Holding Dolomiti energia

Financial Statements 2020

Cover: Santa Giustina's lake and Caldes Castel
Photo: Carlo Baroni, Atchive of Dolomiti Energia Group

FINANCIAL STATEMENTS
2020

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 NUMBER 01614640223
www.gruppodolomitienergia.it

FINANCIAL STATEMENTS

As at 31 December 2020

BOARD OF DIRECTORS

Chairperson
Massimo De Alessandri

Deputy Chairperson
Massimo Fedrizzi

Chief Executive Officer
Marco Merler

Directors
Rudi Oss
Lino Benassi
Laura Pedrotti
Giorgio Franceschi
Arianna Comencini
Manuela Seraglio Forti
Paolo Mattei
Agostino Peroni
Carlotta Baroldi

BOARD OF STATUTORY AUDITORS

Chairperson
Massimiliano Caligiuri

Standing auditors
Michele Iori
Barbara Caldera

INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

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Letter to the shareholders

Apple orchards
Photo Carlo Baroni, Trentino Sviluppo spa Archive

Dear Shareholders,

The year just ended was impacted on global level by the effects of the health emergency, which placed a spotlight on the importance of the activities necessary for day-to-day life and helped us appreciate, through the lockdown, even aspects that we previously took for granted.

Your Company implemented numerous measures to guarantee, in compliance with the limits imposed, the continuity of services and the protection of workers' health. In particular, the Group activated remote working, which, in the most critical period, saw 64% of non-operational personnel working in this manner, in addition to a specific insurance coverage policy for all employees, to offer concrete support in the event of recovery from the virus. Employees were immediately given protective devices and instructions on behaviour and good practices to adopt to protect their health and reduce the spread of the contagion, and a psychological help desk was set up. In the phase following the first lockdown, all employees were also given the chance to undergo an antibody test and rapid tests were introduced and also extended to contacts outside the employee's bubble.

It is important to take this opportunity to sing the praises of all workers of the Group, who responded to the critical context they had to operate in with an extreme sense of responsibility, flexibility and creativity.

Important concrete actions of financial support were also put in place for customers, suppliers and the local community in general. To support small and medium-sized enterprises, the Group decided to make advanced payments on invoices due in April and May, eliminating the usual timeframes associated with payments and pouring over 9 million euro of cash into the local economic fabric. Help was provided to the local community and more vulnerable persons were supported through dedicated projects like Etika, the Cooperazione Trentina and Dolomiti Energia electricity and gas initiative which saw 250,000 euro allocated to the solidarity fund, through which food packages were donated to people in economic difficulty and psychological support was guaranteed to the most vulnerable. To mitigate the rise in daytime consumption costs connected with the lockdown, for free market residential customers with the two-part tariff the sales Company applied the night-time rate for entire day in March and April, helping over 175,000 customers in the process. 112,000 households and businesses were also given the opportunity to suspend their urban waste collection and water cycle payments without the application of any interest or penalties. The issuing of new bills for these services was also postponed. During the critical phase of the emergency, 250,000 euro was donated to UPIPA, the Association that brings together the nursing homes and public companies providing services to people in Trentino.

The macroeconomic context

Economic activity slowed down sharply from the second quarter of the year and, although there was a greater-than-expected recovery in the summer months, the resurgence of the pandemic led to a new slowdown in the last part of the year. The medium-long term prospects therefore appear to be linked to an exit from the health emergency, which in turn is dependent on the performance of the vaccination campaigns, the timing of which are, however, still uncertain and differentiated in the various countries.

Among the main events of the year, the election of Joe Biden as President of the United States, led to a

radical **global** change in American policy with several significant decisions, among which it is worth mentioning the re-entry of the U.S. into the Paris Climate Agreement, which, in addition to its symbolic value, also marks a strong discontinuity in U.S. environmental policies.
In this context, estimates for 2020 are for a significant reduction in GDP in all the main world economies, except China, which is growing, albeit at a lower rate than in previous years. In order to enable a rapid recovery of the economy, fiscal and monetary stimulus plans of unprecedented scale have been announced by all major states, which hopefully will enable GDP to grow again during 2021.

Specifically, **in the Eurozone**, the European Central Bank confirmed and strengthened its bond purchase and long-term refinancing programmes and announced the broad financing programme Net Generation EU by the European Union to Member States for an amount of 750 billion euro. Thanks also to these measures, analysts' expectations are positive, with expected GDP growth of 3.9% in 2021, 4.2% in 2022 and 2.1% in 2023.
Inflation is being affected by weak demand and sharp price declines in several sectors such as energy. The change in consumer prices at the end of the year is expected to be negative at 0.3%, even though medium-term inflation expectations appear to be rising slightly.
Interest rates, both short and long term, remained low in all the main advanced economies.
The simultaneous, violent and unprecedented demand and supply shock caused by the shutdown of operations imposed with the first lockdown reduced the **Italian GDP** by 13% in the second quarter. The return of most operations in the third quarter allowed for a significant recovery in the economy, though this was more limited for activities linked to services, specifically to commerce and tourism, as they were most impacted by the limitations following the health emergency.
As in the rest of the Eurozone and for the global economy in general, **uncertainty remains very high** due to the resurgence of new pandemic waves that are still ongoing. In this context, the repercussions on the labour market were very strong, and, despite the legislative interventions aimed at suspending redundancies and the increase in the use of wage integration instruments, the downward trend in the unemployment rate that had been under way for some years was abruptly interrupted. There are extreme concerns about social cohesion as a result of the economic crisis.

The energy market

The energy market in 2020 recorded a collapse in oil prices, and negative price levels for the first time, following a sharp drop in demand and the inability of individual producing countries to quickly reduce supply. In the electricity and natural gas markets, consumption by industrial customers was down sharply, offset by a slight increase in consumption by residential customers. Particularly during the lockdown period, electricity consumption fell considerably, but then recovered slowly during the summer period and stabilised towards the end of the year.

Electricity consumption in Italy stood at around 303 TWh, a decrease of 5.3% compared to 2019, recording the lowest level in the last 20 years.
Net domestic production decreased by 3.8% compared to 2019. The rebalancing of prices in the various European countries led to a drop in the balance from abroad (imports minus exports) of 15.6% due to the decrease in imports (-9.5%) and the increase in exports (+30%).
In 2020, 90% of **Demand in Electricity in Italy** was met by domestic production: 58% from thermal sources, 32% from other renewable sources and 10% from the balance from abroad. Among renewables, **the greatest contribution was provided by hydroelectric**, with 41.5% (48 TWh of production, in line with 2019 and the average production of the last ten years), followed by photovoltaic with 22.1% (which recorded a historic

high since 2015 with production of 25.5 TWh), wind with 16% (18.5 TWh, down slightly on the previous year), biomass with 15.6% and geothermal, which maintained 5% of the total. On the whole, the **production of electricity from thermal sources**, including biomass, amounted to 175.4 TWh, 6.4% lower than 2019 and 7.4% lower than the average figure for the last ten years, of around 189 TWh.

The **consumption of natural gas** in Italy in 2020 decreased by 5.4% compared to 2019, standing at about 70.3 billion Sm3, a slightly lower figure than the average for the previous ten years (71.5 billion Sm3). The sectors that recorded the most significant reductions were thermoelectric and industrial.

Concerning **natural gas procurement sources**, the decline in domestic production was confirmed, with a reduction by over 50% from 2011 to 2020. Gas imports decreased by 6.7%, with a supply mix in which Russia is still the largest supplier with 43%, followed by Algeria with 18%, growing sharply, and the Netherlands with 13%. **LNG imports** through the regasification terminals in Rovigo, Panigaglia and Livorno recorded a drop of around 9% on 2019, amounting to around 12.6 billion Sm3.

Gas prices, first due to the massive arrival of LNG in Europe from both the US and the Middle East, and then due to the effects of the pandemic, fell sharply, especially in the middle part of 2020. In Italy, the average price of natural gas at the PSV in 2020 fell by 41% compared to the figure for 2019, while the average PFOR price (reference price for the protected market) decreased by 40% compared to the previous year. Given the mix of electricity generation in Italy, the decrease in natural gas prices directly impacted **electricity prices** which, due to the significant drop in demand, recorded a sharp decrease, with the PUN reaching its minimum historical average since 2004, both monthly, with 21.8 MWh in May, and annually, with 38.9 MWh, equal to -25.6% compared to the same average of 2019.

Economic and financial results

The positive results recorded in 2020, which showed overall growth on the previous year, were made possible by your Group's ability to assess the overall context in which it operates, and highlight the soundness of the business model and the effectiveness of the strategy adopted which, also in an extremely complex period, confirmed the ability to generate value for all stakeholders.

As regards the economic and financial results, the Group's consolidated financial statements show total **revenue and income of 1,397 million euro, down 6.9% compared to** the 1,500 million euro in 2019, and **EBITDA of 237.7 million euro**, up by 9.6% compared to the previous year. The EBIT came to 174.7 million euro, up by 13.7% compared to 2019, while the **consolidated net profit was 97.6 million euro**, marking an increase of over 21%.

All business segments recorded improving figures, while the hydroelectric production segment, despite satisfactory production supported by a hydrological trend higher than the historical average, was penalised by the negative trend of energy market prices, particularly in the central part of the year, which hedging policies could only partially mitigate.

The Group's **net financial position** was negative for **354 million euro**, up on 2019 also due to the significant amount of **investments, which came to around 109 million euro**. The ratio of the net financial position to EBITDA remained at a level that ensured a high margin of safety, which will prove decisive in dealing with the significant macroeconomic impacts linked to the health emergency still ongoing, as well as ensuring full support to the development and investment strategies defined in the Group's Business Plan.

The positive results obtained in 2020, coupled with a sound financial structure, make it possible to propose the distribution of a **dividend of 0.10 euro** per share for a total of about 38.5 million euro, with a ratio of dividends over net profit of the Parent Company equal to 72.7%. As everyone knows, dividends will mostly benefit the communities and the economic fabric of Trentino.

Events

As regards **industrial activities**, during the year, we continued to monitor market opportunities to define and expand the Group's scope of activities for "generation from renewable sources", also through agreements that consolidate operations and acquire technical and operational know-how that is useful for the future. In that regard, it is important to note the investment in the capital of IN.BRE. SpA and the performance of the agreements with the shareholder Edison, which led the Group to take on management responsibility for the operations of Dolomiti Edison Energy.

The process of growth through **territorial and business integration**s continued with the acquisition of electricity distribution grids in the Municipality of Sella Giudicarie as part of SET and the gas distribution networks in Isera and Pergine Valsugana as part of Novareti.

In line with that set out in the Business Plan, in order to promote **greater accessibility to energy** also in areas devoid of methanisation, extension of the gas distribution networks was completed in some municipalities managed during the year.

The refurbishment of the **cogeneration plant in the Industrial Area of Rovereto** which fuels the district heating network of the city, was completed, with the new plant coming on stream in the initial months of 2021.

On the issue of the **digitisation** of processes, services and products, we continued to implement solutions for the evolution and digitisation of corporate processes in the context of the administration and advanced management of smart networks and industry 4.0, and launched a partnership with Microsoft for the purpose of the digital transformation of the Energy & Utilities sector.

Furthermore, to **deal with the climate change** taking place in recent years, in 2020 initiatives continued to ensure network security and resilience, particularly for electricity distribution and on networks in general, which are now more at risk than ever due to extreme weather events.

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 411 new charging points, powered with 100% renewable energy, installed during the year.

Lastly, the Group is committed to building the necessary foundation to support development over the next few years of operations regarding **energy efficiency projects**, offering its customers a "turnkey" solution in support and coordination of energy redevelopment of buildings.

The future

The **Covid-19 pandemic** will impact global economies also in 2021, slowing the recovery of economic activities. Thus, the Group will once again have to operate in a national scenario whose recovery will be dependent on the spread of the virus and the resulting health countermeasures, which will continue their depressive impacts, especially in the first half of the year, as long as the vaccination campaign remains partial. Despite this difficult context, the Group will continue implementing the actions set out in the Business Plan, while continuing in its commitment to assess the impacts of the pandemic on various operations and continuing with all the necessary actions to mitigate the inevitable negative effects that will arise.

The activities of putting in place the technical and financial elements and the competencies necessary for participating in the tenders scheduled for renewal of the **concession for gas distribution** within the Trento Province and for assignment of the **concessions for the large hydroelectric connections** will continue during 2021. For the former, the deadline for calling the tender has been postponed to 31 December 2021, and for the latter, the date of the end of the concession was extended to 31 December 2023 for large diversion plants. In

October 2020, a Provincial Law was approved which regulates the procedural rules for the holding of tenders. In parallel, the Group will continue to analyse opportunities present in the market to increase the scope of its activities by participating in other area tenders and/or with extraordinary transactions such as acquisitions and corporate agreements in line with the objectives and guidelines defined in the Business Plan.
During the year, plant investments will be increased to ensure the continuous improvement of the quality offered to users, **to increase network resilience and for the development of digitisation**. The measures to revise the operating processes aimed at increasing the overall efficiency, also by implementing Work Force Management tools to support the planning and management of activities in the field by operations personnel, will also continue.
The long-term plan for mass **replacement** of the **water and gas metres** will continue, and the activities in preparation for the launch of the 2G project for **electricity metres** will be completed with the installation, starting in 2022, of second generation metres, which will provide new functionalities.

The Group has significant objectives in 2021 for developing energy efficiency activities, also following the redevelopment of buildings supported by the opportunities offered by the current regulations.

The satisfaction of the shareholders, that of our customers, employees, and of all the stakeholders, together with the need to protect our natural resources and improve our present and future impact on the environment and communities in which we operate will remain the Group's key objectives in the constant commitment of the entire organisation in order to **generate shared value and a better future for all**.
Also 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 employ in their work every day, which give rise to the results we have achieved. Thank you for your dedication and responsibility which, also in this difficult situation, continued to guarantee the supply of essential services, with our traditional efficiency, using innovative models.

Dear Shareholders, on behalf of the entire Board of Directors, I would like to express my sincerest thanks to you for your support and for the climate of trust, fundamental for serenely tackling the future with the challenges and opportunities that it holds in store for us.

The Chairman
Massimo De Alessandri

Report on operations

Valley of the lakes and Castle Drena
Photo Daniele Montigiani

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

Significant events during the year

General economic trends

The year just ended was heavily marked both at the national and global level by the effects of the pandemic that began to spread throughout the world from the beginning of the year. Economic activity slowed down sharply from the second quarter of the year and, although there was a greater-than-expected recovery in the summer months, the resurgence of the pandemic from September-October, which was particularly intense in the European Union and the United States, led to a further slowdown in the last quarter. The medium-long term prospects therefore appear to be linked to an exit from the health emergency, which in turn is dependent on the performance of the vaccination campaigns in place, the timing of which is, however, still somewhat uncertain.

Among the main events of the year, it should be noted that on 30 December 2020, at the end of complex negotiations, the agreement on the future relationship between the United Kingdom and the European Union was signed, which finally resolved a phase of great uncertainty that followed the outcome of the referendum to leave the European Union on 23 June 2016. On a global level, the election of Joe Biden as President of the United States, who took office on 20 January 2021, has led to a radical change in American policy with several significant decisions, among which it is worth mentioning the re-entry of the U.S. into the Paris Climate Agreement, which, in addition to its symbolic value, also marks a strong discontinuity in U.S. environmental policies.

In this context, expectations are for a significant reduction in GDP in all the main world economies, except China, which is growing, albeit at a much lower rate than in previous years. According to the forecasts made available by the Banca d'Italia (source: Banca d'Italia Bulletin No. 1-2021, Table 2) this decrease should amount to 3.7% for the USA, 7.5% for the Eurozone and 11.2% for the United Kingdom. In order to enable a rapid recovery of the economy, fiscal and monetary stimulus plans of unprecedented scale have been announced by all major states, which hopefully will enable GDP to grow again during 2021. Specifically, in the Eurozone, the European Central Bank confirmed and strengthened its bond purchase and long-term refinancing programmes and announced a broad financing programme by the European Union to member countries (partly as a grant and partly as financing) called Next Generation EU for an amount of 750 billion euro. Thanks to these measures, expectations are positive (source: Banca d'Italia Bulletin no. 1-2021, p. 12), with expected GDP growth of 3.9% in 2021, 4.2% in 2022 and 2.1% in 2023.

Even following the massive monetary policy interventions to support the economy, interest rates, both short and long term, remained overall very low in all the main advanced economies. Even the Italian risk, measured by the Italy-Germany spread on government bonds, after a significant increase in the central part of the year has returned to values equal to or below the levels of the beginning of the year. Share prices fell sharply following the first lockdown in March with a corresponding sharp increase in volatility. In the following months, prices recovered almost completely for the Eurozone, while in some countries such as the USA they even reached higher levels.

The simultaneous, violent and unprecedented demand and supply shock caused by the March 2020 asset freeze resulted in a drastic reduction in Italian GDP, which fell by 13% in the second quarter. Fortunately, the return of most activities in the third quarter allowed for a significant recovery, which was more limited for the activities most impacted by the limitations following the health emergency, such as commerce, tourism and personal services in general. As in the rest of the Eurozone and for the global economy in general, uncertainty remains very high from the fourth quarter of 2020 due to the resurgence of new pandemic waves that are still ongoing. In this context, the repercussions on the labour market were very strong, despite the legislative interventions aimed at suspending redundancies and the very strong increase in the use of wage integration instruments, the downward trend in the unemployment rate that had been under way for some years was abruptly interrupted, recording an increase particularly in the second quarter.

Group activities

The year was heavily influenced by the evolution of the pandemic situation, which erupted rapidly from late February/early March 2020, and which has not yet ended. Particularly in the initial phase, this led to an emergency situation and to strong pressure on operating structures, due to the need to guarantee the continuity of activities in the presence of a series of rather heavy external constraints that were in continuous and rapid evolution. Below is a summary of the main initiatives implemented by the Group to manage this extremely complex phase from an operational point of view:

- right from the first moments of the emergency, remote work was activated, where possible, and instructions were provided, to employees working to guarantee the continuity of the services required for everyday life for the public, on the behaviour and good practices to put in place to protect their health, according to the indications of the national authorities and the manager responsible for health surveillance;
- the supply of all the necessary personal protective equipment to Group workers was ensured in line with the provisions of the local and national health authorities and in coordination with Civil Protection teams, compatibly with the difficulty of procuring such equipment in the first weeks of the pandemic;
- in March and April, two-tier rates were temporarily suspended for all residential customers in favour of a single rate, i.e., night-time rates, for all 24 hours, which enabled all customers to mitigate the costs caused by higher daytime consumption caused by being forced to stay at home;
- in light of the indications of the Provincial Government and in agreement with the Municipal Administra-

tions, the option has been granted to postpone the payment of invoices for waste collection and urban hygiene and for water, sewerage and purification fees already issued and not yet due until 30 September 2020, without applying any interest charges or penalties for late payment, and it has been decided to suspend the issue of new invoices for the same services until 31 July 2020;

- through the Etika solidarity fund, 250,000 euro have been allocated to the most fragile people in the community to ensure access to food for the most vulnerable families (food parcel distribution) and to guarantee continuity of care for users of associations and social cooperatives, providing them with technological tools (tablets and connections) and professional counselling and psychological support services;
- the Shareholders' Meeting on the occasion of the approval of the 2019 budget ratified the decision of the Board of Directors to donate 250,000 euro to UPIPA, the Association that brings together the nursing homes and public companies providing services to people in Trentino for the purchase of health devices that allow the people who work in these facilities to protect their own health and protect that of their residents;
- in order to support their suppliers, all Group companies have brought forward the payment of invoices due in April and May, thus eliminating the usual payment timeframes. This initiative has made it possible to inject more than 9 million euro of liquidity into the local economy at a time of extreme crisis;
- insurance coverage has been activated to protect all employees who may be hospitalised due to the Covid-19 virus, guaranteeing an indemnity for hospitalisation and convalescence, as well as a package of home care services related to the post-hospitalisation period.

Despite this articulated and complex context, the financial year ended with very positive consolidated financial results, which are up overall compared to the 2019 financial year. As shown in more detail below, consolidated EBITDA amounted to 237.7 million euro, up 9.6% compared with the 2019 results, although this result was positively affected by some non-recurring items and in particular by the one-off accounting effects resulting from the consolidation, as of 1 July 2020, of Dolomiti Edison Energy, which produced a positive non-recurring component of 14.0 million euro. The Group net profit amounted to 97.6 million euro, up 21.1% compared to the previous year. This positive performance is the result of diverse dynamics within the Group's different business units. Specifically, all areas of business performed well, except for the hydroelectric production area, which, despite a positive production performance made possible by a hydrological trend above the historical average, was heavily penalised by a very negative trend in energy market prices, particularly during the middle of the year, which hedging policies were only able to mitigate to a limited extent. It is worth mentioning that, as explained in greater detail later in this report, despite the upturn that occurred in the latter part of the year, the average PUN for 2020 was just under 39 €/MWh, the lowest level since the Italian electricity exchange was established in 2004.

The Group's net financial position, calculated as the algebraic sum of the nominal value of financial receivables and payables, is equal to 371.0 million euro (354,3 million euro net of prepayments referring to the fair value of derivative instruments on commodities maturing in 2021 and 2022), against a very high amount of technical investments of 87.7 million euro, concentrated in particular on the development of the electricity and gas distribution networks, as well as the implementation of the property rationalisation policy approved by the Board of Directors. Despite the increase in the NFP compared to the previous year, the ratio between the net financial position and EBITDA is 1.56 which, although slightly higher than the previous year, is extremely limited and such as to allow for a high margin of safety, which may prove decisive in dealing with the significant macroeconomic impacts linked to the current health emergency, as well as taking advantage of growth and investment opportunities that may arise.

On 23 October 2020, the Board of Directors approved the updating of the Group's business plan for the

2021-2023 period, outlining the guidelines to develop the Group, especially in the area of production from renewable sources, and generally, in the development of innovative services related to the historical Group activities (energy efficiency, electric mobility, smart city).

In 2020, the Internal Audit department continued its implementation of the 2019 - 2021 development road map of the new internal audit model, based on the analysis and assessment of the significant risks for the Dolomiti Energia Group and the adoption of new continuous auditing digital instruments, with the aim of increasing the efficiency and strengthening the organisation and control system as the oversight facility aimed at preventing, reducing, monitoring and managing the risks related to the business activities of the Group Companies. Periodic information reports were made to the Board of Directors and the Board of Statutory Auditors on the performance of the internal audit plan carried out in 2020, characterised by control system development initiatives and checks to ensure the effectiveness, compliance and improvement of company provisions, reporting on the findings, the improvement actions encouraged and the related results. In particular, the 2020 plan focused on interventions relating to counterparty risk, risks associated with corporate business continuity and digital tools for continuous auditing.

During the year, the Organisational and control model pursuant to Legislative Decree 231/01 was updated by providing for specific prevention measures for the new underlying offences relating to tax offences and the new offences against the Public Administration introduced in Legislative Decree 231/01 during 2019 and 2020, as well as references to protocols implemented by the Company in response to the health emergency.

During the year, the Company's Supervisory Body, which is responsible for monitoring the adequacy, effectiveness and compliance with the Organisation and Control Model pursuant to Legislative Decree 231/01 aimed at preventing the underlying offences for which the company is liable under the aforementioned decree, continued its supervision and periodically reported to the Board of Directors and Board of Statutory Auditors on the test outcomes of sensitive processes and the corporate design activities, also carefully following regulatory changes. In 2020, the Supervisory Body also strengthened its supervisory activities in relation to the response to health emergencies, noting important action taken by the Company and the Group both in terms of the measures put in place and the control activities carried out to verify compliance.

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:

Work continued during the year to complete the sale of the stake held in PVB Power Bulgaria, jointly with the shareholders Alperia and Finest, a sale that was completed with the closing carried out in February 2021.

It should be noted that the Shareholders' Meeting of 29 May 2020 authorised the sale of part of the treasury shares held by the Company, amounting to 7,000,000 shares, which were sold partly for cash and partly in exchange for the acquisition of operating assets in the gas distribution sector, as explained in detail below.

Following a competitive process for the selection of an industrial partner, DEH subscribed in November 2020 to a reserved capital increase in IN.BRE. spa, a company listed on the AIM, which operates in the hydroelectric sector, aimed at developing new power plants, particularly small diversion plants, distributed in Lombardy and other regions of Central Northern Italy.

Effective 1 July 2020, your Company took over the provision of corporate services for the Dolomiti Edison

Energy subsidiary, pursuant to agreements signed with Edison, its minority shareholder. Also as a result of the agreed change in the method for withdrawing energy generated, DEE has been fully consolidated in the Group's financial statements since that date.

NOVARETI:

During the year, both the activity of the working group established to set up all that is necessary for participation in the tender for the renewal of the natural gas distribution concession for the Trento Province, and the interaction with the contracting authority (Trento Autonomous Province), to provide the required data regarding in particular the size of the networks, continued. To this end, the deadline for calling the tender was postponed again until 31 December 2021.

Work was substantially completed on the full refurbishment of the cogeneration plant located in the Rovereto Industrial Area to make the plant more suitable to current needs and replace the previous plant that had reached the end of its technical life.

During the financial year, the purchase of the activities related to the distribution of gas from the Municipality of Isera and from STET spa with effect from 1 January 2021 is noted.

DOLOMITI ENERGIA/DOLOMITI ENERGIA TRADING:

Despite the difficulties related to the current pandemic, commercial activity continued with positive results during the year, particularly for the indirect sales network, while activities carried out directly by the point of sales was interrupted from 13 March to 3 June and subsequently carried out by appointment only.

Following a competitive procedure, effective 1 May 2020, the customers of the Municipality of Selvino (province of Bergamo) were acquired, while effective 1 January 2021, the Municipality of Sella Giudicarie conferred its customers. In both cases, these activities involve electricity sales on the market subject to additional safeguards.

In this regard, it is worth mentioning the extension of this market, which was postponed to 1 January 2023, except for some types of customers (SMEs) for whom the market with gradual safeguards was activated as of 1 January 2021.

In September 2020, Dolomiti Energia was awarded the CONSIP tender for the supply of natural gas to public administrations in the Veneto and Trentino-Alto Adige regions.
Please note that, starting on 1 July 2020, Dolomiti Trading began dispatching energy produced by Dolomiti Edison Energy, which was previously dispatched by Edison.

HYDROELECTRIC PRODUCTION:

The reverse merger between the subsidiaries HDE and HIDE was completed during the year. At the end of this transaction, Dolomiti Energia Holding therefore has a direct 60% interest in HDE.

Completing a transaction that began in 2019, 100% of Veneta Esercizi Elettrici, a company that owns two plants in the Veneto region, was acquired and subsequently merged by incorporation into Centraline Trentine. As a result of the merger, the company, a wholly owned subsidiary of Dolomiti Energia Holding, was renamed Dolomiti Energia Hydro Power.

WASTE TREATMENT:

It should be noted that following the tender carried out by the PAT, as of 1 January 2021 the activities of the subsidiary Depurazione Trentino Centrale ceased and were transferred to the successful bidder. However, the litigation initiated by DTC in relation to the outcome of this tender remains open and is expected to be concluded with the Council of State's ruling scheduled for the end of March 2021, the conclusions of which are not yet known as of today's date.

Dolomiti Energia Group Summary of economic, equity and financial positions

Economic position

The consolidation scope of the Dolomiti Energia Group comprises 12 companies, which in detail are: in addition to the Parent Company Dolomiti Energia Holding, the subsidiaries Dolomiti Energia Solutions srl, Novareti SpA, Dolomiti Ambiente srl, Dolomiti Energia Trading SpA, Dolomiti Energia SpA, SET Distribuzione SpA, Depurazione Trentino Centrale Scarl, Hydro Dolomiti Energia srl, Dolomiti GNL srl, Dolomiti Energia Hydro Power srl (resulting from the merger between Centraline Trentine and Veneta Esercizi Elettrici) and Dolomiti Edison Energy srl (the latter consolidated on a line-by-line basis from 1 July 2020).

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

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER		
	2020	2019	Difference
Revenue	1,270,076	1,401,080	(131,004)
Revenue from works on assets under concession	58,271	44,106	14,165
Other revenue and income	69,066	54,577	14,489
TOTAL REVENUE AND OTHER INCOME	**1,397,413**	**1,499,763**	**(102,350)**
Raw materials and consumables	(495,471)	(590,522)	95,051
Service costs	(522,990)	(558,728)	35,738
Costs from works on assets under concession	(57,072)	(43,148)	(13,924)
Costs for other operating charges	(36,736)	(27,731)	(9,005)
Personnel	(66,007)	(65,407)	(600)
OPERATING EXPENSES	**(1,178,276)**	**(1,285,536)**	**107,260**
Gains and expenses from equity investments	18,540	2,566	15,974
EBITDA - GROSS OPERATING MARGIN	**237,677**	**216,793**	**20,884**
Amortisation, depreciation, allocations and write-downs	(62,951)	(63,174)	223
EBIT - OPERATING RESULT	**174,726**	**153,619**	**21,107**
Financial (income)/charges	(4,629)	500	(5,129)
PROFIT BEFORE TAX	**170,097**	**154,119**	**15,978**
Taxes	(41,647)	(44,481)	2,834
NET PROFIT/(LOSS) FOR THE YEAR	**128,450**	**109,638**	**18,812**
Third-party result	**30,849**	**29,036**	**1,813**
GROUP RESULT	**97,601**	**80,602**	**16,999**

The total revenue and other income amounted to 1,397 million euro (1,500 million euro in 2019).
Production costs amounted to 1,241 million euro (1,349 million euro in 2019).
Personnel costs amounted to 66.0 million euro (65.4 million euro in 2019).
The gross operating margin (EBITDA), including income from equity investments, increased compared to the previous year to 237.7 million euro (216.8 million euro in 2019). In percentage terms compared to total revenue and other income, it amounts to 17.0% (14.5% in 2019).
Total amortisation/depreciation, allocations and write-downs of the fixed assets amount to 63.0 million euro (63.2 million euro in 2019), a minimal change on the previous year.
The equity investments result is a positive 18.5 million euro, up from the previous year when it amounted to 2.6 million euro. This result primarily reflects the impact of the valuation of the investment in Dolomiti Edison Energy, which, as of 1 July 2020, is being consolidated line by line.
The EBIT obtained amounted to 174.7 million euro, versus 153.6 million euro in 2019.
Financial management shows a charge of 4.6 million euro, a worsening compared to last year's income of 0.5 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 41.6 million euro (44.5 million euro in 2019) and take into account pre-paid/deferred taxes as illustrated in detail in the Explanatory Notes.
Consolidated net profit, net of minority interests, was 97.6 million euro (80.6 million euro in 2019).

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.

Table of Contents	Formula	2020	2019	Difference
ROE	Net profit/Equity	12.10%	10.80%	1.30%
ROI	EBIT/Invested capital	7.50%	7.12%	0.38%
ROS	EBIT/Turnover	12.50%	10.24%	2.26%
EBITDA	Gross operating margin (thousands of euro)	237,677	216,793	20,884
EBIT	Net operating margin (thousands of euros)	174,726	153,619	15,978

All indicators improved compared to last year.

EQUITY AND FINANCIAL POSITION

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER		
	2020	2019	Difference
NET FIXED ASSETS			
Property, plant and equipment and intangible assets	1,587,494	1,480,300	107,194
Equity investments	69,992	76,135	(6,143)
Other non-current assets	36,619	22,358	14,261
Other non-current liabilities	(109,561)	(110,805)	1,244
TOTAL	**1,584,544**	**1,467,988**	**116,556**
NET WORKING CAPITAL			
Trade receivables	296,368	302,192	(5,824)
Trade payables	(234,576)	(222,650)	(11,926)
Net tax credits/(payables)	1,444	1,987	(543)
Assets/(liabilities) held for sale	6,014	-	6,014
Other current assets/(liabilities)	101,036	49,940	51,096
TOTAL	**170,286**	**131,469**	**38,817**
GROSS INVESTED CAPITAL	**1,754,830**	**1,599,457**	**155,373**
SUNDRY PROVISIONS			
Employee benefits	(18,207)	(18,635)	428
Provisions for risks and charges	(30,001)	(28,104)	(1,897)
Net prepaid taxes	(137,418)	(137,516)	98
TOTAL	**(185,626)**	**(184,255)**	**(1,371)**
NET INVESTED CAPITAL	**1,569,204**	**1,415,202**	**154,002**
SHAREHOLDERS' EQUITY	**1,198,225**	**1,111,785**	**86,440**
NET INDEBTEDNESS	**370,979**	**303,417**	**67,562**

The Group's technical investments in 2020 totalled 87.7 million euro (63.2 million euro in 2019).

Total assets as at 31 December 2020 increased by 159.0 million euro compared to the previous year.

FINANCIAL AND EQUITY INDICATORS

Index	Formula	2020	2019	Difference
Hedging of net fixed assets	Equity+medium/long-term liabilities/net fixed assets	0.79	0.82	- 0.03
Debt ratio	Liabilities/Equity	1.88	1.89	- 0.01
Secondary liquidity ratio	Short-term assets/short-term liabilities	1.04	1.14	- 0.10

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

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 new "Group Risk Policy" was also approved by the Board of Directors; the purpose of the document is to define the Group's guidelines relating to governance, management strategy and controlling the following financial risks:

- Liquidity risk;
- Interest rate risk;
- Commodity price risk.

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 the operations and the contractual characteristics of the loan.

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

The management of the liquidity risk 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.

L'indebitamento complessivo al 31/12/2020 risulta così suddiviso:

- 34% at fixed rate
- 29% hedged with derivative instruments (IRS plain vanilla)*

- 37% at floating rate

(*) the figure includes previously executed derivatives, with forward starting date 1/1/2021

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 the operations of the Group's 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, formerly AEEGSI), 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.

Workplace health and safety

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

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

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

The shared objectives of the companies' Employers are:

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

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

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

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

The implementation of the systems to manage workplace health and safety according to the model defined by the standard BS OHSAS 18001:2007 continued in 2020 and the process of transition to the standard UNI ISO 45001:2018 continued. 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.

In the companies SET Distribuzione, Dolomiti Ambiente and in the operating sectors of the Holding Company (Laboratory and Warehouse), models for promoting safe behaviours, based on the BBS (Behaviour Based Safety) method, were implemented.

Injury prevention figures

The evaluation of injury figures for 2020 was performed on an aggregate basis for all Group companies. The indicators taken into consideration are calculated in accordance with the UNI 7249:2007 standard and therefore determined as follows:

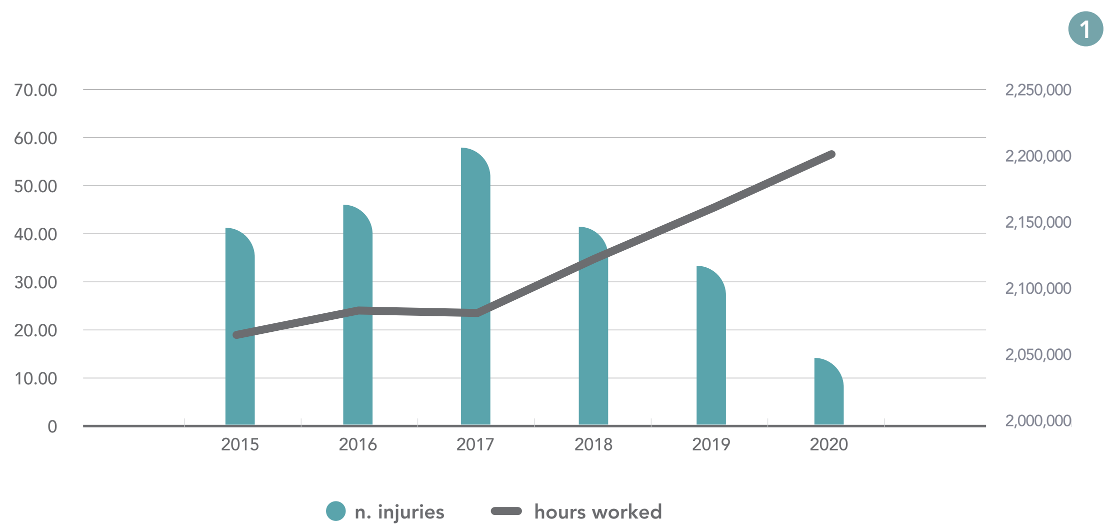
INCIDENCE INDICATOR (Ii) = $\dfrac{\text{no. of injuries} \times 1{,}000}{\text{average number of workers}}$

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

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

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.
For 2020 also, the procedure adopted for the calculation of workdays missed due to injury is the one 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 accidents recorded in 2020 is significantly lower than in previous years despite the increase in the number of workers employed and, consequently, the number of hours worked.

N. injuries/ hours worked



The main indicators (frequency and incidence) registered in 2020 show a marked improvement over 2019; the severity indicator has also improved significantly (Chart 2).

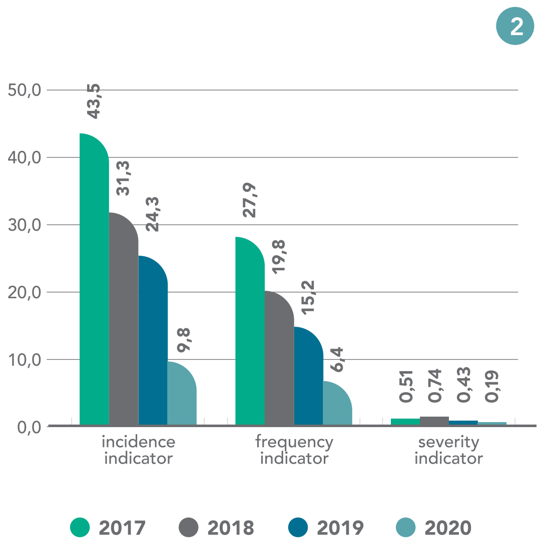
The trend is also confirmed when injuries that took place when commuting are excluded (Chart 3).

All indicators recorded the lowest value ever reached by the Group.

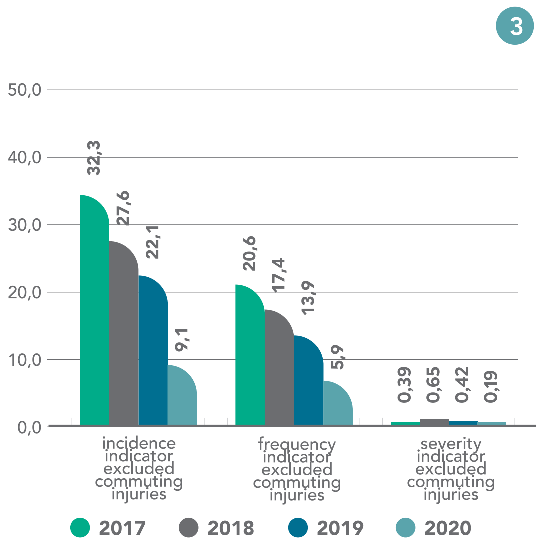
Dolomiti Energia, Dolomiti Energia Solutions and Dolomiti Energia Trading reported no accidents.

SET Distribuzione recorded only one accident, when commuting.

Injury indicators
(including commuting injuries)

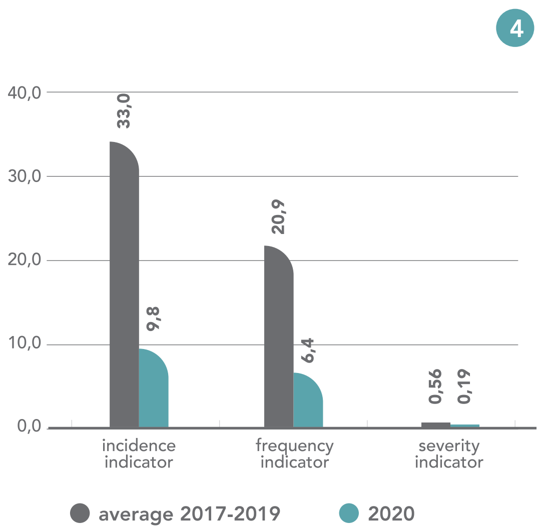


Injury indicators
(excluded commuting injuries)

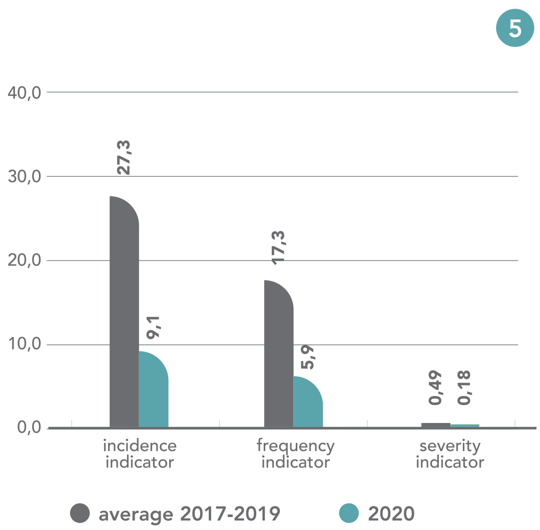


As noted in the diagram below (chart 4), all the indicators have improved, even with reference to the average figures from the previous three-year period (2017-19).

