DOLOMITI ENERGIA HOLDING

Financial statements 2019

Cover page: **Alto Garda - Nago Torbole - Lake Garda - Panorama**
Photo Library Trentino Sviluppo S.p.A. - Photo Rasmus Kaessmann

FINANCIAL STATEMENTS 2019

DOLOMITI ENERGIA HOLDING SpA

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

FINANCIAL STATEMENTS
as at 31 December 2019

BOARD OF DIRECTORS

Chairman
De Alessandri Massimo

Deputy Chairman
Fedrizzi Massimo

CEO
Merler Marco

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

BOARD OF STATUTORY AUDITORS

Chairman
Caligiuri Massimiliano

Standing auditors
Iori Michele
Caldera Barbara

INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

Index

Letter
to the shareholders

Dear Shareholders,

The year that has just ended was full of transformations and complex challenges which your Company showed it was capable of facing by handling the changes impacting the current energy environment, characterised by smart and digitalised distribution networks, renewable energies, volatile markets and increasingly knowledgeable customers,

The macroeconomic context

In 2019, **global economic growth** remained limited without showing a clear recovery despite the signs of an easing of tensions between China and the United States.

According to the Bank of Italy, the growth rate in the United States should reach around 2.3%, down compared to the previous year, and although the Chinese economy maintained its high growth rate (6.2%), it also recorded a slight dip compared to the previous year.

Despite the ECB's accommodating monetary policy, in 2019 the **Eurozone economy** remained weak, marking GDP growth of just over 1%, especially due to the weak manufacturing sector, even in important countries such as Germany. Inflation remained at very limited values and is expected to be around 1.3%.

The **financial markets** showed a slight increase in long-term rates in all the leading advanced economies starting from October, even though the absolute level of returns continued to be very low and in some cases negative. Stock prices grew by over 20% even though subsequent events, especially starting from mid-February 2020, completely wiped out that increase, with extremely high volatility.

In this framework, the **Italian economy** marked GDP growth of 0.2%, with a negative trend towards year end, positive household consumption trends, albeit just under 1%, an unemployment rate which declined to below 10% and a limited inflation rate, especially due to the drop in energy prices.

The **unknowns in 2020 remain very high** due to the ongoing global health emergency, the macroeconomic effects of which cannot yet be fully appreciated. The economy will certainly have to go through a recession, the extent and duration of which is difficult to estimate since we are currently undergoing a simultaneous shock to both supply and demand that is unprecedented in recent history.

In particular, forecasts for the Italian economy are particularly negative, with an estimated decline in GDP in excess of 5%, assuming that the acute phase of the health emergency will end in the second quarter with a gradual relaxation of the restrictive measures enacted which, starting from the end of February, completely limited any production or commercial activity, with the exception of those deemed essential. The effects of the Covid-19 epidemic will heavily impact investment activities as well as private spending trends, with a substantial re-composition of the consumption basket and inevitable consequences for many economic activities,

The energy market

In 2019, the average price of oil was 64.3 $/barrel on international markets, down by 9% compared to the previous year. **Gas prices**, also due to the massive arrival of LNG in Europe from the United States and the Middle East, experienced a sharp decline in the second half of 2019, with an average value at the PSV down 25%, resulting, given the electricity generation mix in Italy, in a reduction in **electricity prices** in the second half of 2019 and early 2020.

In Italy, **natural gas consumption** was up 2.3% in 2019, confirming the historical trend of declining domestic production and increasing imports, which have resumed growth (+4.5% compared to 2018) after contracting in 2018. **LNG imports** grew once again, reaching 20% of domestic imports, marking an increase of 7% compared to 2018.

Electricity consumption in Italy came to 319 billion kWh, down by 0.6% compared to the previous year, in line with consumption in 2009 but still more than 6% lower than the highs reached in 2007.

In 2019, 58% of **electricity demand** in Italy was met from thermal sources, 30% from other sources (hydroelectric, wind, photovoltaic, geothermal) and 12% from abroad, with a mix basically aligned with 2018. Amongst the renewables, in 2019 the greatest contribution was provided by hydroelectric, with 41% compared to 44% in 2018, followed by photovoltaic with 21%, wind with 18%, biomass with 15% and geothermal with 5%.

Hydroelectric production (amounting to 47 TWh) declined by 6% due to the lower amount of water available in 2019, higher than production during the 2015-2017 period but lower than the average of the last 10 years, while electricity **production from thermal sources** was slightly higher than that of 2018.

The energy context for the year under way, as regards expected volumes as well as the price scenario, will also inevitably be impacted by the negative effects of the production and commercial restrictions imposed to manage the Covid-19 emergency,

Economic and financial results

The positive results posted in 2019 were possible thanks to the ability of your Group to assess the overall context in which it is found and to act, making choices and carrying out initiatives that confirm greater and greater solidity and ability to generate value for both shareholders and the community.

As regards the economic and financial results, the Group's consolidated financial statements show total r**evenue and income of 1,500 million euro, up 2.7% compared to** 1,460 million euro in 2018, and **EBITDA of 216.8 million euro**, in line with the previous year, which benefitted from several non-recurring positive components of significant amounts (roughly 15 million euro). The EBIT came to 153.6 million euro, down slightly compared to 2018, while the **consolidated net profit was 80.6 million euro**, marking an increase of 3%.

This result was due to differing dynamics: the significant recovery in **energy and gas sales** which had been especially penalised in 2018 due to the market environment and adverse weather factors in the

gas sector; while **hydroelectric production** was down on the previous year since even though volumes were in line with historical averages and the previous year, as expected it was penalised by the significant reduction in the incentives following the withdrawal of a number of important plants from the incentive system in 2018, along with a reduction in prices in the final months of the year especially, offset by the hedging activities carried out and forward sales of energy.
On the whole, the **other operating activities** were positive and in line with the results from the previous year. The electricity distribution networks had improving economic results, excluding from the comparison the positive extraordinary components that were very significant in 2018.

The Group's **net financial position** went from 321 million euro to 303.4 million euro, with a very low ratio of 1.4 between the net financial position and EBITDA, providing for a very large cushion that will be fundamental to handle the consequences for the Group of the macroeconomic impacts of the ongoing health emergency.

The positive results obtained in 2019, coupled with a sound financial structure, enable to propose the distribution of a **dividend of 0.09** euro per share for a total of about 34 million euro, with a ratio of dividends over net profit of the Parent Company equal to 93.3%. As everyone knows, dividends will mostly benefit the communities and the economic fabric of Trentino,

Events

As regards **industrial activity** in the course of the year several agreements were defined for the acquisition of small-scale hydroelectric plants, enabling the Group to expand the scope of its "generation from renewable sources", which represents a fundamental lever shared across many of the activities and services the Group offers to the market. These transactions also made it possible to consolidate Group operations and acquire useful technical and operational know-how for the future.

The process of growth continued through **local integration and business transactions** with the acquisition by Dolomiti Energia of the sales activities of ASM Tione for the sale of gas and electricity, in the free market as well as in the market subject to additional safeguards, and the transfer of the electricity distribution activities of the Municipality of Molveno and the Municipality of Sant'Orsola to SET.

In autumn 2019, the Board of Directors **approved the Group's Business Plan** for the 2020-2022 period, outlining the guidelines to proceed with future development, especially in the area of production from renewable sources, and generally, in the development of innovative services related to the historical Group activities, such as energy efficiency, public lighting, electric mobility and smart cities. The new Business Plan was built not only on business logics, but also by paying particular attention to an evolution compatible and consistent with the sustainable development goals proposed by the UN in its 2030 Agenda. In particular, of the 17 pillars, 9 were identified as goals pursued and supported by the development of the strategic pillars at the basis of the Business Plan.

In line with what is set forth in the Business Plan, activities have begun for the complete renovation of the

Rovereto Industrial Area cogeneration plant, to make it more suited to current industrial requirements.

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.

In the perspective of **smart electricity distribution network management**, in 2019 the technological evolution plan continued. It will progressively make new functions for monitoring the networks and managing them; participation in the European project aimed at studying the impact of electric mobility on the electricity distribution network and at validating innovative communication solutions for collecting information from the plants and the activity relating to the replacement of the traditional gas meters with the new electronic generation meters continued.

Furthermore, to **deal with the climate change** taking place in recent years, in 2019 initiatives continued to ensure network security and resilience, particularly for electricity distribution and the sewer networks, which are now more at risk than ever due to extreme weather events. In parallel, with a significant rise in investments compared to the historical trend, activities continued to fully restore the **electricity distribution network** heavily damaged following the exceptional weather event that struck the province of Trento in late October 2018 (Vaia storm).

In line with the local and national **electric mobility** plans, and the EU objectives of reducing carbon dioxide emissions generated by vehicles, in 2019 the agreement entered into with Alperia to pool the initiatives of the two Groups on electric mobility with a view to the widespread expansion of the current Group recharging station infrastructure in the region and in Italy also began being implemented. Dolomiti Energia Holding acquired 50% of the capital of Alperia Smart Mobility, given the new name of Neogy, with both Dolomiti Energia Holding and Alperia holding equal stakes. As of the current date, Neogy has set up a significant number of public recharging points (around 350) at regional level, thanks in part to cooperation agreements with other parties in the territory such as the one signed with the Federazione Trentina della Cooperazione.

With respect to the **public lighting** sector, activities continued in order to boost the efficiency of some Municipalities in the province of Trento and outside the province as well.

The **investments** made in 2019 amounted to more than 63 million euro and regard: initiatives to improve the distribution networks throughout the territory served by the Group, the generating plants and the activities directed at enhancing the services available to the end customers, in addition to those required to ensure compliance of all Group companies with industry regulations. These investments, combined with the constant fine-tuning of measurement and data transmission techniques, the installation of cutting edge technological systems for the verification, simulation and optimisation of network structures, have allowed the Group to obtain **constant improvements in service quality**, as also proven by the continuity bonuses constantly received from the distribution companies,

The future

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 2020. For the former, the deadline for calling the tender has been postponed to 31 December 2020, and for the latter the date for the assignment of new concessions has been postponed to 31 December 2023. The Provincial Council of the Trento Province is also currently approving a law that should establish the main criteria in accordance with which the allocation calls for bids should be issued. 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 rose to ensure the continuous improvement of the quality offered to users, to **increase network resilience** and for the **development of digitalisation**. The measures to revise the operating processes aimed at increasing the overall efficiency, also by adopting IT systems to plan and manage activities in the field of the operations personnel, will also be intensified.

The ten-year massive **water meter replacement** programme will continue, with the installation of new generation meters that will provide new functions such as remote reading.

Throughout 2020, the Group will be constantly committed to evaluating the impacts of the **COVID-19 epidemic** on its various activities: introducing in the short term all necessary actions to possibly mitigate the inevitable negative effects it will have, as well as reframing the short/medium-term business objectives in light of the outlook scenarios that will emerge. In the meantime, all of the necessary prevention initiatives focused on the health and safety of people began already in March, including various types of interventions linked to protecting communities, customers and employees, also with the widespread use of smart working by more than 30% of our personnel.

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 environmental and territorial impact will remain the Group's key objectives in the constant commitment of the entire organisation in order to **generate sustainable value**.
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

Valle dei Laghi
Photo Library Gruppo Dolomiti Energia

The present report was prepared in compliance with the Italian Civil Code and the accounting standard adopted for the preparation of the financial statements were the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), and adopted by the European Union ("EU IFRS" or "International Accounting Standards"),

For additional details, please refer to point 2 of the Explanatory Notes,

Significant events during the year

General economic trends

Global growth was low in 2019. Even though the trade dispute between the United States and China that had seriously influenced the general performance of the economy appeared to be thawing, there were no clear signs of recovery in 2019 after the problems that emerged at the end of 2018. It is clearly very hard to predict how 2020 will fare due to the ongoing global healthcare emergency, with the macroeconomic effects remaining to be seen. The economy will certainly have to go through a recession, with the extent and duration difficult to foresee since we are currently undergoing a shock to the supply and demand system that is unprecedented in recent history.

The rate of growth in the United States in 2019 should be approximately 2.3% (source: Bank of Italy Bulletin no. 1-2020. Table 2), down from the previous year, as with the Chinese economy which decreased slightly compared to the previous year even though its growth rate is still high (6.2%).

The economy of the eurozone still appears to be weak despite the accommodating monetary stance taken by the ECB, GDP rose slightly more than 1% in 2019, especially due to a certain weakness in the manufacturing sector which also affected big countries like Germany. The agreement for the United Kingdom to leave the EU was approved, even though with a transition period scheduled to last up to 31 December 2020. Inflation levels are still very low, and should stand at about 1.3%, while there was a general increase in credit which was more pronounced in certain countries such as France and Germany.

The financial markets showed a slight general increase in long-term rates in all the leading advanced economies starting from October, even though the absolute level of returns was very low and in some cases (for example German bonds), negative. Stock prices grew significantly by over 20% even though subsequent events, especially starting from mid-February 2020, completely wiped out that increase, taking the market back to levels that are much lower than 2019 year end, with extremely high volatility.

In this framework, the Italian economy did not perform particularly well, GDP rose slightly by 0.2% (source: Bank of Italy Bulletin no 1-2020) but with a downward trend towards the end of the year, and that, for the reasons noted above, is expected to be highly negative for the first half of the current year, with the REF research estimating a drop of between 3% in the first half and a further 5% in the following quarter. Household consumption increased, even though to a modest extent, and less than 1% in 2019, while the effects of the healthcare emergency that led to an unprecedented change in consumer behaviour remain to be seen. The current surplus at country level is still broadly positive, remaining stable at about 2.7% of the GDP in the first 11 months of the year (source: Bank of Italy Bulletin no. 1-2020, figure 28). There were positive signals from the labour market, and more especially the unemployment rate which fell below 10% for the first time since early 2012. Inflation remained low in Italy, especially due to the fall in energy prices.

Group activities

The financial year ended with positive consolidated economic-financial results, in line with the previous year. Please refer to the "Business outlook" section for an assessment of the possible fallout from the ongoing healthcare emergency. As set out in more detail below, consolidated EBITDA amounted to 216,8 million euro, essentially in line with the results from 2018 which had also benefitted from a number of non-recurring positive components for a significant amount (about 15 million euro). The Group net profit amounted to 80,6 million euro, up 3%. This result was due to differing dynamics in the various Group business units: more specifically, there was a significant recovery in energy and gas sales which had been especially penalised in 2018 due to the market environment and adverse weather factors in the gas sector; hydroelectric production was down on the previous year since even though volumes were essentially in line with historical averages and the previous year, as expected it was penalised by the significant reduction in the incentives following the withdrawal of a number of important plants from the incentive system in 2018, along with a significant reduction in prices in the final months of the year especially, fortunately offset by the hedging activities and the forward sales of energy carried out.

