recognition for the year 2013 and ordered the recovery of the previously issued white certificates. An appeal was filed against the order made by the GSE before the Lazio Regional Administrative Court since it was considered to be unlawful. Novareti's appeal was rejected with decision No. 1797/2023, with the order to pay costs. Novareti decided to challenge the Lazio Regional Administrative Court decision by filing an appeal before the Council of State. At present, the date of the discussion hearing has not yet been set.

DOLOMITI ENERGIA SPA

With regard to the dispute brought by certain customers, related to the request for reimbursement of provincial excise duties paid in the 2010-2011 period, abrogated by the Government in 2012 because not compliant with Directive 2008/118/EC, given that the Company has taken legal action against the claims; in the event of a negative outcome, the Company will request reimbursement from the Tax Authority of any amounts to be returned to customers, as these are indirect taxes levied on them and paid in full to the Tax Authority, it was decided not to allocate any provision during the year.

As already recorded in the financial statements for the previous year, note that the Antitrust Authority (AGCM) had initiated proceedings in October 2022 relating to the alleged violation of Article 3 of Italian Decree Law 115/2022 (Aiuti bis Decree Law) regarding unilateral changes in the economic conditions of customers, adopting a precautionary measure against the Company of provisional suspension of the implementation of new economic conditions for the supply of electricity and gas following the contractual changes already communicated, but not yet applied and finalised. The Company challenged the measure and the Council of State accepted the precautionary appeal limited to the expiring/expired economic conditions. In the substantive hearing held on 22 February 2023, the Regional Administrative Court, whose judgment was published on 23 June 2023, upheld the stance, finding no evidence of unfair commercial practices in such communications. Instead it froze the unilateral amendments that had not been completed, amendments that the Company had already suspended and never applied to end customers. In light of all the above, the Regional Administrative Court, confirming the legitimacy of the communications updating the expired or expiring contractual conditions issued by the Company, and deeming that there was no alleged aggression in the operator's conduct, accepted the appeal and consequently cancelled the AGCM suspension measure challenged.

The AGCM subsequently closed the proceedings with the issue of a measure, communicated on 15 November 2023, acknowledging that the conduct of the Company in general was fair, censuring only an interpretation of the rule linked to certain specific situations determined by the timing overlap between the communications sent to customers and the entry into force of the aforementioned ruling. Based on these elements, an extremely low administrative fine was applied, in the amount of 50 thousand euro, also considering the prompt and total collaboration provided by the Company to the AGCM and the fact that, after issue of the initial measures, the Company promptly ordered application of the new proposed contractual conditions to be suspended, essentially eliminating any negative impact on end customers.

DOLOMITI ENERGIA TRADING SPA

A number of former customers of the Company, from when it was an end consumer business market operator, brought a formal dispute related to the request for reimbursement of surtaxes on the provincial excise duties paid in the 2010-2011 period, abrogated by the Government in 2012 as non-compliant with Directive 2008/118/EC. DET took legal action against these claims and, in the event of a negative outcome, will request reimbursement from the Tax Authority of any amounts to be returned to the former customers, as these are indirect taxes levied on them and paid in full to the Tax Authority. For these reasons, it was decided not to allocate a provision during the year.

7.17 EMPLOYEE BENEFITS

The "Employee benefits" item as at 31 December 2023 included 8,820 thousand euro related to the Provision for employee termination benefits and 3,656 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 em-

ployees during pension.
Changes in the Provision for employee termination benefits and other employee benefits as at 31 December 2023 and 31 December 2022, are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER 2023					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Energy discounts	Medals	Total
LIABILITIES AT BEGINNING OF THE YEAR	**9,263**	**1,693**	**1,122**	**616**	**571**	**13,265**
Current cost of service	213	144	47	-	54	458
Interest to be discounted	203	40	22	-	13	278
Benefits paid	(837)	(121)	(96)	(113)	(60)	(1,227)
Actuarial loss/(profit)	111	72	166	(582)	63	(170)
Losses (profits) at the time of repayment	23	5	-	-	-	28
Other changes	(156)	(39)	(26)	79	(14)	(156)
Change in consolidation area	-	-	-	-	-	-
LIABILITIES AT END OF THE YEAR	**8,820**	**1,794**	**1,235**	**-**	**627**	**12,766**

(in thousands of Euro)	AS AT 31 DECEMBER 2022					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Energy discounts	Medals	Total
LIABILITIES AT BEGINNING OF THE YEAR	**11,552**	**2,009**	**1,534**	**871**	**660**	**16,626**
Current cost of service	55	-	-	-	-	55
Interest to be discounted	100	154	61	-	58	373
Benefits paid	(965)	(135)	(116)	(293)	(37)	(1,546)
Actuarial loss/(profit)	(1,196)	(336)	(343)	-	(94)	(1,969)
Losses (profits) at the time of repayment	-	-	-	-	-	-
Other changes	(283)	1	(14)	38	(16)	(274)
Change in consolidation area	-	-	-	-	-	-
LIABILITIES AT END OF THE YEAR	**9,263**	**1,693**	**1,122**	**616**	**571**	**13,265**

The economic and demographic assumptions used for actuarial evaluations are shown hereunder:

	Al 31 dicembre 2023
Technical annual discount rate	3.17% - 3.08%
Annual inflation rate	2.00%
Annual rate of total compensation increase	3.00%
Rate of increase in employee termination benefits	3.00%

A sensitivity analysis as at 31 December 2023, related to the main actuarial assumptions included in the calculation model, is illustrated below, 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 as shown in the following table:

Sensitivity

(in thousands of Euro) AS AT 31 DECEMBER 2023

	Discount rate +0,50%	Discount rate -0,50%	Inflation rate +0,25%	Inflation rate -0,25%	Turnover rate +2%	Turnover rate -2%
Employee termination benefits	8,506	9,153	8,911	8,728	8,854	8,811

(in thousands of Euro) AS AT 31 DECEMBER 2022

	Discount rate +0,50%	Discount rate -0,50%	Inflation rate +0,25%	Inflation rate -0,25%	Turnover rate +2%	Turnover rate -2%
Employee termination benefits	8,920	9,625	9,364	9,164	9,325	9,245

7.18 FINANCIAL LIABILITIES (CURRENT AND NON-CURRENT)

The table hereunder shows current and non-current financial liabilities as at 31 December 2023 and 2022:

(in thousands of Euro)	AS AT 31 DECEMBER			
	2023		2022	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Payables due to banks	88,483	164,583	118,989	522,903
Bond loans	2,106	114,960	2,107	114,949
Shareholder loans	-	-	-	-
Payables for derivative liabilities	47,309	1,820	644,403	54,875
Payables due to other lenders	1,860	5,173	2,532	6,060
TOTAL	**139,758**	**286,536**	**768,030**	**698,787**

As at 31 December 2023, payables due to banks include two loans with the following characteristics:

- the loan disbursed in 2016 by the European Investment Bank (EIB) for a nominal 100,000 thousand euro, maturing in 2032 and with a residual value as at 31 December 2023 of 72,917 thousand euro (81,250 thousand euro at the end of the previous year). The contract envisages the payment of quarterly deferred floating rate instalments; to hedge interest rate risk, the Group has entered into IRS derivative contracts for a notional value of 100,000 thousand euro, the fair value of which as at 31 December 2023 was positive for 3,439 thousand euro.
- the loan disbursed in 2021 by the European

Investment Bank (EIB) for a nominal 100,000 thousand euro, maturing in 2037 and with a residual value as at 31 December 2022 of 100,000 thousand euro (unchanged compared to the end of the previous year). The contract envisages the payment of quarterly deferred fixed-rate instalments, the first of which due on 30 June 2025 and the last on 31 March 2037;

- On 21 December 2023, the loan disbursed to the Parent Company on 28 December 2022 by a pool of banks for 350,000 thousand euro, maturing on 30 September 2025, was fully repaid. The credit facility was backed by a SACE S.p.A. guarantee issued pursuant to the "Aiuti" Decree (Italian Law Decree No. 50 of 17 May 2022, as amended) for 80% of the amounts disbursed as principal plus interest and accessory charges. In application of the provisions of the contractual agreements with the lending banks, the loan had been disbursed to the parent company Dolomiti Energia Holding SpA and was used to support the working capital of Dolomiti Energia SpA.

The EIB loans indicated above envisage, as usual for financial transactions of this kind, a series of commitments borne by the Group ("Covenants") and a series of limitations on the possibility of carrying out certain transactions, if not in compliance with certain financial parameters or specific exceptions provided for in the respective contracts. Specifically, in fact, there are certain limitations on the assumption of financial debt, the carrying out of certain investments and disposals of assets and corporate activities. The last audit carried out by the Group confirmed that all the covenants were satisfied.

Payables due to banks also include payables for the disbursement of "hot money" for 30,000 thousand euro.

BOND LOANS

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. Lastly, on 27 July 2021 the amendment to the loan regulation was decided, envisaging the name change (Dolomiti Energia Holding Spa– Subordinato – tasso variabile 2010 – 2029) and determination of the new maturity date as 1 August 2029. This Bond Loan was listed on the regulated market of the Irish Stock Exchange (ISE).

On 14 February 2018 the subsidiary SET listed a bond loan named "SET Distribuzione Tasso fisso 4.6 2006/2029" on the Irish regulated market (Irish Stock Exchange) for 110,000 thousand euro. The loan is backed by irrevocable first demand guarantee issued by the Trento Autonomous Province. The bond has a duration of 23 years as from 1 August 2006 and therefore until 1 August 2029, and shall be repaid at par in a single solution on the maturity date.

As at 31 December 2023 and 31 December 2022, the Group has the following bond loans, measured at amortised cost:

(in thousands of Euro)

				AS AT 31 DECEMBER 2023				
					Accounting balance			
	COMPANY	TAKING OUT	MATURITY	OPENING BALANCE (ORIGINAL CURRENCY)	TOTAL	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Dolomiti Energia Holding SpA – Subordinato – tasso variabile 2010 /2029	Dolomiti Energia Holding SpA	10-Feb-10	01-Aug-29	5,052	5,052	-	-	5,052
SET distribuzione Tasso fisso 4,6 2006/2029	Set Distribuzione SpA	01-Aug-06	01-Aug-29	110,000	112,015	2,106	-	109,909
TOTAL					**117,067**	**2,106**	**-**	**114,961**

(in thousands of Euro)

				AS AT 31 DECEMBER 2022				
					Accounting balance			
	COMPANY	TAKING OUT	MATURITY	OPENING BALANCE (ORIGINAL CURRENCY)	TOTAL	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Dolomiti Energia Holding SpA – Subordinato – tasso variabile 2010 /2029	Dolomiti Energia Holding SpA	10-Feb-10	01-Aug-29	5,052	5,052	-	-	5,052
SET distribuzione Tasso fisso 4,6 2006/2029	Set Distribuzione SpA	01-Aug-06	01-Aug-29	110,000	112,005	2,107	-	109,898
TOTAL					**117,057**	**2,107**	**-**	**114,950**

The derivative liabilities item includes derivatives on commodities, equal to 50 million euro (699 million euro as at 31 December 2022), of which 1 million euro representing the fair value as at 31 December 2023 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 48 million euro is related to the fair value, as at 31 December 2023, of negative 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.