Injury indicators
(including commuting injuries)



Injury indicators
(excluded commuting injuries)



Considering all events (including commuting injuries), the 2020 incidence and frequency indicators were lower, respectively by 23.2 and 14.5 points, than the average value of the previous three-year period.
The severity indicator also improved by 0.37 points, decreasing from 0.56 in the 2017-19 three-year period to 0.19 in 2020.

Excluding commuting injuries from the calculation, comparison with the previous three-year period confirmed an improvement of the incidence and frequency indicators, respectively by 18.2 and 11.4 points relative to the average value of the previous three years.
The severity indicator also improved, from 0.49 in the 2017-19 three-year period to 0.18 in 2020 (chart 5).

HEALTH SURVEILLANCE

In 2020, workers' health surveillance entailed 1,343 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

ECONOMIC POSITION

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2020	2019	Difference
Revenue	8,097	9,508	(1,411)
Other revenue and income	33,058	30,903	2,155
TOTAL REVENUE AND OTHER INCOME	**41,155**	**40,411**	**744**
Raw materials and consumables	(5,693)	(4,767)	(926)
Service costs	(20,829)	(18,630)	(2,199)
Costs for other operating charges	(2,223)	(1,447)	(776)
Personnel	(12,396)	(12,094)	(302)
OPERATING EXPENSES	**(41,141)**	**(36,938)**	**(4,203)**
EBITDA - GROSS OPERATING MARGIN	**14**	**3,473**	**(3,459)**
Amortisation, depreciation, allocations and write-downs	(8,541)	(14,885)	6,344
Gains and expenses from equity investments	59,420	45,011	14,409
EBIT - OPERATING RESULT	**50,893**	**33,599**	**17,294**
Financial (income)/charges	961	985	(24)
PROFIT BEFORE TAX	**51,854**	**34,584**	**17,270**
Taxes	1,147	1,901	(754)
NET PROFIT/(LOSS) FOR THE YEAR	**53,001**	**36,485**	**16,516**

Total revenue and other income amounted to 41.1 million euro.

Production costs amounted to 49.7 million euro (51.8 million euro in 2019) of which:

- personnel costs amounted to 12.4 million euro;
- amortisation, depreciation, allocations and write-downs amounted to 8.5 million euro.

The EBITDA was 0.01 million euro.

The EBIT, net of income and expenses from equity investments, had a negative value of 8.5 million euro.

Gains from investments amounted to 59.4 million euro (45.0 million euro in 2019).

Income from financial management was 1.0 million euro.

Income taxes for the year amounted to 1.1 million euro and take into account the Group tax consolidation income and the deferred/prepaid taxes as described in detail in the Explanatory Notes.

The profit for the year came to 53.0 million and increased by 16.5 million euro compared to the result obtained in 2019.

EQUITY AND FINANCIAL POSITION

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER		
	2020	2019	Difference
NET FIXED ASSETS			
Property, plant and equipment and intangible assets	63,847	61,293	2,554
Equity investments	802,651	787,451	15,200
Other non-current assets	79	79	-
Other non-current liabilities	(537)	(1,050)	513
TOTAL	**866,040**	**847,773**	**18,267**
NET WORKING CAPITAL			
Trade receivables	11,079	13,824	(2,745)
Trade payables	(14,958)	(12,488)	(2,470)
Net tax credits/(payables)	(2,527)	(2,333)	(194)
Assets/(liabilities) held for sale	6,014	-	6,014
Other current assets/(liabilities)	3,323	(326)	3,649
TOTAL	**2,931**	**(1,323)**	**4,254**
GROSS INVESTED CAPITAL	**868,971**	**846,450**	**22,521**
SUNDRY PROVISIONS			
Employee benefits	(3,197)	(3,400)	203
Provisions for risks and charges	(3,203)	(2,151)	(1,052)
Net prepaid taxes	9,529	8,946	583
TOTAL	**3,129**	**3,395**	**(266)**
NET INVESTED CAPITAL	**872,100**	**849,845**	**22,255**
SHAREHOLDERS' EQUITY	**569,324**	**537,593**	**31,731**
NET INDEBTEDNESS	**302,776**	**312,252**	**(9,476)**

Investments in fixed assets carried out by the Company in 2020 totalled 11.1 million euro (6.6 in 2019).

Total assets as at 31 December 2020 increased by 60.9 million euro compared to the previous year.

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

CREDIT RISK

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

Operational risks

RISKS RELATING TO JOINT VENTURE AND PARTNERSHIP AGREEMENTS

The Company has recently 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 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

Performance of the energy markets

ELECTRICITY

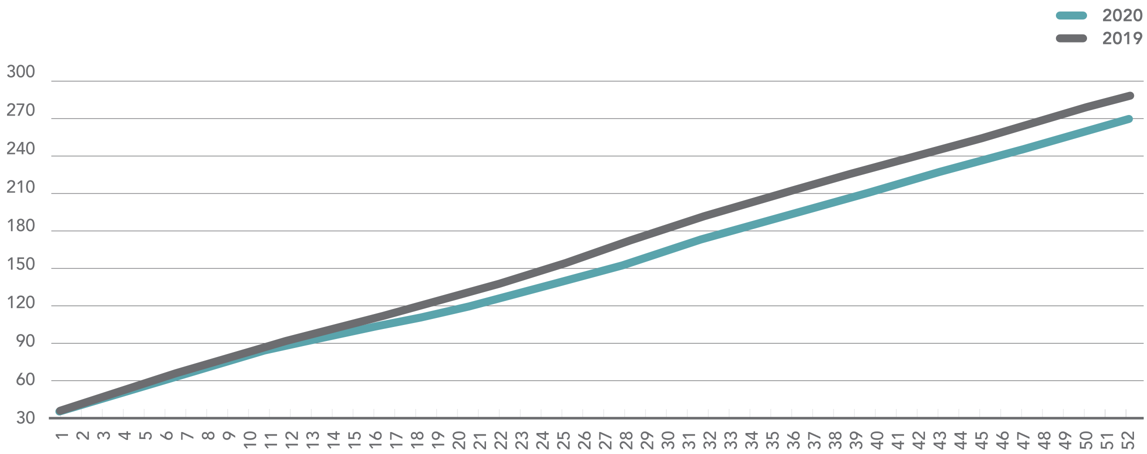
The year 2020 was, as already mentioned, a special year for the utilities and Oil & Gas sectors, characterised by the effects of the pandemic due to the spread of the SARS-COVID-19 virus, which heavily impacted the daily and working life of companies and the public.

The energy market was characterised by the collapse in oil prices, with operators seeing negative price levels for the first time, due to a sharp drop in consumption and the inability of individual producing countries to quickly reduce supply, following a sharp drop in demand.

Electricity consumption in Italy [TWh] 2019 vs 2020
Weekly point-specific figure

In the electricity and natural gas markets, consumption by industrial customers was down sharply, offset by a slight increase in consumption by residential customers.
Particularly during the lockdown period, electricity consumption fell considerably, but then recovered slowly during the summer period and stabilised towards the end of the year, as shown in the charts below:

Electricity consumption in Italy [TWh] 2019 vs 2020
Progressive figure



According to the latest available final data (from Terna S.p.A.), electricity consumption in Italy in 2020 stood at 302,751 million kWh, a decrease of 5.3% compared to 2019, broken down between the various sources as follows:

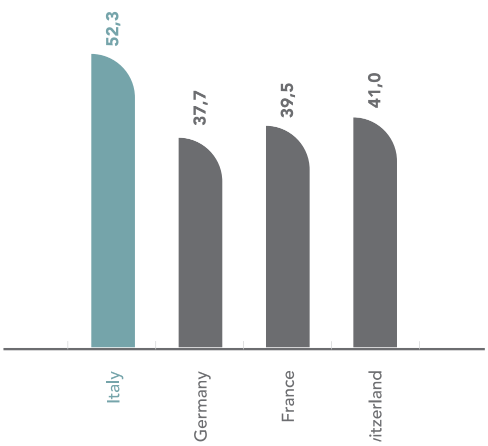
Millions of kWh

	2020	2019	% Change
Hydroelectric	47,990	47,590	0.8%
Thermal	175,376	187,317	-6.4%
of which Biomass	18,025	17,967	0.3%
Geothermal	5,646	5,689	-0.8%
Wind	18,547	20,034	-7.4%
Photovoltaic	25,549	23,320	9.6%
TOTAL PRODUCTION, NET	**273,108**	**283,950**	**-3.8%**
Import	39,787	43,975	-9.5%
Export	7,587	5,834	30.0%
FOREIGN BALANCE	**32,200**	**38,141**	**-15.6%**
Pumps	2,557	2,469	3.6%
DEMAND IN ELECTRICITY (1)	**302,751**	**319,622**	**-5.3%**

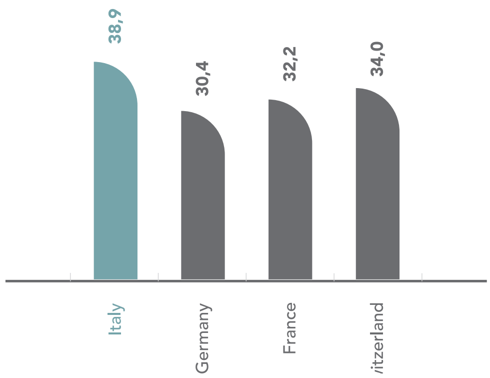
(1) Demand in electricity= production + foreign balance - pumping consumption

Net domestic production decreased by 3.8% compared to 2019. In addition, the rebalancing of prices in the various European countries, as shown in the chart below, led to a drop in the external balance (imports minus exports) of 15.6% due to the decrease in imports (-9.5%) and the increase in exports (+30%).

Comparison between wholesale electricity prices in the leading European countries 2019 [€/MWh]

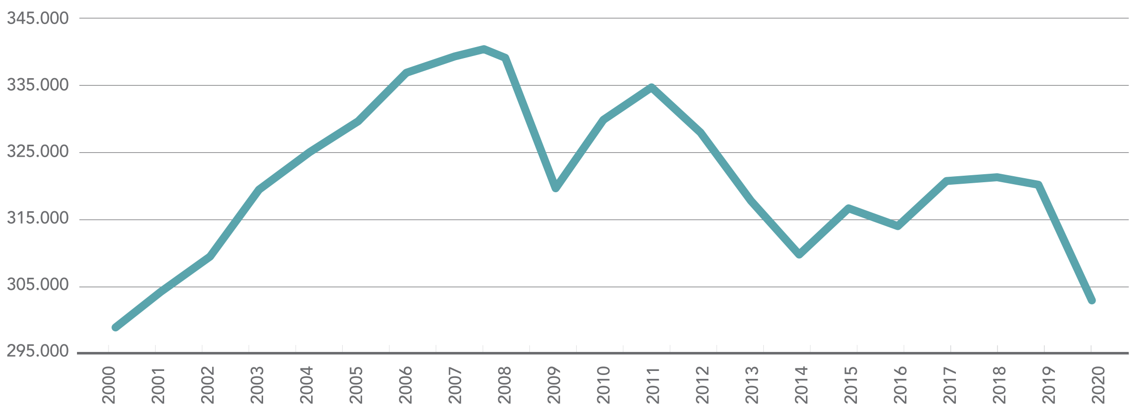


Comparison between wholesale electricity prices in the leading European countries 2020 [€/MWh]



The consumption of electricity in Italy in 2020, equal to about 303 billion kWh is the lowest recorded since 2000, when consumption was 299 billion kWh.

Electricity consumption in Italy (GWh)



At the regional level, the year-on-year change of 2020 was negative in all areas, although in the areas of the North and Sardinia it seems to have had a more significant effect than in the other areas of the country (Centre, South and Sicily).

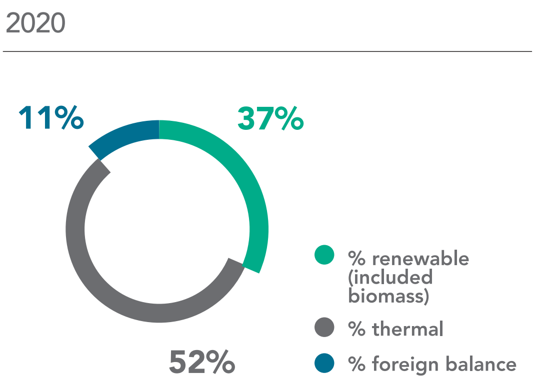
[GWh]	North West	Lombardy	Triveneto	Tuscany-Emilia Romagna	Centre	South	Sicily	Sardinia
2020	30,548	64,890	46,611	46,319	42,478	44,713	18,677	8,515
2019	32,753	69,645	49,198	49,529	43,950	46,205	19,173	9,170
% CHANGE	-6.7%	-6.8%	-5.3%	-6.5%	-3.3%	-3.2%	-2.6%	-7.1%

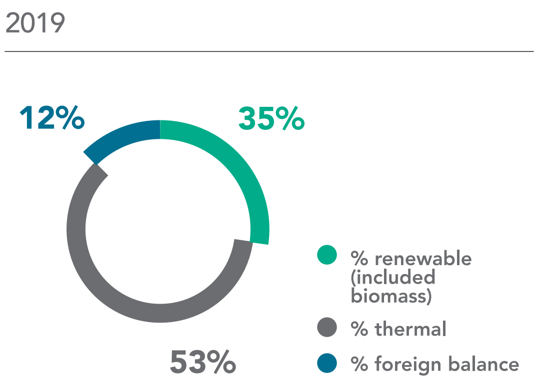
Grouping by macro-areas, the negative change was greatest in the North (-6.3%), followed by the Centre (-5.0%), the Islands (-4.1%) and the South (-3.2%):

[GWh]	North	Centre	South	Islands
2020	142,049	88,797	44,713	27,192
2019	151,596	93,479	46,205	28,343
% CHANGE	-6.3%	-5.0%	-3.2%	-4.1%

In 2020, 90% of electricity demand was met with domestically produced energy (273.1 billion kWh), with the remainder from the balance of energy traded abroad (32.2 billion kWh). The net national production (283.8 billion kWh) decreased by 3.8% compared to 2019 (283.9 billion kWh).

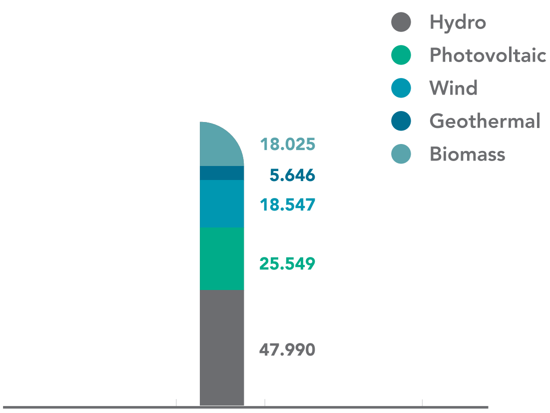
In 2020, 58% of Demand in Electricity in Italy was therefore met from thermal sources (59% in 2019), 32% from other sources (hydroelectric, wind, photovoltaic, geothermal), a figure that is higher than the 2019 figure of 30%, and 10% from the balance from abroad (11% in 2019). Renewable sources (also considering the share of the thermal source related to biomass) in 2020 produced 115.7 TWh, contributing 38% to the Energy Demand (36% in 2019), thermal sources, net of biomass, produced 157.3 TWh contributing 52% (53% in 2019) and the balance from abroad was 32.2 TWh, contributing 11% (12% in 2019).



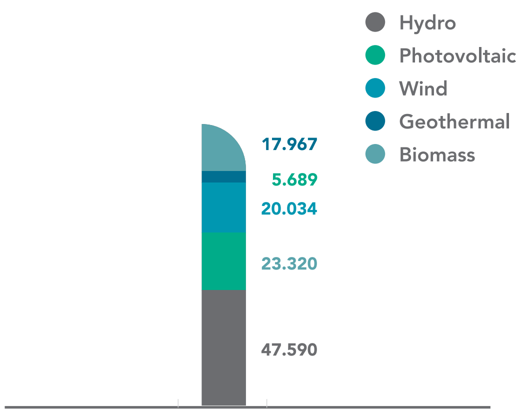


Among renewable energies, the largest contribution in 2020 came from hydroelectric (48 TWh of production, representing 41.5% of total renewable sources), a figure in line with 2019. In second place is photovoltaic (25.5 TWh produced, equal to 22.1% of the total), followed by wind (18.5 TWh, equal to 16% of the total), biomass (18 TWh, equal to 15.6% of the total) and geothermal (5.6 TWh, equal to 5% of the total).

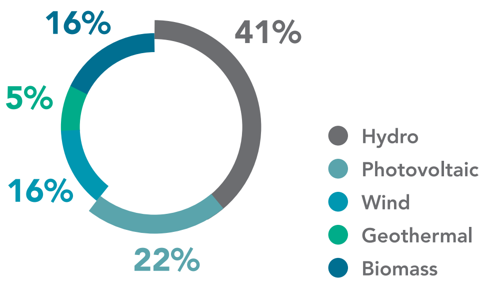
Breakdown of renewable production sources, GWh 2020



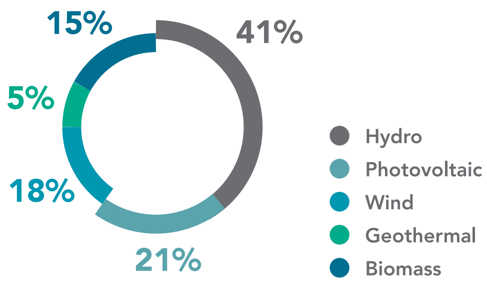
Breakdown of renewable production sources, GWh 2019



Breakdown of renewable sources 2020

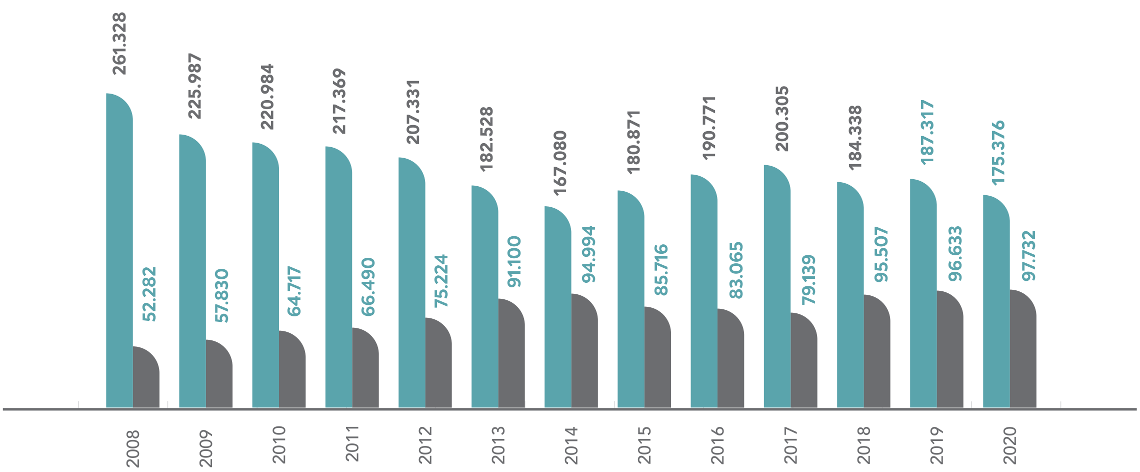


Breakdown of renewable sources 2019



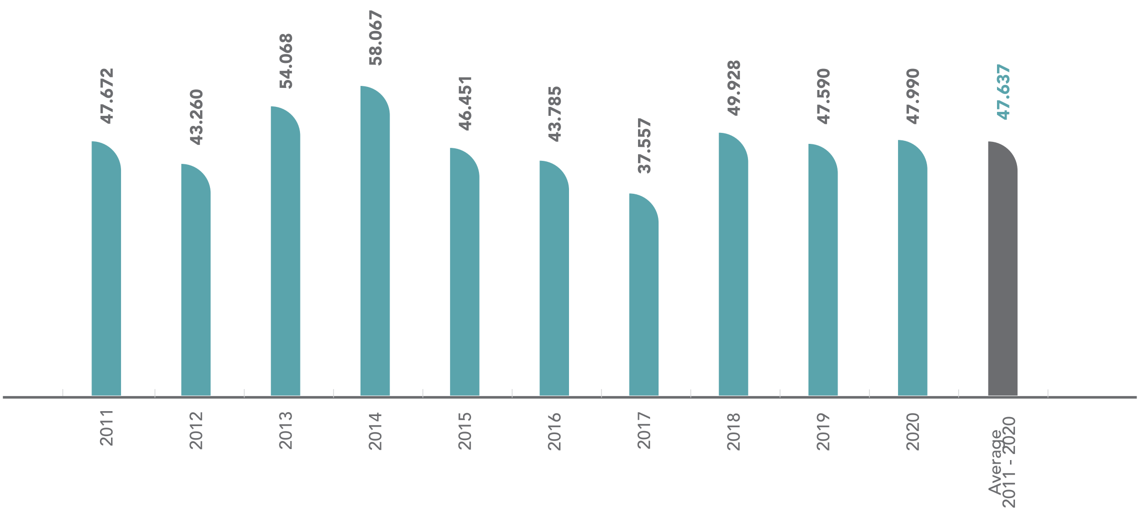
The production of electricity from thermal sources, including biomass, amounted to 175.4 billion kWh generated, significantly lower (-6.4%) than the 2019 figure of 187.3 TWh and 7.4% lower than the average figure for the last ten years of around 189 billion kWh generated. As can be seen from the chart below, the decline of thermal sources coincides with the rapid rise of renewable sources (hydro, photovoltaic, wind and geothermal).

Historical trend in thermal production (including biomass) and in renewable production (GWh)



The energy produced by hydroelectric plants nationwide in 2020, at 48 TWh, is in line with that recorded in 2019 of 47.6 TWh and also in line with the average hydroelectric production of the last ten years (47.6 TWh).

Historical trend in hydroelectric production (GWh)

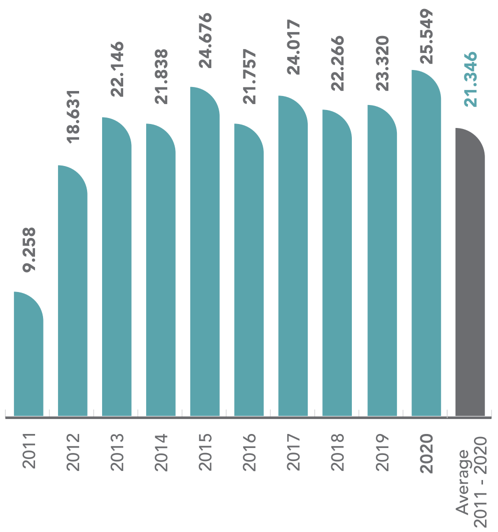


Production from photovoltaic sources in 2020 was the highest in its history (25.5 billion kWh produced in 2020), beating the previous record set in 2015 (24.7 billion kWh).

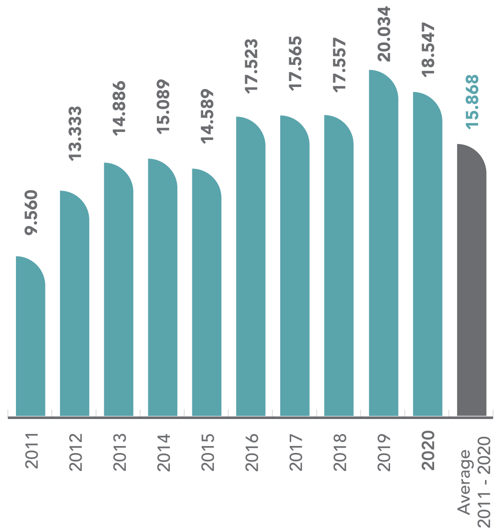
Production from wind sources in 2020, equal to 18.5 billion kWh, decreased significantly (-7.4%) compared to the 2019 figure (20 billion kWh).

Production from geothermal sources amounted to 5.7 billion kWh, in line with 2019 figures.

Historical trend in photovoltaic production (GWh)



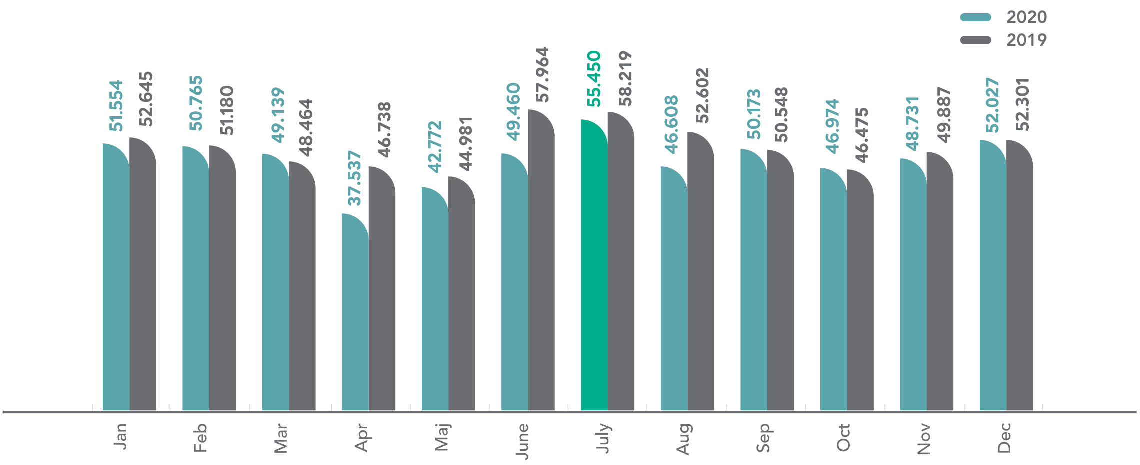
Historical trend in wind production (GWh)



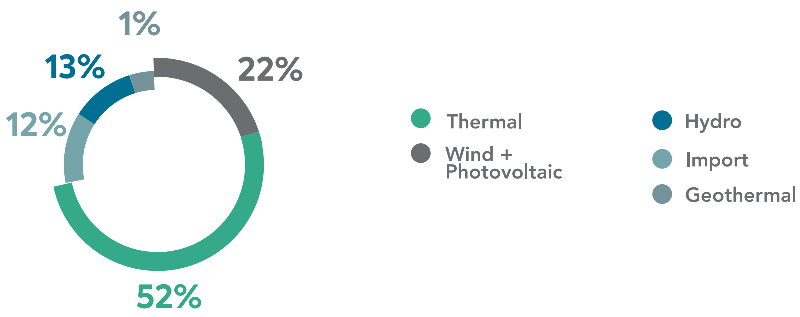
The maximum output demand in Italy in 2020 was recorded on Thursday 30 July between 3.00 and 4.00 p.m., and amounted to 55,450 MW. The historical record in Italy was the peak recorded on 21 July 2015 from 4.00 to 5.00 p.m., amounting to 59,353 MW. Below is the chart with the maximum outputs reached during the months of 2020 compared to the maximum monthly outputs recorded in 2019.

At the time of maximum power demand, the percentage produced from renewable sources amounted to 36%, thermal production accounted for 52% and the remaining amount (12%) was provided from the foreign balance.

Peak power (MV)



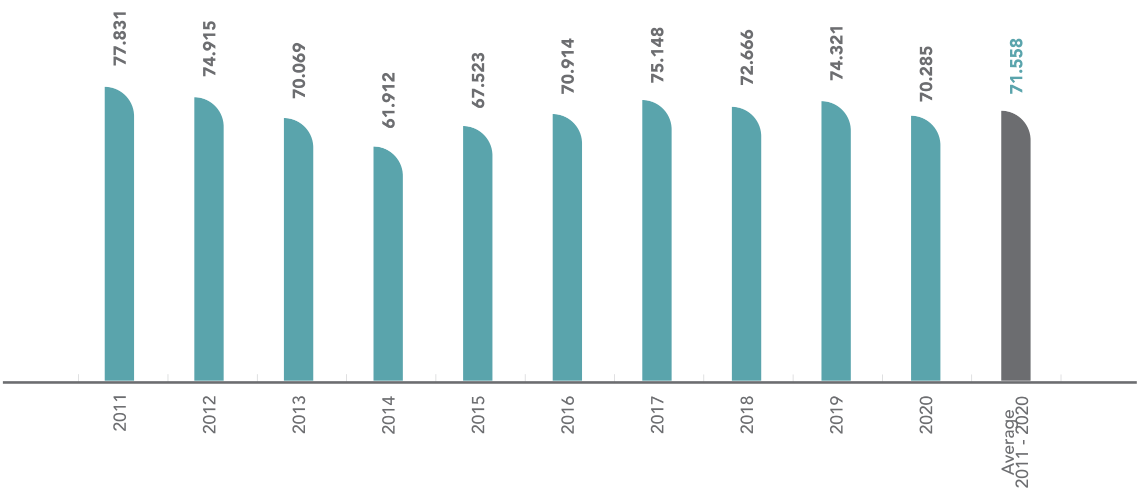
Contribution of the generation sources in the peak power requested in 2020



NATURAL GAS

The consumption of natural gas in Italy in 2020 decreased by 5.4% compared to the 2019 figure, standing at about 70.3 billion Sm3, a lower figure than the average for the previous ten years (71.5 billion Sm3).

Gross consumption of natural gas in Italy (millions of cubic meters)



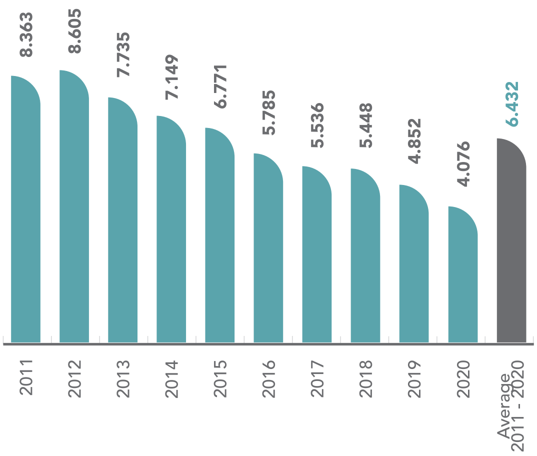
The sectors that recorded the most significant reduction were thermoelectric (24.2 billion Sm3, -5.9% compared to 2019) and industrial (13.2 billion Sm3, -5.3% compared to 2019). Residential consumption was also negative, with 31.3 billion Sm3 (-1%).

The significant decline occurred during the first half of 2020 as a result of the spread of the Covid-19 pandemic and related containment measures. The return of winter temperatures in line with seasonal averages, together with the gradual economic recovery, allowed gas demand to recover slightly in the latter part of the year.

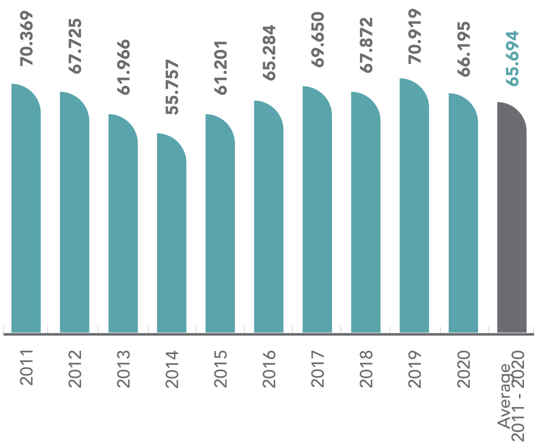
Concerning gas procurement sources, the decline in domestic production was confirmed, with a reduction by over 50% from 2011 to 2020.

Imports of natural gas decreased by 6.7% to 66.2 billion Sm3.

Domestic production of natural gas,
MSmc

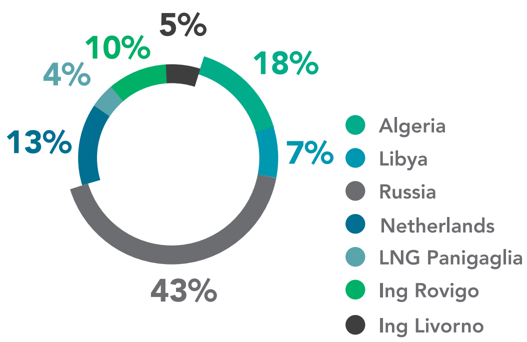


Natural gas imports,
MSmc

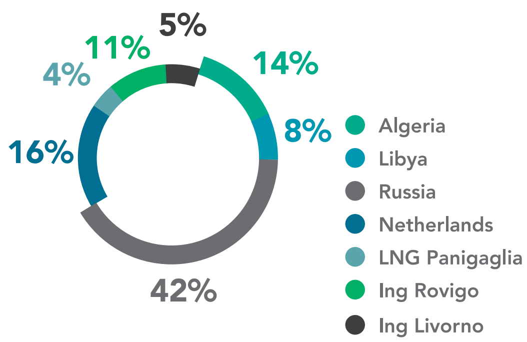


In country terms, in 2020, Russia is still the largest supplier with 43%, followed by Algeria with 18% and the Netherlands with 13%. Noteworthy developments included a strong recovery in imports of natural gas from Algeria (+18%) and a decrease in imports from Libya (-22%), the Netherlands (-23%) and LNG Rovigo (-15%).

Natural gas import mix
2020

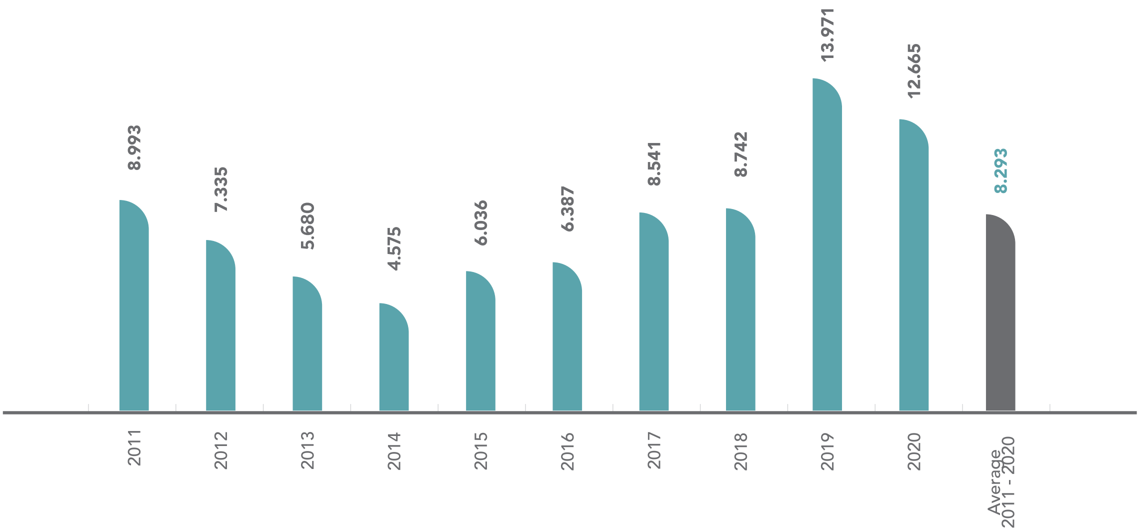


Natural gas import mix
2019



LNG imports through the regasification terminals of Rovigo, Panigaglia and Livorno in 2020 amounted to 12.6 billion Sm3 (13.9 billion Sm3 in 2019). In 2019, LNG amounted to 19% of the mix of national imports (20% in 2019).

LNG imports, Mscm



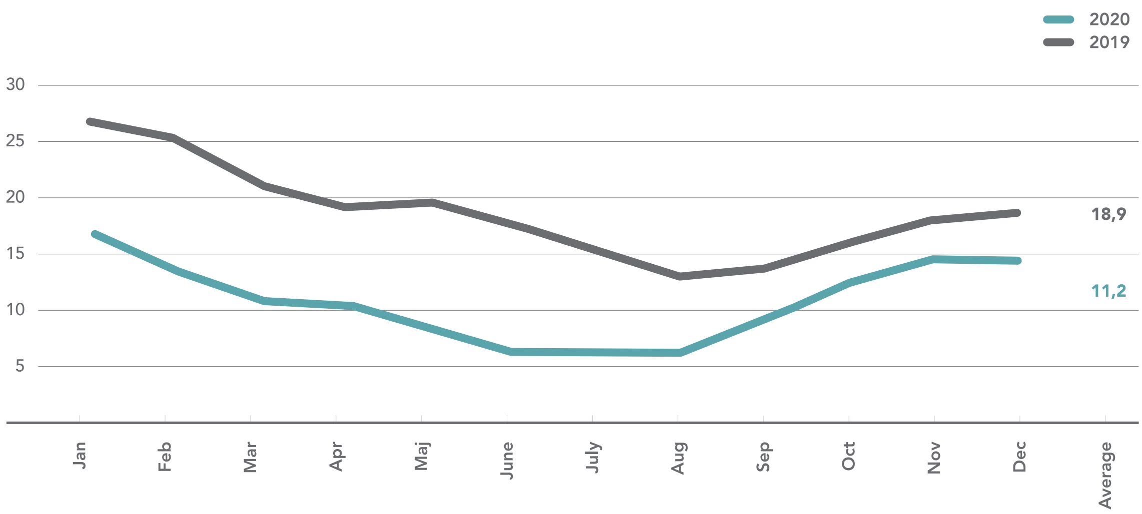
The details of the domestic production and of the imports of natural gas from 2011 to 2020 are provided below.

[MSmc]	Domestic production	Imports	Algeria	Libya	Russia	Nether-lands	LNG	LNG Rovigo	LNG Livorno
2011	8,363	70,369	21,309	2,339	26,451	10,859	1,925	7,068	
2012	8,605	67,725	20,632	6,470	23,851	9,034	1,131	6,204	-
2013	7,735	61,966	12,460	5,704	30,265	7,495	39	5,377	264
2014	7,149	55,757	6,774	6,512	26,154	11,433	70	4,447	57
2015	6,771	61,201	7,244	7,107	29,918	10,635	34	5,942	60
2016	5,785	65,284	18,873	4,807	28,267	6,697	207	5,670	510
2017	5,536	69,650	18,880	4,641	30,180	7,248	632	6,966	944
2018	5,448	67,872	17,095	4,467	29,688	7,760	895	6,743	1,105
2019	4,852	70,919	10,206	5,701	29,856	11,127	2,448	7,938	3,585
2020	4,076	66,195	12,023	4,460	28,420	8,592	2,554	6,782	3,328

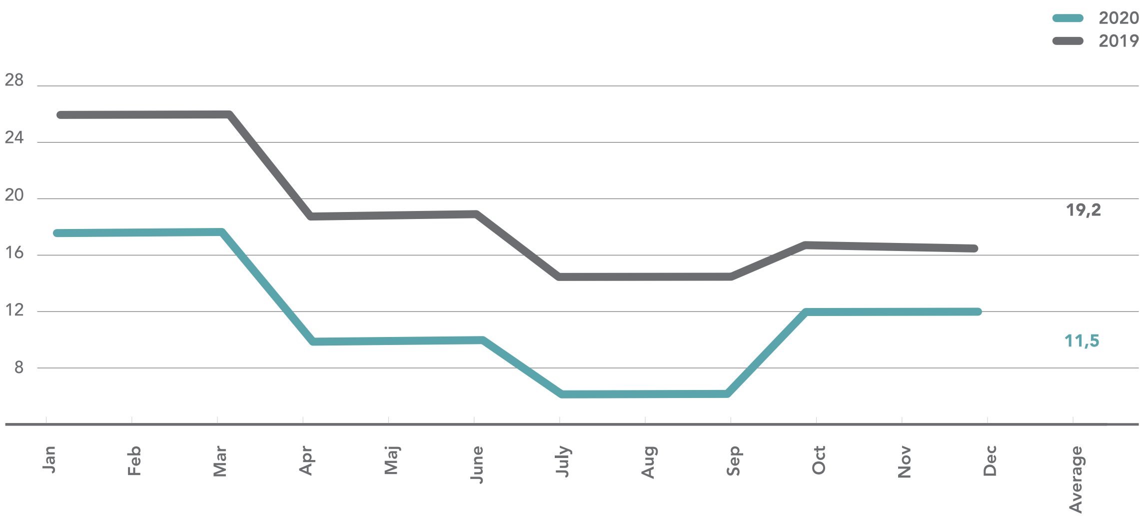
NATURAL GAS PRICES

Gas prices, first due to the massive arrival of LNG in Europe from both the US and the Middle East, and then due to the effects of the pandemic, fell sharply, especially in the middle part of 2020. In Italy, the average price of natural gas at the PSV in 2020 fell by 41% compared to the figure for 2019 (which in turn had decreased by 25% compared to the 2018 figure), while the average PFOR price (reference price for the protected market) decreased by 40% compared to 2019 (which had decreased by 12% compared to 2018). The fall in natural gas prices, given the electricity generation mix in Italy, had a direct impact on electricity prices, as we shall see, causing a sharp reduction in the middle part of 2020.