On the whole, the other operating activities were positive and in line with the results from the previous year. More specifically, electricity distribution posted an ordinary result that was up on the previous year, excluding the positive extraordinary components from the comparison which were very significant in 2018.

The Group net financial position, calculated as the algebraic sum of the nominal value of the financial receivables and payables, amounted to 303,4 million euro, with a ratio between net financial position and EBITDA of 1,4. This ratio is extremely limited, which means that it can offer a high margin of security, which could be significant when facing the marked macroeconomic impacts linked to the ongoing healthcare emergency.

On 25 October 2019, the Board of Directors approved the Group's business plan for the 2020-2022 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).

With regard to the organisational changes made, the new position of head of Group ICT services was added as part of the overall strengthening of that department and the HDE Operating Manager was replaced after the previous manager, Lorenzo Cattani, engineer, retired, and to whom the Group would like to extend its thanks for his work.

In 2019, the Internal Audit department continued its implementation of the 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 2019, characterised by control system development initiatives and checks to ensure the effectiveness and compliance with company provisions, reporting on the findings, the improvement actions encouraged and the related results.

During the year the company's Supervisory Board, appointed to monitor the adequacy, effectiveness and compliance of the Organisation and Control Model pursuant to Legislative Decree no. 231/01 aimed at preventing the predicate offences resulting in the entity's liability under said decree, continued its supervision and periodically reported to the Board of Directors and Board of Statutory Auditors on the outcomes of the inspections carried out on sensitive processes and the corporate design activities, also carefully following regulatory changes.

More specifically, during the year, the organisation and control model pursuant to Legislative Decree 231/01 was updated, providing for specific prevention measures against the new cases of predicate offences relating to the illicit influence trafficking and fraud in sporting competitions. At the same time, the Company planned the introductory activities to the update of the Model for the predicate offences introduced at the end of 2019 on tax and cybersecurity matters.

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

DOLOMITI ENERGIA HOLDING:

On 1 July 2019, the agreement signed with Alperia was implemented to share the initiatives of the two Groups in the field of electric mobility with the objective of giving a determining contribution to the infrastructure in the territory of the Region but also to develop connected activities in the rest of Italy. Dolomiti Energia Holding therefore acquired 50% of the capital of Alperia Smart Mobility, given the new name of Neogy, with both Dolomiti Energia Holding and Alperia holding equal stakes. As of the current date. Neogy has set up a significant number of recharging points (currently around 350), thanks in part to innovative models and cooperation agreements with other parties in the territory such as the one signed with the Federazione Trentina della Cooperazione.

Negotiations are under way linked to the possible sale of the stake in PVB Power Bulgaria is continuing, jointly with the shareholders Alperia and Finest after deciding that said stake was not strategic for the Group activities.

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 2020. As at the current date, we cannot predict whether the serious emergency in place could have an effect on said process or not.

In accordance with the Business Plan, the cogeneration plant in the Rovereto Industrial Area is currently being completely renovated to both make the plant more suitable to its current uses and since the technical life of the previous plant is coming to an end.

SET DISTRIBUZIONE:

Consolidation of the activities in the Provincial territory continued during the year. In addition to the transfer of the activities of the Municipality of Molveno, as decided by the SET shareholders' meeting at the end of December 2018, taking effect on 1 January 2019, the Municipality of S. Orsola also transferred its network during the year which was already managed by SET from the operating standpoint. To that end, we should refer to decision no. 568/2019/R/eel of 27 December 2019 which provided for certain subsidised tariff mechanisms for said transfers. For the entire year, the Company was strongly committed, significantly increasing its investments compared to the past, to fully restoring the network infrastructure that had been severely damaged following an exceptional weather event that hit the Trento Province at the end of October 2018 (Vaia storm), with the aim, where possible, to strengthen the resilience of the network against said events which appear to be more frequent and more violent than in the past.

DOLOMITI ENERGIA/DOLOMITI ENERGIA TRADING:

During the year, the initiative called "Etika" continued with good results; it was developed in collaboration with Federazione Trentina della Cooperazione, SAIT and Casse Rurali, and it innovatively couples market activities with support to social initiatives. Dolomiti Energia was voted as the best sales company in a national survey carried out by Altroconsumo, bearing witness to the commitment and work done to continue to improve customer service levels.

Taking effect from 1 October 2019, ASM Tione sold the business unit comprising its gas and electricity sales activities, both on the open market and the market subject to additional safeguards, thereby reinforcing the sales activities that showed strong growth in all the sectors in any case.

There was an extension granted to the deadline for the market subject to additional safeguards, set to 1 January 2021 for certain limited categories of parties (companies) and to 1 January 2022 for all the other customers.

Dolomiti Energia Trading took part in tenders called by Terna in November 2019 for the procurement of the capacity service for the years 2022 and 2023, both on behalf of the Group production companies and for other associated parties, being assigned 870 MW for 2022 and 770 MW for 2023.

HYDROELECTRIC PRODUCTION:

Certain agreements were made during the year for the acquisition of small-scale hydroelectric plants, to be finalised in 2020, with the aim of both consolidating the Group activities and to acquire some technical experience, and more especially management experience that could be useful in coming years.

Article 1 paragraph 77 of Law no. 160 of 27 December 2019 established that "In paragraph 6 of article 13 of the Consolidated Law per Presidential Decree no. 670 of 31 August 1972, the words "31 December 2022" were replaced by the following: "31 December 2023" and after the word: "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", therefore postponing the final date for allocation of the new concessions to 31 December 2023 as in the rest of the country. To that end, the Provincial Council of the Trento Province is currently approving a law that should establish the main criteria in accordance with which the allocation calls for bids should be issued.

As noted above with respect to the Dolomiti Energia Trading activities, almost all the Group's plants are suitable for participation in the capacity market introduced during the year (with tenders held in November for 2022 and 2023), Dolomiti Energia Trading took part in the tenders.

DOLOMITI AMBIENTE:

Following the introduction by ARERA on 1 January 2020 of the regulations on the waste sector and the organisational assessment relating to the Group, starting from 1 January 2020, the waste collection service will be invoiced directly by Dolomiti Ambiente which will continue, through a service contract, to use the support of Dolomiti Energia for activities regarding the management of the customer support centre, the printing and sending of bills, credit management and any other activity regarding commercial relationships with end users.

Dolomiti Energia Group
Summary of economic, equity and financial positions

Economic position

The consolidation area 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 (resulting from the merger by absorption of Nesco in DER), Novareti SpA, Dolomiti Ambiente srl, Dolomiti Energia Trading SpA, Dolomiti Energia SpA, SET Distribuzione SpA, Depurazione Trentino Centrale Scarl, Hydro Investments Dolomiti Energia srl, Hydro Dolomiti Energia srl, Dolomiti GNL srl and Centraline Trentine srl.

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

The total revenue and other income amounted to 1,500 million euro (1,460 million euro in 2018).

Production costs amounted to 1,349 million euro (1,310 million euro in 2018).

Personnel costs amounted to 65,4 million euro (65,7 million euro in 2018).

EBITDA is in line with the EBITDA for the previous year, standing at 216,8 million (216,2 in 2018), In percentage terms compared to total revenue and other income, it amounts to 14.5% (14.8% in 2018).

Total amortisation/depreciation, allocations and write-downs of the fixed assets amount to 63,2 million euro (60,8 million euro in 2018), up 3.8% on the previous year. The entire remaining value of the units relating to the Clesio Fund, the real estate fund to develop the former Michelin area of Trento, was written down during the year. In view of the ongoing real estate crisis and the difficulties in liquidating the units, the directors decided it would be prudent to fully write-down the asset. The Explanatory Notes provide further details on this matter.

The equity investments result is a positive 2,6 million euro, down from the previous year when it amounted to 5,7 million euro.

The EBIT obtained amounted to 153,6 million euro, versus 155,4 million euro in 2018.

Financial management shows income of 0,5 million euro, a sharp improvement compared to the charges of 7,0 million euro recorded the previous year. The main components are represented by the interest on bonds and on the uses of bank credit facilities.

Income taxes for the year totalled 44,5 million euro (39,4 million euro in 2018) and take into account prepaid/deferred taxes as illustrated in detail in the Explanatory Notes.

Consolidated net profit, net of minority interests, was 80,6 million euro (78,2 million euro in 2018).

Equity and financial position

The technical investments made by the Group in 2019, net of the transfers of the Municipality of Molveno, Municipality of S. Orsola and ASM Tione business units, amounted to a total of 63,2 million (51,2 million in 2018).

Total assets as at 31 December 2019 increased by 80,0 million euro compared to the previous year.

Key economic and financial result indicators

ECONOMIC INDICATORS

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

Table of Contents	Formula	2019	2018	difference
ROE	Net profit/Equity	10.80%	11.00%	-0.20%
ROI	EBIT/Invested capital	7.12%	7.49%	-0.37%
ROS	EBIT/Turnover	10.24%	10.64%	-0.40%
EBITDA	Gross operating margin (thousands of euro)	216,792	216,228	564
EBIT	Net operating margin (thousands of euros)	154,119	155,381	-1,262

All the indicators are in line with those of the previous year.

FINANCIAL AND EQUITY INDICATORS

Table of Contents	Formula	2019	2018	difference
Hedging of net fixed assets	Equity+medium/long-term liabilities/ net fixed assets	0,82	0,81	0,01
Debt ratio	Liabilities/Equity	1,89	1,91	(0,02)
Secondary liquidity ratio	Short-term assets/short-term liabilities	1,14	1,09	0,05

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.

Total indebtedness as at 31 December 2019 is broken down as follows:

- 41% at fixed rate
- 8% hedged with derivative instruments (IRS plain vanilla)
- 51% at floating rate

COMMODITY PRICE RISK

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

Using a control system is thus fundamental to limit undesired effects on the economic result that compromise the achievement of the company's budget targets.

This risk emerges from sale agreements for natural gas and electricity, as well as from the environmental certificates (in particular White Certificates, Guarantees of Origin and EUA - European Emissions Allowances) that make up the Group's source and commitment portfolio.

The objective of the "Risk Management" department is to monitor 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 2019 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 2019 was performed on an aggregate basis for all Group companies. The indicators taken into consideration are calculated in accordance with the UNI 7249:2007 standard and therefore determined as follows:

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

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

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

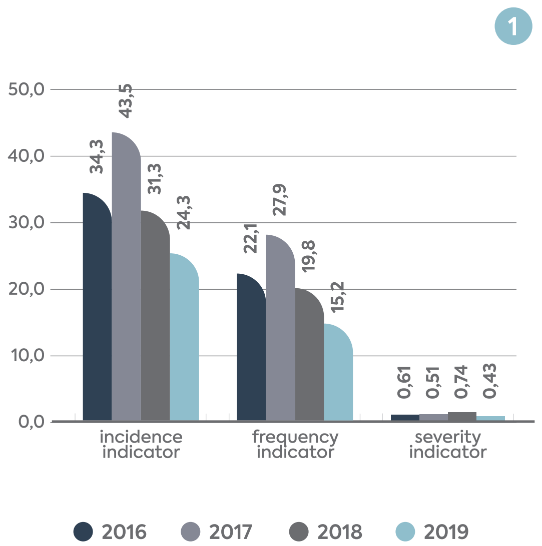
In accordance with the indications of UNI 7249:2007, in the determination of the number of injuries, the injuries that did not cause any missed workdays in addition to the day when they occurred are not considered.

For 2019 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 include also a portion of those injuries that, although they occurred in 2018, ended in 2019.

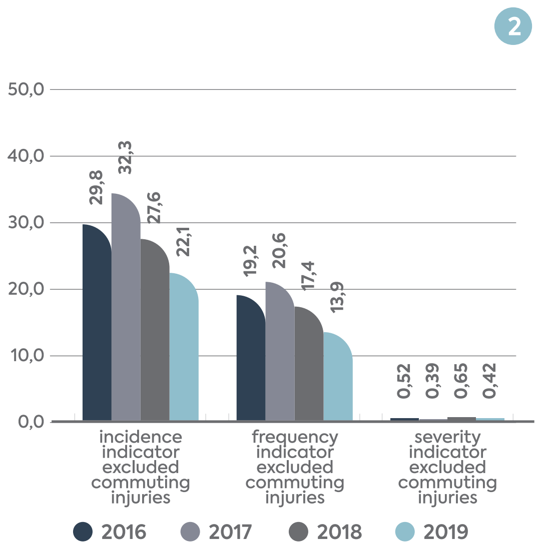
The main indicators (frequency and incidence) registered in 2019 show an improvement over 2018; the severity indicator has also improved significantly (graph 1b).

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

Injury Indicators (including while commuting)



Injury Indicators (not including while commuting)

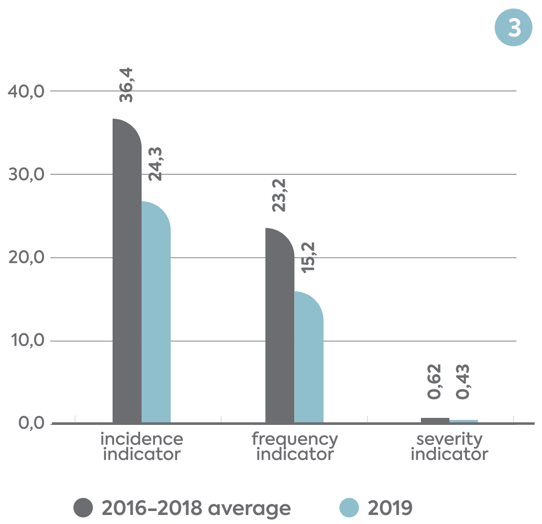


As noted in the diagram below (chart 3), all the indicators have improved, even with reference to the average figures from the previous three-year period (2016-18).