The Group entered into derivative contracts (IRS) to hedge exposure to the fluctuations in cash flows deriving from the payment of instalments on a variable-rate loan. The fair value of derivatives as at 31 December 2023 was positive for 3,439 thousand euro (positive for 6,635 thousand euro as at 31 December 2022 – note 7.6).

The following table shows the breakdown and changes during the year in liabilities for rental and lease agreements, determined in accordance with EU IFRS 16.

(in thousands of Euro)

	as at 31.12.2022	New contracts	Refunds	as at 31.12.2023	of which current quota
Financial payables for buildings	4,621	469	(1,396)	3,694	1,081
Financial payables for other moveable assets	3,280	918	(1,085)	3,113	966
PAYABLES DUE TO OTHER LENDERS FOR LEASES AND RENTS	**7,901**	**1,387**	**(2,481)**	**6,807**	**2,047**

Below is a breakdown of the Group's net financial indebtedness as at 31 December 2023 and 2022, determined in accordance with the document published by ESMA on 4 March 2021 "Guidelines on disclosure obligations" pursuant to Regulation (EU) 2017/1129 (the Prospectus Regulation), the adoption of which was also recommended by CONSOB through "Warning Notice No. 5/21" of 29 April 2021.

(in thousands of Euro)	AS AT 31 DECEMBER	
	2023	**2022**
A. Cash	30.289	85.376
B. Cash equivalents	-	-
C. Other current financial assets	36.507	43.278
D. Cash and cash equivalents (A+B+C)	**66.796**	**128.654**
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(84.116)	(113.454)
F. Current portion of non-current financial debt	(8.333)	(10.174)
G. Current financial indebtedness (E+F)	**(92.449)**	**(123.628)**
H. Current net financial indebtedness (D+G)	**(25.653)**	**5.026**
I. Non-current financial debt (excluding the current portion and debt instruments)	(168.698)	(528.963)
J. Debt instruments	(114.960)	(114.949)
K. Trade payables and other non-current payables		
L. Non-current financial indebtedness (I+J+K)	**(283.659)**	**(643.912)**
M. Total financial indebtedness (H+L)	**(309.312)**	**(638.886)**

In line with practices adopted by other sector operators, the net financial indebtedness recorded in the above table does not include the fair value of derivatives.

7.19 OTHER LIABILITIES (CURRENT AND NON-CURRENT)

The "Other non-current liabilities" and "Other current liabilities" items as at 31 December 2023 and 2022 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2023	**2022**
Accrued liabilities and deferred income	109,221	104,960
Guarantee deposits	8,608	7,625
TOTAL OTHER NON-CURRENT LIABILITIES	**117,829**	**112,585**

The accrued liabilities and deferred income are mainly due to grants for connections for natural gas (12,552 thousand euro), for electricity connections (66,718 thousand euro) and for water service connections (8,880 thousand euro); grants for plants related to natural gas (3,858 thousand euro) and grants for plants related to the water service (7,534 thousand euro).

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2023	2022
Social security and welfare payables	5,594	4,579
Accrued liabilities and deferred income	214	150
Tax on electricity/gas	-	5,040
Other taxes	72	31
IRPEF and VAT	3,706	2,927
Substitute tax	-	1,630
Other payables	47,596	13,906
RAI television fee	1,330	1,458
Payables to employees	3,524	3,024
Payables to PAT	391	368
Sewerage charge	3,300	3,687
TOTAL OTHER CURRENT LIABILITIES	**65,727**	**36,801**

The Group quantified the payable for charges accrued and not invoiced by the GSE as at 31 December 2023 at 44,226 thousand euro, in application of Art. 15-bis of Italian Decree Law 4/2022, which introduced to Italian law a two-way compensation mechanism on the price of electricity produced, among others, by plants with a capacity of more than 20 kW powered from hydroelectric sources. The payable is recorded under the "Other payables" item.

The performance of other items included in other current liabilities follows the ordinary management dynamics of the various businesses.

7.20 TRADE PAYABLES

The "Trade payables" item includes amounts due for the supply of goods and services, and amounted to 275,338 thousand euro as at 31 December 2023, decreasing compared to the previous year (353,077 thousand euro as at 31 December 2022).

7.21 LIABILITIES FOR CURRENT TAXES

The "Liabilities for current taxes" item, equal to 45,915 thousand euro as at 31 December 2023, refers to the debt position with Tax Authorities for current IRES and IRAP (1,407 thousand euro as at 31 December 2022).

In 2022, tax payables also included 21,258 euro relating to the "solidarity contribution" introduced by the 2023 Budget Law.

(in thousands of Euro)	AS AT 31 DECEMBER	
	2023	2022
IRES	41,130	355
IRAP	4,785	1,052
WINDFALL		21,258
TOTAL	45,915	22,665

8. NOTES TO THE INCOME STATEMENT

8.1 REVENUE

The "Revenue" item for the years ended 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2023	2022
Electricity revenue	1,593,773	2,424,992
Water resource revenue	22,676	23,588
Natural gas revenue	457,869	681,696
Heating revenue	8,809	11,819
Revenue from municipal waste services	32,458	31,230
Other revenue	78,490	66,165
Revenue from water treatment	1,083	1,597
TOTAL	2,195,159	3,241,087

Revenue relating to electricity and gas commodities decreased significantly, mainly due to the considerable drop in their prices.
Please refer to the Report on Operations for an in-depth analysis of the dynamics of commodity prices and a more complete understanding of the results achieved during the year by business line.