Price at PSV €cent/Scm



Price at PFOR €cent/Scm

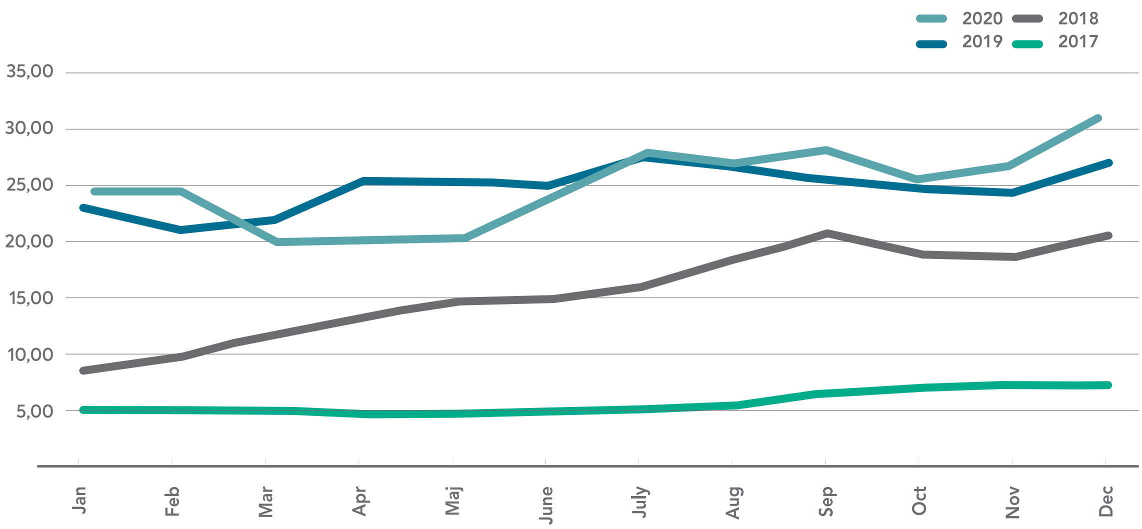


CO_2 PRICES

CO_2 prices remained very high for all of 2020, with a peak of more than € 30/ton in December 2020. In the first months of 2021 the pricing had a further strong increase reaching up to € 40/ton.

High CO_2 prices have helped support electricity prices.

EUA €/ton



	2020	2019	2018	2017
January	24.4	23.2	8.4	5.3
February	24.1	21.0	9.5	5.2
March	19.8	21.9	11.6	5.2
April	20.0	25.7	13.4	4.8
May	20.0	25.5	14.8	4.7
June	23.5	25.2	15.2	5.0
July	27.5	27.9	16.4	5.3
August	26.8	26.9	18.9	5.7
September	27.8	25.7	21.5	6.8
October	25.2	24.7	19.6	7.3
November	26.6	24.6	19.2	7.6
December	30.8	25.3	21.3	7.6

ELECTRICITY PRICES

The values of the average monthly PUN prices declined sharply compared with those of the previous year: in 2020, the national average PUN was 38.9 €/MWh (-26% the 2020 arithmetic annual average compared with the 2019 annual average of 52.3 €/MWh). As early as the beginning of 2020, PUN values were already in line with those of the last months of 2019 and significantly lower than those recorded at the beginning of 2019. Subsequently, due to the effects of the spread of the pandemic, the economic recession and the resulting drop in consumption, the PUN values gradually declined until recording a minimum value in May 2020 of 21.8 €/MWh and then increased in the subsequent part of the year until recording the highest value in 2020 of 54 €/MWh in December 2020.

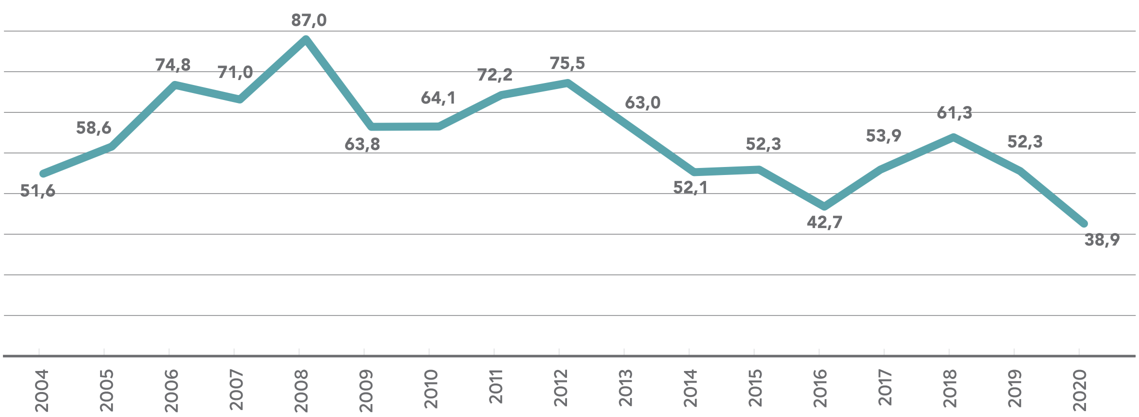
See below for more details:

average monthly PUN (€/MWh)

	2020	2019	Diff.	%
January	47.5	67.7	- 20.2	-30%
February	39.3	57.7	- 18.4	-32%
March	32.0	52.9	- 20.9	-40%
April	24.8	53.4	- 28.5	-54%
May	21.8	50.7	- 28.9	-57%
June	28.0	48.6	- 20.6	-42%
July	38.0	52.3	- 14.3	-27%
August	40.3	49.5	- 9.2	-19%
September	48.8	51.2	- 2.4	-5%
October	43.6	52.8	- 9.3	-18%
November	48.7	48.2	0.6	1%
December	54.0	43.3	10.7	25%
AVERAGE FOR THE YEAR	**38.9**	**52.3**	**- 13.4**	**-26%**

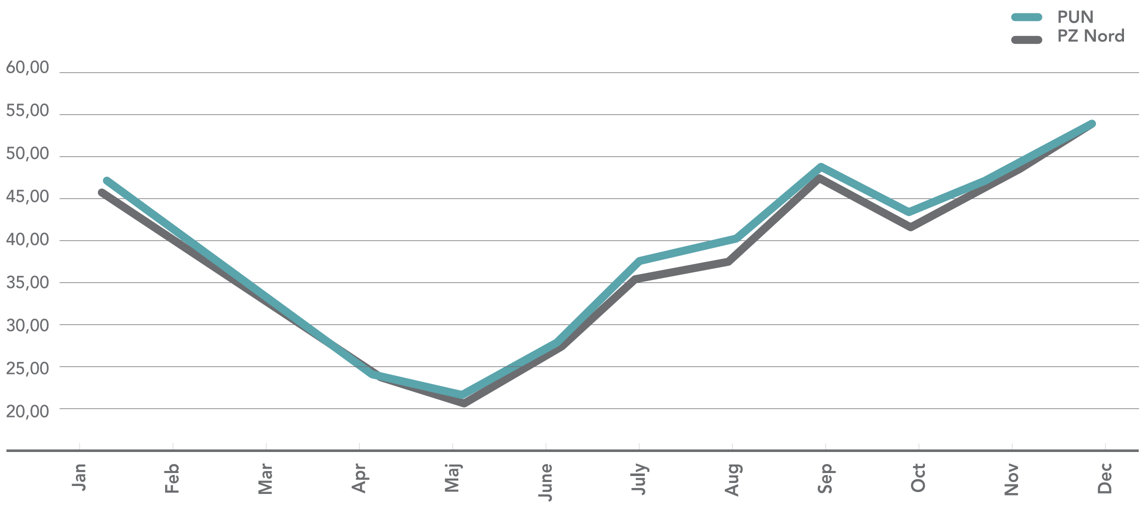
The price of electricity (PUN) recorded in 2020 was the lowest ever recorded since the Italian Electricity Exchange was established (2004) and more than 30% lower than the average for the last 10 years.

PUN [€/MWh]



The average sales price of 37.8 €/MWh in the Northern Area was lower than the national average of 38.9 €/MWh.

Comparison between the PUN and the Northern area price in 2020, €/MWh



Reference regulatory environment

Hydroelectric energy generation

Italian Law No 205 of 27 December 2017 "State forecast budget for financial year 2018 and multi-year budget for the 2018-2020 three-year period" in Article 1, Paragraphs 832 and 833 replaced Article 13 of the Consolidated Law per 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:

- 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;
- 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 Law No 160 of 27 December 2019 "National budget for the 2020 financial year and long-term budget for the 2020-2022 three-year period" - ref. Articles 76 and 77 - Article 13 of the consolidated text per 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 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 Presidential Decree No 670 of 31 August 1972 and P.L. No 4 of 6 March 1998".

In light of the above, the Company has therefore confirmed the assumption, made during the previous year, to set the date of 31 December 2023 to be the ending date of the concession with regard to large diversion plants with expiry prior to that date, with the consequent restructuring of the depreciation.

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 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 in light of the failure to define the method for calculating the indemnity, the assumption of zeroing the net book value of the so-called "wet works" at the end of the concession has been confirmed.
Further salient elements contained in the cited 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 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;
- 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 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 ruled that Provincial Law No. 9 of 21 October 2020 should be challenged in the Constitutional Court, in the same manner as the similar provisions of the Regions of Lombardy, Veneto and Piedmont, insofar as, by laying down the procedures for the award of concessions

for large-scale water diversions for hydroelectric purposes, it presents aspects of constitutional illegitimacy with respect to the provisions contained in Article 8, paragraphs 9 and 14, Article 10 and Article 16, paragraph 3, which exceed the statutory powers granted to the Autonomous Province of Trento by Article 13 of the Special Statute of Autonomy of the Region of Trentino Alto Adige, and infringe Article 117, paragraphs 1 and 2, letter (e) of the Constitution.
While considering the relevance of Provincial Law 9/2020 for the regulation of tenders for the award of concessions, it did not entail any changes compared with the previous year in the accounting treatment of the values of the plants of the hydroelectric chain, and therefore the related challenge also has no impact on the values in the financial statements.

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 remodulation led to a reduction in the charges by approximately 1 million euro per year. 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 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.

Functional Unbundling ARERA Resolution no. 296/2015/R/COM (TIUF).

In 2020, the subsidiaries Novareti S.p.A. and Set Distribuzione S.p.A. continued their efforts in implementing the experimental phase of the "self-audit" project referred to in AEEGSI resolution no. 507/2015, which has not yet been officially closed by ARERA.

This experimental phase was launched four years ago with the primary objective of providing companies with a regulatory compliance verification tool to mitigate the regulatory risk to which companies operating in regulated sectors, including Set Distribuzione and Novareti, are subject, through the Compliance Manager appointed in accordance with the provisions of Art. 15 of the TIUF.

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

For the execution of the self-audit project, your Companies rely on the advisory and supervisory work of the Company ILM S.r.l. based in Milan, which conceived the Project.

In a communication dated 3 December 2020, ARERA notified the results of the preliminary investigation relating to the procedure for admission to the experimentation itself and the results confirm the overall validation of the instrumentation used experimentally, a validation that will be definitively consolidated by a collegial measure of the Authority expected in the early months of 2021.

This consolidation will entail the definitive introduction of the procedure as an alternative mode of applying the functional separation restrictions with substantial lightening of the structural and organisational restrictions imposed by the same regulation.

Business segments

Electricity production

INITIATIVES AND INVESTMENTS

The investments made by the Group in 2020, totalling 8.5 million euro, refer to Business Development activities, Stay in Business activities, and compliance with prescriptions or regulations (Mandatory).

VOLUMES AND OPERATING EFFICIENCY

Most of the hydroelectric generating plants are owned by the companies HDE (60%), 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 2020 was 3,991 GWh (3,631 in 2019), of which 3,922 GWh hydroelectric.

Sale Of Electricity And Natural Gas

The performance of the natural gas sale segment was in line with the previous year, with 477.5 million Sm3 sold at approximately 220,000 delivery points, while the volumes of electricity sold to end customers (including those served in the market subject to additional safeguards) amounted to approximately 3.8 TWh. The number of the delivery points, amounting to approximately 475,000, increased markedly (17,000 delivery points).

Electricity Distribution

INITIATIVES AND INVESTMENTS

Electricity distribution-related investments totalled 28.2 million euro.

It should be recalled that the technical structures of the Company prepared a multi-year plan of the investment needs on the network. This plan contemplates, with focused interventions that have already been identified, a time horizon until 2022 and it is the reference for the communications prescribed by the Authority within the scope of the integrated regulation on unbundling.

In 2020, the important plan for the optimisation of the local sites used by your personnel continued with the purpose of optimising costs and establishing the presence over the territory served through the purchase of the locations that currently are rented.

TECHNICAL INVESTMENTS DUE TO UTILITY REQUEST

The interventions on the MV and LV network to satisfy the connection requests of utilities increased sharply compared to 2019 for a total amount of 10.9 million euro. In 2020, activities continued for connecting photovoltaic plants to the network (approximately 600) along with other, mainly hydroelectric generating plants, for a total installed power of approximately 21 MVA, significantly greater than in 2019.
Requests for connection of accumulation systems associated with generating plants from a renewable source, mainly photovoltaic, are in line with the trend of previous years.

TECHNICAL INITIATIVE INVESTMENTS

In spite of the approximately two months of work site stoppage due to lockdowns, Set Distribuzione's work on upgrading the networks, improvement of the service and modifications to make plants compliant with the law, the volume of activity grew yet further compared to the already significant values of the previous years and amounted to approximately 11 million euro.

In addition to the completion of the final plant reconstruction work following the "Vaia" event, work continued on interventions that guarantee the maximum return in terms of improving the quality of the service provided to users. The plan to reduce the number of overhead lines in wooded sections continued, as did the technological renewal of primary and secondary substations.

With regard to primary substations, the new Rovereto Nord Primary Substation was inaugurated during the year, which guarantees an improvement in the reliability of the service for the city of Rovereto and surrounding areas. The construction of this new plant has also made it possible to achieve an important environmental benefit, making it possible for Terna to demolish about 2 km of High-Voltage line that previously ran through the urban area to supply the Pista primary substation, now decommissioned.

On the medium voltage grid, the main investments carried out in 2020 by your Company 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, totalling 89 km;
- replacements of lines with bare conductors in wooded areas with lines with insulated overhead cable, totalling 13 km of MV lines;
- requalification of numerous obsolete secondary substations, re-equipped with motorised protected switchboards or with switches, in order to improve the continuity of the service and the selectivity of faults on the medium voltage network and allow it to be controlled remotely from the Integrated Remote Control Centre of Trento.

VOLUMES AND OPERATING EFFICIENCY

Electricity grid and distribution management is provided by SET Distribuzione in approximately 160 Trentino Municipalities.
The total electricity distributed was 2,418 GWh (2,576 GWh in 2019).

Additional information:

Electricity distribution		2020	2019
High voltage grids	km	0	0
Medium voltage grids	km	3,507	3,469
Low voltage grids	km	8,754	8,633
TOTAL CUSTOMERS CONNECTED TO THE GRID	**n.**	**332,889**	**331,847**

QUALITY OF THE SERVICE PROVIDED

TECHNICAL QUALITY

In 2020, the indicators for the number and duration of outages show a better trend than in the previous year, a consequence of continued investments in recent years and the reduced number of intense weather events.

The 2019 results, published with ARERA resolution 462/2020/R/eel, show once again that SET Distribuzione is the best among the companies in the electricity distribution sector, allowing your Company to obtain, as a recognition for the excellent results achieved, a bonus of 1.75 million euro, which is the first one both in terms of absolute value and in terms of relative value per user. In detail, in each of the areas of competence (high, medium and low concentration of users), the average duration of the outages in 2019 was better than the targets the Authority assigned to SET Distribuzione (high concentration: standard 28 minutes - result 7.97 minutes; medium concentration: standard 45 minutes - result 17.06 minutes; low concentration: standard 68 minutes - result 30.00 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 0.26; medium concentration: standard 2.25 - result 0.90; low concentration: standard 4.30 - result 1.94).

COMMERCIAL QUALITY

With regard to commercial quality, in 2020 SET Distribuzione maintained the good results of the previous years in compliance with the standards set by the Authority for the times of execution of the various services (quotes and simple work on LV network, activations and deactivations of measurement sets, replacements of faulty measurement sets, etc.). Approximately 30,000 services were rendered subject to specific level of Commercial Quality, with compliance with the prescribed times in 99.8% of the cases.

Natural gas distribution

INITIATIVES AND INVESTMENTS

The investments 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 2020 totalled 22.4 million euro (13.9 million euro in 2019), 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.

From a management point of view, the "industrialisation" of field activities and tools to support operations continued throughout the 2020 calendar year using a Work Force Management tool as a potential technological enabler.

The acquisition of the gas distribution activities for the Municipalities of Isera and Pergine Valsugana, previously managed by Isera srl and STET spa respectively, for a total increase in PDR of approximately 9700 units and a managed network of approximately 135 km, is of considerable importance.

A further note of relevance for the year 2020 is the decision and the commencement of the preparatory activities by Novareti to achieve ISO 45001:2018 certification in relation to a management system for health and safety at work regarding the management, construction, operation and maintenance of natural gas distribution plants and networks.

METERING

With regard to gas metering, in 2020 work continued to replace traditional meters with new generation, electronic ones. In 2020, the scheduled replacement of class G6 and G4 meters was carried out in accordance with ARERA resolution 669/2018/R/gas of 18 December 2018, which completes the obligation to install and operate the class G6 and G4 smart meters for the 2019-2021 three-year period. In December, by resolution No 501/2020/R/GAS, ARERA updated the deadlines set forth in the Gas Smart Meter Guidelines for the obligations to commission class G4-G6 gas smart meters, postponing them by one calendar year.

VOLUMES AND OPERATING EFFICIENCY

Distribution is carried out in 89 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 291.8 million m3 (294.8 million m3 in 2019).

Methane gas		2020	2019
Length of the network	km	2,428	2,415
Total utility contracts	n.	159,126	158,435

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 2020, the general index of the services performed within the standard times, for quality of service parameter purposes, amounted to 99.87%.

AREA TENDERS

In 2020, the Contracting Authority continued its activities for the tender pertaining to the Trento Province. Provincial Law No 6 of 06/08/2020, Art 50.1 extended to 31/12/2021 the deadline to publish the call for tender to contract the natural gas distribution service within the area of the Trento Province.
The Company continued to work on the preparation of the instruments and of the processes necessary to rise the challenge of the area tenders in natural gas distribution.

Cogeneration and district heating

REGULATORY AND TARIFF FRAMEWORK

Resolution 59/2020/R/com to postpone to 30 September 2020 the deadlines for certain communications required by the TUAR (Consolidated Text on Connections and Withdrawals) and the RQCT (Commercial Quality) (Res. 661/2018).
TUAR Connections, disconnections and withdrawals (Res. 277 and 278/2018): in force since 1 June 2018, whose obligations apply starting from 1 January 2019;
RQCT Commercial Quality (Res. 661/2018): in force since 1 July 2019, whose registration and communication obligations apply starting from 1 January 2020 and the related first report on operations no later than 30 June 2021;
TITT Transparency (Res. 313/2019), regarding minimum contents of supply contracts, price transparency, billing documents: effective as of 1 January 2020; applies entirely to the seller, i.e. Dolomiti Energia, subject to consultation with the operator Novareti for technical aspects.
Resolution 188/2020/R/TLR modified the entry into force, from 1 July 2020 to 1 January 2021, of the regulation provided for by the RQTT Technical Quality (Res. 548/2019), regarding cartography, emergency response, emergencies and accidents, quality of thermovector fluid, inspections and dispersions, interruptions, obligations for the quality of service, registration obligations and communication to ARERA. The related first report on operations no later than 30 April 2022.

INITIATIVES AND INVESTMENTS

Total investments in this sector amounted to 3.0 million euro (0.4 in 2019).

VOLUMES AND OPERATING EFFICIENCY

Heat distribution through a district heating network was carried out in the municipal area of Rovereto and in the "Le Albere" neighbourhood in Trento, where refrigerated water for air conditioning was also distributed.
In Rovereto, high temperature steam was supplied to two industries for their production processes until March, then to one industry. The steam supply will cease completely from April 2021 with the decommissioning of the steam cycle at the Industrial Area cogeneration plant.
In 2020, 18.3 GWh of steam and 66.8 GWh of heating and cooling were supplied to the networks, while 26.5 GWh of electricity were generated.
In 2020 electricity production by gas turbine at the power plant in the Industrial Area of Rovereto remained active until mid-March, while the gas turbine combined cycle was declared definitively decommissioned at the end of November.
In 2020, the first phase of the restructuring of the power plant was implemented, with the installation of a new 4.5 MWe and 4.5 MWt cogenerator and the construction, at the end of the year, of the first electrical parallel.
In the second half of the year the design, for the purposes of the tender, of the second phase of the restructuring of the cogeneration plant in the Industrial Area of Rovereto was completed, which involves replacing the diathermic oil boilers with direct-fired boilers for the production of only superheated water for the district heating network.
A pre-agreement was reached with Suanfarma for the purchase of thermal energy to supply the Rovereto district heating system.
The implementation of the agreement has been temporarily suspended due to the re-evaluations that Suanfarma will have to make, following the outcome of the application for renewal of the concession to use groundwater also used for cooling purposes.
With regard to the district heating networks, it should be noted that repair work on the same in Rovereto was required in 2020 and that other work, also of significant importance, will have to be carried out in 2021 and subsequent years.

Integrated water cycle and waste treatment services

REGULATORY AND TARIFF FRAMEWORK

It should be noted that the activities of the Water Sector, following the effects of the popular referendum on the regulation of local public services and the consequent indications received from the municipalities where the service is currently carried out, are destined to be removed from the scope of Novareti's activities. In this regard, in 2020, there were no particular new developments and no significant progress was made in this area.

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 2020, work continued to enhance the water structures, consistently with the multi-year business plan issued and presented to the municipalities in 2018.
Investments in the water management sector in 2020, even in the presence of a not fully defined regulatory framework and of the uncertain outlook for the Company, totalled 8.0 million euro (7.0 million euro in 2019).
Operatively, in the Trento municipality the replacement of the pipeline trunks continued with the entry into operation of the new automatic management system of the valley bottom pipeline, which manages pressure regulation, well activation and valve opening according to the maximum use of the energy from solar panels, minimising electricity consumption and water leaks.
In the Rovereto municipality, in addition to the replacement of the pipeline trunk segments, the rainwater collection system was further upgraded, to allow a better flow of rainwater in the event of particularly intense events.
Minor interventions were carried out in the other municipalities managed.
Work has begun on the renovation of the historic Rovereto reservoir, known as "Pietra Focaia", which will be completed in the first few months of 2021, and on the new reservoir in the hamlet of Senter.
A number of important sewage water lifting stations were also refurbished.

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 began in 2020, 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 with the operator passing by in a car. At the same time, all connections shall be overhauled.

VOLUMES AND OPERATING EFFICIENCY

The service is provided in 10 Trentino municipalities (approximately 200,000 residents), essentially located in the Adige Valley.
With the end of 2020, the opt-out from management for the municipality of Fornace has been reported.
The water quantities supplied to the network totalled 29.5 million cubic metres (30.0 in 2019).
Additional information:

Water cycle		2020	2019
Length of the network	km	1,138	1,138
Total utility contracts	n.	78,147	77,643

Waste management

INITIATIVES AND INVESTMENTS

In 2020, the Company's activities related to:

- municipal waste collection, including street sweeping and washing and the cleaning of public areas in the municipalities of Trento and Rovereto;
- collection of special waste.

The investments made in municipal waste services in 2020 totalled 2.69 million euro (1.01 million euro in 2019).
Of particular note is the purchase of: five x 12 t 9 mc M.T.T. self-compactors (678,800 euro); two x 16 t 12 mc M.T.T. self-compactors (288,320 euro); one x vehicle with Guimatrag roll-off equipment (105,600 euro) (80% balance); two x "reinforced" semi-water-tight semi-trailer trucks (149,000 euro); one x watertight semi-trailer truck for the transport of organic waste (79,500 euro); one x used skip washer (113,000 euro); one x used Solmec EXP industrial loader (91,000 euro); 2 x vehicles with 9.5 t MTT complete with tipping tank (168,000 euro).
The following equipment was purchased: two x spare batteries for blowers (3,287 euro); three x MOBA identification systems for reading transponders to be installed on new self-compactors (20,070 euro); one x "Dry-box" container for draining sand (9,250 euro); one x complete geolocation system for all containers and roll-off presses for more efficient maintenance and logistics management (18,038 euro); Accessories for the "Colombo" experimental system (4,095 euro); 340 pole-mounted baskets for a new project (47,430 euro); Various accessories and spare parts for vehicles (9,903 euro).
Modernisation work has also been carried out: Adaptation of the internal drainage system in the garage and various tickets (29,221 euro); Geotechnical analyses for the design of new changing rooms (4,447 euro); Projects for the renovation of the South area (12,990 euro); Various adjustments in the CRMs (installation of new anti-legionella boilers and various tickets) (22,121 euro); Construction of a new RUP container to replace that destroyed by fire in the Argentario CRM (18,242 euro); Maintenance of the water treatment plant (3,505 euro).

VOLUMES AND OPERATING EFFICIENCY

In 2020, 70,381 tons were collected (73,234 in 2019), 147,194 contracts were managed, also considering the appurtenances (146,912 in 2019) and 88,218 taxpayers were served (88,551 in 2019).
On the waste front, there was a decrease in the volumes collected compared to the previous year of 3.99% in Trento (- 0.34% separate collection, - 18.59% unsorted waste), and 3.62% in Rovereto (+2.45% separate collection, -23.29% unsorted waste); it should be noted that in 2020 the screening of bulky items was activated at the two landfills in Trento and Rovereto, the weights of which are therefore recorded under "unsorted", as well as the waste collected upon street sweeping sent to recovery plants. The percentage of separate collection is 83.1% in Trento and 81.2% in Rovereto.

Other business activities

Laboratory activities: the key laboratory operations concern drinking water quality control, but also important are the monitoring and control of water tables, wastewater and water treatment.
In the current financial year, there was a positive increase in analysis activities: a total of 18,118 samples were examined, a reduction of 8.17% compared to the previous year, clearly due to the current health crisis. The breakdown of revenue in 2020 was 48.66% for infragroup customers and 56.34% for "external" customers (61.69 in 2019, 54.4% in 2018 and 49.7% in 2017) with an increase relative to 2018 of the percentage of revenue derived from the external activities. On the other hand, there was a contraction in the control activity of the Legionella parameter that in 2020 saw a decrease to 660 checks compared to 1,157 in 2019.

Human resources

As at 31 December 2020 the Group workforce numbered 1,434 (1,362 in 2019). A total increase of 72 employees took place in the year compared to 2019 of which 30 were due to the acquisition of Dolomiti Edison Energy.

	2020	2019	Difference
Dolomiti Energia Holding	199	188	11
Dolomiti Ambiente	254	250	4
Dolomiti Energia	195	185	10
Novareti	216	216	0
Dolomiti Energia Solutions	18	13	5
SET Distribuzione	274	271	3
Depurazione Trentino Centrale	66	62	4
Dolomiti Edison Energy	30	-	30
Hydro Dolomiti Energia	161	157	4
Dolomiti Energia Trading	21	20	1
TOTAL	1,434	1,362	72

Comparison of the situation of the Group 2020 – 2019 by grade

	executives	managers	employees	manual workers	total
Position as at 31 Dec. 2020	19	54	758	603	1.434
Position as at 31 Dec. 2019	17	51	713	581	1.362
CHANGE 2020 VS. 2019	2	3	45	22	72

During 2020, 850 courses were held (1,110 in 2019) for a total of 26,524 hours (35,346 in 2019) of which 584 in favour of leased staff, interns and other co-workers, for an overall total of 1,078,105 euro (1,422,194 in 2019) inclusive of the cost of workers under training and teaching staff.
The situation due to the Coronavirus emergency has had an effect on training initiatives, the hours provided have undergone a decrease of 25% compared to 2019: the in-person courses could be held for a limited period coinciding with the summer season (with the exception of safety courses, for which after the stoppage in the months from March to May 2020, the DPCMs still allowed for training in the classroom in accordance with the protocols in force) and only for a limited number of courses for employees with IT equipment, it was possible to use/convert to e-learning mode.
Constant importance was attributed to investment in workers' competences and skills to provide an ever better service to customers. As in the previous years, legislative obligations and the commitment of the Dolomiti Energia Group to ensure high standards in the performance of work activities meant that training on safety and on-going/recurrent training of the technical functions represented the most important initiatives in terms of hours provided. 48% (52% in 2019) of the training initiatives involved the topic of safety and 36% (39% in 2019) involved the development and maintenance of the technical-specialist skills of the sector. 98% (=2019) of employees attended at least 1 training course in 2020.

Although the number of training hours has decreased due to the Coronavirus emergency, the percentage of employees trained has remained constant:

- safety courses required by law and/or dictated by the expiry or renewal of qualifications were provided
- ICT courses: the Information and Communication Technology Function launched, through the e-learning platform of the supplier HWG srl, a widespread information/training campaign on the subject of Cyber Security by sending interactive audio/video clips via e-mail to Group employees in possession of a corporate device
- asynchronous e-learning courses on Privacy GDPR - Protection of personal data and Code of Conduct, Model 231, anti-corruption measures and the whistleblowing process delivered through the company's e-learning platform Dyn Device
- courses on area topics delivered in webinar mode by external providers.

Research and development

In 2020, activities with high innovation content continued, on one hand with the reservation of strategic relationships and on the other with the implementation of real solutions in support of corporate processes, of the operation and advanced management of the Group's activities.

- **Industria 4.0**: Industry 4.0 was launched in Germany in 2011 and it derives from the fourth industrial revolution, with the purpose of exploiting the opportunities offered by the new technologies and introducing new forms of "intelligence" in monitoring and diagnosing the production process. In Italy, the tax legislators made Industrial Policy the primary item in the agenda, with the goal of boosting both the industrial and the tax competitiveness of the national economic system, using the following levers:

  i. supporting and incentivising the digitisation of production processes;

  ii. valuing worker productivity;

  iii. ground-up development of processes (and supporting software).

  The Dolomiti Energia Group used these levers to the fullest extent, carrying out, in recent years, numerous innovative projects on its generation chains, trading, sales to end customers, management of gas, electricity and water networks, positioning itself among utility leaders in Italy; some of the most significant projects included:

i. the analysis, redesign and digitalisation of all processes to serve the gas and electricity customer base;

ii. the study, comparison of available alternatives and the design of the energy efficiency offer for electricity and gas consumers;

iii. the realisation of an application software, integrated in the PI-OsiSoft system in use at HDE, for the management of floods, i.e. for the continuous monitoring, storage in memory, simulation and management of flood events;

iv. the design and implementation of systems for forecasting and optimising the output of hydroelectric power plants, maximising the use of available water;

v. the implementation of the redundancy of remote control systems of hydroelectric and distribution plants and of the water and gas cycle;

vi. the set-up and design of the process and software directed at the execution of energy management activities to balance and optimising the Group's energy sources (Plants and outside purchases) with respect to the consumption of its electricity and gas customer base;

vii. the reorganisation and digitisation of the gas and electricity network management processes, directed at further maximising the efficiency and level of service to users;

viii. the redefinition of the model and of the processes for managing and valuing the Group's own human resources, directed at fulfilling the potential of the Group's employees with the revision of the application software architecture for HR management, completed in 2019.

ix. the realisation of a software application for the management of the collection of preparatory data for consolidation of the sustainability report.

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

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

- **Stardust Project**: in 2018, the activities of the European STARDUST project started; it involves the Dolomiti Energia Group through the subsidiaries SET Distribuzione and DES. In the wake of the initiatives directed at transition towards Smart Cities, the goal of the project is to open the way to the transformation of cities from being mainly fossil-fuelled to highly efficient, intelligent cities that are attentive to their citizens, through the development of sustainable technical solutions that allow their fast launch on the market.

  Within the project, the Companies will carry out the energy requalification of 2 condominiums with innovative technologies (of which DES handles the development of the low-enthalpy geothermal system and the pipeline connecting to the structures), a study of the impact of electrical mobility on the distribution network and the validation of innovative communication systems for the collection of information from the plants.

- **OSMOSE**: Within the European Framework Programme for Research and Innovation, work continued in connection with the Horizon 2020 project called "OSMOSE"; the leader is the French TSO RTE and the project involves the main European Grid Operators (TERNA, REE, ELES, REN and ELIA), several Universities, Research Centres and industrial partners including Hydro Dolomiti Energia. The purpose of the OSMOSE project is to identify and implement an "optimal" mix of flexibility solutions, able to maximise the technical-economic efficiency of the European electrical system, assuring its security and reliability, and to create a better integration of renewable energy sources. Hydro Dolomiti Energia is particularly involved in the work packages pertaining to the design and implementation of the new "FlexEnergy" market platform and to tests in real scale that entail the use of hydroelectric production and pumping plants for balancing the cross-border electricity grid.

- **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.

- **Remote Management Systems**: In 2020, through the electricity meter remote management system, approximately 4.5 million readings were successfully carried out remotely, along with approximately 32,000 user management operations (activation of new contracts, deactivations, transfers, power variations) and approximately 5,300 operations connected with the management of late-paying customers.

  During the year, planning activities were intensified with the aim of commencing the mass replacement of meters with second generation devices in 2022. The massive replacement plan will unfold over the years from 2022 to 2025 and during 2021 will be submitted to ARERA for approval by mid-2021. A communication campaign will also be launched in the second half of 2021 with the aim of publicising the launch of the replacement campaign to all stakeholders in the area.

  Your technical structures, in collaboration with the ICT function of the parent company, have established the technological solutions and initiated the procurement activities in particular with regard to the evolution of the information systems.

With reference to the service related to the measurement of the natural gas delivered to Novareti, the target of remotely reading 57% of mass market utilities (class G4-G6) was achieved, in line with the road map prescribed by the regulation, through a remote management system based on point-multipoint technique via radio at 169 MHz.

- Work Force Management: : the first commissioning of the Work Force Management system for SET Distribuzione was carried out in 2020. The project, which will be completed in 2021 and extended to Novareti personnel, will make it possible to optimise the execution and reporting of all operational activities in the area.
- **Water supply network management:** è continuato il lavoro relativo all'ottimizzazione della gestione degli acquedotti tramite strumenti di simulazione e controllo delle reti di tipo avanzato, nonché le attività per l'individuazione degli ottimali strumenti di smart metering.
- **Gas network management:** technological upgrading continued with the introduction of innovative automatic control systems, also with the aim of testing new remote management models, with particular attention on monitoring the cathodic protection of large steel pipelines.

  With regard to the design phase, the use of the BIM environment has been introduced in the Engineering sector with the aim of making this methodology a standard in the design of gas-water plants and pipelines.

  In terms of management, an advanced training course was carried out to the great satisfaction of participants, involving emergency gas operators through the simulation of practical damage cases using virtual reality.
- **Electric grid management:** : in 2020, activities with high innovation content continued, on one hand with the reservation of strategic relationships and on the other with the implementation of real solutions in support of corporate processes, of the operation and advanced management of the network of the near future, also in compliance with the indications of ARERA. The experimental activities for the introduction of drones as an aid for plant monitoring activities, both in ordinary conditions and especially in electricity service emergency situations, were successfully concluded. The commitment of staff to ensure participation in technical committees and strategic working groups in both Italian and European contexts continues.
- Cyber Security: the Dolomiti Energia S.p.A. Group, aware of the extremely significant role of corporate information and IT systems in the achievement of strategic objectives, considering the continuous growth and evolution of cyber threats and aware that IT security is a continuous improvement process, in 2020 continued on its path, implementing activities and initiatives in the different technological, organisational and personnel fields. The path, which is constantly evolving, has included the following activities:
  - adoption of technologies and services for prevention and defence from cyber attacks;
  - Vulnerability Assessment and Penetration Test of exposed applications
  - increasing the security perimeter of the Group's industrial networks
  - organisational changes, definition and revision of adequate policies and procedures;
  - continuous sensitisation of personnel and definition of awareness plans dedicated to all employees.

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

Related party transactions

Dolomiti Energia Holding SpA relations with the Local Authorities

The major Municipalities are Trento, Rovereto, Mori, Ala, Volano, Calliano and Grigno. Over 60 other Trentino Municipalities are shareholders of Dolomiti Energia Holding, most of which have assigned local public service management to the Company and its subsidiaries.
Two leases are in force between the Municipality of Rovereto and Dolomiti Energia Holding SpA in relation to the property used as the Group's registered office. The contract of these leases expires in 2027 and involves lease payments at arm's length conditions.

Infragroup relations

Detailed below are the main service agreements in force within the Group:
service agreement entered into between Dolomiti Energia Holding and Dolomiti Energia. It governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding. The fee payable to Dolomiti Energia is proportionate to the cost of providing the service and to market prices.
Service agreement entered into between Dolomiti Energia Holding and Novareti. It governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding. Service agreement stipulated between Dolomiti Energia Holding and Dolomiti Energia Solutions. It governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding.
Service agreement entered into between Dolomiti Energia Holding and SET Distribuzione. It governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding.
Service agreement entered into between Dolomiti Energia Holding and HDE. It governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding.
Service agreement entered into between Dolomiti Energia Holding and Dolomiti Energia Trading. It governs administrative services, personnel management and the management of the IT services provided by Dolomiti Energia Holding.
As part of the agreements described, the leases granted by Dolomiti Energia Holding to Dolomiti Energia, to SET Distribuzione and to Novareti on property used as their registered offices in Trento and Rovereto are also governed.
For all above contracts, the fee payable to Dolomiti Energia 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 to 433 thousand euro.

Financial and tax services

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

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

Thanks to the measures taken and the willingness of all the Group's employees, to whom we extend our gratitude and appreciation for what they have done, operations are proceeding normally for all Group companies, albeit within the limits imposed by the current health emergency.

The positive trend in price levels in the electrical commodities markets, with special emphasis on the electricity market, confirms at this point expectations of an improvement in hydroelectric production results, provided they are adequately supported by a level of output in line with or better than historical averages, as was the case early in the year.

Expectations for the Group's other businesses are also positive overall, even following the full effects of certain development transactions carried out in the past financial year (including the transfer of Isera/Stet gas distribution business units, the inclusion of Dolomiti Edison Energy in the consolidated financial statements and the award of the Consip tender for gas supply).

For the reasons outlined above, the general macroeconomic scenarios remain highly uncertain, and appear to be strongly linked on the one hand to a positive evolution of the pandemic situation, hopefully also assisted by the vaccination campaigns currently under way, and on the other to the correct and timely implementation of the support programmes announced by the European Community, the Government and local authorities.

Any worsening or lack of recovery of the general economic situation could have a negative economic impact on the Group, even of significant magnitude in some sectors. In particular, the energy and gas sales activity could be penalised not only by the inevitable drop in sales volumes (due to the reduction in withdrawals by customers and/or the definitive cessation of activities) but also by the impact deriving from the increase in delays and insolvencies in the payment of invoices by end customers, in particular those involved in economic activities most affected by the crisis. The fall in demand and the consequent probable reduction in prices could also lead to a contraction in revenues and margins from production activities, the amount of which will depend on the extent and duration of any reduction.

Treasury shares

As at 31 December 2020, Dolomiti Energia Holding owned 26,369,875 treasury shares with a nominal value of 26,369,875. The percentage of this shareholding comes to 6.4%.
As at 31 December 2020, Dolomiti Energia Holding did not own, either directly or through trust companies or third parties, any shares in parent companies.