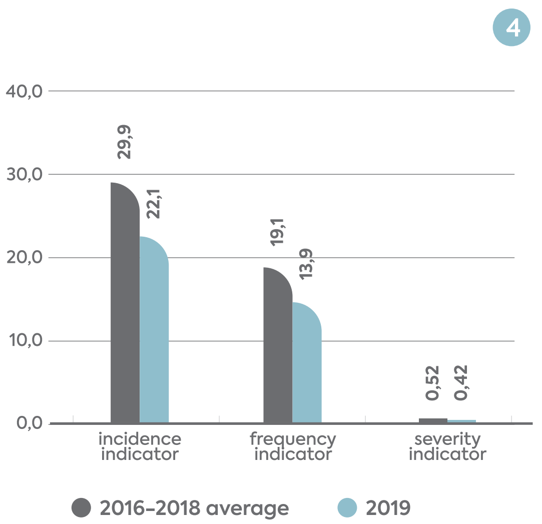
Considering all events (including commuting injuries), the 2019 incidence and frequency indicators were lower, respectively by 12,1 and 8,0 points, than the average value of the previous three-year period.

The severity indicator also improved by 0,19 points, decreasing from 0,62 in the 2016-18 three-year period to 0,43 in 2019.

Injury indicators (including while commuting)



Injury indicators (not including while commuting)



Excluding commuting injuries from the calculation, comparison with the previous three-year period confirmed an improvement of the incidence and frequency indicators, respectively by 7,8 and 5,2 points relative to the average value of the previous three years.
The severity indicator also improved, from 0,52 in the 2016-18 three-year period to 0,42 in 2019 (chart 4).

HEALTH SURVEILLANCE

In 2019, workers' health surveillance entailed 1291 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:

	2016	2017	2018	2019
Periodic visit	856	839	975	1149
Preventive visit	82	94	85	16
Extraordinary visit	49	54	93	126
TOTAL DOLOMITI ENERGIA GROUP	**987**	**987**	**1153**	**1291**

Dolomiti Energia Holding Spa

Summary of economic, equity and financial positions

ECONOMIC POSITION

Total revenue and other income amounted to 40,4 million euro.

Production costs amounted to 51,8 million euro (43,7 million euro in 2018) of which:

- personnel costs amounted to 12,1 million euro;
- amortisation, depreciation, allocations and write-downs amounted to 14,9 million euro.

The EBITDA was 3,5 million euro, In percentage terms compared to total revenue and other income, it amounts to 8.7%.

The EBIT, net of income and expenses from equity investments, had a negative value of 11,4 million euro.

Gains from investments amounted to 45,0 million euro (45,0 million euro in 2018).

Income from financial management was 1,0 million euro.

Income taxes for the year amounted to 1,9 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 36,5 million euro and decreased by 4,1 million euro compared to the result obtained in 2018.

EQUITY AND FINANCIAL POSITION

Investments in fixed assets carried out by the Company in 2018 totalled 6,6 million euro (6,9 in 2018).

Total assets as at 31 December 2019 decreased by 30,0 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

IThe 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.

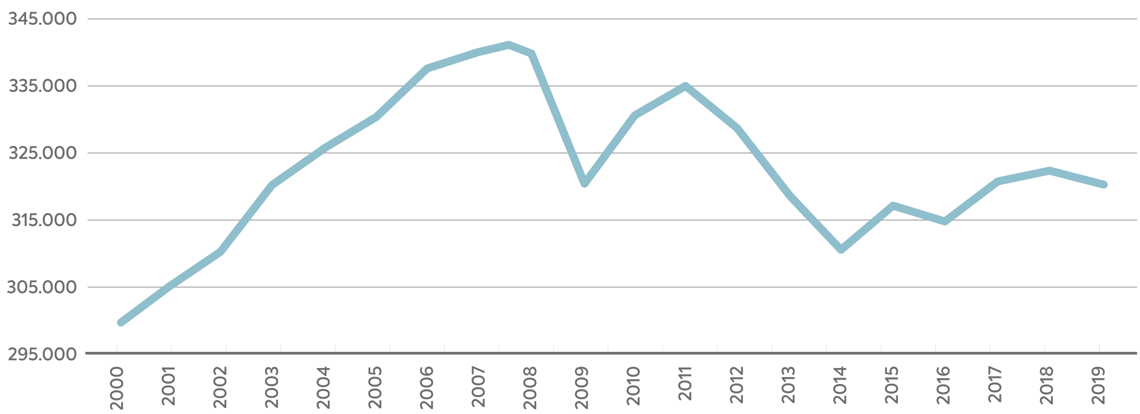
The energy, market and regulatory scenario

Performance of the energy markets

ELECTRICITY

According to the provisional data made available by Terna S.p.A., in 2019 electricity consumption in Italy amounted to 319 billion kWh, slightly down (-0.6%) compared to the previous year and in line with the consumption level of 2009 but, as shown in the chart below, still over 6% lower than the maximum values recorded in 2007 (when consumption amounted to over 340 billion kWh).

Electricity consumption in Italy (GWh)



At the regional level, the year-on-year change in 2019 was mixed, ranging from +2.1% in the Southern Area to -3.2% in the North West.

[GWh]	North West	Lombardy	Triveneto	Tuscany - Emilia Romagna	Central	South-ern	Sicily	Sardinia
2019	32,277	68,849	49,473	49,542	44,709	46,785	18,922	9,006
2018	33,345	70,276	49,855	49,946	44,041	45,813	19,051	9,104
% CHANGE	-3.2%	-2.0%	-0.8%	-0.8%	1.5%	2.1%	-0.7%	-1.1%

RGrouping by macro-areas, the change was negative in the North (-1.9%) and in the Islands (-0.8%), %), whereas it was positive in the South (+2.1%) and in the Central (+0.3%):

[GWh]	North	Central	Southern	Islands
2019	150,599	94,251	46,785	27,928
2018	153,476	93,987	45,813	28,155
% CHANGE	-1.9%	0.3%	2.1%	-0.8%

In 2019, 89% of electricity demand was met with domestically produced energy (283,8 billion kWh), with the remainder from the balance of energy traded abroad (38,1 billion kWh). The details below show how the net national production (283,8 billion kWh) increased by 1.4% compared to 2018 (279,8 billion kWh).

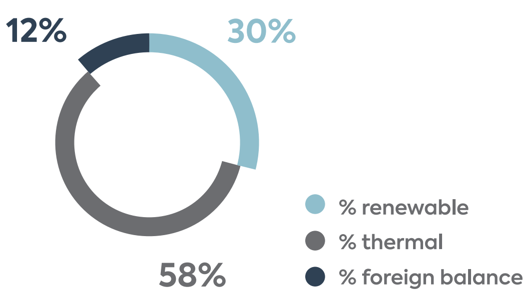
Millions of kWh

	2019	2018	% Change
Hydroelectric	46,959	49,928	-5.9%
Thermal	186,811	184,338	1.3%
of which Biomass	*17,546*	*17,601*	*-0.3%*
Geothermal	5,687	5,756	-1.2%
Wind	20,063	17,557	14.3%
Photovoltaic	24,326	22,266	9.3%
TOTAL PRODUCTION, NET	**283,846**	**279,845**	**1.4%**
Import	43,980	47,170	-6.8%
Export	5,817	3,271	77.8%
FOREIGN BALANCE	**38,163**	**43,899**	**-13.1%**
Pumps	2,412	2,313	4.3%
DEMAND IN ELECTRICITY (1)	**319,597**	**321,431**	**-0.6%**

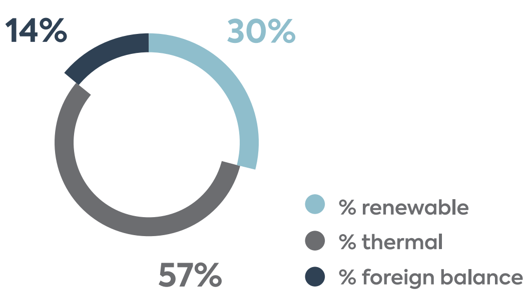
(1) Demand in Electricity = Production + Foreign Balance – Pump consumption

In 2019, 58% of Demand in Electricity in Italy was met from thermal sources (57% in 2018), 30% from other sources (hydroelectric, wind, photovoltaic, geothermal), the same figures as for 2018, and 12% of the balance from abroad (14% in 2018).

2019

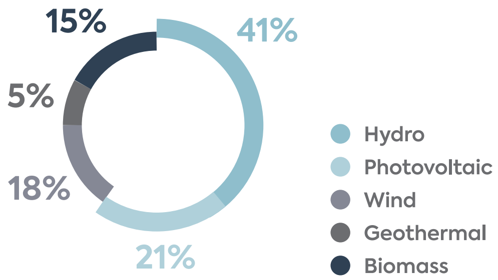


2018

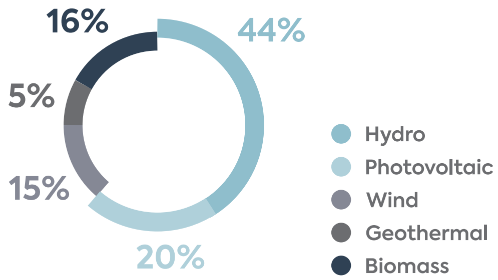


In 2019, electricity generated from renewable sources (including thermal energy produced from biomass) amounted to 114,6 TWh, i.e. 36% of Demand in Electricity, In 2018, it had amounted to 113,1 TWh, i.e. 35%. Among renewable sources, in 2019 the greatest contribution came from hydroelectric (41% versus 44% in 2018), followed by photovoltaic (21% versus 20% in 2018), wind (18% versus 15% in 2018), biomass (15% versus 16% in 2018) and geothermal (5% in 2019, the same as 2018).

2019

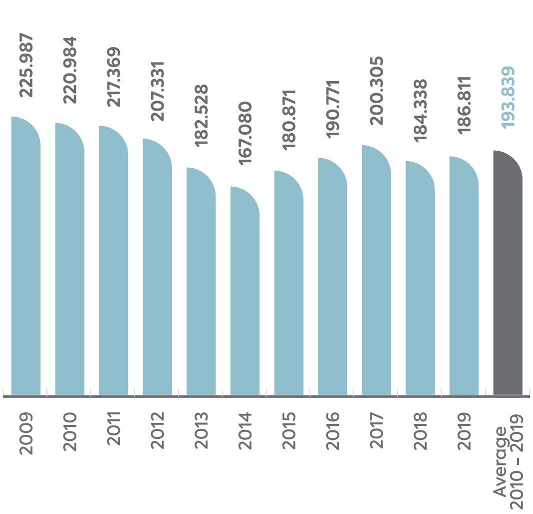


2018

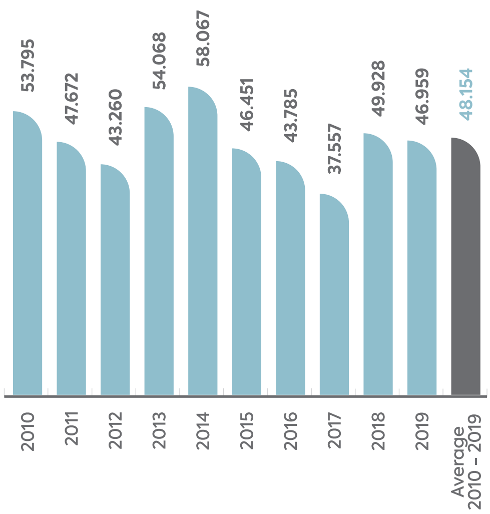


The production of electricity from thermal sources was slightly higher than 2018, standing at 187 billion kWh produced, much less than 2017 (over 200 billion kWh produced) and less than the average figure for the previous ten years, equal to about 194 billion kWh produced).

Historic trends in thermal production (GWh)



Historic trends in hydroelectric production (GWh)

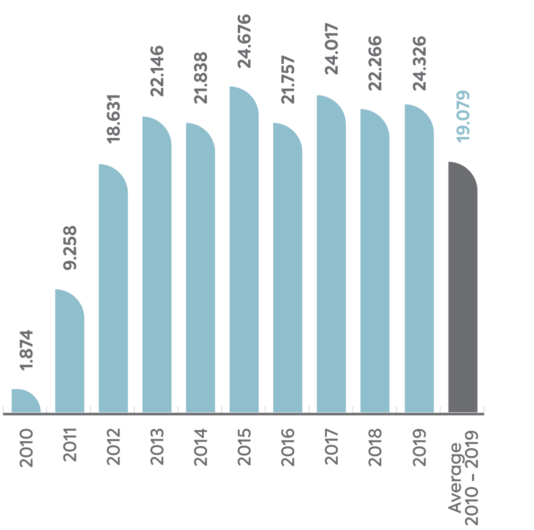


Hydroelectric production for 2019 (equal to 47 TWh) was less than 2018 (-6%) due to the lower amount of water available in 2019 compared to 2018, but was higher than the production figure for the 2015-2017 three-year period, although less than the average over the last 10 years (48,1 TWh) and much lower than 2014 (58 TWh).

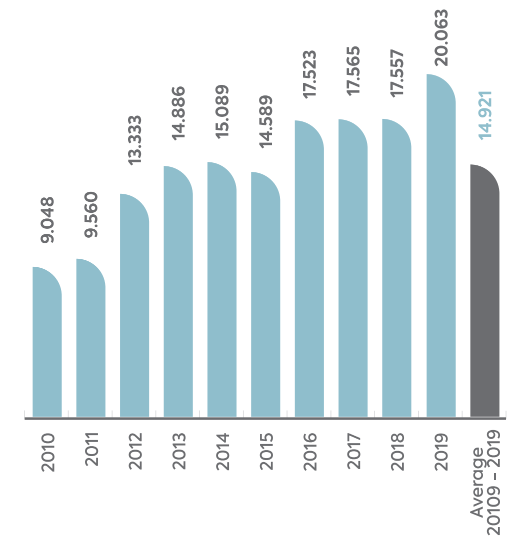
Production from photovoltaic sources in 2019 recorded the second best production figure in its history (24,3 billion kWh produced in 2019) slightly less than the 2015 figure (24,7 billion kWh) which is still the record year for photovoltaic production.

There was record production from wind sources in 2019, equal to 20 billion kWh, sharply up (+14.3%) on the 2018 figure (17,6 billion kWh).
Production from geothermal sources amounted to 5,7 billion kWh, in line with 2018 figures.