8.2 REVENUE AND COSTS FROM WORKS ON ASSETS UNDER CONCESSION

The "Revenue and costs from works on assets under concession" item for the years ended 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER			
	2023		2022	
	REVENUE	COSTS	REVENUE	COSTS
Electric grid	53,128	(51,850)	33,352	(32,537)
Gas network	16,470	(16,068)	24,357	(23,763)
Water network	8,533	(8,533)	9,192	(9,192)
TOTAL	**78,131**	**(76,451)**	**66,901**	**(65,492)**

This is the fair value of building services 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 "Other revenue and income" item for the years ended 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2023	**2022**
Core contingent assets	45,371	21,370
Energy efficiency	5,960	4,050
Operating grants	1,652	2,258
Services to third parties	1,118	1,427
Gains from standard operations	1,607	175
Grants - plants	970	960
Revenue from plant management	669	752
Real estate income	430	1,129
Other revenue	10,225	13,604
TOTAL	**68,002**	**45,724**

The "other revenue and income" item mainly includes the income from energy efficiency certificates, applicable grants and core non-recurring income, mainly from the adjustment of estimates from previous financial years, as well as adjustments of 2022 positive components attributable to the electricity and gas commodities.

The "energy efficiency" item, for 5,960 thousand euro, represents the value of the tariff contribution for energy efficiency projects or the market purchase of securities necessary to fulfil the mandatory primary energy saving scheme to which energy distributors are subject.

Contingent assets realised in 2023 mainly include adjustments to end users for the electricity and gas commodities and referring to positive components of previous years (26,694 thousand euro), which are offset by contingent liabilities included in the item Costs for raw materials, consumables and merchandise and in Other operating costs.

In addition, contingent assets for 2023 include 8,944 thousand euro relating to windfalls that, in the 2022 financial statements, had been allocated for an amount higher than that determined at balancing stage. Also note the continuity bonus received from CSEA in relation to electricity distribution for 1,928 thousand euro, release of the provision for risks relating to land reclamation for 1,304 thousand euro and energy efficiency certificate adjustments for 2,763 thousand euro.

8.4 RAW MATERIALS, CONSUMABLES AND MERCHANDISE

The "Raw materials, consumables and merchandise" item for the years ended 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2023	2022
Purchases of elect. raw materials	753,884	1,870,850
Purchases of gas raw materials	312,457	651,439
Purchases of inventories	14,932	17,642
Purchase of fuels and vehicle spare parts	1,575	1,488
Purchases of laboratory and chemicals	484	429
Changes in inventories of raw materials, consumables and merchandise	47,015	-53,645
Energy certificates	16,833	18,153
Other purchases	5,316	5,648
Contingencies	5,995	11,361
TOTAL	**1,158,492**	**2,523,365**

As mentioned previously, the sharp reduction in the prices of commodities such as gas and electricity led to a significant decrease in their overall cost.

For a more in-depth analysis of market price trends, please refer to the review provided in the Report on Operations.

The Contingent assets on purchases of raw materials item includes the adjustments relating to the purchase of electricity and gas commodities for approximately 6 million euro, which are offset by the contingent assets included in the Other revenue and income item.

8.5 SERVICE COSTS

The "Service costs" item for the years ended 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2023	2022
External maintenance services	51,891	44,194
Insurance, banking and financial services	9,270	6,253
Other services	24,508	21,187
Commercial services	351,785	235,265
General services	4,141	4,060
Financial statement certification	371	369
Board of Statutory Auditors	319	326
Directors	876	860
Miscellaneous costs	235	163
Rental expense	403	321
Rental fees	1,355	1,598
Easements	5	19
Service agreement charges	979	987
Business unit rental	97	547
Water diversion charges	97,615	109,942
Contingencies	1,725	1,597
TOTAL	**545,575**	**427,686**

The increase in service costs is mainly attributable to the item "Commercial services", which primarily includes electricity and gas transportation costs. These increased significantly compared to the previous year as a result of the return of system charges, the decrease in the social tariff and the components that were significantly reduced in 2022 to control the increase in price of energy and gas commodities (UG2).

The cost for "Water diversion fees" reduced considerably due to costs relating to free energy pursuant to Art. 13, Italian Presidential Decree 670/1972, and also deriving from the decrease in electricity prices.

8.6 PERSONNEL COSTS

The "Personnel costs" item for the years ended 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2023	2022
Wages and salaries	51,275	45,544
Social security costs	19,333	17,859
Employee termination benefits	4,217	3,682
Other costs	3,511	1,917
TOTAL	78,335	69,002

As at 31 December 2023, the Group had 1,544 employees.
The increase compared to the previous year is largely due to recruitments in September 2023 on acquisition of urban hygiene management activities in the Vallagarina District and enhancement of the Parent Company's staff structures.

8.7 AMORTISATION, DEPRECIATION, ALLOCATIONS, WRITE-DOWNS AND NET WRITE-BACKS (WRITE-DOWNS) OF RECEIVABLES

The "Amortisation, depreciation, allocations and write-downs" item for the years ended 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2023	2022
Amortisation of intangible assets	15,632	15,435
Depreciation of property, plant and equipment	14,599	13,828
Amortisation of assets under concession	27,642	27,952
Amortisation of rights of use	2,171	2,225
Provisions for risks	1,707	11,177
Write-downs	1,950	
TOTAL	63,701	70,617

Depreciation and amortisation in 2023 was in line with the previous year.