Rovereto, 26 March 2021

on behalf of the Board of Directors
Dolomiti Energia Holding SpA

The Chairman
De Alessandri Massimo

Dolomiti Energia Holding SpA
Financial statement
at 31 December 2020

San Felice Valley, Gresta Valley
Photo Carlo Baroni, Trentino Sviluppo Archive

Statement of Financial Position

(figures in Euro)

ASSETS	Notes	AT 31 DECEMBER 2020	2019
Non-current assets			
Rights of use	8.1	2,798,342	3,086,807
Intangible assets	8.2	15,190,093	12,702.373
Property, Plant and Equipment	8.3	45,858,881	45,503,822
Equity investments	8.4	802,650,727	787,451,271
Non-current financial assets	8.5	-	-
Deferred tax assets	8.6	9,660,993	9,106,606
Other non-current assets	8.7	79,352	79,489
TOTAL NON-CURRENT ASSETS		**876,238,388**	**857,930,368**
CURRENT ASSETS			
Inventories	8.8	142,768	490,295
Trade receivables	8.9	11,078,682	13,823,906
Income tax credits	8.10	-	623,617
Current financial assets	8.11	95,595,550	52,682,286
Other current assets	8.12	10,917,736	10,996,151
Cash and cash equivalents	8.13	15,494,818	18,016,104
TOTAL CURRENT ASSETS		**133,229,554**	**96,632,359**
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**8.14**	**6,013,540**	
TOTAL ASSETS		**1,015,481,482**	**954,562,727**
SHAREHOLDERS' EQUITY			
Share capital	8.15	411,496,169	411,496.169
Reserves	8.15	104,946,850	89,638,123
Reserve - IAS 19	8.15	(119,504)	(25,951)
Net profit/(loss) for the year	8.15	53,000,677	36,485,138
TOTAL SHAREHOLDERS' EQUITY		**569,324,192**	**537,593,479**
LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions for risks and non-current charges	8.16	1,395,055	1,395,055
Employee benefits	8.17	3,197,094	3,400,450
Deferred tax liabilities	8.6	132,408	160,616
Non-current financial liabilities	8.18	107,146,186	116,202,635
Other non-current liabilities	8.19	537,089	1,049,644
TOTAL NON-CURRENT LIABILITIES		**112,407,832**	**122,208,400**
CURRENT LIABILITIES			
Provisions for risks and current charges	8.16	1,808,321	755,533
Trade payables	8.20	14,957,900	12,488,280
Current financial liabilities	8.18	306,721,180	266,747,373
Income tax payables	8.10	2,527,402	2,956,710
Other current liabilities	8.19	7,734,655	11,812,952
TOTAL CURRENT LIABILITIES		**333,749,458**	**294,760,848**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,015,481,482**	**954,562,727**

Comprehensive Income Statement

(figures in Euro)

	Notes	AT 31 DECEMBER 2020	2019
Revenue	9.1	8,096,543	9,507,842
Other revenue and income	9.2	33,058,027	30,903,089
TOTAL REVENUE AND OTHER INCOME		**41,154,570**	**40,410,931**
Raw materials, consumables and merchandise	9.3	(5,692,721)	(4,767,331)
Service costs	9.4	(20,828,784)	(18,629,926)
Personnel costs	9.5	(12,395,966)	(12,094,320)
Amortisation, depreciation, allocations and write-downs	9.6	(8,541,279)	(14,884,544)
Net write-backs (write-downs) of receivables		-	(308)
Other operating costs	9.7	(2,222,632)	(1,446,840)
TOTAL COSTS		**(49,681,382)**	**(51,823,269)**
Gains and expenses from equity investments	9.8	59,419,863	45,011,505
OPERATING RESULT		**50,893,051**	**33,599,167**
Financial income	9.9	2,241,780	3,328,303
Financial charges	9.9	(1,280,916)	(2,343,621)
PROFIT BEFORE TAX		**51,853,915**	**34,583,849**
Taxes	9.10	1,146,762	1,901,289
PROFIT/(LOSS) FOR THE YEAR (A)		**53,000,677**	**36,485,138**
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Actuarial profit/(loss) for employee benefits		(153,984)	(204,367)
Tax effect on actuarial profit/(loss) for employee benefits		60,431	62,592
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (B1)		**(93,553)**	**(141,775)**
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Profit/(loss) on cash flow hedge instruments		(2,842,972)	(4,844,865)
Tax effect on change in fair value in cash flow hedge derivatives		834,333	1,526,708
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (B2)		**(2,008,639)**	**(3,318,157)**
TOTAL OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX EFFECT (B)= (B1)+(B2)		**(2,102,192)**	**(3,459,932)**
TOTAL AGGREGATE RESULT FOR THE YEAR (A)+(B)		**50,898,485**	**33,025,206**

Cash Flow Statement

(figures in Euro)

	Notes	AT 31 DECEMBER 2020	2019
PROFIT/(LOSS) FOR THE YEAR		**53,001**	**36,485**
ADJUSTMENTS FOR:			
Amortisation/depreciation of:			
- rights of use	9.6	550	535
- intangible assets	9.6	5,524	4,684
- property, plant and equipment	9.6	2,468	2,479
Write-downs of assets	8.5	-	7,187
Allocations to/(absorptions from) provisions for risks and charges	8.16; 8.17	833	462
(Gains)/expenses from equity investments	9.8	(59,420)	(45,012)
Financial (income)/charges	9.9	(961)	(985)
(Capital gains)/Capital losses from sale of property, plant and equipment		65	5
Other non-monetary elements	9.5	177	(45)
Income taxes	9.10	(1,147)	(1,901)
Cash flow from operations before changes in net working capital		*1,090*	*3,894*
CHANGES IN NET WORKING CAPITAL:			
(Increase)/decrease in inventories	8.8	348	(398)
(Increase)/decrease in trade receivables	8.9	2,745	(2,199)
(Increase)/decrease in other assets	8.12	33,466	61,878
Increase/(decrease) in trade payables	8.20	2,470	1,761
Increase/(decrease) in other liabilities	8.19	(1,283)	2,421
Dividends collected	9.8	19,609	34,501
Interest and other financial income collected	9.9	2,444	1,275
Interest and other financial expenses paid	9.9	(1,060)	(2,250)
Utilisation of provisions for risks and charges	8.16; 8.17	(1,137)	(979)
Income taxes paid		(34,984)	(53,779)
CASH FLOWS FROM OPERATIONS (A)		**23,708**	**46,125**
Net investments in intangible assets	8.2	(8,011)	(4,340)
Net investments in property, plant and equipment	8.3	(3,089)	(2,286)
Net investments in equity investments	8.4	(18,249)	(5,135)
(Increase)/decrease in other investment activities	8.11	(43,611)	5,238
CASH FLOWS FROM INVESTMENT ACTIVITIES (B)		**(72,960)**	**(6,523)**
Capital increases/Sale of treasury shares	8.15	14,871	-
Financial payables (reimbursements and other net changes)	8.18	65,899	(15,905)
Dividends paid		(34,039)	(34,039)
CASH FLOWS FROM FINANCING ACTIVITIES (C)		**46,731**	**(49,944)**
Effect of changes on cash and cash equivalents (d)		-	-
Increase/(decrease) in cash and cash equivalents (a+b+c+d)		(2,521)	(10,342)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**18,016**	**28,358**
CASH AND CASH EQUIVALENTS AT YEAR END		**15,495**	**18,016**

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 01 JANUARY 2019	**411,496**	**30,885**	**994**	**(67,552)**	**122,161**	**40,623**	**538,607**
TRANSACTIONS WITH SHAREHOLDERS:							
Dividend distribution	-	-	-	-	-	(34,039)	(34,039)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**-**	**-**	**-**	**-**	**(34,039)**	**(34,039)**
ALLOCATION TO RESERVES OF PRO-FIT/(LOSS) FOR THE YEAR	**-**	**2,031**	**-**	**-**	**4,553**	**(6,584)**	**-**
AGGREGATE RESULT FOR THE YEAR:							
Net profit (loss)	-	-	-	-	-	36,485	36,485
Other comprehensive profit (loss), net of tax effect	-	-	-	-	(3,460)	-	(3,460)
TOTAL AGGREGATE RESULT FOR THE YEAR	**-**	**-**	**-**	**-**	**(3,460)**	**36,485**	**33,025**
BALANCE AS AT 31 JANUARY 2019	**411,496**	**32,916**	**994**	**(67,552)**	**123,254**	**36,485**	**537,593**
Transactions with shareholders:							
Dividend distribution	-	-	-	-	-	(34,039)	(34,039)
Sale of treasury shares	-	-	-	14,037	834	-	14,871
TOTAL TRANSACTIONS WITH SHARE-HOLDERS	**-**	**-**	**-**	**14,037**	**834**	**(34,039)**	**(19,168)**
ALLOCATION TO RESERVES OF PROFIT/ (LOSS) FOR THE YEAR	-	1,825	-	-	621	(2,446)	-
AGGREGATE RESULT FOR THE YEAR:							
Net profit (loss)	-	-	-	-	-	53,001	53,001
Other comprehensive profit (loss), net of tax effect	-	-	-	-	(2,102)	-	(2,102)
TOTAL AGGREGATE RESULT FOR THE YEAR	**-**	**-**	**-**	**-**	**(2,102)**	**53,001**	**50,899**
BALANCE AS AT 31 DECEMBER 2020	**411,496**	**34,741**	**994**	**(53,515)**	**122,607**	**53,001**	**569,324**

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 2020, the Company's share capital was held by:

SHAREHOLDER	NO. OF SHARES	%
PUBLIC ENTITIES		
FINDOLOMITI ENERGIA Srl	196,551,963	47.77%
COMUNE DI TRENTO	24,008,946	5.83%
COMUNE DI ROVERETO	17,852,031	4.34%
BIM ADIGE	3,322,260	0.81%
BIM SARCA MINCIO GARDA	3,322,260	0.81%
BIM BRENTA	819,407	0.20%
BIM CHIESE	819,407	0.20%
OTHER PUBLIC AUTHORITIES	12,086,621	2.94%
UTILITY		
AGS RIVA DEL GARDA	4,861,800	1.18%
STET	7,378,514	1.79%
AIR	4,085,912	0.99%
ACSM PRIMIERO	823,006	0.20%
PRIMIERO ENERGIA	2,430,900	0.59%
CONS. ELETTRICO INDUSTRIALE DI STENICO	2,293,658	0.56%
CONSORSIO ELETTRICO DI STORO	2,741,118	0.67%
AZIENDA SERVIZI MUNIC. DI TIONE	14,622	0.00%
CONSORZIO ELETTRICO DI POZZA DI FASSA	930,232	0.23%
NOVARETI srl	5,536,551	1.35%
PRIVATE ENTITIES		
FT ENERGIA	48,861,683	11.87%
I.S.A. - IST. SVILUPPO ATESINO SPA	17,175,532	4.17%
FONDAZIONE CARITRO	21,878,100	5.32%
ENERCOOP srl	7,303,825	1.77%
MONTAGNA Sig.ra ERMINIA	27,540	0.01%
ELETTROMETALLURGICA TRENTINA Srl	203	0.00%
POMARA dott.ssa LUCIANA	203	0.00%
PUBLIC ENTITIES	**258,782,895**	**62.89%**
UTILITY	**31,096,313**	**7.56%**
PRIVATE ENTITIES	**95,247,086**	**23.15%**
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 Legislative Decree no. 38 was issued, then amended by Decree Law no. 91 of 24 June 2014, which also governed the possible adoption of International Accounting Standards by unlisted companies for the drawing up of their financial statements.

The Company elected to adopt the above-mentioned option for the drafting of its financial statements as at 31 December 2016, by identifying the day 1 January 2015 as transition date to IFRSs ("Transition Date"). 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 2020 Financial Statements were drawn up in compliance with EU IFRS standards in force at the approval date of the same. It should be noted that the wording EU IFRS means all "International Financial Reporting Standards", all "International Accounting Standards" (IAS), as well as all interpretations of "International Reporting Interpretations Committee" (IFRIC), previously called "Standing Interpretation Committee" (SIC) which, at the date of approval of the Financial Statements had been endorsed by the European Union according to the procedure envisaged by Regulation (EC) no. 1606/2002, approved by the European Parliament and the European Council on 19 July 2002.

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

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

With regard to the impact of the Covid-19 pandemic, in addition to the information provided in greater detail in the Report on Operations, the effects of the current health emergency were taken into account in the analysis of the estimates and assumptions used to characterise the financial statement amounts, and these figures reflect any resulting impact. The effects on the Company's operations have been described in the Report on Operations; at present, no specific risks have been identified as a result of the Covid-19 pandemic that could affect the Company's ability to meet its commitments.

These draft Financial Statements were approved by the Company's Board of Directors on 26 March 2021.

2.2. FORM AND CONTENT OF ACCOUNTS

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

- the Statement of Financial Position discloses current and non-current assets, separately and, similarly, current and non-current liabilities;
- 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;
- 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 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);
- the Company benefited from the regulations envisaged by Article 73, last paragraph, of the Presidential Decree 633/72 (Group VAT) for VAT payments;
- the Company opted for 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 before 31 December 1997
Assets acquired prior to the above date are amortised/depreciated over their average residual useful life, as indicated in the sworn expert report obtained for the transformation of ASM from a Municipal company into a public limited company.

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

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

Revaluation of assets as at 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
  - i. land 5,907,256 euro
  - ii. 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 accounts receivable from customers, not resulting and not listed on any active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified in the Shareholders' Equity, under current assets, except for those with a contract expiry term after twelve months from the reporting date of the financial statements, which are classified under non-current assets.

These financial assets are recognised under assets when the Company becomes a party in the contracts related therewith, and are derecognised from Assets, when the right to receive cash flows is transferred together with all risks and benefits associated to the transferred asset.
Trade receivables and other current and non-current assets are originally recorded at their fair value and then at amortised cost, by using the effective interest rate, less impairment losses.
Impairment losses in receivables are recognised in the income statement when there is objective evidence that the Company will not be able to recover the receivables based on contract terms.
The 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:

- significant financial difficulties of the debtor;
- contract breaches, as non-payment of interest or principal;
- 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;
- it is probable that the debtor be bankrupt or be subject to a composition procedure with creditors; or
- 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:

- *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.
- *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 item "personnel costs", while
- net financial charges on defined-benefit liabilities or assets are recognised in the income statement

under item "Financial income/(charges)", and are calculated by multiplying the value of net liabilities/(assets) by the rate used to discounting obligations, taking account of payments of contributions made and benefits during the period;

- the remeasuring components of net liabilities, including actuarial gains and losses, the yield of assets (excluding interest income recognised in the income statement), as well as any change in the asset threshold, are immediately recognised in the 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:

- 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;

- identification of the "Performance obligations" contained in the contract;
- 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;
- allocation of the price to the performance obligations on the basis of the "Relative Stand Alone Selling Price";
- 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.

Prepaid and deferred taxes are calculated based on all differences that arise between tax value of an asset or liability and the related carrying amount. Prepaid taxes, including those related to prior tax losses, are recognised to the extent that it is probable that there will be future taxable income to which that tax loss can be applied. Prepaid and deferred taxes are determined by using the tax rate that it is estimated will be applicable in the years in which the differences will be realised or extinguished, based on the enacted or substantially enacted tax rate at the reporting date.

Current, prepaid and deferred taxes are recognised in the income statement, except for those related to items directly debited or credited to Shareholders' Equity; in this case, also the related tax effect will be recognised directly to Shareholders' Equity.

3. Estimates and assumptions

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

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

- **Impairment Test**: the book value of property, plant and equipment and intangible assets is periodically tested for impairment and whenever circumstances or events require a more frequent assessment. Whenever it is deemed that a 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.
- **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.
- **Prepaid taxes**: accounting for prepaid taxes takes place on the basis of expectations of taxable income in future years to be used for their recovery. The valuation of the taxable revenue expected for the purposes of accounting for prepaid taxes depends on factors that can vary over time and significantly affect the recoverability of the receivables from prepaid taxes.
- **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.
- **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.

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 01 January 2020.

- Amendments to IFRS 16 Leases Covid-19 - Related Rent Concessions (issued on 28 May 2020), applicable from 1 June 2020, with immediate application permitted. The amendment allows lessees, as a practical expedient, to disregard individual lease contracts in determining whether relief granted as a direct result of the Covid-19 pandemic should be classified as contractual modifications. Therefore, if the conditions are met, lessees may recognise the amount of the condoned rent by 30 June 2021 in profit or loss in the year of concession; otherwise, that amount would have been recognised in profit or loss over the term of the lease contract to which it relates. The amendment does not concern lessors.
- Amendments to IFRS 3 Business Combinations (issued on 22 October 2018). The IASB published the definition of Business with the objective of clarifying the difference between an acquisition that represents a business or a group of activities. In order for a business to be identified, the purchase of a set of assets and instruments must also include a set of organised processes that as a whole are suited to producing goods and services; the previous definition focused on returns in the form of dividends, cost savings or other economic advantages for investors. The amendments are applicable prospectively to the transactions whose date of acquisition is equal to or later than the year starting from 1 January 2020.
- Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform" (issued on 26 September 2019). The amendments establish temporary and limited exceptions to the hedge accounting provisions so that the provisions of the standards involved can continue to be met, assuming that the existing interest rate benchmarks are not changed as a result of the interbank rate reform. In addition, there is a requirement to provide further information to investors on hedging relationships that are directly affected by the uncertainties related to the reform.
- Amendments to IAS 1 and IAS 8 Definition of "material" (issued on 31 October 2018). The IASB clarified that information is to be considered "material" when its omission, misstatement or concealment might reasonably influence the decisions of the users of the financial statements, prompting them to make different choices. The amendment therefore has the purpose of facilitating the entity in assessing the significance of the information to include in its financial statements. In more detail, the amendments clarify that:
  - "concealment of information" relates to situations where the effect on the primary users of the financial statements is similar to that of the omission or misstatement of information, the materiality of which is assessed in the context of the financial statements taken as a whole;
  - the "primary users of the financial statements", to whom such financial statements are directed, are "investors, lenders and other existing and potential creditors" who must rely on financial statements prepared for general purposes for much of the financial information they require; and
  - the "materiality" depends on the nature or extent of the information, taken alone or in combination with other information, in the context of the financial statements; a misstatement of information is material if it can reasonably be expected to influence the decisions taken by the primary users of the financial statements.

- Amendments to the Conceptual Framework (issued on 29 March 2018). The objective of the Conceptual Framework project is to improve financial disclosure by providing a more complete, clearer and more updated set of conceptual elements. The purpose of the Framework is to:
  - assist the Board in developing IFRSs based on coherent concepts;
  - assist those preparing the financial statements in developing coherent accounting policies when no IFRS standard applies to a certain transaction or to an event, or when a standard permits a choice of accounting policy;
  - assist other subjects in comprehending and interpreting the standards.

The document outlines changes to the affected standards in order to update references to the Revised Conceptual Framework. These amendments accompany the latest version of the Revised Conceptual Framework for Financial Reporting, issued in March 2018 and applicable as of 1 January 2020, which includes certain new concepts, updated definitions and recognition criteria, and clarifications of certain important concepts. Key changes include:

- an increase in the importance of the management of economic resources for financial reporting purposes;
- the restoration of prudence as a component supporting neutrality;
- the definition of a reporting entity, which may be a legal entity or part of a legal entity;
- revision of the definitions of assets and liabilities;
- the removal of the probability threshold for recognition and, at the same time, the addition of guidelines for derecognition;
- the addition of guidelines on different assessment bases;
- the assertion that profit or loss is the main indicator of performance and that, in principle, revenues and expenses in other comprehensive income should be recycled to the income statement if this increases the relevance or faithful representation of the financial statements.

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 2020 financial statements.

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

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 2020 financial statements must be applied for the financial years following 2020.

- Amendments to IFRS 4 "Insurance Contracts" - deferral of IFRS 9 effective date (issued on 25 June 2020), applicable as of 1 January 2021. Currently, under IFRS 4, the effective date for applying IFRS 9 (with respect to the sole temporary exemption from applying IFRS 9) is 1 January 2021. The exposure draft on amendments to IFRS 17 published in May 2019, proposed to extend the temporary exemption from IFRS 9 by one year. Subsequently, based on new IASB resolutions, the effective date of IFRS 9 was further extended to 1 January 2023 to align it with the effective date of IFRS 17. In this regard, on 25 June 2020, the IASB issued the document Extension of the Temporary Exemption from Applying IFRS 9 (amendment to IFRS 4). Its application has no impact for the Company.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2" (issued on 27 August 2020), applicable from 01 January 2021. The IASB has divided its work on the reform of benchmark interest rates into two phases. The first phase (involving amendments to IFRS 9, IAS 39 and IFRS 7 applicable from the start of the 2020 financial year) addressed issues affecting financial reporting in the period prior to the replacement of an existing benchmark interest rate with an alternative rate; a second phase, the objective of which is to assist entities in providing useful information to users of financial statements and to support drafters in applying IFRS standards when changes are made to contractual cash flows or hedging relationships as a result of the move to alternative near-risk-free benchmark rates. In particular, in this second phase, the IASB intends to address issues related to:
  - changes in financial assets and liabilities, including lease liabilities;
  - hedge accounting;
  - disclosure.

  Its application has no impact for the Company.

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

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017), including the amendment to IFRS 17 issued on 25 June 2020. The new accounting standard establishes the criteria for the recognition, measurement, presentation and disclosure of insurance contracts. After its endorsement, it will fully supersede IFRS 4 Insurance Contracts issued in 2005. IFRS 17 will be applied to all insurance contracts, with reference to the issuer. The scope of this new standard is to supply a model for the recognition of insurance contracts, which is more useful and consistent with respect to all insurance companies. The new standard will be effective for annual periods beginning on or after 1 January 2023 and comparative data will be required to be presented; early application is permitted for entities that apply IFRS 9 on or before the date of first application of IFRS 17. Its application has no impact for the Company.
- Amendments to IAS 1 'Presentation of financial statements' (issued on 23 January 2020 and 15 July 2020). The amendments, which are effective 1 January 2023, 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 amendments aim to clarify:
  - that the classification of a liability as current or non-current is based on the entity's rights at the end of the reporting period; and
  - the link between the extinguishment of the liability and the outflow of financial resources from the entity.

Its application has no impact for the Company.

- Amendments to IFRS 3, IAS 16, IAS 37 and improvements to the 2018-2020 IFRS cycle (issued on 14 May 2020). The amendments, applicable as of 1 January 2022 with early application permitted, are as follows:
  - IFRS 3 "Business Combinations". The amendments update a reference to the financial reporting systematic framework, without changing the accounting requirements for business combinations;

- IAS 16 "Property, Plant and Equipment". The amendments introduce the inability to reduce the cost of property, plant and equipment by the amount received from the sale of products while preparing the asset for its intended use. These sales, on the other hand, must be recorded in the income statement as income, as must the related costs;
- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The amendment specifies which costs are to be considered when assessing whether a contract will be onerous;
- Improvements to the annual 2018-2020 IFRS cycle. These are amendments that clarify, correct or remove redundant or conflicting wording or formulations in the text of the relevant standards. Minor changes were made to IFRS 1, IFRS 9, IAS 41 and the illustrative examples accompanying IFRS 16.

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 2020, the Company's indebtedness also included a bond loan amounting to 5,051,800 euro.

The Company also entered floating rate loans, benchmarked mainly to Euribor rate + spread for the period, according to the type of credit line used. The applied margins are comparable with the best market

standards. In order to limit the risk of interest rate fluctuations, on some loans the Company uses derivatives, mainly interest rate swaps, with the aim of mitigating, at economically feasible terms, the possible impact of interest rate fluctuations on the economic result.
The main characteristics of derivatives subscribed by the Company and in place as at 31 December 2020 and 2019 to hedge interest rate fluctuations are summarised as follows:

IRS

	AT 31 DECEMBER 2020					
Date of transaction	16/03/2011	11/03/2011	04/03/2011	13/04/2011	25/05/2017	26/05/2017
Company	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa
Counterparty	Mediobanca	Intesa San Paolo	Unicredit	Unicredit	Unicredit	Intesa San Paolo
Effective date	02/01/2014	02/01/2014	02/01/2014	02/01/2014	01/01/2021	01/01/2021
Maturity	31/12/2020	31/12/2020	31/12/2020	31/12/2020	30/09/2032	30/09/2032
Notional in Euro	0	0	0	0	48,958,333	48,958,333
Floating interest rate	Euribor 1M	Euribor 1M	Euribor 1M	Euribor 1M	Euribors 3M (floor -0.80)	Euribors 3M (floor -0.80)
Fixed interest rate	3.4000%	3.4450%	3.5214%	3.7190%	1.3400%	1.3235%
Fair value	0	0	0	0	(4,843,793)	(4,805,366)

IRS

	AT 31 DECEMBER 2019					
Date of transaction	16/03/2011	11/03/2011	04/03/2011	13/04/2011	25/05/2017	26/05/2017
Company	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa
Counterparty	Mediobanca	Intesa San Paolo	Unicredit	Unicredit	Unicredit	Intesa San Paolo
Effective date	02/01/2014	02/01/2014	02/01/2014	02/01/2014	01/01/2021	01/01/2021
Maturity	31/12/2020	31/12/2020	31/12/2020	31/12/2020	30/09/2032	30/09/2032
Notional in Euro	5,714,286	5,714,286	5,714,286	5,714,286	48,958,333	48,958,333
Floating interest rate	Euribor 1M	Euribor 1M	Euribor 1M	Euribor 1M	Euribors 3M (floor -0.80)	Euribors 3M (floor -0.80)
Fixed interest rate	3.4000%	3.4450%	3.5214%	3.7190%	1.3400%	1.3235%
Fair value	(120,518)	(121,914)	(124,249)	(130,454)	(3,422,368)	(3,383,820)

Sensitivity Analysis related to interest rate risk

The Company's exposure to the interest rate risk was measured through a sensitivity analysis that considered current and non-current financial liabilities as well as bank deposits. Within the hypotheses made, the effects on the Company's Income Statement and Shareholders' Equity as at 31 December 2020 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 migliaia di 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 2020	-	(719)	-	(719)
Year ended 31 December 2019	252	(713)	252	(713)

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 2020 and 31 December 2019 is represented by the sum of financial assets recorded in the financial statements, summarised as follows:

(in thousands of Euro)

	AT 31 DECEMBER		
	2020	2019	Change
Trade receivables	11,719	14,465	(2,746)
Financial assets	95,596	52,682	42,914
Other assets	10,998	11,076	(78)
Provision for write-downs	(641)	(641)	-
TOTAL	**117,672**	**77,582**	**40,090**

Trade receivables as at 31 December 2020 are shown in this table by maturity date.

(in thousands of Euro)

	Next to expire	Expired 0-30 days	Expired 31-60 days	Expired 61-90 days	Expired 90-180 days	Expired over 180 days
Trade receivables	11,349	20	21	12	21	296
TOTAL	**11,349**	**20**	**21**	**12**	**21**	**296**

7.3 LIQUIDITY RISK

The liquidity risk can be represented by the inability to obtain the necessary financial resources, at acceptable economic terms, for the Company's operations. The two main factors that affect Company's liquidity are as follows:

- financial resources generated or absorbed by operating or investing activities;
- maturity or renewal terms of the financial debt.

A prudent management of the liquidity risk originated by normal operations involve the maintenance of an adequate level of cash and cash equivalents, short-term securities and the availability of provisions that could be obtained through an adequate amount of credit lines. The Company's liquidity requirements are monitored by a centralised department, in view of securing the finding of financial resources and adequate investment/yield of liquidity.
The following table analyses the financial liabilities (including trade and other payables) that are expected to be redeemed within the year, in a period between one and five years and after 5 years:

(in thousands of Euro)	AT 31 DECEMBER 2020		
	Maturity		
	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Trade payables	14,958	-	-
Payables due to banks and other lenders	306,721	50,896	56,250
Other accounts payable	7,735	537	-
TOTAL	329,414	51,433	56,250

(in thousands of Euro)	AT 31 DECEMBER 2019		
	Maturity		
	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Trade payables	12,488	-	-
Payables due to banks and other lenders	266,747	50,431	65,772
Other accounts payable	11,813	1,050	-
TOTAL	291,048	51,481	65,772

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 2020 and 31 December 2019:

(in thousands of Euro)

	AT 31 DECEMBER 2020		
Liabilities	**Level 1**	**Level 2**	**Level 3**
Derivative instruments (interest rate swap)*	-	9,649	-

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

(in thousands of Euro)

	AT 31 DECEMBER 2019		
Liabilities	**Level 1**	**Level 2**	**Level 3**
Derivative instruments (interest rate swap)*	-	7,303	-

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

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

Financial assets and liabilities as at 31 December 2020 and 31 December 2019 are broken down by category:

(in thousands of Euro)

	AT 31 DECEMBER 2020			
	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	15,495	-	-	15,495
Trade receivables	11,079	-	-	11,079
Other assets and other current financial assets	106,513	-	-	106,513
NON-CURRENT ASSETS				
Other assets and other non-current financial assets	79	-	-	79
ASSETS HELD FOR SALE	**6,014**	**-**	**-**	**6,014**
CURRENT LIABILITIES				
Trade payables	14,958	-	-	14,958
Current financial liabilities	306,721	-	-	306,721
Other current liabilities	7,735	-	-	7,735
NON-CURRENT LIABILITIES				
Non-current financial liabilities	97,497	9,649	-	107,146
Other non-current liabilities	537	-	-	537

(in thousands of Euro)

	AT 31 DECEMBER 2019			
	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	18,016	-	-	18,016
Trade receivables	13,824	-	-	13,824
Other assets and other current financial assets	63,678	-	-	63,678
NON-CURRENT ASSETS				
Other assets and other non-current financial assets	79	-	-	79
CURRENT LIABILITIES				
Trade payables	12,488	-	-	12,488
Current financial liabilities	266,250	-	497	266,747
Other current liabilities	11,813	-	-	11,813
NON-CURRENT LIABILITIES				
Non-current financial liabilities	109,397	6,806	-	116,203
Other non-current liabilities	1,050	-	-	1,050

8. Notes to the Statement of Financial Position

8.1 RIGHTS OF USE

Changes in item "Rights of Use" are shown hereunder for the years ended 31 December 2020 and 2019:

(in thousands of Euro)

	Right of use of buildings	Right of use of other goods	Total
BALANCE AS AT 01 JANUARY 2019	**2,941**	**412**	**3,353**
Of which:			
Historical cost	*10,308*	*692*	*11,000*
Accumulated depreciation	*(7,367)*	*(280)*	*(7,647)*
Increases	-	269	269
Net decreases	-	-	-
Depreciation	(369)	(166)	(535)
BALANCE AS AT 31 DECEMBER 2019	**2,572**	**515**	**3,087**
Of which:			
Historical cost	*10,308*	*813*	*11,121*
Accumulated depreciation	*(7,736)*	*(298)*	*(8,034)*
Increases	171	496	667
Net decreases	-	(406)	(406)
Depreciation	(384)	(166)	(550)
BALANCE AS AT 31 DECEMBER 2020	**2,359**	**439**	**2,798**
Of which:			
Historical cost	*10,360*	*645*	*11,005*
Accumulated depreciation	*(8,001)*	*(206)*	*(8,207)*

"Rights of use of buildings" amounting to 2,359 thousand euro mainly refer to contracts related to the real estate property destined as registered office in Rovereto (TN).

"Rights of use of other goods" amounting to 439 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 2020
Depreciation of rights of use	9.6	550
Interest expense on financial liabilities for leases	9.9	84
Short-term contract related costs	9.4	127
Costs related to contracts for low value goods	9.4	121
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		**1,158**
Profits/(losses) from sales and leaseback transactions		-

8.2 INTANGIBLE ASSETS

Changes in item "Other intangible assets" are shown hereunder for the years ended 31 December 2020 and 2019:

(in thousands of Euro)

	Concessions	Industrial patent and intellectual property rights	Other	Total
BALANCE AS AT 01 JANUARY 2019	**4,026**	**9,019**	**1**	**13,046**
Of which:				
Historical cost	*7,324*	*43,284*	*2,251*	*52,859*
Accumulated depreciation	*(3,298)*	*(34,265)*	*(2,250)*	*(39,813)*
Increases	500	3,818	50	**4,368**
Net decreases	-	(28)	-	**(28)**
Depreciation	(376)	(4,307)	(1)	**(4,684)**
BALANCE AS AT 31 DECEMBER 2019	**4,150**	**8,502**	**50**	**12,702**
Of which:				
Historical cost	*7,824*	*47,074*	*2,313*	*57,211*
Accumulated depreciation	*(3,674)*	*(38,572)*	*(2,263)*	*(44,509)*
Increases	-	8,007	4	**8,011**
Net decreases	-	-	-	**-**
Depreciation	(383)	(5,134)	(6)	**(5,523)**
BALANCE AS AT 31 DECEMBER 2020	**3,767**	**11,375**	**48**	**15,190**
Of which:				
Historical cost	*7,824*	*55,063*	*2,317*	*65,204*
Accumulated depreciation	*(4,057)*	*(43,688)*	*(2,269)*	*(50,014)*

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

Industrial patent and intellectual property rights fully include the costs relating to the acquisition, implementation and development of software serving the activities carried out by the companies belonging to the Dolomiti Energia Group, with an increase of 8,007 thousand euro.

8.3 PROPERTY, PLANT AND EQUIPMENT

Changes in item "Property, plant and equipment" are shown hereunder for the years ended 31 December 2020 and 2019:

(in thousands of Euro)

	Land and buildings	Plant and equipment	Industrial and commercial fittings	Other assets	Work in progress and advance payments	Total
BALANCE AS AT 01 JANUARY 2019	**23,080**	**13,701**	**899**	**2,294**	**5,728**	**45,702**
Of which:						
Historical cost	*34,388*	*36,407*	*4,205*	*11,349*	*5,728*	*92,077*
Accumulated depreciation	*(11,308)*	*(22,706)*	*(3,306)*	*(9,055)*	-	*(46,375)*
Increases	737	1,091	50	408	-	2,286
Net decreases	-	(3)	-	(3)	-	(6)
Reclassifications	-	-	-	-	-	-
Depreciation	(945)	(796)	(178)	(560)	-	(2,479)
BALANCE AS AT 31 DECEMBER 2019	**22,872**	**13,993**	**771**	**2,139**	**5,728**	**45,503**
Of which:						
Historical cost	*35,125*	*37,495*	*4,255*	*11,754*	*5,728*	*94,357*
Accumulated depreciation	*(12,253)*	*(23,502)*	*(3,484)*	*(9,615)*	-	*(48,854)*
Increases	981	486	83	555	1,029	3,134
Net decreases	(3)	(106)	-	(1)	(201)	(311)
Reclassifications	4,357	-	-	-	(4,357)	-
Depreciation	(1,020)	(676)	(168)	(603)	-	(2,467)
BALANCE AS AT 31 DECEMBER 2020	**27,187**	**13,697**	**686**	**2,090**	**2,199**	**45,859**
Of which:						
Historical cost	*40,460*	*37,871*	*4,338*	*12,179*	*2,199*	*97,047*
Accumulated depreciation	*(13,273)*	*(24,174)*	*(3,652)*	*(10,089)*	-	*(51,188)*

With regard to property, plant and equipment, costs have been capitalised for services provided by internal staff for 440 thousand euro.
The item land includes areas where hydroelectric and thermoelectric plants are located (319 thousand euro), and land purchased for future expansion of the Company's premises, reclassified from work in progress during the year for 4,357 thousand euro, equal to the value of land located in the industrial area of Rovereto.
The item buildings also includes capitalisations of buildings of the hydroelectric production plants with a residual value of 1,799 thousand euro; improvements made in the offices in Rovereto, which are rented from the Municipality, for a residual value of 1,711 thousand euro, as well as the building of the offices in Trento, for a residual value of 3,756 thousand euro, and the building "Le Albere" in Trento, for a residual value of 4,828 thousand euro.

The item plant and equipment 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 12,990 thousand euro, in addition to transmission lines and other proprietary photovoltaic plants for a net value of 243 thousand euro.
The item industrial and commercial fittings include the equipment for the chemical-bacteriological laboratory (residual value of 485 thousand euro), as well as remote-control systems and other equipment for the hydroelectric sector (residual value of 109 thousand euro).
The item other assets concerns furniture and office equipment (residual value of 598 thousand euro), mostly hardware, for a residual value of 1,467 thousand euro, with an increase of 362 thousand euro, over the year.
At the end of the year, work in progress amounted to 2,199 thousand euro and mainly involved feasibility studies and projects for the company headquarters in Trento (1,134 thousand euro) and work on the hydroelectric power plants started during the year but not yet completed (1,018 thousand euro).

8.4 EQUITY INVESTMENTS

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

(in thousands of Euro)	AT 31 DECEMBER		
	2020	2019	Change
Equity investments in subsidiaries	739,073	706,954	32,119
Equity investments in associates and joint ventures	39,827	74,405	(34,578)
Equity investments in other companies	23,751	6,092	17,659
TOTAL	802,651	787,451	15,200

Changes in equity investments in subsidiaries, associates, joint ventures and other companies for the year ended 31 December 2019 and 2020 are shown hereunder:

Description of equity investments

(in thousand of Euro)

	Percentage owned	Carrying amount as at 31 December 2018	Changes in 2019	Reclassif. 2019	Carrying amount in 2019	Provision for write-downs as at 31 December 2018	Changes in 2019	Provision for write-downs As at 31 December 2019	Net Value as at 31 December 2019	Net Value as at 31 December 2018
Dolomiti En.Solutions Srl	100.00%	5,881	35	-	5,916	-	-	-	5,916	5,881
Novareti Spa	100.00%	139,266	-	-	139,266	-	-	-	139,266	139,266
Centraline Trentine Srl	100.00%	4,500	-		4,500	-	-	-	4,500	4,500
Dolomiti Gnl Srl	100.00%	1,100	-	-	1,100	-	-	-	1,100	1,100
Dolomiti Ambiente Srl	100.00%	16,010	-	-	16,010	-	-	-	16,010	16,010
Dolomiti En.Trading Spa	98.72%	13,334	-	-	13,334	-	-	-	13,334	13,334
Dolomiti Energia Spa	83.03%	32,619	-	-	32,619	-	-	-	32,619	32,619
S.E.T.Distribuzione Spa	69.60%	85,801	-	-	85,801	-	-	-	85,801	85,801
Hydro Investments De Srl	60.00%	406,602	1,800	-	408,402	-	-	-	408,402	406,602
Dep.Trentino Centrale Sc.Ar.L.	57.00%	6	-	-	6	-	-	-	6	6
TOTAL SUBSIDIARIES		705,119	1,835	-	706,954	-	-	-	706,954	705,119
Dolomiti Edison Energy Srl	51.00%	32,109	-	-	32,109	-	-	-	32,109	32,109
Sf Energy Srl	50.00%	27,545	-	-	27,545	-	-	-	27,545	27,545
Neogy Srl	50.00%	-	3,000		3,000				3,000	-
Giudicarie Gas Spa	43.35%	838	-	-	838	-	-	-	838	838
Bioenergia Trentino Srl	24.90%	1,769	-	-	1,769	-	-	-	1,769	1,769
PVB Bulgaria Spa	23.13%	10,624	-	-	10,624	(8,575)	-	(8,575)	2,049	2,049
AGS Spa	20.00%	7,095	-	-	7,095	-	-	-	7,095	7,095
TOTAL ASSOCIATED COMPANIES AND JOINT VENTURES	-	79,980	3,000	-	82,980	(8,575)	-	(8,575)	74,405	71,405
Primiero Energia Spa	19.94%	4,614	-	-	4,614	-	-	-	4,614	4,614
Bio Energia Fiemme Spa	11.46%	785	-	-	785	-	-	-	785	785
Cherrychain Srl	10.00%	-	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		5,792	300	-	6,092	-	-	-	6,092	5,792
TOTAL EQUITY INVESTMENTS		**790,891**	**5,135**	**-**	**796,026**	**(8,575)**	**-**	**(8,575)**	**787,451**	**782,316**

(in thousand of Euro)

	Percentage owned	Carrying amount as at 31 December 2019	Changes in 2020	Reclassif. 2020	Carrying amount in 2020	Provision for write-downs as at 31 December 2019	Changes in 2020	Provision for write-downs As at 31 December 2020	Net Value as at 31 December 2020	Net Value as at 31 December 2019
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%	1.100	-	-	1.100	-	-	-	1.100	1.100
DOLOMITI AMBIENTE SRL	100,00%	16.010	-	-	16.010	-	-	-	16.010	16.010
GASDOTTI ALPINI SRL	100,00%	-	10	-	10	-	-	-	10	-
DOLOMITI EN.TRADING SPA	98,72%	13.334	-	-	13.334	-	-	-	13.334	13.334
DOLOMITI ENERGIA SPA	83,03%	32.619	-	-	32.619	-	-	-	32.619	32.619
S.E.T.DISTRIBUZIONE SPA	69,60%	85.801	-	-	85.801	-	-	-	85.801	85.801
HYDRO INVESTMENTS DE SRL	-	408.402	(408.402)	-	-	-	-	-	-	408.402
HYDRO DOLOMITI ENERGIA SRL	60,00%	-	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	-
TOTAL SUBSIDIARIES		**706.954**	**10**	**32.109**	**739.073**	**-**	**-**	**-**	**739.073**	**706.954**
DOLOMITI EDISON ENERGY SRL	51,00%	32.109	-	(32.109)	-	-	-	-	-	32.109
SF ENERGY SRL	50,00%	27.545	-	-	27.545	-	-	-	27.545	27.545
NEOGY SRL	50,00%	3.000			3.000	-	(1.000)	(1.000)	2.000	3.000
IVI GNL SRL	50,00%	-	580	-	580	-	-	-	580	-
GIUDICARIE GAS SPA	43,35%	838	-	-	838	-	-	-	838	838
BIOENERGIA TRENTINO SRL	24,90%	1.769	-	-	1.769	-	-	-	1.769	1.769
PVB POWER BULGARIA SPA	23,13%	10.624	-	(10.624)	-	(8.575)	8.575	-	-	2.049
AGS SPA	20,00%	7.095	-	-	7.095	-	-	-	7.095	7.095
TOTAL ASSOCIATED COMPANIES AND JOINT VENTURES		**82.980**	**580**	**(42.733)**	**40.827**	**(8.575)**	**7.575**	**(1.000)**	**39.827**	**74.405**
PRIMIERO ENERGIA SPA	19,94%	4.614	-	-	4.614	-	-	-	4.614	4.614
INIZIATIVE BRESCIANE SPA	16,53%	-	17.659	-	17.659	-	-	-	17.659	-
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		**6.092**	**17.659**	**-**	**23.751**	**-**	**-**	**-**	**23.751**	**6.092**
TOTAL EQUITY INVESTMENTS		**796.026**	**18.249**	**10,624**	**803,651**	**(8,575)**	**7,575**	**(1.000)**	**802.651**	**787.451**

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 field of renewable energy, in managing heat, and also promotes energy saving and energy efficiency solutions. The financial year ending 31 December 2020 recorded a profit of 201,822 euro.