Historic trends in photovoltaic production (GWh)



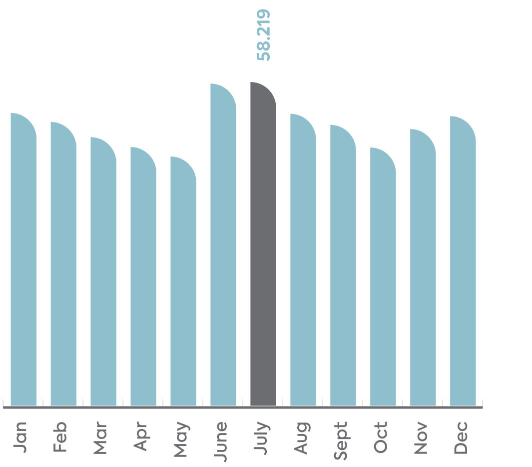
Historic trends in wind production (GWh)



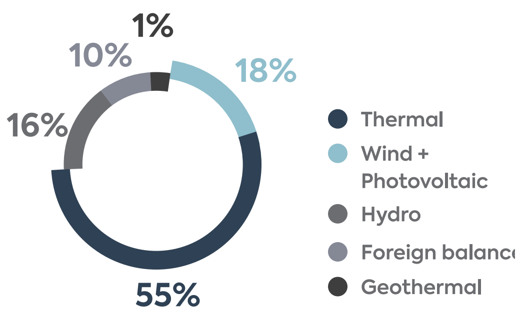
The maximum output demand in Italy in 2019 was recorded on Thursday 25 July between 4,00 and 5,00 p.m., and amounted to 58,219 MW. The historical record in Italy was the peak recorded on 21 July 2015 from 4,00 to 5,00 p.m., amounting to 59,353 MW. The graph below shows the maximum outputs recorded during the various months in 2019.

At the time of maximum power demand, the percentage produced from renewable sources amounted to 35%, thermal production accounted for 55% and the remaining amount (10%) was provided from the foreign balance.

Peak power (MV)



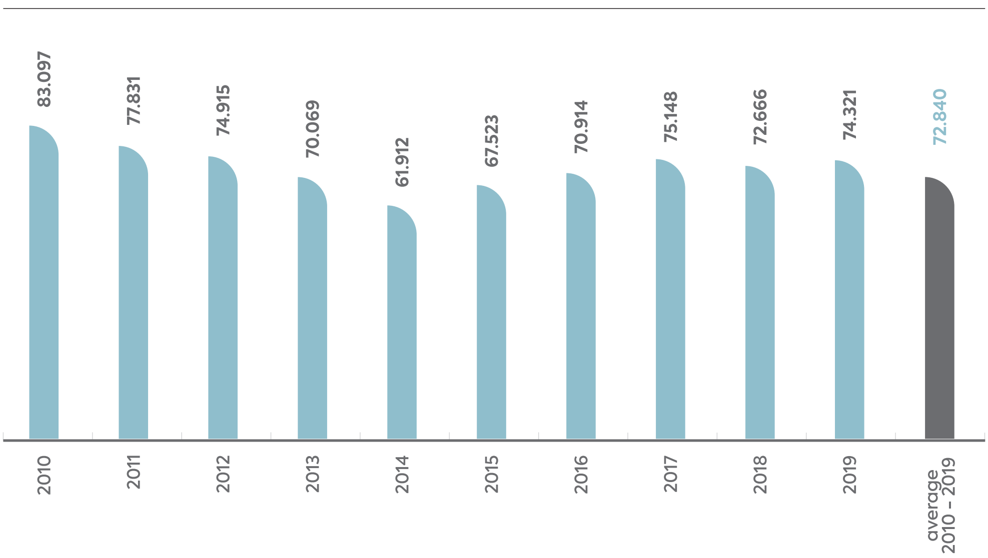
Contribution of the generation sources for maximum energy demand in 2019



NATURAL GAS

The consumption of natural gas in Italy in 2019 increased by 2.3% compared to the 2018 figure, standing at about 74,3 billion Sm3, a higher figure than average for the previous ten years (72,8 billion Sm3), but well below the value recorded in 2010, equal to 83,1 billion Sm3.

Gross consumption of natural gas in Italy (millions of sm3)

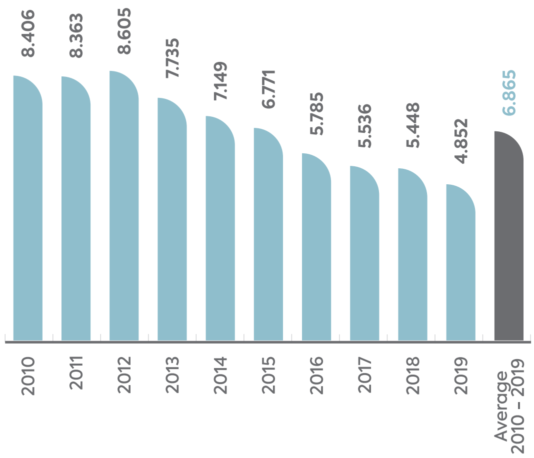


In 2019 especially, there was an increase of over 2,4 billion m3 (10.1% more than 2018) in thermal power plant consumption, totalling over 25,7 billion m3 consumed. Major industries, connected directly to the distribution networks, were down 2.3% with 321,6 million m3 less than 2018, and residential consumption was down 2.1%, losing 675,7 million m3, representing 43% of the total demand alone.

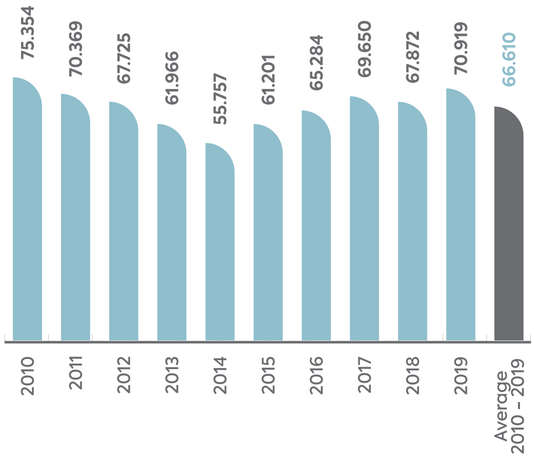
Concerning gas procurement sources, the decline in domestic production was confirmed, with a reduction by over 40% from 2010 to 2019.

Natural gas imports rose again in 2019 (+4.5% compared to the 2018 figure) after the drop recorded in 2018

National production of natural gas, MSm3

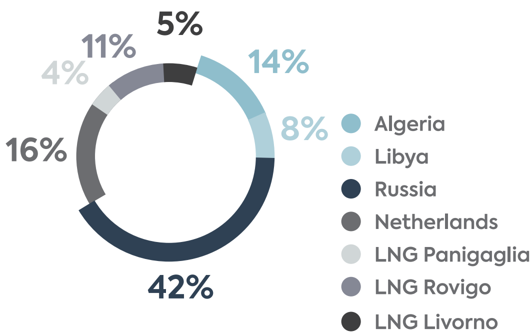


Natural gas imports, MSm3

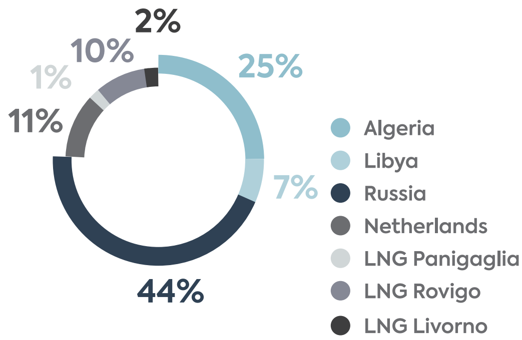


In country terms, in 2019 Russia is still the largest supplier with 42%, followed by the Netherlands with 16% and Algeria with 14%. There was a strong reduction in gas imports from Algeria (-40.3%) and a strong leap forward in the LNG imports.

Natural gas import mix 2019

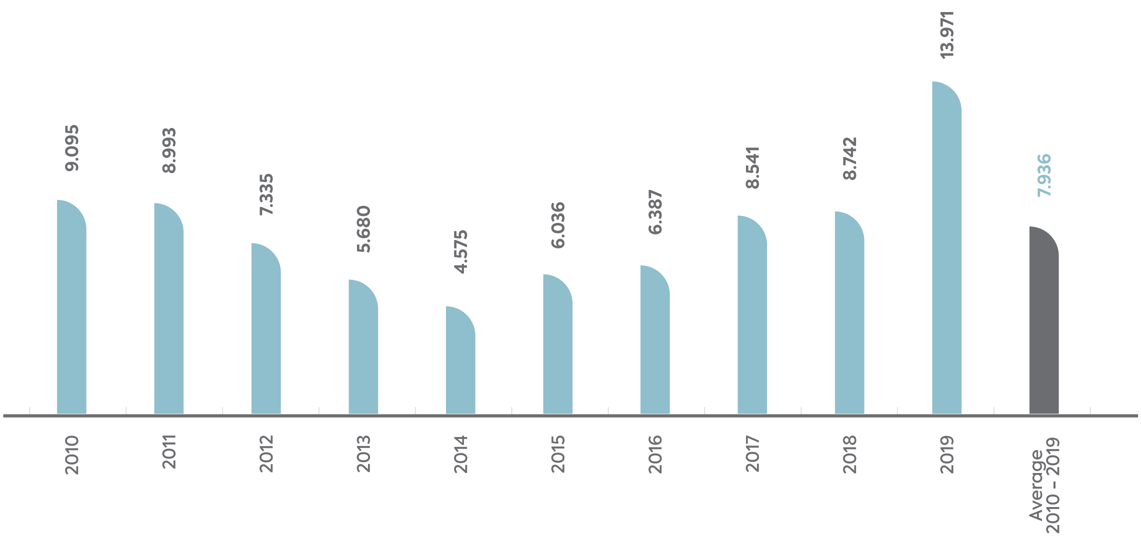


Natural gas import mix 2018



LNG imports through the regasification terminals of Rovigo, Panigaglia and Livorno in 2019 amounted to 13,9 billion Sm3 (8,7 billion Sm3 in 2018), In 2019, LNG amounted to 20% of the mix of national imports (13% in 2018).

NLG imports MSm3



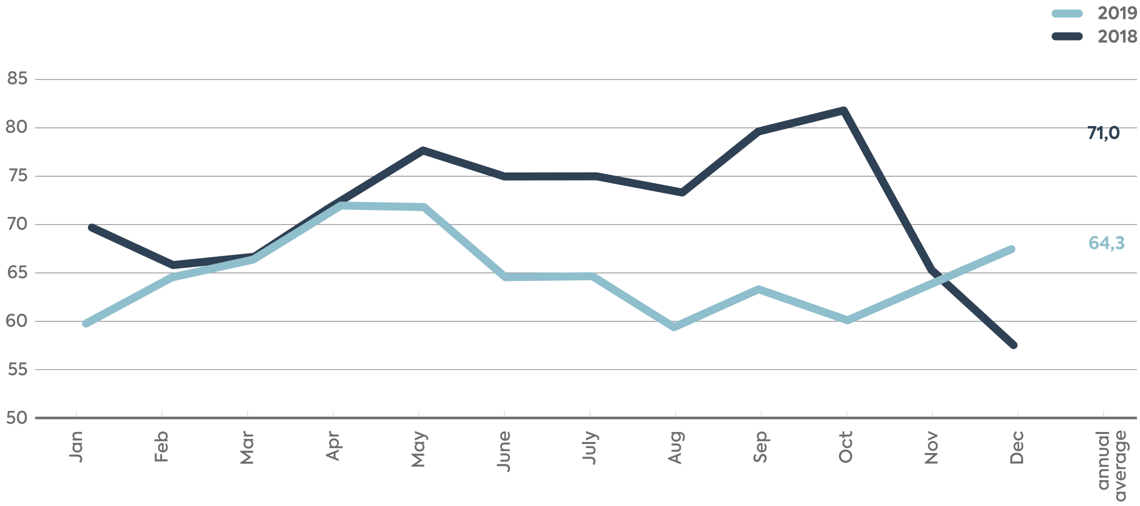
The details of the domestic production and of the imports of natural gas from 2010 to 2019 are provided below,

[MSm3]	Domestic production	Imports	*Algeria*	*Libya*	*Russia*	*Neth-erlands*	LNG Panigaglia	LNG Rovigo	LNG Livorno
2010	8,406	75,354	*25,945*	*9,410*	*22,492*	*7,828*	*2,012*	*7,083*	-
2011	8,363	70,369	*21,309*	*2,339*	*26,451*	*10,859*	*1,925*	*7,068*	-
2012	8,605	67,725	*20,632*	*6,470*	*23,851*	*9,034*	*1,131*	*6,204*	-
2013	7,735	61,966	*12,460*	*5,704*	*30,265*	*7,495*	*39*	*5,377*	*264*
2014	7,149	55,757	*6,774*	*6,512*	*26,154*	*11,433*	*70*	*4,447*	*57*
2015	6,771	61,201	*7,244*	*7,107*	*29,918*	*10,635*	*34*	*5,942*	*60*
2016	5,785	65,284	*18,873*	*4,807*	*28,267*	*6,697*	*207*	*5,670*	*510*
2017	5,536	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*

OIL

In 2019, the average price of oil was 64,3 $/barrel on international markets, down by 9% compared to the previous year.