The item provisions for risks amounted to 1,707 thousand euro for the year, and includes a pro-

vision of 1,030 thousand euro for Biffis disputes and 676 thousand euro for risks on Ecobonus sites. In 2022, the item included 10,766 thousand euro for estimated costs relating to the increase in risk positions in fixed price retail contracts for natural gas, no longer present in 2023.
The write-downs item includes the write-down relating to the construction project for the new office block at the headquarters in Via Fersina, Trento (1,134 thousand euro) and the write-down of unused plants.

The "Net write-backs (write-downs) of receivables" item for the years ended 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2023	2022
Write-down of receivables recognised to current assets	2,834	7,042
Credit losses	766	381
TOTAL	3,600	7,423

The decrease in the amount allocated to the provision for write-downs, compared to 2022, derives from the decrease in commodity prices, which led to a reduction in receivables, and the fact that insurance policies were taken out on trade receivables.

8.8 OTHER OPERATING COSTS

The "Other operating costs" item for the years ended 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2023	2022
Energy efficiency charges	4,968	3,393
Core contingent liabilities	13,586	2,839
ICI (local property tax)	5,841	7,840
Miscellaneous costs	4,136	3,381
Municipal charges and agreements	1,886	1,914
Cts/social security fee	941	962
Other taxes	1,024	890
TOSAP/COSAP	9	14
Losses from standard operations	2,405	2,075
Other costs	61,943	49,739
TOTAL	96,742	73,046

The "Energy efficiency charges" item, equal to 4,968 thousand euro, represents the value for the purchase of energy efficiency certificates necessary to fulfil the obligation of primary energy savings for electricity and gas distributors.

The increase in core contingent liabilities compared to 2022 is due to gas commodity adjustments (2,623 thousand euro), energy commodity adjustments (5,786 thousand euro) and adjustments to estimates compared to that recorded in the 2022 financial statements (5,177 thousand euro), of a significant amount due to energy and gas pricefluctuations.

The sharp increase in the "Other costs" item derives from the increase in the windfall contribution pursuant to Art. 15-bis of Italian Decree Law 4/2022, amounting to 45,450 thousand euro (34,638 thousand euro in 2022), for details of which please refer to the comments in the paragraph "Windfall measures", and 14,658 thousand euro relating to the purchase of guarantees of origin and certificates. In 2022, the item included 12,310 thousand euro relating to differentials accrued on financial swap contracts entered into by the production companies to hedge the energy produced and sold in 2022, for which, however, the quantities of energy subject to hedging were higher than those actually produced (in 2023, this was no longer the case as production has always been higher than the volumes hedged).

8.9 RESULT OF EQUITY INVESTMENTS MEASURED AT EQUITY AND OTHER COMPANIES

The "Result of equity investments measured at equity and other companies" item for the years ended 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	PER L'ESERCIZIO CHIUSO AL 31 DICEMBRE	
	2023	2022
Dividends and other income from other companies	3,863	2,009
Revaluations of equity investments	8,944	1,805
Write-downs of equity investments and securities	(5,905)	(2,432)
TOTAL	6,902	1,382

Dividends from other companies relate to the dividends of Primiero Energia, Iniziative Bresciane, BioEnergia Fiemme, ISA, Tecnodata, EPQ, AGS Riva del Garda and BioEnergia Trentino.

The revaluations and write-downs of equity investments and securities items include primarily the valuation for the year of equity investments measured at equity.

8.10 FINANCIAL INCOME AND CHARGES

The "Financial income" and "Financial charges" items for the years ended 31 December 2023 and 2022 are broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
Financial income	2023	2022
Financial income from associates	282	129
Financial income from parent companies	-	-
Financial income from other companies	7,656	797
Financial derivatives	4,870	-
Other		
TOTAL	**12,808**	**926**

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
Oneri finanziari	2023	2022
Financial charges due to associates		
Financial charges due to parent companies		
Financial charges due to other companies	(22,799)	(9,447)
Right of use interest expense	(142)	(211)
Financial charges from discounting	(560)	(137)
Financial derivatives	(188)	(390)
Other	(8)	(8)
TOTAL	**(23,697)**	**(10,193)**

Income and expenses for financial derivatives were recognised by offsetting the positive items (281,035 thousand euro for 2023; 1,138,402 thousand euro for 2022) and negative items (276,165 thousand euro for 2023; 1,138,012 thousand euro for 2022) to show the asset/liability contribution margin. The "Financial derivatives" item therefore includes the change in fair value, as at 31 December 2023, 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.

8.11 TAXES

The "Taxes" item for the years ended 31 December 2023 and 2022 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2023	2022
Current taxes	86,042	49,210
Deferred tax liabilities	(1,037)	(1,961)
Deferred tax assets	2,964	(2,547)
Tax consolidation income/charges	(4,517)	(14,212)
Taxes from prior years	(1,075)	82
Windfall	-	54,435
Contingent assets	39	(129)
TOTAL	82,416	84,878

The reconciliation between tax charge as per financial statements and theoretical tax charge is shown hereunder for the years ended 31 December 2023 and 2022:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER			
	2023	%	2022	%
PROFIT BEFORE TAX	314,409		109,196	
Theoretical income taxes	75,458	24.0%	26,207	24.0%
IRES	75,317	24.2%	43,186	39.5%
IRAP	10,725	3.4%	6,024	5.5%
WINDFALL		0.0%	54,435	49.9%
Tax effect of permanent and other differences	(3,626)	-1.4%	(18,767)	-17.2%
TOTALE	82,416	26.2%	84,878	77.7%

The percentage of taxes compared to the gross profit for 2022 is heavily influenced by the legislative measures regarding the "windfalls", amounting to a total of 54,435 thousand euro, due to the "Extraordinary contribution (Italian Decree Law 50/2022)" for 33,178 thousand euro and the "Solidarity contribution (Italian Law 197/2022)" for 21,257 thousand euro. These measures were not repeated in 2023.