NOVARETI SpA – Rovereto. Fully paid-up Share Capital of 28,500,000 euro, represented by 28,500,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The financial year ending 31 December 2020 recorded a profit of 10,274,629 euro. The company is engaged in the distribution of gas, cogeneration and district heating as well as in the management of the complete integrated water cycle.

DOLOMITI 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, which was created through the reverse merger by incorporation of Centraline Trentine Srl into its subsidiary Veneta Esercizi Elettrici Srl, acquired during the year, operates in the hydroelectric field, managing a number of power stations, as well as holding equity investments in companies that produce energy from renewable sources. As a result of the merger, Veneta Esercizi Elettrici changed its name to Dolomiti Energia Hydro Power. The financial year ending 31 December 2020 recorded a profit of 350,764 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 phase of starting up initiatives to develop LNG distribution infrastructure and, as at 31 December 2020, reported a loss of 135,319 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. As at 31 December 2020, the company reported a profit of 2,347,007 euro. The company operates in the municipal waste services segment of Trento and Rovereto.

GASDOTTI ALPINI Srl – Rovereto. ully 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, formed on 8 October 2020 to transport and dispatch natural gas, will close its first financial year on 31 December 2021.

DOLOMITI ENERGIA TRADING SpA – Trento. Fully paid-up Share Capital of 2,478,429 euro, represented by 2,478,429 shares with a value of 1 euro each; Dolomiti Energia Holding holds 98.72% of the Share Capital, equal to 2,446,829 shares with a nominal value of 2,446,829 euro. The financial year ending 31 December 2020 recorded a profit of 8,632,305 euro. The company is a Group wholesaler in charge of the wholesale marketing of electricity from renewable sources and natural gas.

DOLOMITI ENERGIA SpA – Trento. Fully paid-up Share Capital of 20,405,332 euro, represented by 20,405,332 shares of 1 euro each; Dolomiti Energia Holding holds 83.03% of the Share Capital of the company, equal to 16,942,700 shares with a nominal value of 16,942,700 euro. The financial year ending 31 December 2020 showed a profit of 26,180,434 euro. Dolomiti Energia is the Group's trading company, aimed at offering to end users all services related to electricity, gas and heat managed by the Group.

SET DISTRIBUZIONE SpA - Rovereto. Fully paid-up Share Capital of 120,175,728 euro, represented by 120,175,728 shares with a value of 1 euro each; Dolomiti Energia Holding holds 69.60% of the Share Capital, equal to 83,645,346 shares with a nominal value of 83,645,346 euro. The financial year ending 31

December 2020 recorded a profit of 19,663,885 euro. The company carries out the electricity distribution business, mainly in the Trentino Province.

HYDRO DOLOMITI ENERGIA Srl – Rovereto. 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. On 18 May 2020, the Shareholders' Meeting of Hydro Investments Dolomiti Energia resolved the reverse merger by incorporation of the company into its subsidiary Hydro Dolomiti Energia Srl, which was completed by notarial deed dated 20 July 2020. The company is a leader in Trentino in the production of energy from renewable sources, operating its own power stations and others under management. As at 31 December 2020, it ended the financial year with a profit of 45,585,923 euro.

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

DOLOMITI EDISON ENERGY Srl – Trento. Fully paid-up Share Capital of 5,000,000 euro, represented by 5,000,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 51% of the Share Capital, equal to 2,550,000 shares with a nominal value of 2,550,000 euro. The financial year ending 31 December 2020 produced a profit of 7,123,781 euro. The company produces electricity from renewable sources through the management of five hydroelectric plants. As of 1 July 2020, as a result of changes in the organisational and management structure and the board, Dolomiti Energia Holding exercises control over the company.

Associated 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 start-up phase, in view of past losses and those of the current year, the company wrote down the equity investment by 1,000 thousand euro, reducing its value to 2,000 thousand euro. Furthermore, to cover future charges that the Company will have to incur in favour of the investee NEOGY, a provision for charges was set aside in 2020 for a further 1,000 thousand euro.

IVI GNL Srl – Santa Giusta Oristano. Fully paid-up Share Capital of 1,100,000 euro, represented by 1,100,000 shares 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, purchased during the year from the subsidiary Dolomiti GNL for 80 thousand euro. On 8 October 2020, the Shareholders' Meeting resolved to increase the share capital from 100,000 euro to 1,100,000 euro in order to recapitalise the company; this increase was paid in cash in proportion to its investment for Euro 500 thousand. IVI GNL operates in the distribution of gaseous fuels, in particular through the development of activities in the infrastructure, receipt, transport and sale of methane gas including liquid, as well as the management and construction of regasification plants, including floating plants (off-shore) of liquid methane gas, the construction and management of pipelines, and the construction and management of storage of liquid methane gas.

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

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

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

PVB POWER BULGARIA – Sofia (Bulgaria). The company is subject to sale in February 2021. For more information on the transaction, please refer to note 8.14 Assets held for sale.

Other companies

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

INIZIATIVE URBANE S.p.A. – Breno (BS). Fully paid-up Share Capital of 19,389,000 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 thirty hydroelectric plants located in the provinces of Brescia, Bergamo and Cremona.

BIO ENERGIA FIEMME SpA – Cavalese. Fully paid-up Share Capital of 7,058,964 euro, represented by 1,176,494 shares with a value of 6 euro each; Dolomiti Energia Holding holds 11.46% of the Share Capital, equal to 134,800 shares with a nominal value of 808,800 euro. The company is engaged in the cogeneration and district heating sector.

CHERRYCHAIN Srl – Pergine Valsugana. Fully paid-up Share Capital of 15,000 euro, represented by 15,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 10% of the Share Capital, equal to 1,500 shares with a nominal value of 15,000 euro. The company works in the ICT sector, mainly dealing with software development, digital identity management systems and regulatory compliance.

DISTRETTO TECNOLOGICO TRENTINO S. Cons. a r.l. – Rovereto. Fully paid-up Share Capital of 201,000 euro, represented by 201,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 2.49% of the Share Capital, equal to 5,000 shares with a nominal value of 5,000 euro. The company is committed to environmental sustainability.

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

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

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

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

Subsidiaries		Percentage owned
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 TRADING	SPA	98.72%
DOLOMITI ENERGIA	SPA	83.03%
SET DISTRIBUZIONE	SPA	69.60%
HYDRO DOLOMITI ENERGIA	SRL	60.00%
DEPUR. TRENTINO CENTR.	SCARL	57.00%
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%
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	SPA	16.53%
BIO ENERGIA FIEMME	SPA	11.46%
CHERRYCHAIN	SRL	10.00%
DISTRETTO TECNOLOGICO TRENTINO	SCARL	2.49%
ISTITUTO ATESINO SVILUPPO	SPA	0.32%
CONS.ASSINDUSTRIA ENERGIA	CONS.	0.00%
CASSA RURALE ROVERETO	SCARL	0.00%
TOTAL OTHER COMPANIES		
TOTAL EQUITY INVESTMENTS		

Registered office	Share Capital 2020	Shareholder's Equity 2020	Profit/(Loss) 2020	Cost	Actual
Via Fersina 23 - 38123 Trento	120,000	4,822,324	201,822	5,915,576	5,915,576
Via Manzoni 24 - 38068 Rovereto	28,500,000	321,887,688	10,274,629	139,266,500	139,266,500
Via Fersina 23 - 38123 Trento	100,000	3,963,210	350,764	4,500,000	4,500,000
Via Fersina 23 - 38123 Trento	600,000	284,625	(135,319)	1,100,000	1,100,000
Via Manzoni 24 - 38068 Rovereto	2,000,000	25,641,664	2,347,007	16,010,000	16,010,000
Via Manzoni 24 - 38068 Rovereto	10,000	10,000	-	10,000	10,000
Via Fersina 23 - 38123 Trento	2,478,429	25,137,007	8,632,305	13,334,259	13,334,259
Via Fersina 23 - 38123 Trento	20,405,332	129,828,308	26,180,434	32,619,062	32,619,062
Via Manzoni 24 - 38068 Rovereto	120,175,728	223,668,196	19,663,885	85,800,504	85,800,504
Viale Trieste 43 - 38121 Trento	3,000,000	681,702,374	45,585,923	408,402,210	408,402,210
Via Fersina 23 - 38123 Trento	10,000	10,000	-	5,700	5,700
Via Fersina 23 - 38123 Trento	5,000,000	58,464,350	7,123,781	32,108,741	32,108,741
				739,072,552	**739,072,552**

Registered office	Share Capital 2019	Shareholder's Equity 2019	Profit/(Loss) 2019	Cost	Actual
Via Dodiciville 8 - 39100 Bolzano	7,500,000	18,566,209	134,305	27,545,000	27,545,000
Via Dodiciville 8 - 39100 Bolzano	750,000	1,654,401	(1,356,282)	3,000,000	2,000,000
Loc.Cirras - 09096 Santa Giusta OR	100,000	77,919	(20,632)	580,000	580,000
Via Stenico 11 - 38079 Tione-Trento	1,780,023	3,154,724	75,957	838,789	838,789
loc.Cadino 18/1 38010 S.Michele AA	3,000,000	7,430,240	857,033	1,768,935	1,768,935
Via Ardaro 27 - 38066 Riva d.Garda	23,234,016	51,522,201	2,874,199	7,094,721	7,094,721
				40,827,445	**39,827,445**

Registered office	Share Capital 2019	Shareholder's Equity 2019	Profit/(Loss) 2019	Cost	Actual
Via Guadagnini 31 -38054 Fiera di Primiero	9,938,990	45,666,475	3,133,026	4,614,702	4,614,702
Piazza Vittoria 19 - 25043 Breno BS	19,389,000	39,660,372	2,700,014	17,658,312	17,658,312
Via Pillocco, 4 - 38033 Cavalese	7,058,964	12,517,978	710,257	784,639	784,639
V.le Dante, 151 - 38057 Pergine Valsugana	15,000	1,019,150	13,722	300,000	300,000
"Piazza Manifattura 1 - 38068 Rovereto"	201,000	656,101	175,266	5,000	5,000
Viale A.Olivetti, 36 - 38122 Trento	79,450,676	136,698,236	5,900,537	387,200	387,200
Via Degasperi 77 - 38123 Trento	-	-		516	516
Via Manzoni 1 - 38068 Rovereto	-	-		160	160
				23,750,529	**23,750,529**
				803,650,526	**802,650,526**

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 subsidiaries Dolomiti Energia Solutions and Dolomiti GNL carry 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; finally, in 2020 the Company acquired 16.53% of the share capital of Iniziative Bresciane, a company listed on the AIM market, whose book value approximates the market price.

With regard to the 60% equity investment in Hydro Dolomiti Energia Srl (HDE) and the 51% equity investment in Dolomiti Edison Energy, 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 following Law No 205/2017, Law No 160/2019 and Law No 9/2020.

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 replaces Article 13 of the Consolidated Law per Presidential Decree no. 670 of 31 August 1972 and in short it assigns to the provinces of Trento and Bolzano the authority to regulate with their own laws "*the methods and procedures for the assignment of concessions for large water diversions for hydroelectric purposes, establishing in particular procedural rules for the conduct of tenders, the terms for calling such tenders, the admission and award criteria, the financial, organisational and technical requirements of the participants*".

The same rule also prescribes that:

a) the concessions of large diversions in the provinces 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.

More recently, with the entry into effect of Law no. 160 of 27 December 2019 "National budget for the 2020 financial year and long-term budget for the 2020-2022 three-year period" - ref. articles 76 and 77 - Article 13 of the consolidated text per 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 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 Trento notified the extension by right of large hydroelectric concessions held by subsidiaries "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 Presidential Decree No 670 of 31 August 1972 and P.L. No 4 of 6 March 1998".

In light of the above, the subsidiaries have therefore confirmed the assumption of setting the date of 31 December 2023 to be the ending date of the concession with regard to large diversion plants with expiry prior to that date, which had led to the consequent restructuring of the depreciation of the assets referred to in point a) above.

The aforesaid item b) refers to the remaining value of the plants known as "subject to reversion free of charge". The value of these plants is currently amortised with the financial method, therefore the value is apportioned along the years of concession duration and therefore comes to zero at the end of the term.

This precept 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:

- exclusively in reference to investments on the assets referred to in the first paragraph of Article 25 of 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;
- 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 in light of the failure to define the method for calculating the indemnity, the assumption of zeroing the net book value of the so-called "wet works" at the end of the concession has been confirmed.

Further salient elements contained in the cited 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 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;
- 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 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 ruled that Provincial Law No. 9 of 21 October 2020 should be challenged in the Constitutional Court, in the same manner as the similar provisions of the Regions of Lombardy, Veneto and Piedmont, insofar as, by laying down the procedures for the award of concessions for large-scale water diversions for hydroelectric purposes, it presents aspects of constitutional illegitimacy with respect to the provisions contained in Article 8, paragraphs 9 and 14, Article 10 and Article 16, paragraph 3, which exceed the statutory powers granted to the Autonomous Province of Trento by Article 13 of the Special Statute of Autonomy of the Region of Trentino Alto Adige, and infringe Article 117, paragraphs 1 and 2, letter (e) of the Constitution.
While considering the relevance of Provincial Law 9/2020 for the regulation of tenders for the award of concessions, it did not entail any changes compared with the previous year in the accounting treatment of the values of the plants of the hydroelectric chain, and therefore the related challenge also has no impact on the values in the financial statements.

Depreciable amount of certain elements of the Italian hydroelectric supply chain following Law no. 134/2012.

The law of 7 August 2012, No. 134 on "Urgent Measures for the Country's Growth", published in the Official Journal of 11 August 2012, radically changed the regulation of hydroelectric concessions at national level, providing, among other things, that five years before the expiration of a large diversion concession for hydroelectric use and in cases of forfeiture, waiver and revocation, where there is no overriding public interest in a different use of waters incompatible with the continued use of water for hydroelectric purposes, the competent administration shall launch a public tender for the award of the concession for a period of 20 years up to a maximum of 30 years.

In order to ensure continuity of operations, the above Law also defined the procedures for the transfer from the outgoing concession holder to the new concession holder of the business unit necessary for the exercise of the concession, including all legal relationships relating to the concession itself, against payment of a consideration, to be agreed upon between the outgoing concession holder and the granting administration, taking into account the following elements:

- as regards collection and regulation works, penstocks and discharge channels, considered as subject to reversion free of charge in the Consolidated Text of law provisions on waters and electric power plants (Article 25 of the Royal Decree No 1775 of 11 December 1933), based on the revalued historical cost, calculated net of public capital grants, revalued as well and received by the concession holder for the building of these works, less the estimated amount of ordinary wear and tear;
- as regards other tangible assets, at arm's length value, intended as value of reconstruction as new, less ordinary wear and tear.

The legislation in question is not currently applicable to the subsidiaries, pursuant to the provisions of Article 1 bis, paragraph 15 quater, letter h), of the Law of the Trento Autonomous Province by which the ten-year extension of the concessions transferred to the subsidiaries was granted and, in view of the foregoing paragraph, this issue shall be governed by specific provincial laws.
Despite the absence of specific impairment indicators, an impairment test was performed at the end of the 2020 reporting year for the equity investments held in Hydro Dolomiti Energia and Dolomiti Edison Energy. The analysis, which was carried out assuming that the concessions held by the subsidiaries would be extended to 31 December 2024, showed that there were no presumed impairment losses.

8.5 NON-CURRENT FINANCIAL ASSETS

The item "Non-current financial assets" in the balance sheet at zero carrying amount, includes the real estate fund Clesio, 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.

8.6 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities as at 31 December 2020 and 31 December 2019 are broken down by type of temporary differences as follows:

(in thousands of Euro)	AT 31 DECEMBER		
	2020	2019	change
Property, plant and equipment	519	613	(94)
Provision for write-downs	114	115	(1)
Production bonuses	239	223	16
Provisions for risks and charges	424	427	(3)
Fair value of derivatives	2,832	1,998	834
Non-deductible interest expense	1,126	1,336	(210)
Real estate fund write-down	3,763	3,763	-
Other differences, Ita Gaap - IFRS	-	25	(25)
Other	13	10	3
Employee termination and other benefits	425	369	56
IFRS16	206	228	(22)
TOTAL PREPAID TAXES	**9,661**	**9,107**	**554**
Property, plant and equipment	76	105	(29)
Provision for write-downs	56	56	-
TOTAL DEFERRED TAXES	**132**	**161**	**(29)**

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 31.12.2019	Increases/(Decreases) in Income Statement	Increases/(Decreases) in Shareholders' Equity	Other changes in Income Statement	Other changes in Shareholders' Equity	as at 31.12.2020
DEFERRED TAX ASSETS:						
Property, plant and equipment	**613**	(94)	-	-	-	**519**
Provision for write-downs	**115**	(1)	-	-	-	**114**
Production bonuses	**223**	16	-	-	-	**239**
Provisions for risks and charges	**427**	(3)	-	-	-	**424**
Fair value of derivatives	**1,998**	-	834	-	-	**2,832**
Non-deductible interest expense	**1,336**	(210)	-	-	-	**1,126**
Real estate fund write-down	**3,763**	-	-	-	-	**3,763**
Other differences, ITA GAAP - IFRS	**25**	(25)	-	-	-	**-**
Other	**10**	3	-	-	-	**13**
Employee termination and other benefits	**369**	(4)	60	-	-	**425**
IFRS16	**228**	(22)	-	-	-	**206**
TOTAL PREPAID TAXES	**9,107**	**(340)**	**894**	**-**	**-**	**9,661**
Property, plant and equipment	**105**	(29)	-	-	-	**76**
Provision for write-downs	**56**	-	-	-	-	**56**
TOTAL DEFERRED TAXES	**161**	**(29)**	**-**	**-**	**-**	**132**

8.7 OTHER NON-CURRENT ASSETS

The item "Other non-current assets" as at 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)

	AT 31 DECEMBER		
	2020	2019	change
Other assets	79	79	-
TOTAL	**79**	**79**	**-**

The item "Other non-current receivables" mainly includes guarantee deposits paid to suppliers (52 thousand euro) and prepayments beyond the financial year (27 thousand euro).

8.8 INVENTORIES

The item "Inventories" as at 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	AT 31 DECEMBER		
	2020	2019	change
Raw materials and consumables	143	490	(347)
TOTAL	**143**	**490**	**(347)**

Inventories of raw materials refer primarily to stocks of meters (137 thousand euro) purchased by the Parent Company for its subsidiaries.

8.9 TRADE RECEIVABLES

The item "Trade receivables" as at 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	AT 31 DECEMBER		
	2020	2019	change
Accounts receivable - customers	4,319	5,844	(1,525)
Accounts receivable - subsidiaries	7,256	8,447	(1,191)
Accounts receivable - associates	6	34	(28)
Accounts receivable - parent companies	139	140	(1)
Provision for write-downs	(641)	(641)	-
TOTAL	**11,079**	**13,824**	**(2,745)**

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

The provision for write-downs reported the following changes during the years 2019 and 2020:

(in thousands of Euro)

	Provision for write-downs
AS AT 1 JANUARY 2019	**646**
Allocations	-
Utilisations	(5)
AS AT 31 DECEMBER 2019	**641**
Allocations	-
Utilisations	-
AS AT 31 DECEMBER 2020	**641**

8.10 INCOME TAX CREDITS AND PAYABLES

The item "Income tax credits" as at 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)

	AT 31 DECEMBER		
	2020	2019	change
IRES credit (corporate tax)	-	624	(624)
TOTAL	**-**	**624**	**(624)**

The IRES credit existing at the end of the previous year referred to the refund requested in 2012 on the basis of the so-called "Salva Italia" and "Semplificazioni" decrees for 624 thousand euro. The credit was fully collected in 2020.

The table hereunder shows the income tax payable as at 31 December 2020 and 2019:

(in thousands of Euro)

	AT 31 DECEMBER		
	2020	2019	change
IRES payable	2,527	2.957	(430)
TOTAL	**2,527**	**2.957**	**(430)**

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

8.11 CURRENT FINANCIAL ASSETS

The item "Current financial assets" as at 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)

	AT 31 DECEMBER		
	2020	2019	change
Financial assets - subsidiaries	94,221	46,332	47,889
Financial assets - associates	1,375	6,350	(4,975)
TOTAL	**95,596**	**52,682**	**42,914**

Financial receivables from subsidiaries include receivables from the parent company for cash pooling and related interest (60,995 thousand euro), which increased by 14,666 thousand euro compared to the previous year. The Parent Company also has a receivable from Hydro Dolomiti Energia for a short-term interest-bearing shareholder loan disbursed in 2020 (32,500 thousand euro in principal plus accrued interest of 123 thousand euro) and other receivables for guarantees and commissions for making funds available to subsidiaries for the amount of 502 thousand euro.
The receivable from associated companies relates to a shareholder loan granted to IVI Gnl (125 thousand euro) repayable in the short term and an interest-bearing shareholder loan granted to Neogy (1,250 thousand euro).

8.12 OTHER CURRENT ASSETS

The item "Other current assets" as at 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)

	AT 31 DECEMBER		
	2020	2019	change
VAT credit	4,052	4,005	47
Prepayments and accrued income	487	358	129
Other accounts receivable	174	111	63
Accounts receivable - CSEA	-	52	(52)
Renewable source certificates	153	717	(564)
Advances/Deposits	31	132	(101)
Accounts receivable - Social security institutions	4	1	3
Accounts receivable - subsidiaries	6,017	5,620	397
TOTAL	**10,918**	**10,996**	**(78)**

The VAT credit is the balance of the entire centralised management of Group VAT.
The item Renewable source certificates refers to the receivable deriving from the right to receive GRIN Certificates further to the production of energy from hydroelectric sources, to be collected and pertaining to 2020.
Accounts receivable - subsidiaries include account receivables resulting from the adhesion of subsidiaries to the national tax consolidation (6,017 thousand euro).

Tax consolidation

Detailed below are the main characteristics of the contract governing relations between Dolomiti Energia Holding and its subsidiaries as part of the "national tax consolidation" (SET Distribuzione, Novareti, Dolomiti Energia, Dolomiti Energia Solutions, Dolomiti Energia Trading, Hydro Dolomiti Energia and Dolomiti GNL):

- 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 item "Cash and cash equivalents" as at 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	AT 31 DECEMBER		
	2020	2019	change
Bank and postal current accounts	15,493	18,010	(2,517)
Cash on hand	2	6	(4)
TOTAL	**15,495**	**18,016**	**(2,521)**

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 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

This item, amounting to 6,014 thousand euro, includes the equity investment in PVB POWER BULGARIA held by Dolomiti Energia Holding equal to 23.13% of the Share Capital. This equity investment, acquired for 10,624 thousand euro, was written down in previous years by 8,575 thousand euro, in consideration of the actual losses and the losses expected to be incurred. As at 31 December 2020, the net value, amounting to 2,049 thousand euro, was revalued by 3,964 thousand euro, in consideration of its sale in February 2021 at a total price of 6,014 thousand euro.

8.15 SHAREHOLDERS' EQUITY

Changes in equity reserves is shown in the tables of these financial statements for the year.
As at 31 December 2020, 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)

	AT 31 DECEMBER 2020	2019	change
Share capital	411,496	411,496	-
Legal reserve	34,741	32,917	1,824
Share premium reserve	994	994	-
Treasury shares reserve	(53,515)	(67,552)	14,037
OTHER RESERVES AND RETAINED EARNINGS			
Revaluation reserve	1,128	1,128	-
Contributions reserve	13,177	13,177	-
Extraordinary reserve	89,130	88,296	834
Deferred tax reserve	19,437	19,437	-
Merger surplus from share swap reserve	33,866	33,866	-
FTA reserve	(33,370)	(33,992)	622
Reserve for retained earnings and losses carried forward	6,176	6,176	-
Reserve - IAS 19	(120)	(26)	(94)
Reserve for hedges on expected cash flows	(6,817)	(4,809)	(2,008)
OTHER RESERVES	**122,607**	**123,253**	**(646)**
Net profit/(loss) for the year	53,001	36,485	16,516
TOTAL	**569,324**	**537,593**	**31,731**

In October and December 2020, the Company sold 450,000 treasury shares to the shareholder Consorzio Elettrico di Storo, 930,232 treasury shares to the new shareholder Consorzio Elettrico di Pozza di Fassa and 5,536,551 treasury shares to the subsidiary Novareti SpA. The sales were carried out at a unit price of 2.15 euro for a total amount collected of 14,871 thousand euro; the higher amount collected compared to the unit book value of treasury shares, which was 2.03 euro per share, was allocated to the Extraordinary Reserve (834 thousand euro).
The Revaluation Reserve was set up following the merger by absorption of the former companies SIT S.p.A. and A.S.M. SpA; this reserve is subject to tax deferment.
This Contribution Reserve was set up by resolution of the Shareholders' Meeting and refers to the transfer of business activities to Dolomiti Energia S.p.A. (former Trenta S.p.A.).
The FTA reserve includes the equity effect of the passage to IFRS standards, determined at the transition date of 01 January 2015. The Deferred Tax Reserve reflects the positions below:

Contributions reserve

Contributions reserve	Balance as at 31 December 2020
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 CONTRIBUTIONS RESERVES	**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)

	31/12/2020	Possibility of use	Available portion	Usage summary for past three years	
				TO COVER LOSSES	FOR OTHER REASONS
I) SHARE CAPITAL	411.496				
EQUITY RESERVES					
SHARE PREMIUM RESERVE	994	A,B,C	994	-	-
REVALUATION RESERVES	1,128	A,B,C	1,128	-	-
MERGER SURPLUS FROM SHARE SWAP/ ELIMINATION RESERVE	33,866	A,B	33,866	-	-
RESERVE FOR HEDGES ON EXPECTED CASH FLOWS	(6,817)	-	-		
PROFIT RESERVES					
LEGAL RESERVE	34,741	B	-	-	-
TREASURY SHARES RESERVE	(53,515)	-	-	-	-
CONTRIBUTIONS RESERVE	13,177	A,B,C	13,177	-	-
EXTRAORDINARY RESERVE	89,130	A,B,C	89,130	-	-
DEFERRED TAX RESERVE	19,437	A,B,C	19,437	-	-
FTA RESERVE	(33,370)				-
RETAINED EARNINGS OR LOSSES CARRIED FORWARD	6,176	A,B,C	6,176		-
RESERVE - IAS 19	(120)				
TOTAL	516,323		163,908	-	-
NON-DISTRIBUTABLE PORTION			(34,860)		
RESIDUAL DISTRIBUTABLE PORTION			129,048		

* 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.

8.16 PROVISIONS FOR RISKS AND NON-CURRENT AND CURRENT CHARGES

The items "Provisions for risks and non-current charges" and "Provisions for risks and current charges" as at 31 December 2020 and 2019 are broken down as follows:

(in thousands of Euro)	AT 31 DECEMBER		
	2020	2019	change
Provision for risks and charges	1,395	1,395	-
TOTAL PROVISIONS FOR RISKS AND NON-CURRENT CHARGES	1,395	1,395	-

Provision for risks – plants

The provision as at 31 December 2020 amounted to 1,395 thousand euro. A portion of this provision was set aside over the years to cover the risk of costs incurred in connection with the operation of plants and associated areas (1,304 thousand euro); another portion was set aside to cover the cost of divesting thermo-electric power plants (91 thousand euro), which, even if written down, could generate additional disposal costs. There were no changes in the provision for risks during the year.
The item "Provisions for risks and current charges" amounted to 1,808 thousand euro as at 31 December 2020 and is broken down as follows:

(in thousands of Euro)	AT 31 DECEMBER		
	2020	2019	change
Provision for risks and charges	1,808	756	1,052
TOTAL PROVISION FOR CURRENT RISKS	1,808	756	1,052

The provision for current risks and charges includes an estimate of the liability for employee performance bonuses, to be paid in 2021 on the basis of final results for the 2020 financial year (808 thousand euro); the provision for 2019 performance bonuses was used following final balance of the results for the previous financial year in the amount of 731 thousand euro, while the remaining part (25 thousand euro) was released under contingent assets in the income statement.
During the current year, a provision for charges of 1,000 thousand euro was set aside to cover the costs that the Company will have to incur in 2021 to support the associated company Neogy Srl.

8.17 EMPLOYEE BENEFITS

The item "Employee benefits", as at 31 December 2020, included 2,173 thousand euro related to the Provision for employee termination benefits and 1,024 thousand euro related to other employee benefits. Other benefits include additional monthly wages for achieved age limits or for accrued right to pension, loyalty bonuses and golden medals for the achievement of determined age requirement in the company, discounts on the supply price of household electricity, limited to some former employees during pension.
Changes in the Provision for employee termination benefits and other employee benefits, for the years ended 31 December 2019 and 31 December 2020, are broken down as follows:

(in thousands of Euro)	AT 31 DECEMBER 2019					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Energy discounts	Medals	Total
LIABILITIES AT BEGINNING OF THE YEAR	**2,432**	**197**	**328**	**650**	**63**	**3,670**
Current cost of service	-	8	10	-	3	21
Interest to be discounted	36	2	6	-	1	45
Benefits paid	(253)	(22)	-	(260)	(6)	(541)
Actuarial losses/(profits)	148	20	24	-	12	204
Transfers	-	1	-	-	-	1
LIABILITIES AT YEAR END	**2,363**	**206**	**368**	**390**	**73**	**3,400**

(in thousands of Euro)	AT 31 DECEMBER 2020					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Energy discounts	Medals	Total
LIABILITIES AT BEGINNING OF THE YEAR	**2,363**	**206**	**368**	**390**	**73**	**3,400**
Current cost of service	-	9	13	-	4	26
Interest to be discounted	19	1	3	-	1	24
Benefits paid	(184)	(54)	(34)	(124)	(11)	(407)
Actuarial losses/(profits)	(25)	181	(23)	-	21	154
Transfers	-	-	-	-	-	-
LIABILITIES AT YEAR END	**2,173**	**343**	**327**	**266**	**88**	**3,197**

In October 2018, the Company reached an agreement with the trade union organisations that, as from 1 January 2019, 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. This change in the Energy Discount plan reduced the provision by 727 thousand euro and allocated the total one-off amount to be paid, estimated at 309 thousand euro, then recognised in 2019 in the amount of 260 thousand euro. Moreover, in November 2019, 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 will be given once the discount recognised is stopped when the employee retires. On the basis of this, the Energy Discount provision is no longer subject to actuarial measurement.
The assumptions used for actuarial evaluations are shown hereunder:

	AT 31 DECEMBER	
	2020	**2019**
Discount rate	0.35%	0.80%
Inflation rate	0.75%	1.50%
Turnover	0.50%	0.50%
Annual frequency of advances	3.00%	3.00%

A sensitivity analysis, as at 31 December 2020, related to the main actuarial assumptions included in the calculation model is shown hereunder, considering the base line scenario described above and increasing and decreasing the annual average discount rate, the average inflation rate and the turnover rate. The results obtained can be summarised in the following table:

(in thousands of Euro)	AT 31 DECEMBER 2020					
	Discount rate +0.50%	Discount rate -0.50%	Inflation rate +0.25%	Inflation rate -0.25%	Turnover rate +2.00%	Turnover rate -2.00%
TFR	2,079	2,273	2,202	2,145	2,147	2,179

8.18 FINANCIAL LIABILITIES (CURRENT AND NON-CURRENT)

The table hereunder shows current and non-current financial liabilities as at 31 December 2020 and 2019:

(in thousands of Euro)	AT 31 DECEMBER					
	2020		2019		change	
	Current	Non-current	Current	Non-current	Current	Non-current
Payables due to banks	209,054	86,383	116,984	97,904	92,070	(11,521)
Bond loans	-	5,052	-	5,052	-	-
IRS derivatives	-	9,649	497	6,806	(497)	2,843
Payables for cash pooling to subsidiaries	95,002	-	108,963	-	(13,961)	-
Payables due to other lenders	624	2,862	600	3,241	24	(379)
Other financial payables	2,041	3,200	39,703	3,200	(37,662)	-
TOTAL	**306,721**	**107,146**	**266,747**	**116,203**	**39,974**	**(9,057)**

Payables due to banks include the loan taken out with the European Investment Bank (EIB), for a residual carrying amount of 97,917 thousand euro and which is subject to the usual financial covenants required by the financial system, determined on the basis of economic and equity values; on the basis of the latest check carried out by the Company, all the covenants have been respected. The loan taken out with Banca Intesa and amounting to 15,889 thousand euro at 31 December 2019 was repaid in 2020. Payables due to banks also include short-term loans (185,000 thousand euro) and other payables on current accounts (12,520 thousand euro).

Other financial payables as at 31 December 2019 included a liability in respect of a deposit agreement with the subsidiary Hydro Investments Dolomiti Energia (HIDE) of 39,660 thousand euro; in 2020, following a reverse merger by incorporation, the liability was assumed by the incorporating company Hydro Dolomiti Energia and offset against dividends accrued in 2019 by HIDE and paid in 2020 for 37,846 euro. The residual debt as at 31 December 2020 totals 1,814 thousand euro.

Bond loan

The existing Bond Loan shows a residual amount of 5,052 thousand euro; on 10 August 2017, the Regulation: "Bond Loan - Subordinated- Fixed rate 2010-2017" was modified with the consequent postponement of the maturity term of the same loan from August 2017 to August 2022.

As at 31 December 2020 and 31 December 2019, the Company had the following bond loans in place:

(in thousands of Euro)

				AT 31 DECEMBER 2020	Accounting balance			
	COMPANY	TAKING OUT	MATURITY	OPENING BALANCE (ORIGINAL CURRENCY)	TOTAL	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Fondazione CARITRO	Dolomiti Energia Holding SpA	10 feb 10	10 aug 22	€ 30,000	5,052	-	5,052	-
TOTAL					**5,052**	**-**	**5,052**	**-**

(in thousands of Euro)

				AT 31 DECEMBER 2019	Accounting balance			
	COMPANY	TAKING OUT	MATURITY	OPENING BALANCE (ORIGINAL CURRENCY)	TOTAL	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Fondazione CARITRO	Dolomiti Energia Holding SpA	10 feb 10	10 aug 22	€ 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, determined in accordance with EU IFRS 16.

(in thousands of Euro)

	as at 31.12.2019	New contracts	Refunds	as at 31.12.2020	of which current quota
Financial payables for buildings	3,318	171	(448)	3,041	458
Financial payables for other moveable assets	523	496	(574)	445	166
PAYABLES DUE TO OTHER LENDERS	**3,841**	**667**	**(1,022)**	**3,486**	**624**

The following table shows the breakdown of net financial indebtedness of the company Dolomiti Energia Holding SpA as at 31 December 2020 and 2019, determined according to provisions set out by Consob Communication of 28 July 2006 and according to Recommendations ESMA/2013/319:

(in thousands of Euro)	AT 31 DECEMBER 2020	AT 31 DECEMBER 2019
A. Cash	2	6
B. Other cash and cash equivalents	15,493	18,010
C. Securities held for trading	-	-
D. Cash and cash equivalents (A+B+C)	**15,495**	**18,016**
E. Current financial receivables	**95,596**	**52,682**
F. Current payables due to banks and other lenders	(198,146)	(99,600)
G. Current portion of non-current payables	(11,533)	(17,984)
H. Other current financial payables	(97,042)	(149,163)
I. Current financial position (F+G+H)	**(306,721)**	**(266,747)**
J. Current net financial position (I+E+D)	**(195,630)**	**(196,049)**
K. Non-current payables due to banks and other lenders	(89,245)	(101,145)
L. Bonds issued	(5,052)	(5,052)
M. Other non-current financial payables	**(12,849)**	**(10,006)**
N. Non-current financial position (K+L+M)	**(107,146)**	**(116,203)**
O. Net financial position (J+N)	(302,776)	(312,252)
NET FINANCIAL POSITION OF THE COMPANY	**(302,776)**	**(312,252)**

8.19 OTHER LIABILITIES (CURRENT AND NON-CURRENT)

The items "Other non-current liabilities" and "Other current liabilities" as at 31 December 2020 and 2019 are broken down as follows:

(in thousands of Euro)	AT 31 DECEMBER 2020	AT 31 DECEMBER 2019	change
Accrued liabilities and deferred income	237	450	(213)
Other non-current liabilities	300	600	(300)
TOTAL OTHER NON-CURRENT LIABILITIES	**537**	**1,050**	**(513)**

The multi-year deferred income mainly refers to the hardware rental payments due in 2022 (206 thousand euro).
Other non-current liabilities refer to the amount due to former shareholders of the subsidiary NESCO srl, now Dolomiti Energia Solutions, for the purchase of their equity investment (300 thousand euro).

(in thousands of Euro)	AT 31 DECEMBER		
	2020	2019	change
Social security and welfare payables	923	881	42
Accrued liabilities and deferred income	218	218	-
IRPEF	424	475	(51)
Other tax payables	35	39	(4)
Other accounts payable	623	540	83
Accounts payable - employees	638	648	(10)
Payables for direct and indirect taxes to subsidiaries	4,874	8,820	(3,946)
Payables for direct and indirect taxes to associates	-	192	(192)
TOTAL OTHER CURRENT LIABILITIES	**7,735**	**11,813**	**(4,078)**

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 2021.
The item Accounts payable - employees includes payables for holidays, leaves and overtime hours accrued over the year and to be taken in the following year, amounting to 638 thousand euro.
The Parent Company recognises payables to subsidiaries for Group VAT (4,788 thousand euro) and IRES tax payables resulting from the tax consolidation for 86 thousand euro.

8.20 TRADE PAYABLES

The item "Trade payables" as at 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	AT 31 DECEMBER		
	2020	2019	change
Payables to subsidiaries	4,146	4,113	33
Payables to parent companies	262	255	7
Payables to other companies	10,550	8,120	2,430
TOTAL TRADE PAYABLES	**14,958**	**12,488**	**2,470**

The item Accounts payable - subsidiaries includes all relations between Dolomiti Energia Holding with Group companies and includes, amongst other, considerations related to the management of sewerage treatment plants of the Central basin through the subsidiary Depurazione Trentino Centrale, personnel in charge, service contracts and all supplies of goods and services.
The item Accounts payable - parent companies is related to payables due to the Municipality of Rovereto for rentals.
Trade payables to other companies include payables for invoices received amounting to 5,180 thousand euro and for invoices to be received amounting to 5,370 euro; the increase compared to the previous year is mainly due to year-end invoicing for hardware and software payments and fees settled in the following month.

9. Notes to the Income Statement

9.1 REVENUE

The item "Revenue" for the years ended 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)

	AT 31 DECEMBER		
	2020	2019	change
Electricity production	6,785	8,115	(1,330)
Distribution and grids	63	63	-
Other services	1,249	1,330	(81)
TOTAL	**8,097**	**9,508**	**(1,411)**

Revenues from the production of hydroelectric energy were in line with the previous year; the decrease mainly concerned thermoelectric production with a decrease of 1,049 thousand euro. Please refer to the Report on Operations for a complete and more detailed picture of the year's performance.
Other services regarded sales of laboratory chemical analyses for third parties, which decreased slightly compared to last year's figures to 1,249 thousand euro.
All revenue was achieved in Italy.

9.2 OTHER REVENUE AND INCOME

The item "Other revenue and income" for the years ended 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)

	AT 31 DECEMBER		
	2020	2019	change
Other revenue	386	325	61
S. Colombano Operations	537	621	(84)
Real estate income	355	368	(13)
Gains from standard operations	13	1	12
Other revenue and income	3,220	2,018	1,202
Software user license revenue	642	587	55
Services to third parties	28	22	6
Purification management	3,009	3,007	2
Revenue from services to subsidiaries	21,286	20,259	1,027
Revenue from services to associates	27	26	1
Seconded personnel	986	1,458	(472)
Standard contingent assets	1,390	548	842
Grants - plants	6	6	-
Operating grants	1,173	1,657	(484)
TOTAL	**33,058**	**30,903**	**2,155**

This item includes mainly:

- the item "other revenue and income" mainly include the sales of materials and meters, which the Company purchases and resells to the Subsidiaries and other customers (2,831 thousand euro), with an increase of 933 thousand euro compared to last year; it also includes revenues from the sale of materials purchased for the Covid-19 emergency for all Group Companies;
- the item "Purification management" includes considerations paid by the Trento Autonomous Province (PAT) for the management of purification plants of the Central basin (3,009 thousand euro);
- revenue with subsidiaries mostly referred to service contracts entered into to regulate the administrative, logistics, IT and Covid-19 emergency management services between the Parent Company and Subsidiaries (19,192 thousand euro), bank sureties and parent company guarantees (1,243 thousand euro), and advisory and other services (851 thousand euro);
- revenue for "seconded personnel" refers to its personnel seconded to Hydro Dolomiti Energia (684 thousand euro), Dolomiti Energia Solutions (148 thousand euro), Dolomiti Ambiente (142 thousand euro) and Dolomiti Energia (12 thousand euro);
- contingent assets substantially referred, in the amount of 983 thousand, to tax credit granted for R&D activities for the years 2018 and 2019, as provided for by Law No 190 of 23 December 2014; they also include trade balancing payments (402 thousand euro);
- operating grants referred to GRIN incentives granted by GSE to producers of energy from renewable sources (1,173 thousand euro).