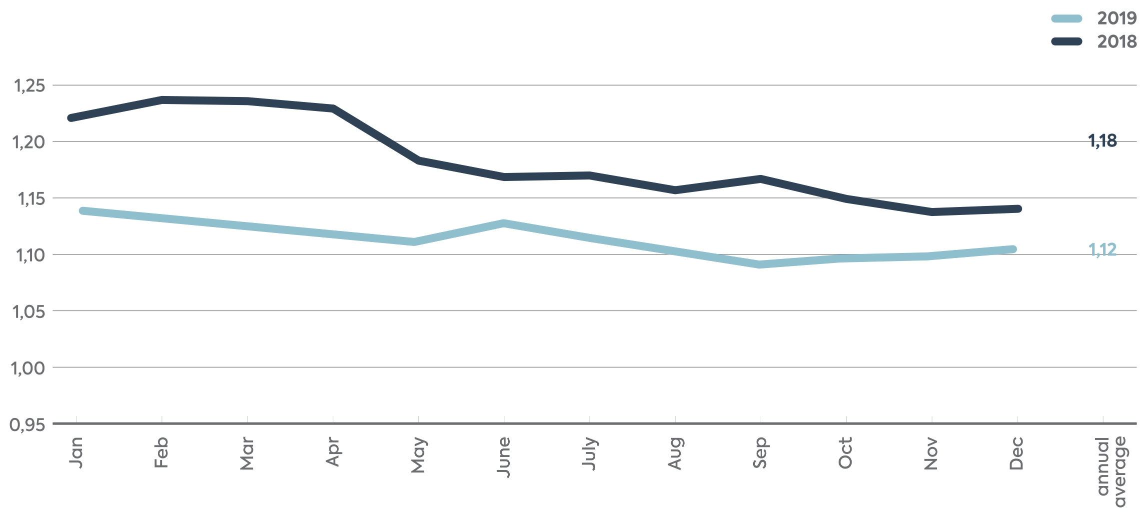
Dated Brent, $/bbl



EURO/US DOLLAR EXCHANGE RATE

The euro/dollar exchange rate in 2019 stood at an average of 1,12 (1,18 in 2018), the same as for 2017,

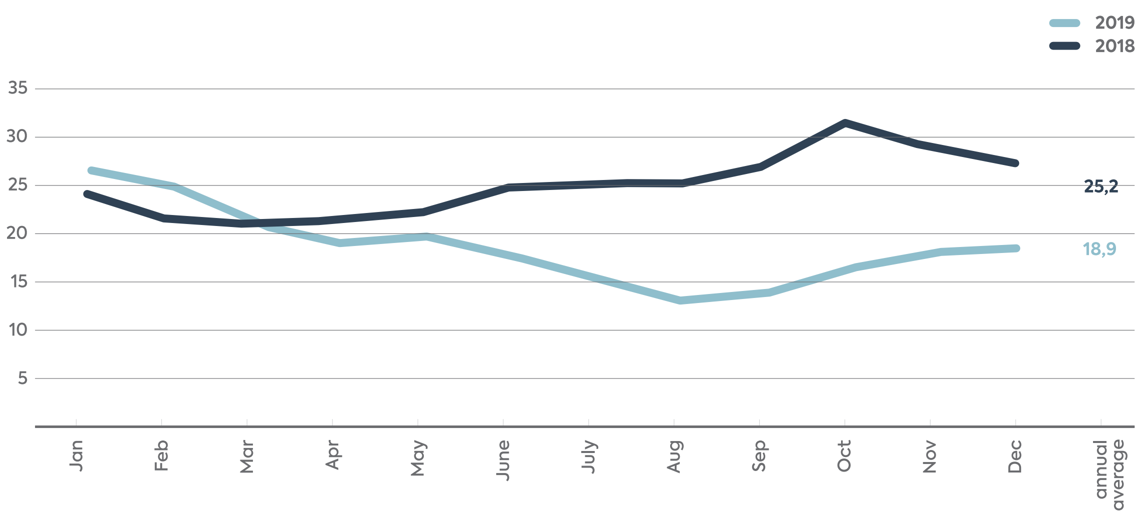
Exchange rate €/$



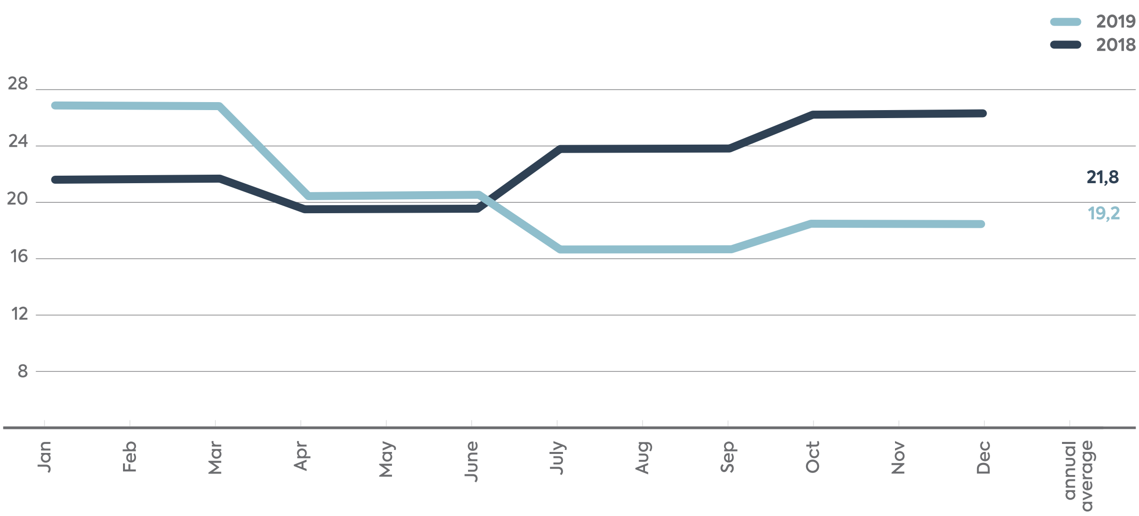
NATURAL GAS PRICES

Gas prices, especially due to the massive arrival of LNG in Europe from both the United States and the Middle East, fell sharply, especially in the second part of 2019, a fall which continued in the first few months of 2020. In Italy, the average price of natural gas at the PSV in 2019 fell by 25% compared to the 2018 figure, while the average PFOR price (reference price for the protected market) fell by 12% compared to 2018. The fall in natural gas prices, given the electricity generation mix in Italy, had a direct impact on the electricity prices, as we shall see, causing a sharp reduction in the second half of 2019 and afterwards in the first few months of 2020.

Price psv €cent/Sm3



Price PFOR €cent/Sm3

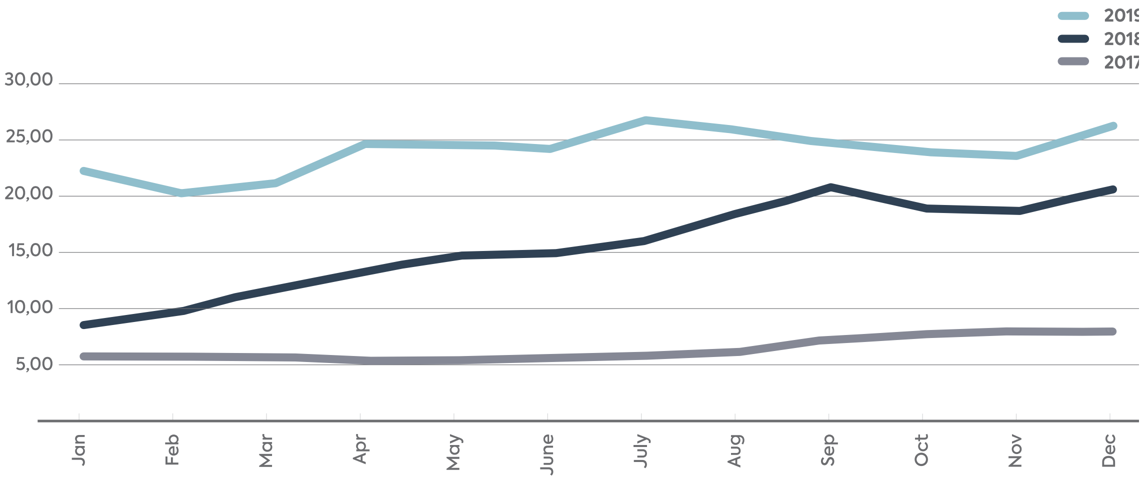


CO_2 PRICES

CO2 prices remained very high for all of 2019, with a peak of almost 28 €/ton in July 2019.

High CO2 prices helped sustain electricity prices despite the lower natural gas prices recorded especially in the second part of 2019.

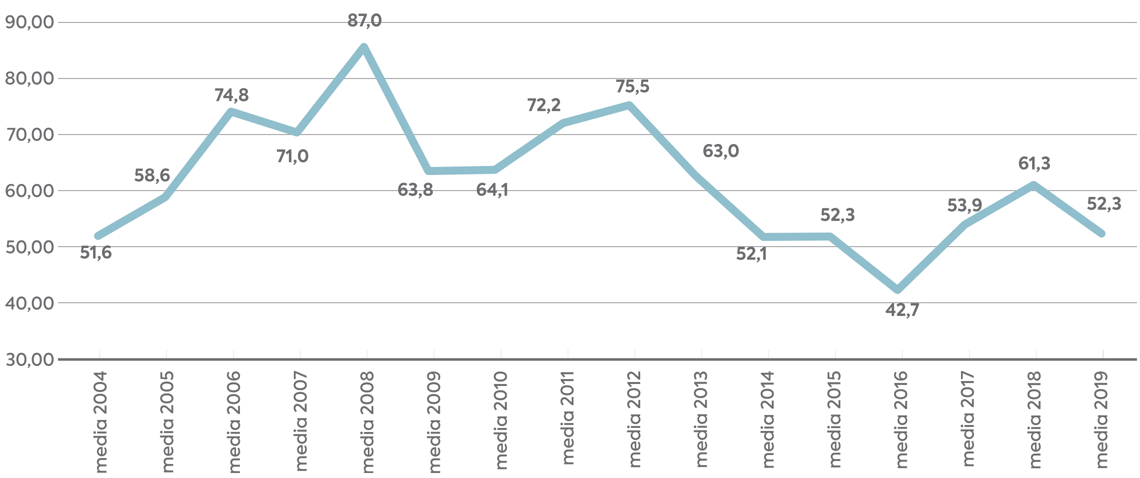
EUA €/ton



ELECTRICITY PRICES

The average value of the PUN in 2019 amounted to 52,3 €/MWh, down 15% compared to the average of 2018, of 61,3 €/MWh (the value in 2017 was 53,9 €/MWh).

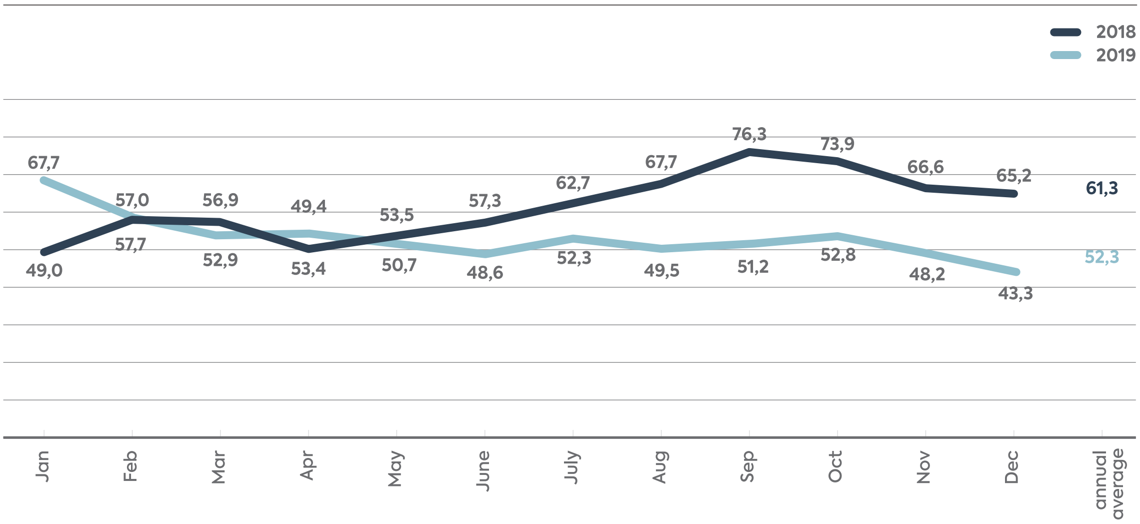
PUN [€/MWh]



Following January 2019 when the PUN value (67,7 €/MWh) was in line with the values at the end of 2018, PUN values then fell progressively, mainly because of the drop in natural gas quotations, falling to the minimum value of 43,3 €/MWh in December 2019.

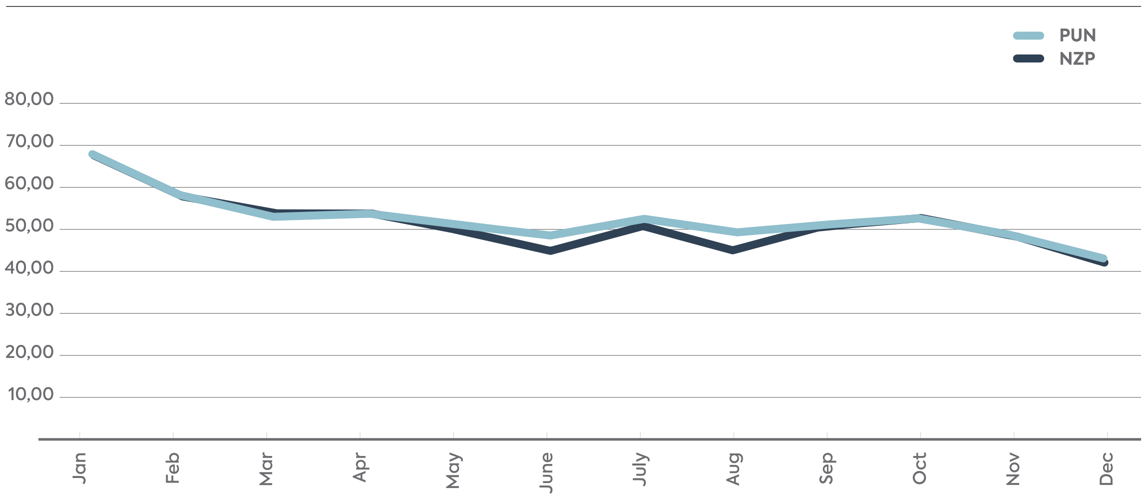
Even in the first few months of 2020, PUN values were quite low (47,5 €/MWh in January 2020, 39,3 €/MWh in February 2020 and 35 €/MWh in the first few days of March 2020).

PUN €/MWh



The average sales price in the Northern Zone (51,3 €/MWh) was significantly lower than the average national price (52,3 €/MWh), especially in the months in which hydroelectric production was higher (June, July and August).

Comparison between PUN and price in Northern zone. €/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:

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 13 December 2019, the Provincial Council of the Trento Autonomous Province decided to pre-adopt an initial text, which was not published or made public, of a draft law governing the procedural regulations to carry out tenders and therefore implementing the provisions of article 13 of Presidential Decree no. 670 of 31 August 1972. It is expected that said legislative measure, following the required discussion and approval procedure, may enter into effect in spring 2020.