SET

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 2023 and 2022, the main transactions with related parties concerned the following:

(in thousands of Euro)	AS AT 31 DECEMBER									
	2023					2022				
	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	DIVIDENDS RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	DIVIDENDS RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES
SF Energy	1.001	8.000	-	-	-	575	4.050	-	686	-
TOTAL	**1.001**	**8.000**	**-**	**-**	**-**	**575**	**4.050**	**-**	**686**	**-**

(in thousands of Euro)	AS AT 31 DECEMBER														
	2023								2022							
	REVENUE			PURCHASES			FINANCIAL INCOME	FINANCIAL CHARGES	REVENUE			PURCHASES			FINANCIAL INCOME	FINANCIAL CHARGES
	Goods	Services	Other	Goods	Services	Other				Services	Other	Goods	Services	Other		
SF Energy	-	3,730	-	10,116	-	-	179	-	-	1,720	-	8,312	-	-	100	-
TOTAL	**-**	**3,730**	**-**	**10,116**	**-**	**-**	**179**	**-**	**-**	**1,720**	**-**	**8,312**	**-**	**-**	**100**	**-**

10. GUARANTEES AND COMMITMENTS

The Guarantees and commitments in favour and undertaken by the Group as at 31 December 2023 and 2022 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
Guarantees and commitments in favour of third parties	**2023**	**2022**
Guarantees given to third parties	8,539	3,138
Pledges on shares provided by the company to third parties	3,482	3,356
Financial commitments in favour of third parties	1,598	1,598
TOTAL	**13,619**	**8,092**

(in thousands of Euro)	AS AT 31 DECEMBER	
Guarantees received by third parties	**2023**	**2022**
Guarantees received by third parties in favour of banks for loans	115,500	115,500
Usage of signature facilities to issue bank/insurance guarantee	132,191	188,401
TOTAL	**247,691**	**303,901**

Please note that against the Bond Loan issued by SET Distribuzione for a nominal amount of 110 million euro, the Autonomous Province of Trento issued a guarantee in favour of the bondholders for 115 million euro, unchanged compared to the previous year.

The unsecured facilities for the issue bank and insurance sureties refer to sureties issued by the banking/insurance system in favour of third parties and in the interest of the Dolomiti Energia Group.

11. FEES TO DIRECTORS AND STATUTORY AUDITORS

The fees to directors and statutory auditors of the Group, for the years ended 31 December 2023 and 2022 are broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2023	2022
Board of Statutory Auditors	319	326
Directors	876	860
TOTAL	1,195	1,186

12. INDEPENDENT AUDITORS' FEES

The following table shows the remuneration received by the independent auditors PricewaterhouseCoopers S.p.A. for the auditing services of the financial statements for the Group companies and the consolidated financial statements for the years ended 31 December 2023 and 2022, as well as remuneration for other services:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2023	2022
Statutory audit	287	279
Other audit services	110	91
Remuneration for tax advisory services	-	
Other services besides auditing	-	-
TOTAL	397	370

13. TRANSPARENCY IN THE PUBLIC FUNDING SYSTEM

In application of Article 1, paragraphs 125 et seq. of Italian Law No. 124/2017 (annual market and competition law) as reformulated by Article 35 of Italian Decree Law No. 34/2019 ("crescita" decree), published on the Official Journal No. 100 of 30 April 2019, please refer to the Italian National Registry of State aid, section "Transparency" in order to view any funding, subsidies, benefits, contributions or aid, in money or in kind, that are not general and that are not of a payment or remuneration nature or for damages, actually disbursed by the public administrations and the parties described under Article 2-bis of Italian Legislative Decree No. 33/2013 in 2023.

14. MANAGEMENT AND COORDINATION ACTIVITIES

The Company is not subject to management and coordination by any Shareholder or any other legal entity.

15. SIGNIFICANT EVENTS OCCURRED AFTER YEAR END

No significant events after the reporting date of these financial statements are to be reported that have not been recognised and that would significantly change the equity, financial and economic representation of the 2023 financial statements.

16. GLOBAL MINIMUM TAX FOR MULTINATIONAL GROUPS

The implementing decree, transposing Directive 2022/2523, introduces a coordinated system of rules developed by the OECD to combat global erosion of the corporate tax base (Pillar II GloBE Rules) to overcome the new international tax challenges arising from the digitalisation and globalisation of the economy. These rules – defined as part of the international agreement, reached at OECD/G20 level in October 2021 and signed by 137 countries, with others signing later – introduce an effective global minimum tax for large multinationals.

At national level, Italian Legislative Decree No. 209 approved on 27 December 2023 implements the EU Directive for the introduction of Pillar II and envisages application of a national minimum tax also on Italian companies belonging to large groups with annual consolidated revenue of at least 750 million euro, with effect from the year after that ending 31 December 2023.

The regulations introduced tests ("Transitional Safe Harbours") that allow temporary exemption from performing detailed calculations for the period 2024-2026 if the Group has a "Simplified Effective Tax Rate" greater than or equal to 15% for 2024, 16% for 2025 and 17% for 2026.

The Dolomiti Energia Group carried out the simplified ETR test, which determined a "Simplified Effective Tax Rate" well above 15%.