9.3 RAW MATERIALS, CONSUMABLES AND MERCHANDISE

The item "Raw materials, consumables and merchandise" for the years ended 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	AT 31 DECEMBER		
	2020	2019	change
Purchases of elect. raw materials	174	253	(79)
Purchases of gas raw materials	1,547	2,240	(693)
Purchases of inventories	2,356	2,187	169
Purchase of fuels and vehicle spare parts	597	238	359
Purchases of laboratory and chemicals	192	230	(38)
Changes in inventories of raw materials, consumables and merchandise	347	(398)	745
Contingent liabilities on purchases	36	5	31
Other purchases	444	12	432
TOTAL	5,693	4,767	926

In detail they include:

- Purchases of electricity and gas related to thermoelectric production of the Mincio power plant that the Company co-owns with A2A Milano, AGSM AIM SpA;
- among the purchases of materials managed in stock, the purchase of meters (2,130 thousand euro) and other materials intended for subsequent sale to subsidiaries (226 thousand euro) is reported;

- the item "other purchases" include consumables not managed in stock, which increased during the year due to the centralised purchase of PPE devices and sanitisation products for managing the Covid-19 emergency, most of which were charged to subsidiaries.

9.4 SERVICE COSTS

The item "Service costs" for the years ended 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	AT 31 DECEMBER		
	2020	2019	change
External maintenance services	11,776	10,004	1,772
Insurance, banking and financial services	581	763	(182)
Other services	3,144	2,604	540
Commercial services	250	491	(241)
General services	3,260	3,239	21
Contingent liabilities for services	467	183	284
Rental expense	55	44	11
Rental fees	193	135	58
Water diversion charges	1,103	1,167	(64)
TOTAL	**20,829**	**18,630**	**2,199**

External maintenance services essentially concern the operation and maintenance of the systems, the costs to manage the hydroelectric and thermal power plants (2,041 thousand euro), the hardware and software payments, up on 2019 (7,058 thousand euro), and the maintenance of the vehicle fleet (206 thousand euro). Cost tipping of purification plants managed through the subsidiary Depurazione Trentino Centrale (2,471 thousand euro) is also included.
Insurance service costs corresponded to 475 thousand euro, while the banking and financial services comprised bank commissions and charges for guarantees and financial professional services that amounted to 106 thousand euro.
The item "other services" includes services provided to employees for 684 thousand euro mainly relating to canteen, payslip processing and training expenses. Cleaning and security services (533 thousand euro), technical, IT and consultancy professional services are also included for a total amount of 1,854 thousand euro (1,410 thousand euro in the previous year).
Commercial services include transmission, modulation and balancing services, as well as service contracts with subsidiaries (172 thousand euro), as well as sponsorship, advertising and communication services (78 thousand euro).
Telephone costs (1,382 thousand euro), utility bills and annual membership fees (695 thousand euro) were reclassified under General services. The item also includes costs for financial statement certification and fees to directors and statutory auditors, as detailed under items 12 and 13 herein. Fees were duly paid during the year to the Board of Statutory Auditors in compliance with Shareholders' Meeting resolutions. The fees paid to the Board of Directors were decided by the Shareholders' Meeting, and for special offices by the Board of Directors.
Contingent liabilities include reclassifications of adjustments to invoices for telephone fees (363 thousand

euro) and other costs for services pertaining to previous periods settled during the year (104 thousand euro).
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 Euro 5 thousand (electronic office machines).

9.5 PERSONNEL COSTS

The item "Personnel costs" for the years ended 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	AT 31 DECEMBER		
	2020	2019	change
Wages and salaries	9,266	9,056	210
Social security costs	2,815	2,764	51
Employee termination benefits	593	572	21
Other costs	(278)	(298)	20
TOTAL	12,396	12,094	302

Personnel costs include an estimate of employee bonuses earned as a result of the achievement of corporate objectives for the amount of 808 thousand euro (756 thousand euro in the previous year). The item "Other costs" includes the value of capitalised internal costs (therefore deducted from personnel costs) for a total amount of 440 thousand euro (498 thousand euro in the previous year).
The total increase in personnel costs is attributable primarily to the hiring of 11 persons (8 persons in 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 2020, 199 employees resulted on the Company's payroll, including: 11 executives, 22 managers, 157 while collar employees and 9 manual workers.

9.6 AMORTISATION, DEPRECIATION, ALLOCATIONS AND WRITE-DOWNS

The item "Amortisation, depreciation, allocations and write-downs" for the years ended 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	AT 31 DECEMBER		
	2020	2019	change
Amortisation of rights of use	550	535	15
Amortisation of intangible assets	5,523	4,684	839
Amortisation of property, plant and equipment	2,468	2,479	(11)
Write-downs of financial fixed assets	-	7,187	(7,187)
TOTAL	8,541	14,885	(6,344)

Amortisation in 2020 increased compared to 2019 as a result of the significant investments the Company made in patents and software serving the Group (increase of 828 thousand euro).

During the financial year, the Company did not make any write-downs on property, plant and equipment and financial fixed assets (7,187 thousand euro in the previous year, relating to the write-down of the Clesio Real Estate Fund).

9.7 OTHER OPERATING COSTS

The item "Other operating costs" for the years ended 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	AT 31 DECEMBER		
	2020	2019	change
Miscellaneous costs	857	816	41
IMU (property tax)	226	247	(21)
Standard contingent liabilities	958	277	681
Losses from standard operations	77	5	72
Postal charges	1	2	(1)
Other taxes	104	100	4
TOTAL	**2,223**	**1,447**	**776**

Miscellaneous costs include stamp and registry tax, vehicle circulation tax, stationary costs and other sundry charges for the Company's ordinary management (443 thousand euro). They also include charges for the execution of obligations for CO_2 emissions in the thermoelectric production of the Mincio power plant (414 thousand euro).

Contingent liabilities essentially refer to the recounting of the tax credit for the years 2015, 2016 and 2017, as provided for by Law No 190 of 23 December 2014 (2015 Stability Law - 463 thousand euro); they are partly attributable to differences between accrued costs allocated in previous years and actual costs recorded in the accounts (294 thousand euro); contingent liabilities also emerged on the transfer of consultancy and design costs incurred in the years 2010-2016 recorded in work in progress, but referring to projects that did not materialise (201 thousand euro).

Other taxes include the annual contribution to the ARERA and AGCM, and the annual plant security contribution to the Ministry for Economic Development.

9.8 GAINS AND EXPENSES FROM EQUITY INVESTMENTS

The item "Gains and expenses from equity investments" for the years ended 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	AT 31 DECEMBER		
	2020	2019	change
Dividends from subsidiaries	56,785	43,129	13,656
Dividends form associates and joint ventures	241	1,256	(1,015)
Dividends and income from other Companies	429	627	(198)
Write-ups of equity investments and securities	3,965	-	3,965
Write-downs of equity investments and securities	(2,000)	-	(2,000)
TOTAL	**59,420**	**45,012**	**14,408**

Dividends collected over the year and recognised through income statement come from subsidiaries: Dolomiti Energia (11,013 thousand euro), SET Distribuzione (5,019 thousand euro), Hydro Investments Dolomiti Energia now Hydro Dolomiti Energia (37,846 thousand euro, entirely offset by financial payables to the subsidiary existing as at 31 December 2019) and Dolomiti Energy Edison (2,907 thousand euro).
Dividends from associates were paid by Alto Garda Servizi (241 thousand euro).
The item "income from other companies" includes collection of the dividend from Primiero Energia (396 thousand euro), Bioenergia Fiemme (20 thousand euro) and from Istituto Atesino Sviluppo (13 thousand euro).
The revaluation arises from the adjustment of the equity investment in PVB POWER BULGARIA to the price of the sale of the equity investment, concluded in February 2021, as already described in point 8.14 Assets held for sale and discontinued operations.
The write-down refers to the associated company Neogy: 1,000 thousand euro to adjust the value of the equity investment, which recorded significant losses, and a further 1,000 thousand euro as a provision for future charges to be born in 2021.

9.9 FINANCIAL INCOME AND CHARGES

The item "Financial income and charges" for the years ended 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	AT 31 DECEMBER		
Proventi Finanziari	2020	2019	change
Financial income from subsidiaries	1,527	1,601	(74)
Financial income from associates	55	113	(58)
Financial income from other companies	163	249	(86)
Fair value changes in IRS derivatives	497	1,365	(868)
TOTAL	**2,242**	**3,328**	**(1,086)**

The item "Financial income from subsidiaries" includes interest accrued on positive cash pooling balances (467 thousand euro), commissions for the provision of funds (768 thousand euro) and interest on loans to subsidiaries (292 thousand euro).

(in thousands of Euro)

Financial expense	AT 31 DECEMBER 2020	2019	change
Financial charges due to subsidiaries, associates and joint ventures	(150)	(151)	1
Financial charges due to other companies	(1,023)	(2,048)	1,025
Interest to be discounted	(108)	(144)	36
TOTAL	**(1,281)**	**(2,343)**	**1,062**

The item "Financial charges due to other companies" includes interest expense on bank current accounts and mortgages, amounting to 926 thousand euro (1,957 thousand euro in the previous year), in addition to interest on the bond loan (85 thousand euro). The decrease in charges, compared to the previous year, is related to lower interest rates on mortgages entered by the Company (1,025 thousand euro).

9.10 TAXES

The item "Taxes" for the years ended 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)

	AT 31 DECEMBER 2020	2019	change
Deferred taxes	29	32	(3)
Prepaid taxes	(340)	165	(505)
Prepaid taxes on tax losses	1,206	1,560	(354)
Income/charge from tax consolidation	129	158	(29)
Taxes from prior years	123	(14)	137
TOTAL	**1,147**	**1,901**	**(754)**

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)

	AT 31 DECEMBER			
	2020	%	2019	%
PROFIT BEFORE TAX	**51,853**		**34,584**	
Theoretical IRES	12,445	24.00%	8,300	24.00%
Permanent differences	(56,314)		(42,151)	
Temporary differences	(565)		6,880	
ACE	-		-	
IRES taxable amount	(5,026)		(687)	
ACTUAL IRES	(1,206)		(165)	
OPERATING RESULT	**50,893**		**33,599**	
Interest margin	487		(333)	
Costs without relevance for IRAP purposes	12,830		19,779	
Revenue without relevance for IRAP purposes	(59,420)		(45,012)	
TOTAL	**4,790**		**8,033**	
Theoretical IRAP	267	5.57%	447	5.57%
Permanent differences	(11,272)		(11,437)	
Temporary differences	(927)		(1,158)	
ACTUAL IRAP	-		-	
CURRENT INCOME TAXES	-		-	
PREPAID TAXES ON TAX LOSSES	(1,206)		(165)	

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 2020 and 2019, the main transactions with related parties concerned the following:

(in thousands of Euro)

	AT 31 DECEMBER							
	2020				2019			
	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES
DTC	1,144	797	(1,413)	-	1,599	805	(1,540)	-
Dolomiti Energia	4,781	5,587	(163)	(10)	5,018	167	(431)	(21,343)
Dolomiti Energia Solutions	428	6,039	(271)	(195)	250	2,932	(186)	(2)
Set Distribuzione	2,986	8	30	(82,117)	1,457	8	139	(88,647)
Novareti	1,030	24,010	(18)	(352)	2,029	3,777	(13)	(1,129)
Hydro Dolomiti Energia	1,909	32,725	(4,106)	(14,773)	2,013	125	(2,040)	(2,766)
Dolomiti Edison Energy	73	2,245	-	(136)	1,225	36,542	(15)	(703)
Dolomiti Energia Trading	608	19,070	(16)	(491)	22	1,968	-	(33)
Dolomiti GNL	22	2,051	-	(27)	3	2	-	(39,918)
Dolomiti En.Hydro Power	28	1,679	-	-	22	-	-	(600)
Dolomiti Ambiente	265	9	(2)	(2,002)	428	7	(27)	(2,343)
TOTAL	**13,274**	**94,220**	**(5,959)**	**(100,103)**	**14,066**	**46,333**	**(4,113)**	**(157,484)**

(in thousands of Euro)

	AT 31 DECEMBER															
	2020								2019							
	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	-	158	-	-	(2,471)	-	29	-	-	132	4	-	(2,494)	-	73	-
Dolomiti Energia	-	5,279	-	-	(236)	(13)	650	(49)	-	4,364	-	-	(391)	(21)	670	(50)
Dolomiti Energia Solutions	-	673	-	-	(465)	-	113	-	-	413	-	-	(313)	-	29	-
Set Distribuzione	-	6,216	-	-	(97)	(1)	32	(100)	-	4,740	-	-	(145)	-	31	(96)
Novareti	-	5,933	-	(1)	(18)	-	129	-	-	5,925	-	(10)	-	-	107	-
Hydro Dolomiti Energia	-	3,823	-	-	(1,366)	(110)	806	-	-	4,200	-	-	(1,980)	-	469	(2)
Dolomiti Edison Energy	-	303	-	-	-	-	29	-	2,761	1,121	-	-	(15)	-	1,152	-
Dolomiti Energia Trading	2,401	660	-	-	(16)	-	850	-	-	22	-	-	-	-	55	-
Dolomiti GNL	-	12	-	-	-	-	55	-	-	10	-	-	-	-	6	(1)
Dolomiti En.Hydro Power	-	41	-	-	-	-	41	-	-	22	-	-	-	-	3	-
Dolomiti Ambiente	-	1,798	-	-	(21)	-	35	-	-	1,687	-	-	(26)	-	30	-
TOTAL	**2,401**	**24,896**	**-**	**(1)**	**(4,690)**	**(124)**	**2,769**	**(149)**	**2,761**	**22,636**	**4**	**(10)**	**(5,364)**	**(21)**	**2,625**	**(149)**

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

11. Guarantees and commitments

The Guarantees and commitments in favour and undertaken by the Company as at 31 December 2020 and 2019 are broken down as follows:

(in thousands of Euro)	AT 31 DECEMBER		
	2020	2019	change
Guarantees given to third parties	134,248	126,616	7,632
Financial commitments in favour of third parties	106,120	102,009	4,111
TOTAL	**240,368**	**228,625**	**11,743**

(in thousands of Euro)	AT 31 DECEMBER		
	2020	2019	change
Usage of signature facilities to issue bank/insurance guarantee	2,038	2,331	(293)
TOTAL	**2,038**	**2,331**	**(293)**

Guarantees given to third parties (134,248 thousand euro) include parent company guarantees issued in favour of subsidiaries/associates, in the amount of 98,533 thousand euro (80,902 thousand euro as at 31 December 2019), as well as guarantees given to banks and insurance companies for loans/credit lines granted to investees, in the amount of 35,715 thousand euro (45,714 thousand euro at the end of previous year). The Company also undertook financial commitments in favour of third parties, equal to 106,120 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 2020 and 2019 are broken down as follows:

(in thousand of euro)	FOR THE YEAR ENDED DECEMBER 31, 2020	
	2020	2019
Remuneration of the Board of Directors	452	437
remuneration of the Board of Statutory Auditors	88	88
TOTAL	**540**	**525**

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 2020 and 2019, as well as remuneration for tax advisory and audit services:

(in thousand of euro)	FOR THE YEAR ENDED DECEMBER 31, 2020	
	2020	2019
Remuneration of the auditing firm	45	44
Other verification services	4	4
TOTAL	49	48

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 2020 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 law 124/2017 (annual market and competition law) as reformulated by Article 35 of decree law No 34/2019 (growth decree), published on the Official Gazette No 100 of 30 April 2019, 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 legislative decree No 33/2013 in 2020.

18. Proposed allocation of profits or loss coverage

We propose to the Shareholders' Meeting that profit for the year of 53,000,677 euro be allocated as follows:

- 2,650,034 euro, equal to 5% of the profit for the year, to the legal reserve
- 38,512,629 euro ordinary dividend to shareholders, corresponding to 0.10 euro per share;
- 11,838,014 euro to FTA (First Time adoption) reserve

Rovereto, 26 March 2021

on behalf of the BOARD OF DIRECTORS
Dolomiti Energia Holding S.p.A.
The Chairman
Massimo De Alessandri

Certification of the Financial statements

The undersigned Massimo De Alessandri 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 2020.

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, 26 March 2021

Chairman
Massimo De Alessandri

Head of Administration
Michele Pedrini

Reports

Sarca River, Valley of the lakes
Photo Roberto Bragotto, Trentino Sviluppo spa Archive

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 LEGISLATIVE DECREE 254/2016

To the Shareholders' Meeting of Dolomiti Energia Holding S.p.A.

Dear Shareholders,

During the year ended 31 December 2020, our activities were governed by legal provisions, supplemented by the "Code of Conduct of the Board of Statutory Auditors" recommended by the Italian Accounting Profession.

As you know, following the admission to listing of the bond loan issued by the Company on the regulated market of the Irish Stock Exchange, it acquired the qualification of Public Interest Entity pursuant to Legislative Decree no. 39 of 27 January 2010.

As a consequence of the above, and to the purpose herein:

- The "Internal Control and Auditing Committee" was appointed, in the persons of the members of the Board of Statutory Auditors, 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 Legislative Decree 254/2016 and, among other things, prepare the Consolidated Non-Financial Statement.

Supervisory activity

We monitored compliance with the law, with the bylaws and with the principles of sound administration.
We attended the shareholders' meeting, the meetings of the Board of Directors and the meetings of the Executive Committee, in connection with which we found no infringements of the law or articles of association, or transactions that were manifestly imprudent, risky, in potential conflict of interest or such as to jeopardise the integrity of the assets.
During the meetings, we obtained information from the Directors on the general performance of operations and on business outlook, with details of the more significant transactions in terms of size or characteristics performed by the Company and its subsidiaries. Based on the information acquired, we have no particular comments to make.
We acquired awareness and monitored, for the part of our competence, the adequacy and operation of the Company organisation, also through information obtained from department managers and, to this regard, we have no particular comments to make.
We acquired awareness and monitored, for the part of our competence, the adequacy and operation of the administrative and accounting system, and its reliability in fairly representing operating events, by obtaining

information from department managers, from the appointed independent auditors and from examination of the company document and, to this regard, we have no particular comments to make.

In our role of Internal Control and Audit Committee, pursuant to Article 19, paragraph 1 of Legislative Decree 39/2010, as amended by 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 EU Reg. 537/2014 that was made available on 13 April 2021 and on which the Board has no comments to make. We supervised compliance with the provisions set out in 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 appointed independent auditors, Pricewaterhousecoopers SpA, no significant data or information emerged that would warrant mention in this report.

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

No opinions provided for by the law were given during the year.

During the course of our supervision, as described above, no new significant events emerged that would require mention in this report. These supervisory activities were performed in 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 Auditing Manager on a number of occasions, and attended all meetings with the Supervisory Body.

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

Financial statements

We have examined the draft financial statements as at 31 December 2020, whose figures are summarised below:

STATEMENT OF FINANCIAL POSITION	31/12/2020	31/12/2019
Assets	1,015,481,482	954,562,727
Liabilities	446,157,290	416,969,248
Shareholders' equity (excluding the result for the year)	516,323,515	501,108,341
Result for the year	53,000,677	36,485,138
INCOME STATEMENT	**31/12/2020**	**31/12/2019**
Other revenue and income	41,154,570	40,410,931
Costs	- 49,681,382	-51,823,269
DIFFERENCE	-8,526,812	-11,412,338
Gains and expenses from equity investments	59,419,863	45,011,505
OPERATING RESULT	50,893,051	33,599,167
Financial income and charges	960,864	980,682
PROFIT BEFORE TAX	51,853,915	34,583,849
Taxes for the period	1,146,762	1,901,289
RESULT FOR THE YEAR	53,000,677	36,485,138
Total other profits (losses) that will not be reclassified in the income statement	-2,102,192	-3,459,932
TOTAL AGGREGATE RESULT FOR THE YEAR	**50,898,485**	**33,025,206**

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

The financial statements for the year ended 31 December 2020 were drafted according to the International Accounting Standards – IAS and the International Financial Reporting Standards – IFRS, issued by the International Accounting Standards Board (IASB), as well as to IFRIC and SIC interpretations, endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 in force at the reporting date.
The financial statements were prepared in compliance with Article 9, Paragraph 3 of Law Decree no. 38 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 4 of the Italian Civil Code.

Consolidated Non-Financial Statement

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

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

It is also acknowledged that the statement is not accompanied by the certification of the appointed auditor since it is being issued on today's date. In accordance with what has already been informally noted by the appointed party, said certification is not expected to contain any significant events or critical items worthy of mention. 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.

CONCLUSIONS

Also considering the results of the activity carried out by the appointed independent auditors contained in the report on the audit of the financial statements that was made available to us on 13 April 2021, the Board of Statutory Auditors proposes to the Shareholders' Meeting to approve the financial statements as at 31 December 2020, as they have been drawn up by the Directors.

Trento, 13 April 2021

The Board of Statutory Auditors

Massimiliano Caligiuri
Chairman;

Barbara Caldera
Standing Auditor;

Michele Iori
Standing Auditor.

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 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 2020, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2020, 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 2020.* The Company's financial statements as of 31 December 2020 include Equity investments for Euro 802,7 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") and the subsequent Law 160 of 27 December 2019 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 2023, 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 confirmed the extention of the expiring date to 31 December 2023 for the above concessions, and 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 2020 of HDE. We examined the Company's management estimates of the cash flows expected in the period 2021-2023 from the equity investments in HDE. We examined the appraisal commissioned by the Company's management 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. In addition, with the support of PwC network's experts, we examined the discount rate used in the impairment test, the relating methodological correctness and the mathematical accuracy, and 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 2020 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 Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

On 15 December 2017, the shareholders of Dolomiti Energia Holding SpA in general meeting engaged us to perform the statutory audit of the Company's 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

Management of Dolomiti Energia Holding SpA is responsible for preparing a report on operations of Dolomiti Energia Holding SpA as of 31 December 2020, 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 2020 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 2020 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, 13 April 2021

PricewaterhouseCoopers SpA

Signed by

Paolo Vesentini
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

Dolomiti Energia Group Consolidated financial statements as at 31 December 2020

Vineyards at Lisignago, Cembra Valley
Photo Daniele Montigiani

Consolidated Statement of Financial Position

(in thousands of Euro)

Assets	Notes	AS AT 31 DECEMBER 2020	2019
NON-CURRENT ASSETS			
Rights of use	7.1	8,836	10,061
Assets under concession	7.2	576,794	548,208
Goodwill	7.3	36,881	36,124
Intangible assets	7.3	47,869	40,502
Property, Plant and Equipment	7.4	917,114	845,405
Equity investments measured at equity and other companies	7.5	69,992	76,135
Non-current financial assets	7.6	407	99
Deferred tax assets	7.7	38,524	32,686
Other non-current assets	7.8	36,619	22,358
TOTAL NON-CURRENT ASSETS		**1,733,036**	**1,611,578**
CURRENT ASSETS			
Inventories	7.9	21,526	20,862
Trade receivables	7.10	296,368	302,192
Receivables for current taxes	7.11	5,110	5,684
Current financial assets	7.12	71,578	137,362
Other current assets	7.13	102,726	58,885
Cash and cash equivalents	7.14	82,990	23,237
TOTAL CURRENT ASSETS		**580,298**	**548,222**
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**7.15**	**6,014**	**-**
TOTAL ASSETS		**2,319,348**	**2,159,800**
Shareholders' Equity			
Share capital	7.16	411,496	411,496
Reserves	7.16	295,818	254,178
Net profit/(loss) for the year	7.16	97,601	80,602
TOTAL GROUP SHAREHOLDERS' EQUITY		**804,915**	**746,276**
Capital and reserves - minority interests	7.16	362,461	336,473
Profit/(Loss) - minority interests	7.16	30,849	29,036
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY		**1,198,225**	**1,111,785**
Liabilities			
NON-CURRENT LIABILITIES			
Provisions for risks and non-current charges	7.17	24,221	23,612
Employee benefits	7.18	18,207	18,635
Deferred tax liabilities	7.7	175,942	170,202
Non-current financial liabilities	7.19	234,621	247,181
Other non-current liabilities	7.20	109,561	110,805
TOTAL NON-CURRENT LIABILITIES		**562,552**	**570,435**
CURRENT LIABILITIES			
Provisions for risks and current charges	7.17	5,780	4,492
Trade payables	7.21	234,576	222,650
Current financial liabilities	7.19	291,333	216,934
Liabilities for current taxes	7.22	3,666	3,697
Other current liabilities	7.20	23,216	29,807
TOTAL CURRENT LIABILITIES		**558,571**	**477,580**
LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS		**-**	**-**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,319,348**	**2,159,800**

Consolidated Comprehensive Income Statement

(in thousands of Euro)

	Notes	AS AT 31 DECEMBER 2020	2019
Revenue	8.1	1,270,076	1,401,080
Revenue from works on assets under concession	8.2	58,271	44,106
Other revenue and income	8.3	69,066	54,577
TOTAL REVENUE AND OTHER INCOME		**1,397,413**	**1,499,763**
Raw materials, consumables and merchandise	8.4	(495,471)	(590,522)
Service costs	8.5	(522,990)	(558,728)
Costs from works on assets under concession	8.2	(57,072)	(43,148)
Personnel costs	8.6	(66,007)	(65,407)
Amortisation, depreciation, allocations and write-downs	8.7	(58,196)	(58,149)
Net write-backs (write-downs) of receivables	8.7	(4,755)	(5,025)
Other operating costs	8.8	(36,736)	(27,731)
TOTAL COSTS		**(1,241,227)**	**(1,348,710)**
Result of equity investments measured at equity and other companies	8.9	18,540	2,566
OPERATING RESULT		**174,726**	**153,619**
Financial income	8.10	188,145	37,933
Financial charges	8.10	(192,774)	(37,433)
PROFIT BEFORE TAX		**170,097**	**154,119**
Taxes	8.11	(41,647)	(44,481)
NET PROFIT/(LOSS) FOR THE YEAR (A) OF CONTINUING OPERATIONS		128,450	109,638
Discontinuing operations		-	-
NET PROFIT/(LOSS) FOR THE YEAR (B) OF DISCONTINUING OPERATIONS		-	-
PROFIT/(LOSS) FOR THE YEAR		**128,450**	**109,638**
of which Group		97,601	80,602
of which Minority interests		30,849	29,036
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Actuarial profit/(loss) for employee benefits		(829)	(518)
Tax effect on actuarial profit/(loss) for employee benefits		221	137
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (C1)		**(608)**	**(381)**
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Profit/(loss) on cash flow hedge instruments		(15,309)	(14,031)
Tax effect on change in fair value in cash flow hedge derivatives		3,674	3,427
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (C2)		**(11,635)**	**(10,604)**
TOTAL OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX EFFECT (C)= (C1)+(C2)		**(12,243)**	**(10,985)**
TOTAL AGGREGATE RESULT FOR THE YEAR (A)+(B)+(C)		**116,207**	**98,653**
of which Group		91,552	65,296
of which Minority interests		24,655	33,357

Consolidated Cash Flow Statement

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER	
	2020	**2019**
PROFIT BEFORE TAX	**170,097**	**154,119**
ADJUSTMENTS FOR:		
Amortisation/depreciation of:		
- intangible assets	12,919	11,257
- property, plant and equipment	12,954	11,118
- assets under concession	29,883	26,197
Write-downs of assets	4,755	5,025
Allocations and releases of provisions	2,440	9,578
Fair value of derivatives on commodities	-	-
Result of equity investments measured at equity and other companies	(19,360)	20
Financial (income)/charges	4,629	(500)
(Capital gains)/Capital losses and other non-monetary elements	(2,883)	(308)
Cash flow from operations before changes in net working capital	**215,434**	**216,506**
Increase/(Decrease) in provisions		
Increase/(Decrease) in employee benefits	(428)	(2,170)
(Increase)/Decrease in inventories	(664)	(3,161)
(Increase)/Decrease in trade receivables	1,069	(26,343)
(Increase)/Decrease in other assets/liabilities, deferred tax assets and liabilities	(73,725)	7,773
Increase/(Decrease) in trade payables	11,926	17,346
Dividends collected	-	-
Interest and other financial income collected	188,145	37,933
Interest and other financial expenses paid	(192,774)	(37,433)
Utilisation of provisions for risks and charges	(543)	2,694
Taxes paid	(43,431)	(61,244)
CASH FLOWS FROM OPERATIONS (A)	**105,009**	**151,900**
Net investments in intangible assets	(11,678)	(9,846)
Net investments in property, plant and equipment	(19,373)	(6,797)
Net investments in assets under concession	(56,641)	(55,013)
Net investments in equity investments	(21,294)	(3,300)
(Increase)/Decrease in other investment assets		
CASH FLOWS FROM INVESTMENT/DIVESTMENT ACTIVITIES (B)	**(108,986)**	**(74,956)**
Financial payables (new issues of long-term loans)		
Short-term financial payables (reimbursements and other net changes)	140,183	(39,767)
Medium/long-term financial payables (reimbursements and other net changes)	(12,868)	2,579
Dividends paid	(63,585)	(46,942)
Change in consolidation area	(31,904)	
CASH FLOWS FROM FINANCING ACTIVITIES (C)	**63,730**	**(84,130)**
Effect of changes on cash and cash equivalents (D)	-	-
Increase/(Decrease) in cash and cash equivalents (A+B+C+D)	*59,753*	*(7,187)*
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**23,237**	**30,424**
CASH AND CASH EQUIVALENTS AT YEAR END	**82,990**	**23,237**

Consolidated statement of changes in Shareholders' Equity

(in thousands of Euro)

	Share capital	Share premium reserve	Treasury shares reserve
BALANCE AS AT 31 DECEMBER 2018	**411,496**	**994**	**(67,552)**
ADOPTION OF NEW ACCOUNTING STANDARDS			
TRANSACTIONS WITH SHAREHOLDERS:			
Dividend distribution	-		
OTHER TRANSACTIONS WITH SHAREHOLDERS			
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**-**	**-**
AGGREGATE RESULT FOR THE YEAR:			
Net profit (loss)	-		
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 2019	**411,496**	**994**	**(67,552)**
TRANSACTIONS WITH SHAREHOLDERS:			
Dividend distribution	-	-	-
Other transactions with shareholders	-	-	2,801
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**-**	**2,801**
AGGREGATE RESULT FOR THE YEAR:			
Net profit (loss)	-	-	-
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 2020	**411,496**	**994**	**(64,751)**

Other reserves and retained earnings	Total Other reserves	Net profit/(loss) pertaining to the Group	Total shareholders' equity pertaining to the Group	Shareholders' equity - minority interests	Total Shareholders' Equity
289,760	**223,202**	**78,194**	**712,892**	**342,673**	**1,055,565**
(811)	**(811)**		**(811)**	**(202)**	**(1,013)**
44,155	44,155	(78,194)	(34,039)	(12,903)	(46,942)
2,923	2,923		2,923	2,599	5,522
47,078	**47,078**	**(78,194)**	**(31,116)**	**(10,304)**	**(41,420)**
-	-	80,602	80,602	29,036	109,638
(316)	(316)	-	(316)	(65)	(381)
(14,975)	(14,975)	-	(14,975)	4,371	(10,604)
(15,291)	**(15,291)**	**80,602**	**65,311**	**33,342**	**98,653**
320,736	**254,178**	**80,602**	**746,276**	**365,509**	**1,111,785**
46,563	46,563	(80,602)	(34,039)	(29,545)	(63,584)
(1,694)	1,107	-	1,107	32,710	33,817
44,869	**47,670**	**(80,602)**	**(32,932)**	**3,165**	**(29,767)**
-	-	97,601	97,601	30,849	128,450
(599)	(599)	-	(599)	(9)	(608)
(5,431)	(5,431)	-	(5,431)	(6,204)	(11,635)
(6,030)	**(6,030)**	**97,601**	**91,571**	**24,636**	**116,207**
359,575	**295,818**	**97,601**	**804,915**	**393,310**	**1,198,225**

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:

- Electricity production;
- Heat, Steam and Cooling;
- Commercial and trading;
- Distribution and grids;
- Water cycle and Environment;
- 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 2020, the Parent Company's share capital was held by:

Shareholder	No. of shares	%
PUBLIC ENTITIES		
FINDOLOMITI ENERGIA Srl	196,551,963	47.77%
TRENTO MUNICIPAL AUTHORITY	24,008,946	5.83%
ROVERETO MUNICIPAL AUTHORITY	17,852,031	4.34%
BIM ADIGE	3,322,260	0.81%
BIM SARCA MINCIO GARDA	3,322,260	0.81%
BIM BRENTA	819,407	0.20%
BIM CHIESE	819,407	0.20%
OTHER PUBLIC AUTHORITIES	12,086,621	2.94%
UTILITY		
AGS RIVA DEL GARDA	4,861,800	1.18%
STET	7,378,514	1.79%
AIR	4,085,912	0.99%
ACSM PRIMIERO	823,006	0.20%
PRIMIERO ENERGIA	2,430,900	0.59%
CONS. ELETTRICO INDUSTRIALE DI STENICO	2,293,658	0.56%
CONSORZIO ELETTRICO DI STORO	2,741,118	0.67%
AZIENDA SERVIZI MUNIC. DI TIONE	14,622	0.00%
CONSORZIO ELETTRICO DI POZZA DI FASSA	930,232	0.23%
NOVARETI srl	5,536,551	1.35%
PRIVATE ENTITIES		
FT ENERGIA	48,861,683	11.87%
I.S.A. - IST. SVILUPPO ATESINO SPA	17,175,532	4.17%
FONDAZIONE CARITRO	21,878,100	5.32%
ENERCOOP srl	7,303,825	1.77%
MONTAGNA Sig.ra ERMINIA	27,540	0.01%
ELETTROMETALLURGICA TRENTINA SRL	203	0.00%
POMARA dott.ssa LUCIANA	203	0.00%
TREASURY SHARES	**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 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 Legislative Decree No 38 was issued, then amended by Decree Law No 91 of 24 June 2014, which also governed the possible adoption of International Accounting Standards by unlisted companies for the drawing up of their consolidated financial statements.
The Group elected to adopt the above-mentioned option for the drafting of its consolidated financial statements as at 31 December 2016, by identifying the day 01 January 2015 as transition date to IFRSs ("Transition Date"). Additionally, on 14 July 2017, the Parent Company Dolomiti Energia Holding SpA 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 IFRSs and taking account of the best knowledge on the matters. Any future guidelines and interpretation updates will be reflected in the following years, according to the modalities envisaged from time to time by reference accounting standards.
With regard to the impact of the Covid-19 pandemic, in addition to the information provided in greater detail in the Report on Operations, the effects of the current health emergency were taken into account in the analysis of the estimates and assumptions used to characterise the financial statement amounts, and these figures reflect any resulting impact. The effects on the Group's operations have been described in the Report on Operations; at present, no specific risks have been identified as a result of the Covid-19 pandemic that could affect the Group's ability to meet its commitments.
These Consolidated Financial Statements were approved by the Company's Board of Directors on 26 March 2021.

2.2 FORM AND CONTENT OF ACCOUNTS

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

- the consolidated Statement of Financial Position discloses current and non-current assets, separately and, similarly, current and non-current liabilities;
- 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
- 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.

The list of companies included in the consolidation area as at 31 December 2020, with indication of share capital and consolidation method used in the preparation of the Consolidated Financial Statements, is reported in Attachment A herein. It should be noted that as of 1 July 2020, the associate Dolomiti Edison Energy Srl became a subsidiary and is therefore consolidated on a line-by-line basis as of that date. The following table shows the balance sheet values of the subsidiary at the date of acquisition of its control (1 July 2020).

(in thousands of Euro)

ASSETS	01.07.2020	LIABILITIES	01.07.2020
Property, Plant and Equipment	30,963	SHAREHOLDERS' EQUITY	27,359
Deferred tax assets	12		
TOTAL NON-CURRENT ASSETS	30,975	Employee benefits	231
		Deferred tax liabilities	2,213
Inventories	87	TOTAL NON-CURRENT LIABILITIES	2,444
Trade receivables	8,015		
Receivables for current taxes	739	Trade payables	4,492
Other current assets	5,061	Current financial liabilities	6,115
Cash and cash equivalents	333	Income tax payables	1,273
TOTAL CURRENT ASSETS	14,235	Other current liabilities	3,527
		TOTAL CURRENT LIABILITIES	15,407
TOTAL ASSETS	45,210	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	45,210

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:

- 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;
- as at the acquisition date, identifiable assets acquired and liabilities undertaken are recognised at fair value at the acquisition date. An exception to the above are deferred tax assets and liabilities, assets and liabilities related to employee benefits, liabilities or 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;

- 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;
- 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 concession to distribute natural gas, the date by when the area tender had to be conducted was further extended by the contracting authority (Trento Autonomous Province) by 12 months, from 31 December 2019 until 31 December 2020. Amortisation relating to the assets under concession was therefore calculated in consideration of this time span, taking the estimated RIV as at 31 December 2020 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.

Other intangible assets

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

	% Rate
Concessions	Duration of concession
Patent and software rights	20%
Other intangible assets	Duration of reference contracts

Property, Plant and Equipment

Property, plant and equipment are measured at purchase or production cost, less accumulated depreciation and any impairment loss. The cost includes charges that are directly incurred to permit their use, as well as any possible costs of disassembly and removal that will be borne pursuant to contract obligations requiring to reinstate the original conditions of the asset.
Financial charges, directly attributable to the acquisition, construction and production of an asset, which justify a capitalisation pursuant to IAS 23, will be capitalised on the asset itself as part of its cost.
Charges borne for ordinary and/or cyclical maintenance and repairs are directly charged to income statement, when incurred. The capitalisation of costs related to the expansion, modernisation or improvement of the structural elements whether owned or leased is made within the limits established to be separately classified as assets or part of an asset.
Improvements on third-party assets include costs borne for the set up and 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 accounts receivable from customers, not resulting and not listed on any active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified in the Shareholders' Equity, under current assets, except for those with a contract expiry term after twelve months from the reporting date of the financial statements, which are classified under non-current assets.
These financial assets are recognised under assets when the company becomes a party in the contracts related therewith, and are derecognised from Assets, when the right to receive cash flows is transferred together with all risks and benefits associated to the transferred asset.
Trade receivables and other current and non-current assets are originally recorded at their fair value and then at amortised cost, by using the effective interest rate, less impairment losses.
Impairment losses in receivables are recognised in the income statement when there is objective evidence that the Group will not be able to recover the receivables based on contract terms.
The 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:

- significant financial difficulties of the debtor;
- contract breaches, as non-payment of interest or principal;
- 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;

- it is probable that the debtor be bankrupt or be subject to a composition procedure with creditors; or
- the active market of financial assets no longer exists.

Inventories

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

Financial derivatives

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

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:

- *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.
- *iCash 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:

- Electricity production;
- Heat production, Steam and Cooling;
- Distribution and grids;
- Commercial and trading;
- Water cycle and Environment;
- 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 item "personnel costs", while
- net financial charges on defined-benefit liabilities or assets are recognised in the income statement under item "Financial income/(charges)", and are calculated by multiplying the value of net liabilities/(assets) by the rate used to discounting obligations, taking account of payments of contributions made and benefits during the period;
- the remeasuring components of net liabilities, including actuarial gains and losses, the yield of assets (excluding interest income recognised in the income statement), as well as any change in the asset threshold, are immediately recognised in the 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:

- 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;
- identification of the "performance obligations" contained in the contract;
- determination of the "transaction price". Among other things, in order to determine the transaction price, it is necessary to consider the following elements:
    i. any amounts collected on behalf of third parties that must be left out of the consideration;
    ii. variable price components (such as performance bonuses, penalties, discounts, refunds, incentives, etc.);
    iii. financial component, if the terms of payment grant the customer a significant extension;

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

- 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.
- revenue for the sale of certificates is recorded upon transfer thereof.
- revenue from services rendered is recorded upon supply, or according to contract clauses.

Recognition of costs

Costs are recognised upon acquisition of an asset or service.

Taxes

Current taxes are calculated based on the taxable income for the year, by applying tax rates in force at the reporting date.

Prepaid and deferred taxes are calculated based on all differences that arise between tax value of an asset or liability and the related carrying amount. Prepaid taxes, including those related to prior tax losses, are recognised to the extent that it is probable that there will be future taxable income to which that tax loss can be applied. Prepaid and deferred taxes are determined by using the tax rate that it is estimated will be applicable in the years in which the differences will be realised or extinguished, based on the enacted or substantially enacted tax rate at the reporting date.