In view of the above, and considering:

- the fact that the start up of the procedures open to public scrutiny require, in any case, the approval of ongoing Provincial laws, and the preliminary inquiry by the Provincial bodies of both the existence of any predominating interests in the use of the water resources and verification of the environmental impact of use of the resources for hydroelectric purposes;
- the technical times necessary for the conclusion of the procedures for the assignment of the subject tenders, considering the high degree of complexity objectively present in these procedures and the fact that there are specific precedents to which to refer;

the Group therefore assumed 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 pursuant to point b) above, referring to the remaining value of the plants known as "subject to reversion free of charge" introduces a new way of measuring said assets at the end of the concession, and even though it is provided for, it is not duly defined in the above-mentioned law. In order to interpret and apply said standard, it will be necessary to wait for the approval of the provincial implementing law, which determines the limits and calculation methods. Therefore, since this law could result in the identification of a final value higher than the net carrying amount at the end of 2023 (which will be equal to zero), it was necessary to postpone inclusion in the financial statements of its effects to when the criteria to define said amount would be known. Therefore, in these financial statements, the amount is divided by the years of duration of the concession, and therefore, amounts to zero at the end of that.

At a national level, article 11-quater of Decree Law no. 135 of 14 December 2018, converted with Law no. 11 of 11 February 2019, provided for the transfer of the hydroelectric concessions to the Region. The above-mentioned Decree Law provided for the transfer of ownership to the Regions of the works that were operating normally of the concessions of large hydroelectric diversions. Since the new law was not applied in the Autonomous Provinces of Trento and Bolzano, and therefore subject to the effects of the provisions pursuant to article 13 of the Consolidated Text pursuant to Presidential Decree no. 670 of 31 August 1972 and consequently the implementing Provincial law provided for therein under discussion, at national level, the main provisions already in the Autonomous Provinces law are being re-proposed, with a single but highly relevant change in the measurement criteria of the so-called "dry" works (basically hydroelectric power plants and their contents). If the criteria pursuant to paragraph 2 of article 25 of Royal Decree no. 1775 of 11 December 1933 still applies at Provincial level "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" at national level:

- the cherry picking concept was introduced, i.e. the right given to the concessionaire taking over not to acquire the dry goods in whole or in part, without any consequent obligation to pay any compensation to the transferor;
- the concessionaire who is taking over will have to pay the transferor the "price to be quantified net of the depreciated goods [...] calculated on the basis of the figures that can be found on the accounting documents or through a certified expert report";
- moveable assets and immoveable assets subject to cherry picking are subject to different treatment (i.e. not acquired by the concessionaire who is taking over); for the moveable assets "[...], there will be the removal and disposal in accordance with prevailing laws by the proposing party at its expense", and the immoveable assets "[...] remain in the ownership of the eligible parties".

Since 1 January 2019, 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 no. 4/1998;
- the execution by the company and by the Trento Autonomous Province, on 19 October 2019, of the document for the mutually agreed termination of the Agreement relating to the experimental remodulation of the releases of water flow rates for the DMV, entered into with the PAT on 11 November 2016, but never implemented as a result of the stated positions and of the discussions held between the PAT and the local authorities involved.

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

In 2019, the Group continued its effort in the implementation of the experimental phase of the "self-audit" project per AEEGSI Resolution no. 507/2015, which ARERA has not yet formally closed, pending the response of the European Commission to which the project was presented. In this regard, it should be briefly recalled that the Authority, with this resolution, started an experimental phase, allowing interesting companies to submit, on a voluntary basis, a draft strengthened self-auditing form, in order to obtain a reorganisation and rationalisation of the current set-up of the structural functional separation restrictions.

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

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

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

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

In 2019, two essential milestones were achieved in view of the hoped-for definitive consolidation in the regulation of the self-audit procedure through the approval of the proposals submitted by the companies authorised to carry out the experimentation started with resolution no. 296/2015/R/Com.

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.

The first milestone can well be considered an anticipation of the favourable decision.

With its resolution no. 242/2019/A of 18 June 2019, ARERA approved the 2019-2021 Strategic Framework. Among the identified objectives, no. 6 is centred on strengthening regulatory compliance, construed as the need to enhance the ability to control how enterprises respond to regulation, i.e. the ability to continuously control the regulated economic activities to assess their actual adherence to the regulatory parameters.

The self-audit model (or, more correctly the auxiliary interposition model) is indicated among the five intervention lines through which the objective is to be achieved with the additional decision of furthering additional experimentation following the scheme tested for the first time with the experimentation in the aforementioned segment of functional separation.

This allows to foresee, on objective bases, that the outcome of the assessment of the proposals submitted can be consistent with expectations.

An additional confirmation that the process has entered the final experimentation phase was given by the regulator with the request to participating enterprises, in August 2019, of a final report illustrating both the set-up of the procedure and its outcomes produced in general terms of consistency between the model used and the general purposes of the project identified by the regulator, and the outcomes produced with reference to the individual participating enterprise.

The report was filed according to the terms agreed with the offices of the Authority and this milestone opens the final segment of the process that will lead to the Board's assessment and to the recognition, in case of positive outcome, of all or part of the exemptions required with respect to the functional separation restrictions. The decision can be expected to be given within the first half of the year.

Business segments

Electricity production

INITIATIVES AND INVESTMENTS

The investments made by the Group in 2019, totalling 7,5 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% of which is held through the subsidiary HIDE), DEE (51%), SFE (50%) and Primiero Energia (19.94%). In addition to these equity investments, Dolomiti Energia Holding directly owns the hydroelectric plants of S. Colombano (50% investment), Basso Leno, Chizzola, Grottole, Novaline, Tesino and 3 turbogas and power-driven cogeneration plants in Rovereto as well as the combined cycle turbogas plant of 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 2019 was 3,631 GWh (3,705 in 2018), of which 3,533 GWh hydroelectric.

Sale of electricity and natural gas

IThe performance of the natural gas sale segment was in line with the previous year, with 497,0 million Sm3 sold at approximately 185,000 delivery points, while the volumes of electricity sold to end customers (including those served in the market subject to additional safeguards) amounted to approximately 4,0 TWh.

The number of the delivery points, amounting to approximately 455,000, increased markedly (24,000 delivery points).

Electricity distribution

INITIATIVES AND INVESTMENTS

Electricity distribution-related investments totalled 28,9 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 2019, the important plan for the optimisation of the local sites used by your personnel was started with the purpose of optimising costs and establishing the presence over the territory served through the purchase of the locations that currently are rented.

Overall, the investments made in 2019 totalled 26,4 million euro.

INVESTMENTS DUE TO UTILITY REQUEST

The interventions on the MV and LV network to satisfy the connection requests of utilities were in line with 2018 for a total amount of 9,3 million euro. In 2019 activities continued for connecting photovoltaic plants to the network (approximately 600) along with other hydroelectric generating plants, for a total power of approximately 9 MVA, slightly greater than in 2018.
Requests for connection of accumulation systems associated with generating plants from a renewable source, mainly photovoltaic, grew slightly in 2019 as well (approximately 200 cases compared to 170 in 2018 and 135 in 2017).

INITIATIVE INVESTMENTS

In regard to the initiatives of Set Distribuzione relating to network enhancement, 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 10 million euro.

In addition to the important plant reconstruction initiatives following the "Vaia" event, work continued on initiatives that assure the highest return in terms of improving the quality of the service performed to the user, mainly on primary substations, MV grids and secondary substations, progressively introducing ever more new technologies that will allow to manage the network in an ever more advanced manner.

In relation to the primary substations, during the year work was substantially completed for the construction of the new Primary Substation of Rovereto Nord, expected to start operating by the spring of 2020.

On the medium voltage grid, the main investments carried out in 2019 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 73 km;
- replacements of lines with bare conductors in wooded areas with lines with insulated overhead cable, totalling 17 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 2,576 GWh (2,582 GWh in 2018).
Additional information:

Electricity distribution		2019	2018
High voltage grids	km	0	0
Medium voltage grids	km	3,469	3,418
Low voltage grids	km	8,633	8,501
TOTAL CUSTOMERS CONNECTED TO THE GRID	no,	331,847	330,153

Quality of the service provided

TECHNICAL QUALITY

In 2019, the indicators relating to the number and duration of the outages had a slightly worse performance than in the previous year, because of some particularly intense weather events in May and November.

The 2018 results, published with ARERA resolution 500/2019/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 1,84 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 2018 was better than the targets the Authority assigned to SET Distribuzione (high concentration: standard 28 minutes – result 5,90 minutes; medium concentration: standard 45 minutes – result 16,84 minutes; low concentration: standard 68 minutes – result 35,12 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 0,21; medium concentration: standard 2,25 – result 0,80; low concentration: standard 4,30 – result 1,94).

COMMERCIAL QUALITY

With regard to commercial quality, in 2019 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 34,000 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 2019 totalled 13,9 million euro (8,8 million euro in 2018), 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 the management viewpoint, in 2019 a new organisational and operating model of the Company was implemented with the goal of improving the current operating and managerial procedures in the municipalities managed by the Company. In parallel, the decision was also made to start on a path to "industrialisation" of field activities and of the instruments in support of operations through the introduction of a Work Force Management instrument, as a potential technological enabler.

An additional significant note for 2019 is the achievement, by Novareti, of the ISO 14001:2015 certification for the design, management, construction, operation and maintenance of natural gas plants and distribution pipelines.

METERING

With regard to gas metering, in 2019 work continued to replace traditional meters with new generation, electronic ones. In 2019, 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.

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 294,8 million m3 (287,6 million m3 in 2018).

Methane gas		2019	2018
Length of the network	km	2,415	2,376
TOTAL UTILITY CONTRACTS	no.	158,435	157,348

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 2019, the general index of the services performed within the standard times, for quality of service parameter purposes, amounted to 99.89%.

AREA TENDERS

In 2019, the Contracting Authority continued its activities for the tender pertaining to the Trento Province, Provincial Law no, 12 of 23 December 2019 extended to 31 December 2020 the deadline to publish the call for tender to contract the methane 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

TUAR Connections, disconnections and withdrawals (Res. 277 and 278/2018): in force since 1 June 2018, whose obligations apply starting from 1 January 2019 and the related first report on operations no later than 30 June 2020;

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 31 March 2021;

TITT Transparency (Res. 313/2019): in force since 1 January 2020; it entirely applies to the seller;

RQTT Technical quality (Res. 548/2019): in force since 1 July 2020, whose obligations apply starting from 1 January 2021 and the related first report on operations no later than 30 April 2022.

INITIATIVES AND INVESTMENTS

Heat distribution through district heating network is carried out in the municipal area of Rovereto and in the "Le Albere" neighbourhood in Trento, where refrigerated water for air conditioning is also distributed; high temperature steam is supplied to some factories in Rovereto for their productive processes.

In 2019, 30,7 GWh of steam and 67,7 GWh of heating and cooling were supplied, while 45,9 GWh of electricity were generated.

Cogeneration and district heating		2019	2018
Length of the network	km	29	31
TOTAL UTILITY CONTRACTS	no.	209*	213*

* of which 3 on Rovereto steam network

In 2019, an important industrial user took its cogenerators to fully operating conditions, self-generating over 80% of its own electricity requirement.

As a consequence of the new production situation, the electricity generated by turbogas was sold to the market with considerably lower prices than those obtained until 2018.

Turbogas operation in 2019 was then limited to approximately 3,000 hours of operation versus the habitual 8,000 yearly hours.

The supply of thermal energy through the urban district heating network, with a generation of approximately 54,5 GWh, in 2019 amounted to approximately 96% of the average of the two previous years.

In this new production context, in 2019 an external specialised centre was appointed to analyse the different scenarios for the re-engineering of the Cogeneration Plant of the Rovereto industrial area with the goal of identifying its optimal industrial set-up.

After this study, an external Centre was subsequently appointed to carry out the final design of the first restructuring phase of the Central, for the installation of a new small-size cogenerator, adequate for the new requirements, and the necessary authorisation processes were started.

The project is currently in its construction phase and the plant is expected to start operating within the current year.

Integrated water cycle and waste treatment services

INITIATIVES AND INVESTMENTS

In 2019, work continue to enhance the water structures, consistently with the multi-year business plan issued in 2017.

Many projects for new tanks and works have been assigned and carried out, and they will be built from 2020 onwards in Trento and Rovereto. In particular, the final design for the replacement of all pipeline trunks in Trento, while in Rovereto the focus will be on tanks: new tank in the Senter district, new tank Ex, Anmil and revamping of the historic tank called Pietra Focaia.

Investments in the water management sector in 2019, even in the presence of a not fully defined regulatory framework and of the uncertain outlook for your Company, totalled 7,0 million euro (4,6 in 2018).

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, a new rainwater drain was laid along the Saibanti and Halbherr streets, to allow better rainwater drainage in case of particularly intense events.

Minor interventions were carried out in the Calliano and Volano municipalities.

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. In the two municipalities of Trento and Rovereto, the phase of surveying and planning the replacements started, and replacement work will begin from 2020 onwards. The set of meters will be replaced with smart meters that will allow remote reading with the operator passing by in a car. On the occasion, all connections will be overhauled.

VOLUMES AND OPERATING EFFICIENCY

The service is provided in 10 Trentino municipalities (over 200,000 residents), essentially located in the Adige Valley.

The water quantities supplied to the network totalled 30,0 million cubic metres (29,9 in 2018).

Additional information:

Water cycle		2019	2018
Length of the network	km	1,138	1,215
TOTAL UTILITY CONTRACTS	no.	77,643	78,971

Waste management

INITIATIVES AND INVESTMENTS

In 2019, 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 2019 totalled 1,01 million euro (0,77 million euro in 2018); of particular significance the purchase of 1 semi-trailer for waste transportation (73,800 euro), 1 mechanical-aspirating sweeper (111,957 euro), 3 aspirating sweepers (319,200 euro), 1 electric sweeper (155,000 euro), 1 electric street washer (161,800 euro), 3 self-propelled aspirators for cleaning the historic centre (53,880 euro), 1 trailer with equipment for roll-off dumpsters (25,600 euro), advance of 20% (26,400 euro) to purchase a vehicle with equipment for roll-off dumpsters (delivered in mid February 2020).

Also of note is the continuation of the relamping work on some CRMs (6,088 euro), in addition to small maintenance work on infrastructures and facilities of the West Beltway site (46,555 euro) and vehicle repair work of particular size (18,367 euro); an amount (12,480 euro) is also recorded for the preparation of a master plan to assess the possibilities for construction on the entire West Beltway area.
In addition, work started on relamping CRMs with the replacement of the old lamps with 48 new LED projectors with expected savings of 7,770 kWh and lower consumption by 1,45 tep, which will end in 2020; the upgrade of the fire-fighting system of the via Fornaci location, also connecting it to the remote control central, and the electrical system of the rainwater pumping system was revamped in the integrated West Beltway Centre in Trento.