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Attachment A to the Consolidated Financial Statements

Consolidation area

(in Euro)

DOLOMITI ENERGIA HOLDING	type	Share capital euro	2023	consolidation method
DOLOMITI ENERGIA SOLUTIONS	srl	120,000	100.00%	line-by-line
NOVARETI	spa	28,500,000	100.00%	line-by-line
DOLOMITI AMBIENTE	srl	2,000,000	100.00%	line-by-line
DOLOMITI GNL	srl	600,000	100.00%	line-by-line
DOLOMITI ENERGIA HYDRO POWER	srl	100,000	100.00%	line-by-line
GASDOTTI ALPINI	srl	10,000	100.00%	line-by-line
DOLOMITI ENERGIA WIND POWER	srl	100,000	100.00%	line-by-line
DOLOMITI ENERGIA TRADING	spa	2,478,429	98.72%	line-by-line
DOLOMITI ENERGIA	spa	20,405,332	82.89%	line-by-line
SET DISTRIBUZIONE	spa	120,175,728	68.58%	line-by-line
DOLOMITI TRANSITION ASSET	srl	1,000,000	100.00%	line-by-line
HDE	srl	3,000,000	60.00%	line-by-line
DEE	srl	5,000,000	51.00%	line-by-line
NEOGY	srl	750,000	50.00%	equity
IVIGNL	srl	1,100,000	50.00%	equity
SF ENERGY	srl	7,500,000	50.00%	equity
GIUDICARIE GAS	spa	1,780,023	43.35%	equity
ECO PUGLIA	srl	20,000	42.73%	equity
EPQ	srl	100,000	33.00%	equity
TECNODATA	srl	12,560	25.00%	equity
BIO ENERGIA TRENTINO	srl	3,000,000	24.90%	equity
AGS RIVA DEL GARDA	spa	23,234,016	20.00%	equity
RABBIES ENERGIA	srl	518,120	31.02%	equity
MASOENERGIA	srl	1,350,000	26.25%	equity
VERMIGLIANA	srl	273,580	20.00%	equity

Rovereto, 29 March 2024

The Chairperson of the Board of Directors
Silvia Arlanch

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The undersigned Silvia Arlanch, Chairperson of the Board of Directors and Michele Pedrini, Head of the Administration Department of 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 2023 to 31 December 2023.

No significant aspects emerged to this regard during the actual application of procedures or concerning any reference to the general standards used in drawing up the certification.

It is also certified that:

- the consolidated financial statements as at 31 December 2023:
  - 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.
- the Report on Operations includes a reliable analysis of performance and the results of operations, and of the general situation of the Issuer and all companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed..

Rovereto, 29 March 2024

The Chairperson
Silvia Arlanch

The Head of the Administration Department
Michele Pedrini

REPORTS ON THE CONSOLIDATED FINANCIAL STATEMENTS


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BOARD OF STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

To the Shareholders' Meeting of Dolomiti Energia Holding S.p.A.

Dear Shareholders,

The consolidated financial statements as at 31 December 2023 prepared by your Company's Directors comprise the Statement of Financial Position, 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 2023 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 Italian Law Decree No. 38 of 28 February 2005, as amended.

In summary, in thousands of euro, the consolidated financial statements as at 31 December 2023 report total profit for the year of 231,993 euro (including 169,808 euro pertaining to the Group), total assets of 2,609,060 euro and consolidated shareholders' equity of 1,459,794 euro (including 1,015,032 euro pertaining to the Group).

The measurements specifically concern:

- the scope of consolidation;
- 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 S.p.A. and those of its Subsidiaries:

- Dolomiti Energia Solutions S.r.l.
- Novareti S.p.A.
- Dolomiti Ambiente S.r.l.
- Dolomiti GNL S.r.l.
- Dolomiti Energia Hydro Power S.r.l.
- Gasdotti Alpini S.r.l.
- Dolomiti Energia Wind Power S.r.l.

- Dolomiti Energia Trading S.p.A.
- Dolomiti Energia S.p.A.
- SET Distribuzione S.p.A.
- Dolomiti Transition Assets S.r.l.
- Hydro Dolomiti Energia S.r.l.
- Dolomiti Edison Energy S.r.l.
- Neogy S.r.l.
- IVI GNL S.r.l.
- SF Energy S.r.l.
- Giudicarie Gas S.p.A.
- Eco Puglia S.r.l.
- EPQ S.r.l.
- Tecnodata S.r.l.
- Bio Energia Trentino S.r.l.
- Ags Riva del Garda S.p.A.
- Rabbies Energia S.r.l.
- Masoenergia S.r.l.
- Vermigliana S.r.l.

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 line-by-line consolidation method for the following subsidiaries: Dolomiti Energia Solutions S.r.l., Novareti S.p.A., Dolomiti Ambiente S.r.l., Dolomiti GNL S.r.l., Dolomiti Energia Hydro Power S.r.l., Gasdotti Alpini S.r.l., Dolomiti Energia Wind Power S.r.l., Dolomiti Energia Trading S.p.A., Dolomiti Energia S.p.A., SET Distribuzione S.p.A., Dolomiti Transition Asset S.r.l., Hydro Dolomiti Energia S.r.l. and Dolomiti Edison Energy S.r.l.

Consolidation instead took place with the equity method for the associates: Neogy S.r.l., IVI GNL S.r.l., SF Energy S.r.l., Giudicarie Gas S.p.A., Eco Puglia S.r.l., EPQ S.r.l., Tecnodata S.r.l., Bio Energia Trentino S.r.l., Ags Riva del Garda S.p.A., Rabbies Energia S.r.l., Masoenergia S.r.l. and Vermigliana S.r.l.

REFERENCE DATE OF THE 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 2023 of the consolidated companies, as approved by their respective Boards of Directors.

The independent auditor PricewaterhouseCoopers SpA 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 to take the consolidated financial statements and accompanying documents into consideration only for information purposes since they are not subject to approval.