Current, prepaid and deferred taxes are recognised in the income statement, except for those related to items directly debited or credited to Shareholders' Equity; in this case, also the related tax effect will be recognised directly to Shareholders' Equity. Taxes are offset when they are applied by the same tax authority and there is a legal right to offsetting.

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.

- **Impairment Test**: the book value of property, plant and equipment and intangible assets is periodically tested for impairment and whenever circumstances or events require a more frequent assessment. 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.
- **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.
- **Prepaid taxes**: accounting for prepaid taxes takes place on the basis of expectations of taxable income in future years to be used for their recovery. The valuation of the taxable revenue expected for the purposes of accounting for prepaid taxes depends on factors that can vary over time and significantly affect the recoverability of the receivables from prepaid taxes.
- **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.
- **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.
- **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.
- **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.

- 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, approved and not yet approved

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 01 January 2020.

- Amendments to IFRS 16 Leases Covid-19 - Related Rent Concessions (issued on 28 May 2020), applicable from 1 June 2020, with immediate application permitted. The amendment allows lessees, as a practical expedient, to disregard individual lease contracts in determining whether relief granted as a direct result of the Covid-19 pandemic should be classified as contractual modifications. Therefore, if the conditions are met, lessees may recognise the amount of the condoned rent by 30 June 2021 in profit or loss in the year of concession; otherwise, that amount would have been recognised in profit or loss over the term of the lease contract to which it relates. The amendment does not concern lessors.
- Amendments to IFRS 3 Business Combinations (issued on 22 October 2018). The IASB published the definition of Business with the objective of clarifying the difference between an acquisition that represents a business or a group of activities. In order for a business to be identified, the purchase of a set of assets and instruments must also include a set of organised processes that as a whole are suited to producing goods and services; the previous definition focused on returns in the form of dividends, cost savings or other economic advantages for investors. The amendments are applicable prospectively to the transactions whose date of acquisition is equal to or later than the year starting from 1 January 2020.
- Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform" (issued on 26 September 2019). The amendments establish temporary and limited exceptions to the hedge accounting provisions so that the provisions of the standards involved can continue to be met, assuming that the existing interest rate benchmarks are not changed as a result of the interbank rate reform. In addi-

tion, there is a requirement to provide further information to investors on hedging relationships that are directly affected by the uncertainties related to the reform.

- Amendments to IAS 1 and IAS 8 Definition of "material" (issued on 31 October 2018). The IASB clarified that information is to be considered "material" when its omission, misstatement or concealment might reasonably influence the decisions of the users of the financial statements, prompting them to make different choices. The amendment therefore has the purpose of facilitating the entity in assessing the significance of the information to include in its financial statements. In more detail, the amendments clarify that:
  - "concealment of information" relates to situations where the effect on the primary users of the financial statements is similar to that of the omission or misstatement of information, the materiality of which is assessed in the context of the financial statements taken as a whole;
  - the "primary users of the financial statements", to whom such financial statements are directed, are "investors, lenders and other existing and potential creditors" who must rely on financial statements prepared for general purposes for much of the financial information they require; and
  - the "materiality" depends on the nature or extent of the information, taken alone or in combination with other information, in the context of the financial statements; a misstatement of information is material if it can reasonably be expected to influence the decisions taken by the primary users of the financial statements.
- Amendments to the Conceptual Framework (issued on 29 March 2018). The objective of the Conceptual Framework project is to improve financial disclosure by providing a more complete, clearer and more updated set of conceptual elements. The purpose of the Framework is to:
  - assist the Board in developing IFRSs based on coherent concepts;
  - assist those preparing the financial statements in developing coherent accounting policies when no IFRS standard applies to a certain transaction or to an event, or when a standard permits a choice of accounting policy;
  - assist other subjects in comprehending and interpreting the standards.

The document outlines changes to the affected standards in order to update references to the Revised Conceptual Framework. These amendments accompany the latest version of the Revised Conceptual Framework for Financial Reporting, issued in March 2018 and applicable as of 1 January 2020, which includes certain new concepts, updated definitions and recognition criteria, and clarifications of certain important concepts. Key changes include:

- an increase in the importance of the management of economic resources for financial reporting purposes;
- the restoration of prudence as a component supporting neutrality;
- the definition of a reporting entity, which may be a legal entity or part of a legal entity;
- revision of the definitions of assets and liabilities;
- the removal of the probability threshold for recognition and, at the same time, the addition of guidelines for derecognition;
- the addition of guidelines on different assessment bases; and
- the assertion that profit or loss is the main indicator of performance and that, in principle, revenues and expenses in Other comprehensive income should be recycled to the Income statement if this increases the relevance or faithful representation of the financial statements.

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 2020 consolidated financial statements.

ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION BUT APPLICABLE TO SUBSEQUENT FINANCIAL YEARS

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 2020 financial statements must be applied for the financial years following 2020.

- Amendments to IFRS 4 "Insurance Contracts" - deferral of IFRS 9 effective date (issued on 25 June 2020), applicable as of 1 January 2021. Currently, under IFRS 4, the effective date for applying IFRS 9 (with respect to the sole temporary exemption from applying IFRS 9) is 1 January 2021. The exposure draft on amendments to IFRS 17 published in May 2019, proposed to extend the temporary exemption from IFRS 9 by one year. Subsequently, based on new IASB resolutions, the effective date of IFRS 9 was further extended to 1 January 2023 to align it with the effective date of IFRS 17. In this regard, on 25 June 2020, the IASB issued the document Extension of the Temporary Exemption from Applying IFRS 9 (amendment to IFRS 4). Its application has no impact for the Group.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2" (issued on 27 August 2020), applicable from 01 January 2021. The IASB has divided its work on the reform of benchmark interest rates into two phases. The first phase (involving amendments to IFRS 9, IAS 39 and IFRS 7 applicable from the start of the 2020 financial year) addressed issues affecting financial reporting in the period prior to the replacement of an existing benchmark interest rate with an alternative rate; a second phase, the objective of which is to assist entities in providing useful information to users of financial statements and to support drafters in applying IFRS standards when changes are made to contractual cash flows or hedging relationships as a result of the move to alternative near-risk-free benchmark rates. In particular, in this second phase, the IASB intends to address issues related to:
  - changes in financial assets and liabilities, including lease liabilities;
  - hedge accounting; and
  - disclosure.

  Its application has no impact for the Group.

ACCOUNTING STANDARDS APPLICABLE TO SUBSEQUENT YEARS BUT STILL NOT ENDORSED BY THE EUROPEAN UNION

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017), including the amendment to IFRS 17 issued on 25 June 2020. The new accounting standard establishes the criteria for the recognition, measurement, presentation and disclosure of insurance contracts. After its endorsement, it will fully supersede IFRS 4 Insurance Contracts issued in 2005. IFRS 17 will be applied to all insurance contracts, with reference to the issuer. The scope of this new standard is to supply a model for the recognition of insurance contracts, which is more useful and consistent with respect to all insurance companies. The new standard will be effective for annual periods beginning on or after 1 January 2023 and comparative data will be required to be presented; early application is permitted for entities that apply IFRS 9 on or before the date of first application of IFRS 17. Its application has no impact for the Group.

- Amendments to IAS 1 'Presentation of financial statements' (issued on 23 January 2020 and 15 July 2020). The amendments, which are effective 1 January 2023, 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 amendments aim to clarify:
  - that the classification of a liability as current or non-current is based on the entity's rights at the end of the reporting period; and
  - the link between the extinguishment of the liability and the outflow of financial resources from the entity.

  Its application has no impact for the Group.

- Amendments to IFRS 3, IAS 16, IAS 37 and improvements to the 2018-2020 IFRS cycle (issued on 14 May 2020). The amendments, applicable as of 1 January 2022 with early application permitted, are as follows:
  - IFRS 3 "Business Combinations". The amendments update a reference to the financial reporting systematic framework, without changing the accounting requirements for business combinations;
  - IAS 16 "Property, Plant and Equipment". The amendments introduce the inability to reduce the cost of property, plant and equipment by the amount received from the sale of products while preparing the asset for its intended use. These sales, on the other hand, must be recorded in the income statement as income, as must the related costs;
  - IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The amendment specifies which costs are to be considered when assessing whether a contract will be onerous;
  - improvements to the annual 2018-2020 IFRS cycle. These are amendments that clarify, correct or remove redundant or conflicting wording or formulations in the text of the relevant standards. Minor changes were made to IFRS 1, IFRS 9, IAS 41 and the illustrative examples accompanying IFRS 16.

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 2020, 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.;
- bond loan, amounting to 2,500 thousand euro, at a fixed rate of 1.05%, issued by Dolomiti Energia S.p.A.;
- floating rate loans benchmarked to the Euribor rate for the period.

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 2020 and 31 December 2019 are summarised as follows:

IRS

AS AT 31 DECEMBER 2020						
Date of transaction	16/03/2011	11/03/2011	04/03/2011	13/04/2011	25/05/2017	26/05/2017
Company	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa
Counterparty	Mediobanca	Intesa San Paolo	Unicredit	Unicredit	Unicredit	Intesa San Paolo
Effective date	02/01/2014	02/01/2014	02/01/2014	02/01/2014	01/01/2021	01/01/2021
Maturity	31/12/2020	31/12/2020	31/12/2020	31/12/2020	30/09/2032	30/09/2032
Notional in Euro	0	0	0	0	48,958,333	48,958,333
Floating interest rate	1M Euribor	1M Euribor	1M Euribor	1M Euribor	3M Euribor (floor -0.80)	3M Euribor (floor -0.80)
Fixed interest rate	3.4000%	3.4450%	3.5214%	3.7190%	1.3400%	1.3235%
Fair value	0	0	0	0	(4,843,793)	(4,805,366)

AS AT 31 DECEMBER 2019						
Date of transaction	16/03/2011	11/03/2011	04/03/2011	13/04/2011	25/05/2017	26/05/2017
Company	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa
Counterparty	Mediobanca	Intesa San Paolo	Unicredit	Unicredit	Unicredit	Intesa San Paolo
Effective date	02/01/2014	02/01/2014	02/01/2014	02/01/2014	01/01/2021	01/01/2021
Maturity	31/12/2020	31/12/2020	31/12/2020	31/12/2020	30/09/2032	30/09/2032
Notional in Euro	5,714,286	5,714,286	5,714,286	5,714,286	48,958,333	48,958,333
Floating interest rate	1M Euribor	1M Euribor	1M Euribor	1M Euribor	3M Euribor (floor -0.80)	3M Euribor (floor -0.80)
Fixed interest rate	3.4000%	3.4450%	3.5214%	3.7190%	1.3400%	1.3235%
Fair value	(120,518)	(121,914)	(124,249)	(130,454)	(3,422,368)	(3,383,820)

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 2020 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 2020	0	(719)	0	(719)
Year ended 31 December 2019	252	(713)	252	(713)

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 2020 and 2019 to hedge commodity price risk are summarised as follows:

Commodity

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2020	2019
Date of transaction	miscellaneous	miscellaneous
Company	DET	DET
Counterparty	ECC_EEX	ECC_EEX
Underlying	Power	Power
Maturity	miscellaneous	miscellaneous
Notional value	93,862	1,386,180
Fair value	(15,165)	(5,770)

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 2020 and 31 December 2019 is represented by the sum of financial assets recorded in the financial statements, summarised as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	2019
Accounts receivable - customers	313,439	314,843
Accounts receivable - associates	6	70
Accounts receivable - parent companies	139	141
Accounts receivable - sister companies	1,187	2,618
Provision for write-downs	(18,403)	(15,480)
TOTAL	**296,368**	**302,192**

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 2020	Within 1 year	Between 1 and 5 years	Beyond 5 years
Trade payables	234,576	-	-
Payables due to banks and other lenders	291,333	56,537	178,084
Liabilities for current taxes	3,666	-	-
Other accounts payable	23,216	109,561	-
TOTAL	**552,791**	**166,098**	**178,084**

(in thousands of Euro)	MATURITY		
As at 31 December 2019	Within 1 year	Between 1 and 5 years	Beyond 5 years
Trade payables	222,650	-	-
Payables due to banks and other lenders	216,934	70,838	176,343
Liabilities for current taxes	3,697	-	-
Other accounts payable	29,807	110,805	-
TOTAL	**473,088**	**181,643**	**176,343**

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 2020 and 31 December 2019:

(in thousands of Euro)

	AS AT 31 DECEMBER 2020		
	Level 1	Level 2	Level 3
Derivative instruments (interest rate swap)	-	(9,649)*	-
Financial derivatives (commodities)	-	(20,552)*	-

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

(in thousands of Euro)

	AS AT 31 DECEMBER 2019		
	Level 1	Level 2	Level 3
Derivative instruments (interest rate swap)	-	(7,303)*	-
Financial derivatives (commodities)	-	(2,054)*	-

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

It should be noted that trade receivables and payables were measured at carrying amount, as the latter is deemed as similar to the current value.
Financial assets and liabilities as at 31 December 2020 and 31 December 2019 are broken down by category:

(in thousands of Euro)

AS AT 31 DECEMBER 2020	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	82,990	-	-	82,990
Trade receivables	296,368	-	-	296,368
Other current assets	102,726	-		102,726
Current financial assets	3,771	7,476	60,331	71,578
NON-CURRENT ASSETS				
Other non-current assets	36,619	-	-	36,619
Non-current financial assets	407	-	-	407
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**6,014**	**-**	**-**	**6,014**
CURRENT LIABILITIES				
Trade payables	234,576	-	-	234,576
Current financial liabilities	214,683	13,991	62,659	291,333
Other current payables	23,216	-	-	23,216
NON-CURRENT LIABILITIES				
Non-current payables due to banks and other lenders	213,263	10,177	11,181	234,621
Other non-current payables	109,561	-	-	109,561

(in thousands of Euro)

AS AT 31 DECEMBER 2019	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	23,237	-	-	23,237
Trade receivables	302,192	-	-	302,192
Other current assets	58,885	-	-	58,885
Current financial assets	34,023	2,195	101,144	137,362
NON-CURRENT ASSETS				
Other non-current assets	22,358	-	-	22,358
Non-current financial assets	99	-	-	99
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	-	-	-	-
CURRENT LIABILITIES				
Trade payables	222,650	-	-	222,650
Current financial liabilities	123,789	12,117	81,028	216,934
Other current payables	29,807	-	-	29,807
NON-CURRENT LIABILITIES				
Non-current payables due to banks and other lenders	227,630	8,361	11,190	247,181
Other non-current payables	110,805	-	-	110,805

119,531 euro in current and non-current financial liabilities include the amount of the fixed-rate bonds (note 7.19) whose fair value as at 31 December 2020 is a negative 139,128 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:

- Electricity production;
- Heat production, Steam and Cooling;
- Distribution and grids;
- Commercial and trading;
- Water cycle and Environment;
- 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)	2020						
	Electricity production	Heat production, Steam and Cooling	Distribution and grids	Commercial and trading	Water cycle and Environment	Other minor services	Total
EBITDA	111,731	890	71,684	42,736	9,439	1,197	237,677
EBIT	98,312	(1,212)	44,445	36,594	3,375	(6,788)	174,726

(in thousands of Euro)	2019						
	Electricity production	Heat production, Steam and Cooling	Distribution and grids	Commercial and trading	Water cycle and Environment	Other minor services	Total
EBITDA	102,472	1,761	66,769	38,514	8,451	(1,172)	216,795
EBIT	90,730	(2,690)	44,349	34,313	2,216	(15,299)	153,619

7. Notes to the Statement of Financial Position

7.1 RIGHTS OF USE

Changes in item "Rights of Use" are shown hereunder for the years ended 31 December 2020 and 2019:

(in thousands of Euro)

	Rights of use - buildings	Rights of use - other assets	Total
BALANCE AS AT 31 DECEMBER 2019	**6,509**	**4,035**	**10,544**
Of which:			
Historical cost	20,862	6,715	27,577
Accumulated depreciation	(14,353)	(2,680)	(17,033)
Increases	558	1,349	1,907
Depreciation	(1,049)	(1,107)	(2,156)
Disinvestments	-	(1,051)	(1,051)
Decreases (accumulated depreciation)	-	817	817
BALANCE AS AT 31 DECEMBER 2019	**6,018**	**4,043**	**10,061**
Of which:			
Historical cost	21,420	7,013	28,433
Accumulated depreciation	(15,402)	(2,970)	(18,372)
Increases	102	565	667
Depreciation	(1,165)	119	(1,046)
Disinvestments	(741)	(1,927)	(2,668)
Decreases (accumulated depreciation)	1,037	785	1,822
BALANCE AS AT 31 DECEMBER 2020	**5,251**	**3,585**	**8,836**
Of which:			
Historical cost	20,781	5,651	26,432
Accumulated depreciation	(15,530)	(2,066)	(17,596)

"Diritti d'uso di fabbricati", pari ad euro 5.251 migliaia, si riferiscono a contratti aventi ad oggetto complessi immobiliari destinati alle sedi e uffici dislocati sul territorio. Nel corso dell'esercizio è stato siglato un nuovo contratto di affitto pluriennale il cui valore attuale ammonta ad euro 102 migliaia.
"Diritti d'uso di altri beni", pari ad euro 3.585 migliaia, si riferiscono a contratti aventi ad oggetto autovetture, ed aventi una durata media di 5 anni. Per gli automezzi aziendali il Gruppo ha optato per il noleggio a lungo termine e alla scadenza dei contratti questi vengono sostituiti con nuovi veicoli e nuovi contratti a lungo termine; talvolta alla scadenza naturale del contratto questo viene prorogato per ulteriori 12 mesi, senza formale previsione di rinnovo.
Di seguito si riportano le informazioni richieste dal principio EU IFRS 16, par. 53.

(in thousands of Euro)

	Notes	As at 31 December 2020
Depreciation of rights of use	8.7	1,046
Interest expense on financial liabilities for leases	8.10	206
Short-term contract related costs	8.5	703
Costs related to contracts for low value goods	8.5	153
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		**2,572**
Profits/(losses) from sales and leaseback transactions		-

7.2 ASSETS UNDER CONCESSION

Changes in item "Assets under concession" are shown hereunder for the years ended 31 December 2020 and 2019:

(in thousands of Euro)

	Electric grid	Gas network	Water network	Total
BALANCE AS AT 31 DECEMBER 2018	**294,399**	**167,613**	**63,632**	**525,644**
Of which:				
Historical cost	713,561	284,122	130,677	1,128,360
Accumulated depreciation	(419,162)	(116,509)	(67,045)	(602,716)
Increases	29,083	13,001	6,969	49,053
Decreases (historical cost)	(581)	(2,667)	(3,917)	(7,165)
Decreases (accumulated depreciation)	474	1,930	2,296	4,700
Reclassifications (provision)	17	-	-	17
Depreciation	(16,972)	(3,790)	(3,279)	(24,041)
BALANCE AS AT 31 DECEMBER 2019	**306,420**	**176,087**	**65,701**	**548,208**
Of which:				
Historical cost	742,063	294,456	133,729	1,170,248
Accumulated depreciation	(435,643)	(118,369)	(68,028)	(622,040)
Increases	27,136	23,142	7,994	58,272
Decreases (historical cost)	(222)	(1,692)	-	(1,914)
Decreases (accumulated depreciation)	189	876	-	1,065
Depreciation	(17,363)	(7,912)	(3,562)	(28,837)
BALANCE AS AT 31 DECEMBER 2020	**316,160**	**190,501**	**70,133**	**576,794**
Of which:				
Historical cost	768,977	315,906	141,723	1,226,606
Accumulated depreciation	(452,817)	(125,405)	(71,590)	(649,812)

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 book value of the asset, or group of assets, included in the Cash Generating Unit, with the recoverable value of the same asset, resulting from the higher value between fair value (less any sales cost) and the value of net discounted cash flows that are estimated will be generated by the asset or the group of assets included in the CGU (value in use). The impairment test was based on the explicit cash flows set forth in the budget and the 2020-2023 plan approved by the board of directors, and for the year 2024 as set forth in the economic-financial plan prepared by the management in continuity with the last year of the plan, 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 4.3%.

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.

As regards assets under concession for gas distribution, the agreements with the Public Authority envisage that, upon expiry and consequent purchase of assets under concession, the consideration for the concession holder (Novareti) be equal to the Residual Industrial Value (RIV), which is higher than the Net Carrying Amount of assets.

As regards assets under concession for water distribution, regulations in force (Province Law No 6 of 17 June 2004 "Provisions on organization of personnel and public services") envisage that (Art. 10, par. 5) "*upon expiry of concession, assets acquired or possibly realized by the contractor of the service, while implementing the investment plan, shall be made available to the new contractor who shall pay an indemnity, to be determined, to the prior contractor, except for special segment regulations, to the extent equal to the value of the non-amortised portion, net of any already paid considerations*".

In light of 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 item "Goodwill and other intangible assets" are shown hereunder for the years ended 31 December 2020 and 2019:

(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 2018	**34,579**	**33,616**	**9,179**	**662**	**-**	**78,036**
Of which:						
Historical cost	34,579	57,532	41,988	6,955	-	141,054
Accumulated depreciation	-	(23,916)	(32,809)	(6,293)	-	(63,018)
Increases	1,564	521	3,818	1,170	2,544	9,617
Decreases (historical cost)	-	-	(46)	-	(15)	(61)
Decreases (accumulated depreciation)	-	-	18	-	-	18
Reclassifications (historical cost)	-	-	-	134	158	292
Reclassifications (provision)	(19)	-	-	-	-	(19)
Depreciation	-	(6,228)	(4,367)	(662)	-	(11,257)
BALANCE AS AT 31 DECEMBER 2019	**36,124**	**27,909**	**8,602**	**1,304**	**2,687**	**76,626**
Of which:						
Historical cost	36,143	58,053	45,760	8,259	2,687	150,902
Accumulated depreciation	(19)	(30,144)	(37,158)	(6,955)	-	(74,276)
Increases	860	26	6,661	804	3,864	12,215
Decreases (historical cost)	-	-	-	-	(14)	(14
Reclassifications (historical cost)	-	-	387	660	(1,047)	-
Depreciation	(103)	(6,570)	(5,576)	(670)	-	(12,919)
Change in consolidation area	-	8,842	-	-	-	8,842
BALANCE AS AT 31 DECEMBER 2020	**36,881**	**30,207**	**10,074**	**2,098**	**5,490**	**84,750**
Of which:						
Historical cost	37,003	66,921	52,808	9,723	5,490	171,945
Accumulated depreciation	(122)	(36,714)	(42,734)	(7,625)	-	(87,195)

Impairment testing on goodwill as at 31 December 2020

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 book value of the asset, or group of assets, included in the Cash Generating Unit, with the recoverable value of the same asset, resulting from the higher value between fair value (less any sales cost) and the value of net discounted cash flows that are estimated will be generated by the asset or the group of assets included in the CGU (value in use).

For the CGU referring to electricity distribution activities, the goodwill of which amounts to 30,764 thousand euro, the impairment test was based on the explicit cash flows set forth in the budget and the 2020-2023 plan approved by the board of directors of the Company, and for the year 2024 as set forth in the economic-

financial plan prepared by the management in continuity with the last year of the plan, 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 4.3%, while the assumed growth rate is 0. The impairment test performed brought to light no impairment with reference to the CGU at 31 December 2020 and, as a result, these assets were not written down.
For the CGU referring to electricity and gas sales, the goodwill of which amounts to 5,294 thousand euro, the impairment test was based on the explicit cash flows set forth in the budget and the 2020-2023 plan approved by the board of directors of the Company, and for the year 2024 as set forth in the economic-financial plan prepared by the management in continuity with the last year of the plan. 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 8%, while the assumed growth rate is 0. The impairment test performed brought to light no impairment with reference to the amounts recognised on goodwill at 31 December 2020 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 item "Property, plant and equipment" are shown hereunder for the years ended 31 December 2020 and 2019:

(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 2018	**72,125**	**758,542**	**3,443**	**6,982**	**8,326**	**849,418**
Of which:						
Historical cost	109,488	1,346,784	19,454	26,128	8,326	1,510,180
Accumulated depreciation	(37,363)	(588,242)	(16,011)	(19,146)	-	(660,762)
Increases	1,192	4,473	147	1,315	535	7,662
Decreases (historical cost)	(1)	(477)	(38)	(807)	(51)	(1,374)
Decreases (accumulated depreciation)	-	420	38	714	-	1,172
Reclassifications (historical cost)	(21)	1,523	-	69	(1,902)	(331)
Reclassifications (fund)	(24)	-	-	-	-	(24)
Depreciation	(1,202)	(7,734)	(512)	(1,670)	-	(11,118)
BALANCE AS AT 31 DECEMBER 2019	**72,069**	**756,747**	**3,078**	**6,603**	**6,908**	**845,405**
Of which:						
Historical cost	110,658	1,352,303	19,563	26,705	6,908	1,516,137
Accumulated depreciation	(38,589)	(595,556)	(16,485)	(20,102)	-	(670,732)
Increases	3,078	8,877	490	2,813	6,750	22,008
Decreases (historical cost)	(85)	(2,621)	(5)	(864)	(201)	(3,776)
Decreases (accumulated depreciation)	-	992	7	799	-	1,798
Reclassifications (historical cost)	4,480	1,341	66	26	(6,004)	(91)
Depreciation	(1,348)	(9,444)	(450)	(1,712)	-	(12,954)
Variazione area di consolidamento:						
Costo storico	15,937	209,776	273	53	672	226,711
Ammortamento	(2,994)	(158,747)	(197)	(49)	-	(161,987)
BALANCE AS AT 31 DECEMBER 2020	**91,137**	**806,921**	**3,262**	**7,669**	**8,125**	**917,114**
Of which:						
Historical cost	134,732	1,522,290	20,387	28,733	8,125	1,714,267
Accumulated depreciation	(43,595)	(715,369)	(17,125)	(21,064)	-	(797,153)

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 framework for the contracting of the Provincial hydroelectric supply chain following Law No 205/2017, Law No 160/2019 and Law No 9/2020

Italian Law No 205 of 27 December 2017 "State forecast budget for financial year 2018 and multi-year budget for the 2018-2020 three-year period" in Article 1, Paragraphs 832 and 833 replaced Article 13 of the Consolidated Law per Presidential Decree No 670 of 31 August 1972 and in short it 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:

- 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;
- 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 Law No 160 of 27 December 2019 "*National budget for the 2020 financial year and long-term budget for the 2020-2022 three-year period*" - ref. Articles 76 and 77 - Article 13 of the consolidated text per 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 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 Trento notified the extension by right of the large hydroelectric concessions held by HDE and DEE "*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 Presidential Decree No 670 of 31 August 1972 and P.L. No 4 of 6 March 1998*".

In light of the above, the Group has therefore confirmed the assumption, made during the previous year, to set the date of 31 December 2023 to be the ending date of the concession with regard to large diversions plants with expiry prior to that date, with the consequent restructuring of the depreciation.

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:

- exclusively in reference to investments on the assets referred to in the first paragraph of Article 25 of 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;

- 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 in light of the failure to define the method for calculating the indemnity, the assumption of zeroing the net book value of the so-called "wet works" at the end of the concession has been confirmed.

Further salient elements contained in the cited 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 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;
- 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 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, in the same way as it had already been ordered for similar regulations of the Lombardy, Veneto and Piedmont Regions.
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 remodulation led to a reduction in the charges by approximately 1 million euro per year. 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 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.

Depreciable amount of certain elements of the Italian hydroelectric supply chain following Law No 134/2012

The law of 7 August 2012, No 134 on "Urgent Measures for the Country's Growth", published in the Official Journal of 11 August 2012, radically changed the regulation of hydroelectric concessions at national level, providing, among other things, that five years before the expiration of a large diversion concession for hydroelectric use and in cases of forfeiture, waiver and revocation, where there is no overriding public interest in a different use of waters incompatible with the continued use of water for hydroelectric purposes, the competent administration shall launch a public tender for the award of the concession for a period of 20 years up to a maximum of 30 years.

In order to ensure continuity of operations, the above Law also defined the procedures for the transfer from the outgoing concession holder to the new concession holder of the business unit necessary for the exercise of the concession, including all legal relationships relating to the concession itself, against payment of a consideration, to be agreed upon between the outgoing concession holder and the granting administration, taking into account the following elements:

- as regards collection and regulation works and discharge channels, considered as subject to reversion free of charge in the Consolidated Text of law provisions on waters and electric power plants (Article 25 of the Royal Decree No 1775 of 11 December 1933), based on the revalued historical cost, calculated net of public capital grants, revalued as well and received by the concession holder for the building of these works, less the estimated amount of ordinary wear and tear;
- as regards other tangible assets, at arm's length value, intended as value of reconstruction as new, less ordinary wear and tear.

The legislation in question is not currently applicable to the Group, pursuant to the provisions of Article 1 bis, paragraph 15 quater, letter h), of the Law of the Trento Autonomous Province by which the ten-year extension of the concessions transferred to the Company was granted and, in view of the foregoing paragraph, this issue shall be governed by specific provincial laws.

In 2016, an appraisal was performed to value the hydroelectric plants of the subsidiary Hydro Dolomiti Energia Srl, from which it was inferred that the net carrying amount of the assets not subject to reversion free of charge at the date of expiry of the hydroelectric concessions will be higher than the current net carrying amount (in 2019, an update of the appraisal was obtained, confirming the same conclusions); therefore, as of 2016, the depreciation of such assets has been suspended.

The Group performed an impairment test at the date of year-end close to evaluate whether there was any impairment on the CGU represented by the value of the hydroelectric concessions and the relative hydroelectric plants linked to the company Hydro Dolomiti Energia Srl.

The test was carried out by comparing the carrying amount of the CGU with its recoverable amount, given by the higher of either the fair value (net of any costs to sell) or the value of net discounted cash flows expected to be generated by the asset. In particular, the value in use was determined by applying the DCF method, discounting the unlevered free cash flow as defined in the Business Plan of the Dolomiti Energia Group for 2021-2023 and for 2024 in the Financial Plan for the CGU. To determine the Terminal Value, the values in the appraisal prepared by Hydrodata were used, referring to the presumed reimbursement value for the outgoing concession holder as regards the assets not subject to reversion free of charge. The cash flow discount rate used (WACC), which reflects market valuations of the cost of money and the specific risks of the business sector and the reference geographical area, net of taxes, is equal to 5%, while the assumed growth rate is 0. The test performed did not bring to light any need to recognise impairment on the assets in that CGU. Even increasing the WACC used by 25%, the impairment test would not bring to light any impairment.

7.5 EQUITY INVESTMENTS MEASURED AT EQUITY AND OTHER COMPANIES

The item "Equity investments measured at equity and other companies" is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	2019
Equity investments in associates	46,238	70,040
Equity investments in other companies	23,754	6,095
TOTAL EQUITY INVESTMENTS	**69,992**	**76,135**

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 2020 and 2019 are shown hereunder:

(in thousands of Euro)

	% of share capital as at 31 December 2020	As at 01 January 2019	Acquisitions - Sales	Other changes	Revaluations	Write-downs	As at 31 December 2019	Acquisitions - Sales	Other changes	Write-downs, Adjustments	As at 31 December 2020
PVB POWER BULGARIA AD	23.13%	2,049	-	-	-	-	2,049	-	3,965	-	6,014
ASSOCIATES											
SF ENERGY	50.00%	28,058	-	67		(856)	27,269			(751)	26,518
IVI GNL	50.00%	10	31	-		(11)	30	500		(12)	518
NEOGY	50.00%	-	3,000	-		(678)	2,322		-	(907)	1,415
GIUDICARIE GAS	43.35%	1,322	-	69		-	1,391				1,391
RABBIES ENERGIA	31.02%	2,380	-	8		-	2,388			3	2,391
BIOENERGIA TRENTINO	24.90%	1,579	-	-		-	1,579			126	1,705
MASOENERGIA	26.25%	1,627	-	-		(29)	1,598			(34)	1,564
AGS Riva del Garda	20.00%	9,438	-	575		(160)	9,853			417	10,270
SG ELETRICA BRASIL	20.00%	7	-	-		-	7				7
VERMIGLIANA	20.00%	461	-	3		-	464			(7)	457
ENERGY_NET	20.00%	2	-	-		-	2				2
Lozen											-
TOTAL ASSOCIATES		**44,884**	**3,031**	**722**	**-**	**(1,734)**	**46,903**	**500**	**-**	**(1,165)**	**46,238**
OTHER COMPANIES											
PRIMIERO ENERGIA	19.94%	4,615	-	-		-	4,615				4,615
INIZIATIVE BRESCIANE	16;53%							17,660			17,660
BIO ENERGIA FIEMME	11.46%	785	-	-		-	785				785
CHERRYCHAIN	10.00%	-	300	-		-	300				300
C.LE TERMOEL. DEL MINCIO	5.00%	1	-	-		-	1	(1)			-
DISTR. TECNOL. TRENT. S. Cons.	1.77%	5	-	-		-	5				5
ISTITUTO ATESINO SVILUPPO	0.32%	387	-	-		-	387				387
COOPERATIVA ENERGY-LAND	-	1	-	-		-	1				1
CONS.ASSINDUSTRIA ENERGIA	-	1	-	-		-	1				1
TOTAL OTHER COMPANIES		**5,795**	**300**	**-**	**-**	**-**	**6,095**	**17,659**	**-**	**-**	**23,754**

The summary of economic and financial figures for joint ventures of the entity, as at 31 December 2020 and 2019, is shown hereunder:

(Thousands of Euro)

	SUMMARY DATA AS AT 31.12.2020	
	SF Energy Srl 50%	**Neogy srl 50%**
Dividends received		
INCOME STATEMENT		
Revenue	11,318	2,182
GROSS OPERATING MARGIN	**630**	**(1,345)**
Amortisation, depreciation and write-downs	(495)	(440)
NET OPERATING RESULT	**135**	**(1,785)**
Interest income	13	
Interest expense		(24)
Income taxes	63	(4)
PROFIT/(LOSS) FOR THE YEAR	**211**	**(1,813)**
STATEMENT OF FINANCIAL POSITION		
Total assets	22,856	5,647
Shareholders' Equity	18,777	(159)
Cash and cash equivalents	7,056	69
Current financial liabilities		(2,500)

(Thousands of Euro)

	SUMMARY DATA AS AT 31.12.2019	
	SF Energy Srl 50%	**Neogy srl 50%**
Dividends received		
INCOME STATEMENT		
Revenue	12,516	1,893
GROSS OPERATING MARGIN	**557**	**(1,090)**
Amortisation, depreciation and write-downs	(484)	(255)
NET OPERATING RESULT	**73**	**(1,345)**
Interest income	74	
Interest expense		(5)
Income taxes	(13)	(6)
PROFIT/(LOSS) FOR THE YEAR	**134**	**(1,356)**
STATEMENT OF FINANCIAL POSITION		
Total assets	22,227	6,174
Shareholders' Equity	18,566	1,654
Cash and cash equivalents	6,308	2,230
Current financial liabilities		(2,500)
Non-current financial liabilities		

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 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, which was established from the joint venture between Dolomiti Energia and Alperia in order to jointly promote electrical mobility, is organising a widespread recharging infrastructure in the territory to serve both private customers and companies.

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

IVI GNL Srl – Santa Giusta (OR). 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. On 8 October 2020, the Shareholders' Meeting resolved to increase the Share Capital from 100,000 euro to 1,100,000 euro. The company, dedicated to the marketing of LNG gas in Sardinia, is still in the start-up phase.

RABBIES ENERGIA Srl – Rabbi (TN). 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.

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

PVB POWER BULGARIA – Sofia (Bulgaria). Fully paid-up Share Capital of 30,678,000 euro, represented by 600,000 shares with a value of 51.13 euro each; Dolomiti Energia Holding holds 23.13% of the Share Capital, equal to 138,774 shares with a nominal value of 7,095,515 euro. In February 2021, Dolomiti Energia Holding sold its entire share capital. The investment has therefore been reclassified in the financial statements to "Assets held for sale and discontinued operations", valued at cost, not exceeding the transfer value. The company operates in Bulgaria and is planning to build some energy production plants from renewable sources.

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

MASO ENERGIA Srl – 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 Srl – 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 Dolomiti Energia Hydro Power, which holds 20.00% of the Capital. The company produces hydroelectric energy.

Other companies

Information on the main other companies in which the Group owns equity investments is shown hereunder.

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

INIZIATIVE URBANE S.p.A. – Breno (BS). Fully paid-up Share Capital of 19,389,000 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 thirty hydroelectric plants located in the provinces of Brescia, Bergamo and Cremona.

BIO ENERGIA FIEMME SpA – Cavalese. Fully paid-up Share Capital of 7,058,964 euro, represented by 1,176,494 shares with a value of 6 euro each; Dolomiti Energia Holding holds 11.46% of the Share Capital, equal to 134,800 shares with a nominal value of 808,800 euro. The company is engaged in the cogeneration and district heating sector.

CHERRYCHAIN Srl – Pergine Valsugana Fully paid-up Share Capital of 15,000 euro, represented by 15,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 10% of the Share Capital, equal to 1,500 shares with a nominal value of 15,000 euro. The company works in the ICT sector, mainly dealing with software development, digital identity management systems and regulatory compliance.

DISTRETTO TECNOLOGICO TRENTINO S. Cons. a r.l. – Rovereto. Fully paid-up Share Capital of 201,000 euro, represented by 201,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 2.49% of the Share Capital, equal to 5,000 shares with a nominal value of 5,000 euro. The company is committed to environmental sustainability.

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

7.6 NON-CURRENT FINANCIAL ASSETS

The item "Non-current financial assets" as at 31 December 2020 and 31 December 2019 is detailed as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	2019
Securities at the Clesio Real Estate Fund	-	-
Other	407	99
NON-CURRENT FINANCIAL ASSETS	407	99

The original historical cost of the units of the real estate fund came to 15,678 thousand euro and derives 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 2019, 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.

The item Other non-current receivables mainly includes guarantee deposits.

7.7 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities as at 31 December 2020 and 31 December 2019 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	2019
Fixed assets	12,868	12,530
Provision for write-downs	3,256	2,568
Production bonuses	1,102	1,086
Provisions for risks and charges	3,428	2,936
Fair value of derivatives	10,181	6,011
Non-deductible interest expense	1,137	1,347
Real estate fund write-down	3,763	3,763
Employee benefits	2,232	1,785
Other	557	660
TOTAL PREPAID TAXES	38,524	32,686

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	2019
Property, plant and equipment	128,439	154,019
Intangible assets	36,150	3,835
Goodwill	8,561	8,138
Provision for write-downs	57	57
Derivatives	2,693	3,271
Other	42	882
TOTAL DEFERRED TAXES	**175,942**	**170,202**

7.8 OTHER NON-CURRENT ASSETS

The item "Other non-current assets" as at 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	2019
Prepayments and accrued income	1,293	1,343
Guarantee deposits	34,393	20,904
Other	933	111
TOTAL OTHER NON-CURRENT ASSETS	**36,619**	**22,358**

The item Other non-current receivables mainly includes guarantee deposits.

7.9 INVENTORIES

The item "Inventories" as at 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	2019
Raw materials and consumables	17,103	18,721
Other inventories	4,423	2,141
TOTAL	**21,526**	**20,862**

Inventories of raw materials, related primarily to materials used in the construction of networks and natural gas stocks, increased by 1,618 thousand euro and the changes for the year reflect the corporate strategic and operating policies.
The item Other inventories is instead related to the value of energy certificates (TEE and GO and CO2 units) not yet made available on the market as at 31 December 2020. They increased by 2,282 thousand euro compared to the previous year.

7.10 TRADE RECEIVABLES

The item "Trade receivables" as at 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	2019
Accounts receivable - customers	313,439	314,843
Accounts receivable - associates	6	70
Accounts receivable - parent companies	139	141
Accounts receivable - sister companies	1,187	2,618
Provision for write-downs	(18,403)	(15,480)
TOTAL	296,368	302,192

The item Trade receivables, disclosed net of the related provision for write-downs, mainly includes accounts receivable from customers and allocations for invoices and credit notes to be issued.
The adjustment criteria of receivables at the estimated realisable value take account of different valuations based on the status of the dispute.
The provision for write-downs reported the following changes during the years 2020 and 2019:

(in thousands of Euro)	Provision for write-downs
AS AT 31 DECEMBER 2019	15,480
Allocations	7,515
Utilisations	(4,592)
AS AT 31 DECEMBER 2020	18,403

7.11 RECEIVABLES FOR CURRENT TAXES

The item "Receivables for current taxes" as at 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	2019
IRES	4,764	5,392
IRAP	346	292
TOTAL	5,110	5,684

7.12 CURRENT FINANCIAL ASSETS

The item "Current financial assets" as at 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	2019
Loans to associates	1,375	6,350
Loan to Fedaia Holding	1,209	26,440
Financial derivatives	67,807	103,339
Other receivables	1,186	1,233
CURRENT FINANCIAL ASSETS	**71,578**	**137,362**

The item Financial derivatives, equal to 67,807 thousand euro (103,339 thousand euro as at 31 December 2019) includes 7,467 thousand euro related to fair value as at 31 December 2020 of positive derivative contracts on commodities signed to hedge highly probable programmed transactions and related to the buying and sale of electricity. 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 60,340 thousand euro is related to the fair value, as at 31 December 2020, of positive derivative contracts on commodities that do not fulfil the eligibility requirements to be accounted for as hedging derivatives. Their fair value was recorded in the Income Statement for the year.