VOLUMES AND OPERATING EFFICIENCY

In 2019, 73,234 tons were collected (72,682 in 2018), 146,912 contracts were managed, also considering the appurtenances (141,507 in 2018) and 86,303 taxpayers were served (85,621 in 2018).

On the waste front, inconsistent trends were noted between Trento, where the recorded decrease in collected volumes compared to the forecast ones amounted to 1.4% (-0.7% separate collection, -4.2% unsorted waste), and Rovereto where collection was greater than forecast and amounted to 3.0% (+2.9% separate collection, +3.5% unsorted waste). Analysing the data with respect to those actually recorded in 2018, for Trento a reduction equal to -0.08% of the total is noted, due to the 1.1% growth of separate collection and a 4.6% decrease in unsorted waste; for Rovereto, a growth of +3.4% of the total is recorded, due to the 3.5% growth of separate collection and 3.9% growth of unsorted waste.

The percentage of separate waste collection, after deducting the portion of waste collected upon street sweeping, amounted to 81.7% in Trento and 78.9% in Rovereto.

Other business activities

Laboratory and geological office activities: the key laboratory operations concern drinking water quality control, but also important are the monitoring and control of water tables, wastewater and water treatment; the geologist was particularly engaged in support to the other companies of the group (SET and NOVARETI) for surveys relating to the electric substations and for the projects of the "gas tender".

In the current year, a positive increase in analysis activities was recorded: a total number of 19,729 samples was examined, up by 6.98% compared to the previous year. The breakdown of revenue in 2019 was 38.31% for infragroup customers and 61.69% for "external" customers (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. The actions taken from the viewpoint of available instruments and from the viewpoint of the commercial initiatives to implement checks over the Legionella parameter recorded good success, bringing the checks for this parameter from 478 in 2018 to 1,157 in 2019.

Human resources

As at 31 December 2019 the Group workforce numbered 1,362 (1,345 in 2018). A total increase of 17 employees took place in the year compared to 2018 as illustrated below.

	2019	2018	Differenza
Dolomiti Energia Holding	188	180	8
Dolomiti Ambiente	250	259	-9
Dolomiti Energia	185	169	16
Novareti	216	207	9
Dolomiti Energia Solutions	13	10	3
SET Distribuzione	271	276	-5
Depurazione Trentino Centrale	62	65	-3
Hydro Dolomiti Energia	157	161	-4
Dolomiti Energia Trading	20	18	2
TOTAL	1,362	1,345	17

Comparison of the situation of the Group 2019 – 2018 by grade

	executives	managers	employees	manual workers	total
Position as at 31 Dec. 2019	17	51	713	581	1,362
Position as at 31 Dec. 2018	19	48	680	598	1,345
VARIAZIONE 2019 SU 2018	-2	3	33	-17	17

During 2019, 1,110 courses were held (930 in 2018) for a total of 35,346 hours (27,495 in 2018) of which 1,193 in favour of leased staff, interns and other co-workers, for an overall total of 1,422,194 euro (1,125,851 in 2018) inclusive of the cost of workers under training and teaching staff.

The increased hours recorded with respect to the previous year is due both to expiring safety courses but also to the concurrent administration of online and classroom courses on the Code of conduct, model 231, anti-corruption measures and whistleblowing process and on the GDPR Privacy. Constant importance is attributed to investment in workers' competence and skill 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, 52% (53% in 2018) of the training initiatives involved the topic of safety and 39% (=2018) involved the development and maintenance of the technical-specialist skills of the sector, 98% (=2018) of employees attended at least 1 training course in 2019.

Being consolidated are the pilot project launched within SET Distribuzione on behaviour-related training regarding safety (so-called Behaviour Based Safety), as well as the one launched for Dolomiti Ambiente with the name of CO.SI' (Comportamenti Sicuri, Safe Behaviours), which will also continue in 2020.

The company continues to organise in-house English courses (one on one and group) for personnel of the companies in working groups for the development of specialist smart grid projects or involved in activities connected with the partner Macquarie European Infrastructure.

Research and development

In 2019, activities with high innovation content continued, on one hand with the reservation of strategic relationships and on the other with the implementation of real solutions in support of corporate processes, of the operation and advanced management of the Group's activities.

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

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

man 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;

- 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 plants also for the cross-border exchange of energy.

- **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 2019, through the electricity meter remote management system, approximately 4,5 million readings were successfully carried out remotely, along with approximately 34,000 user management operations (activation of new contracts, deactivations, transfers, power variations) and approximately 10,000 operations connected with the management of late-paying customers.

  Testing work continues on the 2G meters, with their progressive introduction to replace the 1G meters, at present only for user management activities; with its resolution 306/2019/R/eel, the regulating

Authority defined the regulatory framework with which distribution companies must comply for the massive replacement of electronic meters with new-generation meters. Implementation of the plan is expected to start for the year 2022 and in 2019 your technical structures, in collaboration with the parent company's ICT function, carried out important analysis and scouting work on the IT solutions available on the market.

With reference to the service related to the measurement of the natural gas delivered to Novareti, the target of remotely reading 47% 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.

Another important result to be pointed out in the field of gas remote management is the commissioning of 47% of mass market utilities (in line with the regulatory target of 85% by the end of 2021 for the G4-G6 class), through a remote management system based on point-multipoint technique via radio at 169 MHz, of particular interest because it exploits a major part of the telecommunication infrastructure already in operation for the remote management of electricity.

- **Work Force Management**: in 2019, the project for the implementation of the software solution adopted by the network companies as a result of a tender procedure was started. The project is expected to be completed between the end of 2020 and the start of 2021 and it is an occasion for the revision of the processes that involve the operating personnel of the company, maximising the advantages of digitalisation to improve both their effectiveness and efficiency.
- **Smart Waste**: the processes for transferring the emptying flows of waste containers fitted with tag transponders were fully automated, in the chain that goes from the field to the Garbage application for invoicing.
- **Water supply network management**: work continues for the optimisation of the management of water pipelines by means of advanced simulation and control instruments and with the implementation of the first calculation models for sewers, which are applied for the design of the new structural work on the water-sewer network,
- **Water smart meters**: to comply with MD93/2007, the decision was made to replace, with a ten-year programme, the entire set of meters, adopting smart devices that will allow remote reading of the measurements.
- **Gas network management**: on the Mori network, testing is continuing on an innovative automatic remote management of the withdrawal and measurement booth and of the end reduction sets; this system automatically regulates the setting of reducers in order exactly to follow the actual consumption profiles.
- **Electric grid management**: in 2019, the plan for the technological evolution of protection and control apparatuses adopted in primary and secondary substations continued, making available ever more advanced features for automatic fault selection, real-time monitoring, MV voltage regulation, information exchange with the TSO. In addition, experimentation started on the technologies now available for widespread remote control of the low voltage grid.
- **SFA (Sales Force Automation) Project:** launched in the spring of 2018, this project is directed at providing Dolomiti Energia with cloud instruments, integrated with the SAP management software, in support of the direct and indirect action of the sales force, based on the SalesForce application framework. Specifically, the project is aimed at innovating the processes of Offering and product management. Sales, sales and marketing network management (with marketing automation and campaign management instruments).

The SFA solution is directed at consolidating and replacing the instruments used in the past and that show different types of limitations, while industrialising and making more efficient some processes that today are characterised by high manual inputs.

The first modules were activated in 2019 and the project is expected to be completed in 2020.

- **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 2019 continued on its path, implementing activities and initiatives in the different technological, organisational and personnel fields. The constantly evolving path comprises:
  - adoption of technologies and services for prevention and defence from cyber attacks;
  - 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.

Infra-group relations

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

Service agreement stipulated between Dolomiti Energia Holding and Dolomiti Energia. 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 between Dolomiti Energia Holding and Novareti. It governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding, Service agreement between Dolomiti Energia Holding and Dolomiti Energia Solutions. It governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding.

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

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

Service agreement stipulated 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 602 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, stipulated with the subsidiaries Dolomiti Energia, SET, Novareti, Dolomiti Energia Solutions, Dolomiti Energia Trading, Depurazione Trentino Centrale, HDE, HIDE, 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

The start of the year was characterised by performance levels in line with the previous year. Unfortunately, as is well known, starting from the second half of February, Italy was progressively affected by an extremely severe health crisis of epochal impact. The Group is monitoring the evolution of the highly complex situation due to the outbreak of COVID 19 (Coronavirus) not only in Italy but throughout the world and to the consequent severe repercussions that could affect the macroeconomic environment.

With regard to business performance, starting from the emergence of the crisis and in particular after the decrees of 8, 9 and 11 March the operating activity, which had already been performed carrying out a series of measures to safeguard workers' health, was limited to necessary activity to guarantee service continuity and, whenever possible, activities are performed in ways that allow their remote execution. Personnel not involved in essential activities or unable to work usefully from home were suspended using available welfare provisions, In any case, all prescriptions deriving from the various Decrees of the President of the Council of Ministers and of the national and provincial health authorities to minimise personal contacts have been adopted.

At present, it is impossible to quantify with sufficient reliability the economic and financial effects of the event, both because the duration of existing restriction is unknown and impossible to reasonably estimate, and because the short time elapsed between the start of the events and today's date has not yet allowed to fully measure its effects, which inevitably will be produced mainly in upcoming months.

For the Group, there will certainly be negative economic effects, even significant ones in some segments. In particular, energy and gas sales will certainly be negatively affected, not only by the drastic decline in sale volumes (due to reduced withdrawals by customers and/or to the definitive shut-down of businesses) but also by the need to re-sell on the market the volumes procured at fixed price, where this was the purchase and sale formula, at significantly lower prices recorded in recent weeks. There could also be a highly significant impact deriving from the increase in late and missed payments of invoices by end customers, in particular by the businesses that were most heavily hit by the crisis. The price collapse will inevitably also lead to a contraction in the revenue of the production activity, whose amount will depend on how long this situation will go on. The other segments appear to be less heavily impacted on the revenue side at this time, although the severe reduction in investments on the networks may have an effect on the evolution of the RAB and hence of future revenue. In general, for all Companies it will be necessary to assess the impact of the higher costs tied to the management of this emergency phase, which today are hard to assess.

Nonetheless, on the basis of the information available to date and the stress scenarios prepared on the 2020 budget, it is not believed that the possible negative impacts are such so as to compromise the capacity of the Group and the individual consolidated companies to continue to operate on a going concern basis.

In any case, the Company is committed to communicate to the market any information that may emerge after approval of the draft Financial Statements.

Treasury shares

As at 31 December 2019, Dolomiti Energia Holding owned 33,286,658 treasury shares with a nominal value of 33,286,658. The percentage of this shareholding comes to 8.09%.

As at 31 December 2019, Dolomiti Energia Holding did not own, either directly or through trust companies or third parties, any shares in parent companies.

Rovereto, 27 March 2020

on behalf of the Board of Directors
Dolomiti Energia Holding SpA
The Chairman
Massimo De Alessandri

Dolomiti Energia Holding SpA
Financial statements
as at 31 December 2019

Vallagarina - Volano
Photo Library Trentino Sviluppo S.p.A. - Photo Carlo Baroni

Statement of Financial Position

(figures in Euro)	NOTES	AS AT 31 DECEMBER 2019	2018
Assets			
NON-CURRENT ASSETS			
Rights of use	8.1	3,086,807	-
Intangible assets	8.2	12,702,373	13,045,544
Property, Plant and Equipment	8.3	45,503,822	45,701,941
Equity investments	8.4	787,451,271	782,316,169
Non-current financial assets	8.5	-	7,187,397
Deferred tax assets	8.6	9,106,606	5,718,349
Other non-current assets	8.7	79,489	77,613
TOTAL NON-CURRENT ASSETS		**857,930,368**	**854,047,013**
CURRENT ASSETS			
Inventories	8.8	490,295	92,027
Trade receivables	8.9	13,823,906	11,625,258
Income tax credits	8.10	623,617	1,913,088
Current financial assets	8.11	52,682,286	57,232,410
Other current assets	8.12	10,996,151	31,552,396
Cash and cash equivalents	8.13	18,016,104	28,358,232
TOTAL CURRENT ASSETS		**96,632,359**	**130,773,411**
TOTAL ASSETS		**954,562,727**	**984,820,424**
Shareholders' equity			
Share capital	8.14	411,496,169	411,496,169
Reserves	8.14	89,638,123	86,940,385
Reserve - IAS 19	8.14	(25,951)	115,824
Net profit/(loss) for the year	8.14	36,485,138	40,623,148
TOTAL SHAREHOLDERS' EQUITY		**537,593,479**	**539,175,526**
Liabilities			
NON-CURRENT LIABILITIES			
Provisions for risks and non-current charges	8.15	1,395,055	1,458,821
Employee benefits	8.16	3,400,450	3,670,465
Deferred tax liabilities	8.6	160,616	193,230
Non-current financial liabilities	8.17	116,202,635	127,927,554
Other non-current liabilities	8.18	1,049,644	1,662,199
TOTAL NON-CURRENT LIABILITIES		**122,208,400**	**134,912,269**
CURRENT LIABILITIES			
Provisions for risks and current charges	8.15	755,533	732,704
Trade payables	8.19	12,488,280	10,727,686
Current financial liabilities	8.17	266,747,373	273,572,517
Income tax payables	8.10	2,956,710	18,281,931
Other current liabilities	8.18	11,812,952	7,417,791
TOTAL CURRENT LIABILITIES		**294,760,848**	**310,732,629**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**954,562,727**	**984,820,424**

Comprehensive Income Statement

(figures in Euro)