Rovereto, 12 April 2024

The Board of Statutory Auditorse

Mr. Michele Iori
Mr. William Bonomi
Mrs. Maura Dalbosco

pwc

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 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2023, 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

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Recoverability of the book value of property, plant and equipment related to hydroelectric concessions nearing expiry *Note 7.4 "Property, plant and equipment" of the explanatory notes to the consolidated financial statements as of 31 December 2023.* The item "Property, plant and equipment" of the Group's consolidated financial statements as of 31 December 2023 includes Euro 834,4 million related to plants for the use of hydroelectric concessions, mainly located in the Autonomous Province of Trento. Law 205 of 27 December 2017 ("2018 Budget Law"), the Law 160 of 27 December 2019 and subsequent provisions amended Article 13 of the Consolidated Law introduced by Presidential Decree no. 670 of 31 August 1972, prescribing that: • the concessions of large diversions in the provinces of Trento and Bolzano, with expiration date prior to 31 December 2024, 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, determined according to criteria that have to be set forth in a provincial law. Law 9 of 21 October 2020 of the Autonomous Province of Trento defined the indemnification criteria for "assets transferable for free". The Group depreciates its "assets transferable for free" in order to complete the related depreciation process within 31 December 2024, considering the necessary time reasonably expected to complete the public tendering procedures by the	Our audit procedures performed concerned the analysis and comprehension of the design and efficacy of relevant controls set up by management in order to guarantee the complete and accurate recognition of the non-current assets held. We selected a sample of increases in property, plant and equipment related to hydroelectric plants during the year; we obtained the supporting documentation and verified their accurate recognition as well as their correct allocation to assets transferable for free or not for free. We verified depreciation cost recognised in the year through recalculation. We examined the Company's management estimates of the cash flows expected in the period 2024-2025 from the cash generating units relating to the hydroelectric business. We examined the appraisals commissioned by the Company's management in 2019 and 2022 to a third party expert for the estimate of the presumed repayment value of assets that are not transferable for free, and verified the correspondence of the terminal values of the cash generating units with the values as per the appraisals. We examined the impairment test, analysing the relating methodological correctness, the mathematical accuracy and, with the support of PwC network's experts, the discount rate used; in addition, we verified the sensitivity analysis carried out by the directors in relation to the assumptions relevant to in

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
grantor. 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 by the directors for the outgoing concession-holder. Even in the absence of impairment indicators, as of 31 December 2023 the Company's management has done a specific impairment test based on the discounted cash flow expected from the hydroelectric plants. Considering the significance of the value of the hydroelectric plants, the development of the applicable national and provincial regulations, as well as the expiry of the main concessions currently held, the recoverability of the value of such plants represented a key matter for the audit of the consolidated financial statements.	order to identify the existance of any impairment of the hydroelectric plants. Finally, we verified the adequacy and the completeness of the information included in the explanatory notes.
Capital expenditure for the development and operation of the grids *Note 2.5 "Measurement criteria" item "Assets in concession" to the consolidated financial statements as of 31 December 2023.* Capital expenditure for the year relating to the Assets in concession related to the development and operation of the distribution grids for electricity and gas amounts to Euro 77,2 million. Revenue from distribution activities of electricity and gas is determined each year on the basis of specific tariff and regulatory measures set down by Italian Regulatory Authority for Energy, Networks and Environment (*Autorità di Regolazione per l'Energia Reti e Ambiente - ARERA*), which are based on a pre-established return on capital invested, plus amortisation and depreciation and operating costs recognised.	We analysed, understood and evaluated the internal control system concerning the capital expenditure. We identified and validated the operation and efficacy of the relevant manual and automated controls of such process. We assessed that the capitalisation of costs complied with the international accounting standards. We also performed substantive procedures analysing, on a sample basis, the supporting documentation of capitalised costs in order to

Key Audit Matters	Auditing procedures performed in response to key audit matters
Considering the magnitude and the high number of transactions, the capitalization of costs for the operation and development of the distribution grids for electricity and gas represented a key audit matter.	verify that these costs were accurate, complete and pertaining to the reporting period.
Accuracy of revenue from the sale of electricity and gas to end-users *Note 2.5 "Measurement criteria" item "Revenue recognition" of the explanatory notes to the consolidated financial statements at 31 December 2023.*	
Revenue from the sale of electricity and gas realised by the Group in the year ended 31 December 2023 derives for 61,7 % from end-users. The value of these revenues is calculated on the basis of the contract conditions set down with end customers and according to the specific tariff and regulatory provisions established by the ARERA. The recognition of revenue from the sale of electricity and gas to end-users is considered as a key audit matter given the complexity of the billing system marked by a high number of end customers and a high volume of data to be processed, with a combination of diversified tariffs and price components.	We analysed, obtained an understanding and assessed the Group's internal control system related to the recognition of revenues from the sale of electricity and gas, also through the support of our PwC network IT and system assurance process experts. We identified and validated the operation and efficacy of relevant controls by performing compliance testing on the relevant controls put in place by the Group. Furthermore, for a sample of bills to end customers, we carried out validity procedures in order to ascertain consumption data included in these bills, the correct application of the contract conditions with customers and the collection of the amounts billed.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

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

The directors are responsible for assessing the 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, the directors use the going concern basis of accounting unless they either intend to liquidate Dolomiti Energia Holding SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the 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 our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

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

The directors of Dolomiti Energia Holding SpA are responsible for preparing a report on operations of Dolomiti Energia Group as of 31 December 2023, 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 Dolomiti Energia Group as of 31 December 2023 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 2023 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

The directors 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 2024

PricewaterhouseCoopers SpA

Signed by

Paolo Vesentini
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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