The financial receivable from the company Fedaia Holding (minority shareholder of Hydro Dolomiti Energia, with a share of 40%) refers to the sums paid by virtue of the deposit agreement, which calls for the accrual of quarterly interest at market rates. The amount deposited is not subject to time restrictions and may be freely managed in the short term.

7.13 OTHER CURRENT ASSETS

The item "Other current assets" as at 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	2019
Elect./gas tax credits	851	945
Group VAT credit	4,235	4,006
Other tax credits	354	30
Prepayments and accrued income	13,446	11,482
Other accounts receivable	21,194	5,345
Accounts receivable - CSEA	19,132	8,996
Renewable source certificates	36,096	24,712
Advances/Deposits	7,002	2,360
Accounts receivable - Social security institutions	97	65
Accounts receivable - Public authorities for contributions	114	739
Accounts receivable - Public authorities	205	205
TOTAL OTHER CURRENT ASSETS	**102,726**	**58,885**

The item "Other accounts receivable", amounting to 21,194 thousand euro (5,345 thousand euro at 31 December 2019), mainly refers to the prepayment of the fair value of commodity derivative contracts entered into on regulated markets and having a delivery date of 2021 and 2022; the significant increase compared to the previous year is due to the changes in market prices and volumes traded.
The item receivables from CSEA (Cassa per i Servizi Energetici e Ambientali) mainly includes receivables for transport equalisation (distribution and measurement of electricity and gas) and network efficiency, which increased significantly compared to the previous year due to the non-payment of bi-monthly advances by CSEA for the whole of 2020. Also included are credits for certificates from renewable sources (TEE), which increased sharply compared to 2019 mainly due to an increasing obligation to acquire energy certificates issued by CSEA, and also due to the deferral of a collection related to the previous three years.
There was also a significant increase in contractual advances paid to suppliers for maintenance activities and extension work carried out on the distribution networks.

7.14 CASH AND CASH EQUIVALENTS

The item "Cash and cash equivalents" as at 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	2019
Bank and postal current accounts	82,983	23,225
Cash on hand	7	12
TOTAL	**82,990**	**23,237**

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 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

This item identifies the value of the investment in the company PVB POWER BULGARIA - Sofia (Bulgaria) equal to 23.23%. In February 2021, Dolomiti Energia Holding sold its entire share capital. The investment has therefore been reclassified in the financial statements to "Assets held for sale and discontinued operations", valued at cost, not exceeding the transfer value.

7.16 SHAREHOLDERS' EQUITY

Changes in equity reserves were shown in the tables of these consolidated financial statements.
As at 31 December 2020, the Company's share capital amounted to 411,496,169 euro, and comprised 411,496,169 ordinary shares with a nominal value of 1.00 euro each.
In October 2020, 450,000 treasury shares were sold to the shareholder Consorzio Elettrico di Storo, 930,232 treasury shares to the new shareholder Consorzio Elettrico di Pozza di Fassa. The sales were carried out at a unit price of 2.15 euro for a total amount collected of 2,967 thousand euro; the higher amount collected compared to the unit book value of treasury shares, which was 2.03 euro per share, was allocated to the Extraordinary Reserve (166 thousand euro).

7.17 PROVISIONS FOR RISKS AND CURRENT AND NON-CURRENT CHARGES

The item "Provisions for risks and current charges" amounted to 5,780 thousand euro as at 31 December 2020 and is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	**2019**
Provision for risks and charges	517	517
Provision for performance bonus	5,263	3,975
TOTAL PROVISION FOR RISKS AND CURRENT CHARGES	**5,780**	**4,492**

The item "Provisions for risks and non-current charges" amounted to 24,221 thousand euro as at 31 December 2020 and is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	**2019**
Provision for risks and charges	22,286	21,643
Provision for coverage of waste disposal charges	1,235	1,383
Pension fund	700	586
TOTAL PROVISIONS FOR RISKS AND NON-CURRENT CHARGES	**24,221**	**23,612**

Provisions for risks and charges

Provision for risks - plants, of 6,630 thousand euro, includes provisions made in previous years to cover the risk of charges resulting from the management of plants and adjoining areas; it was increased by 1,874 thousand euro during the year for the further estimated charges to empty the sediment from certain catchment basins and used for 815 thousand euro.

Provision for charges - Guardia di Finanza inspection amounted to 3,142 thousand euro and referred to the amount set aside for:

- a 2017 VAT claim from the Revenue Agency in relation to alleged improper recharges that were excluded from the taxable base and amounting to 186 thousand euro;
- a dispute on the IRAP (regional production tax) rate from the Revenue Agency in 2019 regarding the rate applied for 2014 of 2,856 thousand euro already settled for penalties with an outlay of 588 thousand euro;
- a dispute on the IRAP (regional production tax) rate from the Revenue Agency received in early 2021 regarding the rate applied for 2015 of 688 thousand euro;

Provision for lower contributions due, equal to 168 thousand euro, created to include lower contributions due compared to amounts disbursed by the Trento Autonomous Province (PAT).

Provision for gas meters replacement, equal to 733 thousand euro, has been entirely used.

Provision for disputes and litigation (1,766 thousand euro), intended to mainly cover potential liabilities that could derive from pending legal disputes or other litigation.

IMU (property tax) provision of 8,277 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. In 2020, the IMU (property tax) provision changed for utilisations only (1,630 thousand euro).

Provision for facilitated energy - irrigation consortia, equal to 2,260 thousand euro - on 27 March 2012 a formal claim for damage was formulated to HDE, AEEG and CCSSE, and with letter of 23 September 2015, the formal claim for payment was formulated in favour of Consorzio di Bonifica Veronese of the facilitated tariff with reference to an annual quantity of 3 million kWh, for the period in which this amount had no longer been reimbursed by Cassa Conguaglio (Electricity compensation fund), i.e. from 2010 onward, in addition to interests on arrears and ancillary costs until final settlement.

The aforesaid deviation from the original convention agreed upon the assignment of the concession itself, which is now held by HDE (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 Decree GC No 205/2013 of Verona and, therefore, the facilitated electricity supply would have been effective again only upon settlement of the dispute.

The facilitated tariff for electricity supply was valued equal to the average value of annual electricity, published by AEEG that defined an estimated cost from 2010 to 2019 of 2,260 thousand euro.

Other provisions for 43 thousand euro.

Provision for coverage of waste disposal charges

Provision for coverage of waste disposal charges, equal to 1,235 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

Provision for agents' leaving indemnities, equal to 700 thousand euro, was created in relation to the agency relation in place with its agents.

The changes of provisions for the years ended 31 December 2020 and 2019, 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 2018	**17,621**	**1,737**	**484**
Allocations	7,538	-	102
Utilisations	(3,516)	(354)	-
Releases	-	-	-
AS AT 31 DECEMBER 2019	**21,643**	**1,383**	**586**
Allocations	4,418	-	128
Utilisations	(3,775)	(148)	(14)
Releases	-	-	-
AS AT 31 DECEMBER 2020	**22,286**	**1,235**	**700**

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 - MILAN REGIONAL ADMINISTRATIVE COURT GEN. REG. NO. 2468/2017 (Decision No 384/2017 and finding No 139/2017)

The claim originating proceedings brought before the Lombardy - Milan Regional Administrative Court against AEEGSI (now the Regulatory Authority for Energy Networks and Environment - ARERA) is still pending, and the public hearing has not yet been scheduled.

NOVARETI S.P.A. /ARERA – LOMBARDY - MILAN REGIONAL ADMINISTRATIVE COURT GEN. REG. NO. 84/2017 (Decision No 219/2016)

By notice of extraordinary appeal to the President of the Republic 26.11.2016 and filed with AEEGSI on 24.11.2016, a request was made for the partial overruling pursuant to Attachment A of decision No 219/2016/A of 29 July 2016 following the objection made by AEEGSI; the appeal was transferred to the Lombardy - Milan Regional Administrative Court.

As things stand, it is still pending and a public hearing has not yet been scheduled.

NOVARETI S.P.A. /ARERA – LOMBARDY - MILAN REGIONAL ADMINISTRATIVE COURT GEN. REG. NO. 514/2020

On 24 February 2020, a notice of appeal was filed before the Lombardy - Milan Regional Administrative Court to overrule, not fully, but limited to certain profiles, the decision of 27 December 2019 570/2019/R/gas adopted by the Regulatory Authority for Energy Networks and Environment (hereinafter also referred to as ARERA) and published on the company website www.arera.it on 27.12.2019.

As part of the same judgment, with an appeal on additional grounds, the Novareti Company requested the annulment of the two ARERA resolutions, No. 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.

The hearing is still pending on the merits and the hearing has not yet been scheduled.

NOVARETI S.P.A. / MUNICIPALITY OF LAVIS - TRENTINO RISCOSSIONI - COURT OF TRENTO - GEN. REG. NO. 1959/2019

The Company issued a summons to file an appeal against tax payment order No 20190000002 of 4 April 2019, with notice given on 19 April 2019, relating to the rent for the occupation of public property COSAP of the Municipality of Lavis. Following the hearing of first appearance, the Judge set a deadline pursuant to Article 183 paragraph 6, Numbers 1, 2 and 3. The case is currently pending, and the judge has set a hearing for closing arguments for 28 July 2021.

NOVARETI S.P.A. /ARERA - CLARIFICATION OF 11.12.2020 - LOMBARDY - MILAN REGIONAL ADMINISTRATIVE COURT GEN. REG. NO. 298/2021

Proceedings brought by Novareti S.p.A. before the Regional Administrative Court for Lombardy, Milan office, to challenge the document entitled "Clarifications by the Authority on the subject of recognition of investments relating to the distribution service in area management" published on the institutional website - www.arera.it on 11.12.2020, as well as all connected, preliminary and consequent acts.

The hearing is still pending on the merits and the hearing has not yet been scheduled.

DOLOMITI RETI S.P.A (now NOVARETI S.P.A.) vs Ministry for Economic Development - LAZIO - ROME REGIONAL ADMINISTRATIVE COURT GEN. REG. NO. 10742/2014 (Ministry for Economic Development Guidelines)

The initial appeal before the Regional Administrative Court of Lazio - Rome against the Ministerial Guidelines and the subsequent appeal on additional grounds against Ministerial Decree No 106/2015 are still pending and no public hearing has yet been set for the same. However, in view of several negative precedents that had arisen in the meantime, the company decided to abandon the dispute. We are awaiting a decision on the lack of interest.

LAZIO REGIONAL ADMINISTRATIVE COURT COGENERATION

The status of the appeals filed with the Regional Administrative Court of Lazio by the Company against decisions by G.S.E. - Gestore di Servizi Elettrici S.p.A. in relation to incentives connected with the production of energy from renewable or similar sources (so-called green/white certificates) is currently as follows:

- Green certificates Rovereto "Tecnofin Area" cogeneration plant

  The appeal was upheld with a ruling by the Regional Administrative Court of Lazio, Sect. III Excerpt, 9 June 2020, No 6259. The judgment has become res judicata, no appeal having been lodged with the Council of State within six months of publication.

- White certificates Rovereto Industrial Area cogeneration power plant

  Following GSE's rejection of the support scheme pursuant to the Ministerial Decree of 5 September 2011, in a note dated 29 November 2013, GSE also rejected the incentive applications submitted by the Company in subsequent production years, prompting Novareti to appeal and file an appeal for additional grounds each year.

  No hearing has been scheduled for this dispute either.

- "Trentofrutta" cogeneration

  In 2007 Novareti built a cogeneration unit at the Trentofrutta facility in Via De Gasperi 130, 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 said recognition was established in accordance with the above-mentioned Ministerial Decree of 5 September 2011) 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.

  The hearing for these proceedings still has to be scheduled.

  Novareti is in the process of filing a new motion to set a hearing to avoid peremption of the appeal due to over-five-year pending suit.

  With regard to the dispute that some customers have formalised, 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, the Group has taken legal action against said claims; since, in the event of a negative outcome, the Group will request reimbursement from the Tax Authority for any amounts to be returned to customers, since these are indirect taxes levied on them and paid in full to the Treasury, it was decided not to make any provision during the year.

  In 2020, the Group was also subject to a request for documentation from the Italian Antitrust Authority (Autorità Garante per la Concorrenza e il Mercato - AGCM) as part of a periodic control activities carried out on the application of regulations relating to the Consumer Code. Following the analysis of the documentation, on 8 October 2020, AGCM announced the launch of a preliminary investigation procedure (at the same time as 12 other operators in the sector) and requested further information. To date, the information available and following the exchange of information with AGCM, it is deemed reasonable that the proceedings may end with the acceptance of the undertakings proposed by the Group to improve the completeness of the information provided to customers and therefore no provisions for charges have been made in the financial statements.

7.18 EMPLOYEE BENEFITS

The item "Employee benefits", as at 31 December 2020, included 12,628 thousand euro related to the Provision for employee termination benefits and 5,579 thousand euro related to other employee benefits. Other benefits include additional monthly wages for achieved age limits or for accrued right to pension, loyalty bonuses and golden medals for the achievement of determined age requirement in the company, discounts on the supply price of household electricity, limited to some former employees during pension.
Changes in the Provision for employee termination benefits and other employee benefits, for the years ended 31 December 2020 and 31 December 2019, are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER 2020					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Energy discounts	Medals	Total
LIABILITIES AT BEGINNING OF THE YEAR	**13,323**	**1,071**	**1,826**	**2,176**	**239**	**18,635**
Current cost of service	-	49	53	-	92	194
Interest to be discounted	106	18	23	-	6	153
Benefits paid	(990)	(129)	(160)	(633)	(44)	(1,956)
Actuarial losses/(profits)	(350)	929	(84)	-	357	852
Losses (profits) at the time of repayment	-	-	-	-	-	-
Other changes	539	60	(61)	(209)	-	329
Change in consolidation area	-	-	-	-	-	-
LIABILITIES AT YEAR END	**12,628**	**1,998**	**1,597**	**1,334**	**650**	**18,207**

(in thousands of Euro)	AS AT 31 DECEMBER 2019					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Energy discounts	Medals	Total
LIABILITIES AT BEGINNING OF THE YEAR	**13,920**	**1,125**	**1,807**	**3,769**	**185**	**20,806**
Current cost of service	49	39	53	-	5	146
Interest to be discounted	206	21	35	7	7	276
Benefits paid	(1,290)	(167)	(120)	(1,059)	(5)	(2,641)
Actuarial losses/(profits)	817	51	109	(259)	32	750
Losses (profits) at the time of repayment	-	1	-	-	-	1
Other changes	(379)	1	(58)	(282)	15	(703)
Change in consolidation area	-	-	-	-	-	-
LIABILITIES AT YEAR END	**13,323**	**1,071**	**1,826**	**2,176**	**239**	**18,635**

The economic and demographic assumptions used for actuarial evaluations are shown hereunder:

	2020
Technical annual discount rate	0.35%
Annual inflation rate	0.75%
Rate of increase in post-employment benefits (TFR)	2.06%

A sensitivity analysis, as at 31 December 2020, related to the main actuarial assumptions included in the calculation model is shown hereunder, considering the base line scenario described above and increasing and decreasing the annual average discount rate, the average inflation rate and the turnover rate. The results obtained can be summarised in the following table:

Sensitivitivity

(in thousands of Euro)

	AS AT 31 DECEMBER 2020					
	Tasso di Attualizzazione +0,50%	Tasso di Attualizzazione -0,50%	Tasso di Inflazione +0,25%	Tasso di Inflazione -0,25%	Tasso di turnover +2%	Tasso di turnover -2%
Employee termination benefits	11,474	12,586	12,171	11,856	11,844	12,053

7.19 FINANCIAL LIABILITIES (CURRENT AND NON-CURRENT)

The table hereunder shows current and non-current financial liabilities as at 31 December 2020 and 2019:

(in thousands of Euro)

	AS AT 31 DECEMBER			
	2020		2019	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Payables due to banks	209,074	86,383	119,122	97,904
Bond loans	3,352	116,178	3,356	117,412
Shareholder loans	1	3,200	1	3,200
Payables for derivative liabilities	76,650	21,358	93,145	19,551
Payables due to other lenders	2,256	7,502	1,310	9,114
TOTAL	**291,333**	**234,621**	**216,934**	**247,181**

The item Payables due to banks includes a mortgage that the Group has with the European Investment Bank (EIB), for a residual carrying amount as at 31 December 2020 of 97,917 thousand euro. This loan is subject to the usual financial covenants required by the financial system, determined on economic and financial values; during the last verification conducted by the Group, all covenants had been respected. The loan taken out with Banca Intesa and amounting to 15,889 thousand euro at 31 December 2019 was repaid in 2020. Payables due to banks also include short-term loans (185,000 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. This Bond Loan was then listed on the regulated Market of the Irish Stock Exchange (ISE).
On 27 February 2018 the subsidiary Dolomiti Energia listed a bond loan named "Dolomiti Energia SpA € 5,000,000 1.05 per cent Fixed Rate Notes due 2022" on the Irish regulated market (Irish Stock Exchange).
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 110,000,000 euro. The loan is backed by irrevocable first demand guarantee issued by the Trento Autonomous Province.
As at 31 December 2020 and 31 December 2019 the Group had the following bond loans in place, and the balance shown hereunder is the capital debt at year end:

(in thousands of Euro)

	AS AT 31 DECEMBER 2020							
					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 – Subordinated – variable rate 2010/2022	Dolomiti Energia Holding SpA	10/02/2010	10/08/2022	€ 5,051,800	5,052		5,052	-
Dolomiti Energia fixed rate 2018/2022	Dolomiti Energia SpA	27/02/2018	10/08/2022	€ 5,000,000	2,500	1,250	1,250	
SET distribuzione fixed rate 4.6 2006/2029	Set Distribuzione SpA	01/08/2006	01/08/2029	€ 110,000,000	110,000	-	-	110,000
					117.552	**1.250**	**6.302**	**110.000**

(in thousands of Euro)

	AS AT 31 DECEMBER 2019							
					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 – Subordinated – variable rate 2010/2022	Dolomiti Energia Holding SpA	10/02/2010	10/08/2022	€ 5,051,800	5,052		5,052	-
Dolomiti Energia fixed rate 2018/2022	Dolomiti Energia SpA	27/02/2018	10/08/2022	€ 5,000,000	3,750	1,250	2,500	
SET distribuzione fixed rate 4.6 2006/2029	Set Distribuzione SpA	01/08/2006	01/08/2029	€ 110,000,000	110,000	-	-	110,000
TOTAL					**118,802**	**1,250**	**7,552**	**110,000**

Shareholder loans refer to an interest bearing loan granted in 2016 by Findolomiti Energia Srl to the parent company originally for 3,400 thousand euro, 200 thousand euro of which was repaid in 2017.
The item derivative liabilities includes derivatives on commodities, equal to 88,362 thousand euro (105,393 thousand euro as at 31 December 2019), representing 14,936 thousand euro related to fair value as at 31 December 2019 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 de-

rivatives, 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 73,426 thousand euro is related to the fair value, as at 31 December 2019, 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 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 31.12.2019	New contracts	Refunds	as at 31.12.2020	of which current quota
Financial payables for buildings	7,202	102	(934)	6,370	1,427
Financial payables for other moveable assets	4,142	565	(1,085)	3,622	967
PAYABLES DUE TO OTHER LENDERS FOR LEASES AND RENTS	**11,344**	**667**	**(2,019)**	**9,992**	**2,394**

The following table shows the breakdown of net financial indebtedness of the Group as at 31 December 2020 and 2019, determined according to provisions set out by Consob Communication of 28 July 2006 and according to Recommendations ESMA/2013/319.

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2020	2019
A. Cash	7	11
B. Other cash and cash equivalents	82,983	23,225
C. Securities held for trading	-	-
D. Cash and cash equivalents (A+B+C)	**82,990**	**23,236**
E. Current financial receivables	**71,578**	**137,362**
F. Current payables due to banks and other lenders	(211,330)	(120,433)
G. Current portion of non-current payables	(3,352)	(3,356)
H. Other current financial payables	(76,651)	(93,145)
I. Current financial position (F+G+H)	**(291,333)**	**(216,934)**
J. Current net financial position (I+E+D)	**(136,765)**	**(56,336)**
K. Non-current payables due to banks and other lenders	(97,085)	(110,218)
L. Bonds issued	(116,178)	(117,412)
M. Other non-current financial payables	(21,358)	(19,551)
N. Non-current financial position (K+L+M)	**(234,621)**	**(247,181)**
O. Net financial position (J+N)	**(371,386)**	**(303,517)**
Non-current financial assets	407	99
NET FINANCIAL POSITION OF THE COMPANY	**(370,979)**	**(303,418)**

7.20 OTHER LIABILITIES (CURRENT AND NON-CURRENT)

The items "Other non-current liabilities" and "Other current liabilities" as at 31 December 2020 and 2019 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	2019
Accrued liabilities and deferred income	103,097	104,130
Guarantee deposits	6,464	6,675
TOTAL OTHER NON-CURRENT LIABILITIES	**109,561**	**110,805**

The accrued liabilities and deferred income are mainly due to grants for connections for natural gas (14,184 thousand euro) and for electricity connections (60,173 thousand euro) and for water service connections (7,973 thousand euro); grants for plants related to natural gas (4,610 thousand euro) and grants for plants related to the water service (8,081 thousand euro).

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	2019
Social security and welfare payables	4,788	4,549
Accrued liabilities and deferred income	345	475
Tax on electricity/gas	2,753	7,043
Other taxes	42	172
IRPEF	2,161	2,148
Substitute tax	830	-
Other accounts payable	3,370	6,364
RAI television fee	1,417	1,825
Accounts payable - employees	2,861	2,831
Accounts payable - PAT	361	359
Sewerage charge	4,288	3,849
Accounts payable - associates	-	192
TOTAL OTHER CURRENT LIABILITIES	**23,216**	**29,807**

The performance of items included in other current liabilities follows the ordinary management dynamics of the various businesses.

7.21 TRADE PAYABLES

The item "Trade payables" includes amounts due for the supply of goods and services, and amounts to 234,576 thousand euro as at 31 December 2020, 222,650 thousand euro as at 31 December 2019.

7.22 LIABILITIES FOR CURRENT TAXES

The item "Liabilities for current taxes", equal to 3,666 thousand euro as at 31 December 2020, refers to the debt position to Tax Authorities for IRES and IRAP current taxes, as broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	2019
IRES	3,314	3,112
IRAP	352	585
TOTAL	3,666	3,697

8. Notes to the Income Statement

8.1 REVENUE

The item "Revenue" for the years ended 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2020	2019
Electricity revenue	963,302	1,054,967
Water resource revenue	21,425	21,329
Natural gas revenue	218,625	240,328
Heating revenue	6,507	7,675
Revenue from municipal waste services	27,725	27,919
Other revenue	30,228	46,661
Revenue from water treatment	2,265	2,201
TOTAL	1,270,076	1,401,080

All the items under core revenue show moderate decreases.

8.2 REVENUE AND COSTS FROM WORKS ON ASSETS UNDER CONCESSION

The item "Revenue and costs from works on assets under concession" for the years ended 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER			
	2020		2019	
	REVENUE	COSTS	REVENUE	COSTS
Electric grid	27,136	(26,501)	26,490	(25,850)
Gas network	23,141	(22,577)	13,055	(12,737)
Water network	7,994	(7,994)	4,561	(4,561)
TOTAL	**58,271**	**(57,072)**	**44,106**	**(43,148)**

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 item "Other revenue and income" for the years ended 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2020	2019
Standard contingent assets	22,911	16,029
Energy efficiency	17,426	14,496
Operating grants	9,076	6,519
Services to third parties	1,228	1,480
Purification management	3,009	3,007
Gains from standard operations	149	245
Grants - plants	988	997
Revenue from plant management	700	864
Real estate income	943	956
Cesspit treatment	671	699
Other revenue	11,965	9,285
TOTAL	**69,066**	**54,577**

The item other revenue and income mainly includes the income from energy efficiency certificates, the GRIN certificates, the applicable grants and the core non-recurring income, mainly from the adjustment of estimates from previous financial years and the effect of applying recent ARERA decisions, as well as adjustments of 2019 positive components attributable to the electricity commodity.

8.4 RAW MATERIALS, CONSUMABLES AND MERCHANDISE

The item "Raw materials, consumables and merchandise" for the years ended 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2020	**2019**
Purchases of elect. raw materials	359,814	408,973
Purchases of gas raw materials	110,960	145,910
Purchases of inventories	4,309	4,488
Purchase of fuels and vehicle spare parts	1,032	1,295
Purchases of laboratory and chemicals	903	939
Changes in inventories of raw materials, consumables and merchandise	943	(3,161)
Energy certificates	11,884	24,852
Other purchases	5,265	5,853
Contingencies	360	1,373
TOTAL	**495,471**	**590,522**

The decrease is mainly due to the considerable reduction in costs for electricity and natural gas and costs for energy certificates.

8.5 SERVICE COSTS

The item "Service costs" for the years ended 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2020	2019
External maintenance services	31,554	29,297
Insurance, banking and financial services	4,654	4,723
Other services	14,872	14,165
Commercial services	384,835	428,665
General services	3,176	2,881
Financial statement certification	326	307
Board of Statutory Auditors	344	316
Directors	1,036	1,016
Miscellaneous costs	209	105
Rental expense	258	428
Rental fees	598	639
Easements	15	14
Service agreement charges	1,297	1,324
Business unit rental	546	546
Water diversion charges	77,327	72,444
Contingencies	1,943	1,858
TOTAL	**522,990**	**558,728**

The overall decrease is essentially attributable to the item "commercial services", which mainly includes electricity and gas transportation costs, which decreased significantly compared to the previous year and is attributable to lower volumes.

8.6 PERSONNEL COSTS

The item "Personnel costs" for the years ended 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2020	2019
Wages and salaries	43,663	42,976
Social security costs	17,272	17,567
Employee termination benefits	3,492	3,439
Other costs	1,581	1,426
TOTAL	**66,007**	**65,407**

As at 31 December 2020, the Group had 1,434 employees.

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

The item "Amortisation, depreciation, allocations and write-downs" for the years ended 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2020	2019
Amortisation of intangible assets	12,919	11,257
Amortisation of property, plant and equipment	12,954	11,118
Amortisation of assets under concession	28,837	24,041
Amortisation of rights of use	1,046	2,156
Write-downs of property, plant and equipment	-	1,883
Provisions for risks	2,440	507
Write-downs of financial fixed assets	-	7,187
TOTAL	**58,196**	**58,149**

Amortisation for 2020 increased compared to the previous financial year, in particular due to the amortisation of assets under concession, affected by significant investments on the electricity and gas distribution networks.

The write-downs of property, plant and equipment, amounting to 1,883 thousand euro in 2019 included the write-down of assets relating to the cogeneration plant in the Rovereto industrial area, a plant which has been disposed of and re-engineered in 2020.

The item Provisions for risks for the year equal to 2,440 thousand euro includes a provision of 1,840 thousand euro referred to the dispute concerning a revocation action in relation to the composition of the company Leali Steel, 170 thousand euro relating to the subsidised energy fund for irrigation consortia and 599 thousand euro concerning the recalculation of the gas distribution tariff for previous years, in application of ARERA resolution 544/2020/R/GAS, covering the period 2009-2019.

It should be noted that the item "write-down of financial assets", recognised in 2019 for 7,187 thousand euro, recognises the complete write-down of the units held by the Group in the Clesio real estate fund, on a prudential basis due to the strong crisis in the real estate sector and the difficulty in liquidating the units.
The item "Net write-backs (write-downs) of receivables" for the years ended 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2020	2019
Write-down of accounts receivable recognised to current assets	4,636	4,597
Credit losses	119	428
TOTAL	**4,755**	**5,025**

8.8 OTHER OPERATING COSTS

The item "Other operating costs" for the years ended 31 December 2020 and 2019 is broken down as fol-lows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2020	2019
Energy efficiency charges	17,191	14,177
Standard contingent liabilities	6,127	2,161
ICI (local property tax)	4,680	4,103
Miscellaneous costs	2,103	2,174
Municipal charges and agreements	1,675	1,695
Cts/social security fee	990	172
Other taxes	824	819
TOSAP/COSAP	160	983
Losses from standard operations	1,989	207
Other costs	997	1,240
TOTAL	**36,736**	**27,731**

The main item of other operating costs refers to energy efficiency charges. This cost includes the charges of electricity and gas distributors and fulfils the obligation related to the purchase of Energy Efficiency Certificates, included in the tariff, as envisaged by the provision including the "Determination of national quantity targets of energy saving that shall be achieved by electricity and gas distribution companies for the years from 2017 to 2020, and the approval of the new Guidelines for the preparation, execution and evaluation of the energy efficiency projects".
Overall, the item increased significantly compared to 2019 also due to higher out-of-period expenses in 2020 related to adjustments of estimates of previous years as well as significant capital losses achieved as a result of divestments particularly of plant and machinery related to hydroelectric production plants.

8.9 RESULT OF EQUITY INVESTMENTS MEASURED AT EQUITY AND OTHER COMPANIES

The item "Result of equity investments measured at equity and other companies" for the years ended 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2020	2019
Dividends and other income from other companies	4,987	626
Revaluations of equity investments	17,626	5,724
Write-downs of equity investments and securities	(4,073)	(3,859)
Profits from equity investments in associates	-	75
TOTAL	**18,540**	**2,566**

The dividends from other companies relate to the dividends of the companies Primiero Energia, ISA and BioEnergia Fiemme.

The items revaluations and write-downs of equity investments and securities include primarily the valuation for the year of equity investments measured at equity. In particular, revaluations of equity investments mainly include the positive result arising from the application of the acquisition method for the accounting for business combinations (15,477 thousand euro) in relation to the acquisition of control of Dolomiti Edison Energy from 1 July 2020. According to this method, the equity investment previously owned in the 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.

8.10 FINANCIAL INCOME AND CHARGES

The item "Financial income and charges" for the years ended 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
Financial income	2020	2019
Financial income from associates	55	113
Financial income from other companies	819	785
Financial derivatives	187,271	37,035
Other		
TOTAL	**188,145**	**37,933**

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
Financial charges	2020	2019
Financial charges due to parent companies	(2)	(3)
Financial charges due to other companies	(6,151)	(7,253)
Financial derivatives	(186,239)	(29,612)
Right of use interest expense	(206)	(274)
Financial charges from discounting	(147)	(178)
Other	(29)	(113)
TOTAL	**(192,774)**	**(37,433)**

The items Financial income and charges for derivatives include the fair value, as at 31 December 2020, of derivative contracts on commodities that do not fulfil the requirements to be accounted for as hedging derivatives, in addition to differentials accrued and adjusted over the year for derivatives on commodities that are not eligible to be accounted for as hedging derivatives. The charges for derivatives also included the changes in fair value related to IRS derivative contracts.

8.11 TAXES

The item "Taxes" for the years ended 31 December 2020 and 2019 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2020	2019
Current taxes	43,919	46,009
Deferred taxes	(346)	(1,019)
Prepaid taxes	(2,226)	(3,068)
Tax consolidation income/charges	(161)	(448)
Taxes from prior years	568	3,007
Contingent assets	(107)	-
TOTAL	**41,647**	**44,481**

The reconciliation between tax charge as per financial statements and theoretical tax charge is shown here-under for the years ended 31 December 2020 and 2019:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER			
	2020	%	2019	%
PROFIT BEFORE TAX	170,097		154,119	
Theoretical income taxes	40,823	24,0%	36,989	24.0%
IRES	39,908	23,5%	40,698	26.4%
IRAP	4,011	2,4%	5,311	3.4%
Tax effect of permanent and other differences	(2,272)	-1,3%	(1,528)	-1.0%
TOTAL	**41,647**	**24,5%**	**44,481**	**28.9%**

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 2020 and 2019, the main transactions with related parties concerned the following:

(in thousands of Euro)

	AS AT 31 DECEMBER									
	2020					2019				
	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	DIVIDENDS RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	DIVIDENDS RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES
SF Energy	570	-	-	517	-	1,316	-	-	1,177	-
TOTAL	**570**	**-**	**-**	**517**	**-**	**1,316**	**-**	**-**	**1,177**	**-**

(in thousands of Euro)

	AS AT 31 DECEMBER																
	2020								2019								
	REVENUE			PURCHASES			FINANCIAL INCOME	FINANCIAL CHARGES	REVENUE			PURCHASES			FINANCIAL INCOME	FINANCIAL CHARGES
	Goods	Services	Other	Goods	Services	Other			Goods	Services	Other	Goods	Services	Other		
SF Energy	-	1,953	-	5,609	-	-	-	-	-	2,031	-	6,247	-	-	-	-
TOTAL	**-**	**1,953**	**-**	**5,609**	**-**	**-**	**-**	**-**	**-**	**2,031**	**-**	**6,247**	**-**	**-**	**-**	**-**

10. Guarantees and commitments

The Guarantees and commitments in favour and undertaken by the Group as at 31 December 2020 and 2019 are broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER	
Guarantees and commitments in favour of third parties	**2020**	**2019**
Guarantees given to third parties	6,525	21,090
Financial commitments in favour of third parties	1,598	1,598
TOTAL	**8,123**	**22,688**

(in thousands of Euro)

	AS AT 31 DECEMBER	
Guarantees received by third parties	**2020**	**2019**
Guarantees received by third parties in favour of banks for loans	115,500	115,500
Usage of signature facilities to issue bank/insurance guarantee	108,159	104,363
TOTAL	**223,659**	**219,863**

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.

11. Fees to directors and statutory auditors

The fees to directors and statutory auditors of the Group, for the years ended 31 December 2020 and 2019 are broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2020	**2019**
Board of Statutory Auditors	344	316
Directors	1,036	1,016
TOTAL	**1,380**	**1,332**

12. Independent Auditors' fees

The following table shows the remuneration received by the independent auditors Pricewaterhouse-Coopers 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 2020 and 2019, as well as remuneration for other services rendered to companies:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2020	**2019**
Statutory audit	251	224
Other audit services	44	41
Remuneration for tax advisory services	-	-
Other services besides auditing	-	-
TOTAL	**295**	**265**

13. Transparency in the public funding system

In application of Article 1, paragraphs 125 et seq. of law 124/2017 (annual market and competition law) as reformulated by Article 35 of decree law No 34/2019 (growth decree), published on the Official Gazette No 100 of 30 April 2019, 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 legislative decree No 33/2013 in 2020.

14. 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 2020 financial statements.

Attachment A to the Consolidated Financial Statements

Consolidation area

(in Euro)

Dolomiti Energia Holding	type	Share capital euro	2020	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
DOLOMITI ENERGIA TRADING	spa	2,478,429	98.72%	line-by-line
DOLOMITI ENERGIA	spa	20,405,332	83.03%	line-by-line
SET DISTRIBUZIONE	spa	120,175,728	69.60%	line-by-line
DTC	scarl	10,000	57.00%	line-by-line
HDE	srl	3,000,000	60.00%	line-by-line
DOLOMITI EDISON ENERGY *	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
BIO ENERGIA TRENTINO	srl	3,000,000	24.90%	equity
PVB BULGARIA	spa	38,346,891	23.13%	equity
AGS RIVA DEL GARDA	spa	23,234,016	20.00%	equity

(*) until 30 June 2020, consolidated using the equity method; from 1 July 2020, consolidated using the line-by-line method.

Rovereto, 26 March 2021

The Chairman of the Board of Directors

Massimo De Alessandri

Certification of the Consolidated Financial Statements

The undersigned Massimo De Alessandri, Chairman 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:l'adeguatezza in relazione alle caratteristiche;

- 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 2020 to 31 December 2020.

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 2020:
    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, 26 March 2021

Chairman
Massimo De Alessandri

Head of the Administration Department
Michele Pedrini

Report on the Consolidated Financial Statement

Lake Cavedine, Valley of the lakes
Photo Daniele Montigiani

Board of Statutory Auditors' Report on the consolidated financial statements as at 31 December 2020

To the Shareholders' Meeting of Dolomiti Energia Holding S.p.A.

Dear Shareholders,
The consolidated financial statements as at 31 December 2020 prepared by your Company's Board of 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 2020 were drafted according to the International Accounting Standards – IAS and the International Financial Reporting Standards – IFRS, issued by the International Accounting Standards Board (IASB), as well as to IFRIC and SIC interpretations, endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 in force at the reporting date. The financial statements were prepared in compliance with Article 9, Paragraph 3 of Law Decree no. 38 of 28 February 2005 as amended.

In summary, in thousands of euro, the consolidated financial statements as at 31 December 2020 report Group profit for the year of 128,450 euro (including 97,601 euro pertaining to the Group), total assets of 2,319,348 euro and Group shareholders' equity of 1,198,225 euro (including 804,915 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.;
- Dolomiti Energia Trading S.p.A.;
- Dolomiti Energia S.p.A.;
- SET Distribuzione S.p.A.;
- Depurazione Trentino Centrale S.c.a.r.l.;
- Hydro Dolomiti Energia S.r.l.;
- Dolomiti Edison Energy S.r.l.;
- Neogy S.r.l.;
- IVIGNL S.r.l.;
- SF Energy S.r.l.;
- Giudicarie Gas S.p.A.;
- Bio Energia Trentino S.r.l.;
- Pvb Bulgaria S.p.A.;
- AGS Riva del Garda S.p.A.;

Consolidation Method

The consolidation criteria adopted are those indicated in the Notes to the Financial Statements, to which reference should be made.
Consolidation was performed using the full consolidation method for the following subsidiaries: Dolomiti Energia Solutions S.r.l., Novareti S.p.A., Dolomiti Ambiente S.r.l., Dolomiti GNL S.r.l., Dolomiti Energia Hydropower S.r.l., Dolomiti Energia Trading S.p.A., Dolomiti Energia S.p.A., SET Distribuzione S.p.A., Depurazione Trentino Centrale S.c.a.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 Srl, IVIGNL Srl, SF Energy S.r.l., Giudicarie Gas S.p.A., Bio Energia Trentino S.r.l., Pvb Bulgaria S.p.A., Ags Riva del Garda S.p.A.

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 2020 of the consolidated companies, as approved by their respective Boards of Directors.

The independent auditors PriceWaterhouseCoopers SpA have assessed the regular nature and correspondence of the consolidated financial position and income statement with accounting entries of the parent company and information submitted by subsidiaries included in the consolidation.

The information and clarification provided in the Notes to the Financial Statements, the Report on Operations and the contents of the consolidated financial statements are confirmed to be fair.

The Shareholders' Meeting need only take the consolidated financial statements and accompanying documents into consideration for information purposes since they are not subject to approval.

Trento, 13 April 2021

The Board of Statutory Auditors

Massimiliano Caligiuri
Chairman;

Barbara Caldera
Standing Auditor;

Michele Iori
Standing Auditor.

Independent auditor's report

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

To the shareholders of Dolomiti Energia Holding SpA

Report on the Audit of the 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 2020, 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 a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2020, 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.

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 2020 and paragraph "Reference regulatory environment – energy generation" of the report on operations.*	
The item "Property, plant and equipment" of the Group's consolidated financial statements as of 31 December 2020 includes Euro 822,6 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") and the subsequent Law 160 of 27 December 2019 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 2023, 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 confirmed the extention of the expiring date to 31 December 2023 for the above concessions, and defined the indemnification criteria for "assets transferable for free". The Group depreciates its "assets transferable for free" in order to complete the related depreciation	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 2020-2023 from the cash generating unit relating to the hydroelectric business. We examined the appraisal commissioned by the Company's management 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 unit with the values as per the appraisal. In addition, with the support of PwC network's experts, we examined the discount rate used in the impairment test, the relating methodological correctness and the mathematical accuracy, and we verified the sensitivity analysis carried out by the

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
process within 31 December 2023, considering the necessary time reasonably expected to complete the public tendering procedures by the 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 2020 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.	directors in relation to the assumptions relevant to in 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 2020.* 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 50,3 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

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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.	documentation of capitalised costs in order to 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 2020.* Revenue from the sale of electricity and gas realised by the Group in the year ended 31 December 2020 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 Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised 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 management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

On 15 December 2017, the shareholders of Dolomiti Energia Holding SpA in general meeting engaged us to perform the statutory audit of the Company's and 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

Management of Dolomiti Energia Holding SpA is responsible for preparing a report on operations of Dolomiti Energia Group as of 31 December 2020, 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 2020 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 2020 and is prepared in compliance with the law.

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

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

Management of Dolomiti Energia Holding SpA is responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that management approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by another auditor.

Verona, 13 April 2021

PricewaterhouseCoopers SpA

Signed by

Paolo Vesentini
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

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