	Notes	AS AT 31 DECEMBER 2019	2018
Revenue	9.1	9,507,842	8,408,865
Other revenue and income	9.2	30,903,089	28,420,937
TOTAL REVENUE AND OTHER INCOME		**40,410,931**	**36,829,802**
Raw materials, consumables and merchandise	9.3	(4,767,331)	(5,851,817)
Service costs	9.4	(18,629,926)	(17,569,003)
Personnel costs	9.5	(12,094,320)	(11,089,380)
Amortisation, depreciation, allocations and write-downs	9.6	(14,884,544)	(8,480,127)
Net write-backs (write-downs) of receivables		(308)	-
Other operating costs	9.7	(1,446,840)	(740,599)
TOTAL COSTS		**(51,823,269)**	**(43,730,926)**
Gains and expenses from equity investments	9.8	45,011,505	45,004,447
OPERATING RESULT		**33,599,167**	**38,103,323**
Financial income	9.9	3,328,303	4,447,599
Financial charges	9.9	(2,343,621)	(3,257,347)
PROFIT BEFORE TAX		**34,583,849**	**39,293,575**
Taxes	9.10	1,901,289	1,329,573
PROFIT/(LOSS) FOR THE YEAR (A)		**36,485,138**	**40,623,148**
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Actuarial profit/(loss) for employee benefits		(204,367)	92,456
Tax effect on actuarial profit/(loss) for employee benefits		62,592	(23,571)
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (B1)		**(141,775)**	**68,885**
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Profit/(loss) on cash flow hedge instruments		(4,844,865)	(1,505,882)
Effetto fiscale su variazione fair value derivati cash flow hedge		1,526,708	361,412
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (B2)		**(3,318,157)**	**(1,144,470)**
TOTAL OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX EFFECT (B)= (B1)+(B2)		**(3,459,932)**	**(1,075,585)**
TOTAL AGGREGATE RESULT FOR THE YEAR (A)+(B)		**33,025,206**	**39,547,563**

Cash Flow Statement

(figures in thousands of Euro)

	Notes	AS AT 31 DECEMBER 2019	2018
PROFIT/(LOSS) FOR THE YEAR		**36,485**	**40,623**
ADJUSTMENTS FOR:			
Amortisation/depreciation of:			
- rights of use	9.6	535	-
- intangible assets	9.6	4,684	4,362
- property, plant and equipment	9.6	2,479	2,564
Write-downs of assets	8.5	7,187	1,554
Allocations to/(absorptions from) provisions for risks and charges	8.15; 8.16	462	(118)
(Gains)/expenses from equity investments	9.8	(45,012)	(45,004)
Financial (income)/charges	9.9	(985)	(1,190)
(Capital gains)/Capital losses from sale of property, plant and equipment		5	1
Other non-monetary elements	9.5	(45)	(61)
Income taxes	9.10	(1,901)	(1,330)
Cash flow from operations before changes in net working capital		*3,894*	*1,401*
CHANGES IN NET WORKING CAPITAL:			
(Increase)/decrease in inventories	8.8	(398)	142
(Increase)/decrease in trade receivables	8.9	(2,199)	(1,034)
(Increase)/decrease in other assets	8.12	61,878	24,806
Increase/(decrease) in trade payables	8.19	1,761	1,441
Increase/(decrease) in other liabilities	8.18	2,421	(4,128)
Dividends collected:	9.8	34,501	24,916
Interest and other financial income collected	9.9	1,275	2,361
Interest and other financial expenses paid	9.9	(2,250)	(3,137)
Utilisation of provisions for risks and charges	8.15; 8.16	(979)	(556)
Income taxes paid		(53,779)	(8,694)
CASH FLOWS FROM OPERATIONS (A)		**46,125**	**37,518**
Net investments in intangible assets	8.2	(4,340)	(5,217)
Net investments in property, plant and equipment	8.3	(2,286)	(1,660)
Net investments in equity investments	8.4	(5,135)	(5,240)
(Increase)/decrease in other investment activities	8.11	5,238	29,974
CASH FLOWS FROM INVESTMENT ACTIVITIES (B)		**(6.523)**	**17,857**
Financial payables (reimbursements and other net changes)	8.17	(15.905)	(1,456)
Dividends paid		(34,039)	(26,475)
CASH FLOWS FROM FINANCING ACTIVITIES (C)		**(49.944)**	**(27,931)**
Effect of changes on cash and cash equivalents (d)		-	-
Increase/(decrease) in cash and cash equivalents (a+b+c+d)		(10,342)	27,444
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**28,358**	**914**
CASH AND CASH EQUIVALENTS AT YEAR END		**18,016**	**28,358**

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 Share-holders' Equity
BALANCE AS AT 1 JANUARY 2018	**411,496**	**28,310**	**994**	**(67,552)**	**101,347**	**51,508**	**526,103**
TRANSACTIONS WITH SHAREHOLDERS:							
Dividend distribution	-	-	-	-	-	(26,475)	(26,475)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**-**	**-**	**-**	**-**	**(26,475)**	**(26,475)**
ALLOCATION TO RESERVES OF PROFIT/(LOSS) FOR THE YEAR	**-**	**2,575**	**-**	**-**	**22,458**	**(25,033)**	**-**
AGGREGATE RESULT FOR THE YEAR:							
Net profit (loss)	-	-	-	-	-	40,623	40,623
Other comprehensive profit (loss), net of tax effect	-	-	-	-	(1,075)	-	(1,075)
TOTAL AGGREGATE RESULT FOR THE YEAR	**-**	**-**	**-**	**-**	**(1,075)**	**40,623**	**39,548**
BALANCE AS AT 31 DECEMBER 2018	**411,496**	**30,885**	**994**	**(67,552)**	**122,730**	**40,623**	**539,176**
Adoption of new accounting standards	-	-	-	-	(569)	-	(569)
BALANCE AS AT 1 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 PROFIT/(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 DECEMBER 2019	**411,496**	**32,916**	**994**	**(67,552)**	**123,254**	**36,485**	**537,593**

Explanatory notes

1. 1 General information

Dolomiti Energia Holding S.p.A. (the "Company" or "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 2019, the 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	2,291,118	0.56%
AZIENDA SERVIZI MUNIC. DI TIONE	14,622	0.00%
PRIVATE ENTITIES		
FT ENERGIA	48,861,683	11.87%
I.S.A. - IST. ATESINO SVILUPPO SPA	17,175,532	4.17%
FONDAZIONE CARITRO	21,878,100	5.32%
ENERCOOP srl	7,303,825	1.77%
MONTAGNA Sig.ra ERMINIA	27,540	0.01%
ELETTROMETALLURGICA TRENTINA Srl	203	0.00%
POMARA dott.ssa LUCIANA	203	0.00%
TREASURY SHARES	**33,286,658**	**8.09%**
TOTAL	**411,496,169**	**100.00%**

2. Summary of the accounting standards adopted

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

2.1 PREPARATION BASIS

The 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 2019 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.
These draft Financial Statements were approved by the Company's Board of Directors on 27 March 2020.

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; and 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

Application of IFRS 16 - Leases

The standard provides a new definition of leases and introduces a criteria based on the control (right of use) of an asset to distinguish between lease contracts and contracts for services, identifying the following as discriminants: identification of the asset, the right to replace it, the right to obtain substantially all the financial benefits from use of the asset and the right to manage the use of the asset underlying the contract.

The standard establishes a single model to recognise and measure lease contracts for the lessee which provides for recording the asset subject to lease under assets, with an offsetting financial debt, also providing for the option not to apply the above-mentioned model to contracts that relate to low-value assets or short-term leases that are equal to or less than 12 months. On the other hand, the new standard does not envisage significant changes for lessors.

The Company availed itself of the practical measure envisaged in paragraph C3, which allows for the use of conclusions achieved in the past on the basis of IFRIC 4 and IAS 17 regarding the classification of operating leases for a specific contract. This practical measure was applied to all the contracts as provided by paragraph C4.

Finally, the Company elected to apply the standard on a retrospective basis. However, the cumulated effect was recorded in Shareholders' Equity as at 1 January 2019, in accordance with provisions set out in paragraphs C7-C13.

More specifically, the Company recognised the following with reference to the lease contracts previously classified as operating:

- a financial liability, equal to the current value of the future payments remaining as at the transition date, discounted by using the marginal borrowing rate for each contract applicable at the transition date;
- a right of use equal to the net carrying amount that it would have had if the Standard had been applied since the initial date of the contract, using the discounting back rate defined at the transition date.

The table below reports the effects of adopting the IFRS 16 as at the transition date:

(figures in thousands of Euro)	EFFECT AT THE TRANSITION DATE 1 JANUARY 2019
NON-CURRENT ASSETS	
Rights of use - buildings	2,941
Rights of use - other movable assets	412
Deferred tax assets	239
TOTAL ASSETS	**3,592**
NON-CURRENT LIABILITIES	
Non-current financial liabilities	(3,615)
CURRENT LIABILITIES	
Current financial liabilities	(546)
TOTAL LIABILITIES	**(4,161)**
SHAREHOLDERS' EQUITY RESERVE	**(569)**

In adopting the IFRS 16 Standard, the Company availed itself of the exemption envisaged in paragraph 5 a), in relation to short-term leases (less than 12 months) related to the hiring of vehicles and of the exemption envisaged in paragraph 5 b), with reference to lease contracts where the underlying asset is of low value, i.e. when the single underlying asset does not exceed the value of EUR 5,000.

For these contracts, the introduction of IFRS 16 did not involve the recognition of the financial liability and the related right of use. The lease payments will be therefore recognised to profit or loss on a straight-line basis for the duration of the respective contracts.

Additionally, with reference to the transition rules, the Company took advantage of the following practical measures:

- classification of the contracts where the lease term is less than 12 months from the transition date as short-term leases. For these contracts, the lease payments will be recognised to profit or loss on a straight-line basis;
- use of the information available at the transition date to calculate the contract duration, with specific reference to the exercise of extension options and early closure.

The impacts related to the initial application of the standard on the income statement for FY 2019 are set out below.

(figures in thousands of Euro)	EFFECT OF APPLICATION OF IFRS 16 2019 FINANCIAL YEAR
Service costs (use of third party assets)	(687)
Amortisation/depreciation	535
TOTAL COSTS	**(152)**
OPERATING RESULT	**(152)**
Financial charges	99
PROFIT BEFORE TAX	**(53)**
TAXES	16
PROFIT/(LOSS) FOR THE YEAR	**(37)**

Intangible assets

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

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

Property, Plant and Equipment

Property, plant and equipment are measured at purchase or production cost, less accumulated depreciation and any impairment loss. The cost includes charges that are directly incurred to permit their use, as well as any possible costs of disassembly and removal that will be borne pursuant to contract obligations requiring to reinstate the original conditions of the asset.
Financial charges, directly attributable to the acquisition, construction and production of an asset, which justify a capitalisation pursuant to IAS 23, will be capitalised on the asset itself as part of its cost.
Charges borne for ordinary and/or cyclical maintenance and repairs are directly charged to income statement, when incurred. The capitalisation of costs related to the expansion, modernisation or improvement of the structural elements whether owned or leased is made within the limits established to be separately classified as assets or part of an asset.
Improvements on third-party assets include costs borne for the set up and modernisation of real estates that are not owned.
Assets are depreciated on a straight-line basis, with rates that allow for depreciation of assets until the end of their useful life.

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

	% Rate
ELECTRICITY	
hydroelectric power plants	2.0%
thermal power plants	2.5%
hydroelectric fittings	8.3%
photovoltaic plants	5.0%
OTHER	
office buildings	3.3%
motor vehicles	12.5%
electronic machines	16.7%

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

Assets from A.S.M. S.p.A., acquired prior to 31 December 1997
Assets acquired prior to the above date are 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 1 January 2003 as a result of the merger
The capital gain of 44,276,481 euro emerging from assessment of the extraordinary transaction for the merger by absorption of SIT and ASM into Dolomiti Energia (now Dolomiti Energia Holding SpA), confirmed by the expert appointed by the Court President, was allocated as described below:

- 8,107,734 euro to Dolomiti Energia S.p.A. assets
  - land 5,907,256 euro
  - new office building 2,200,478 euro
- 6,168,747 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 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 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.

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:

- 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;
- 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;
- 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.

3. Estimates and assumptions

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

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

a) **Impairment Test**: the carrying amount of property, plant and equipment and intangible assets is periodically tested for impairment and whenever circumstances or events require a more frequent assessment. Whenever it is deemed that a carrying amount of a group of fixed assets has suffered an impairment loss, the same is written-down to the related recoverable value, estimated based on the use and future sale of the asset, in relation to provisions set out in the latest business plans. It is deemed that estimates of these recoverable values are reasonable, However, possible changes in the estimate factors, on which the calculation of the aforesaid recoverable values is based, might result in different valuations.

b) **Provision for write-downs:** the provision for write-downs reflects the best estimate made by directors on doubtful receivables from customers. This estimate is based on expected losses incurred by the Company, determined according to past experience made for similar receivables, current and historic overdue amounts, the careful monitoring of creditworthiness and projections on economic and market positions.

c) **Prepaid taxese**: accounting for prepaid taxes takes place on the basis of expectations of taxable income in future years to be used for their recovery. The valuation of the taxable revenue expected for the purposes of accounting for prepaid taxes depends on factors that can vary over time and significantly affect the recoverability of the receivables from prepaid taxes.

d) **Provisions for risks and charges**: with respect to legal risks, allocations are recognised representing the risk of an unfavourable outcome of disputes. The value of provisions in the financial statements related to these risks represents the best estimate to date made by directors. This estimate entails the adoption of assumptions depending on factors that might change over time and that might therefore have a significant impact on current estimates made by directors in the drafting of Company financial statements.

e) **Fair value of derivative 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 1 January 2019.

- IFRS 16 Leases (issued on 13 January 2016). The new standard supersedes the previous standard on leases, the IAS 17 and related interpretations, defines criteria for the recognition, measurement, presentation and disclosures to be supplied as reference for lease contracts to both lessor and lessee. Albeit IFRS 16 does not modify the definition of lease contract supplied by IAS 17, the main novelty introduced is represented by the concept of control within the definition. In particular, in order to determine whether a contract represents a lease, IFRS 16 requires to check whether the lessee has the right to control the use of a specific asset for a determined period of time. The IFRS 16 standard cancels the classification of operating or finance leases, as required by IAS 17, by introducing a single accounting model for all leases. On the basis of the new model, the lessee will have to recognise the assets and liabilities for all the lease contracts with a duration of more than 12 months in the statement of financial position, unless the underlying asset has a low value and, in the income statement, amortisation/depreciation of assets related to leases separate from interest related to corresponding liabilities. With regard to lessors, in IFRS 16 the recognition requirements remain substantially unchanged with respect to those envisaged by IAS 17.
- IFRIC 23 Uncertainty over income tax treatments (issued on 7 June 2017). The interpretation clarifies how to apply the IAS 12 recognition and measurement requirements in the case of uncertainty over income tax treatments (current and deferred). Should there be uncertainties over application of the tax legislation to a specific transaction or group of transactions, IFRIC 23 requires that the probability that the tax authority accepts the choice made by the company regarding the tax treatment of the transaction be evaluated. The interpretation also requires the company to review the judgements and estimates made where there is a change in the facts or circumstances that change the predictions on the acceptability of a certain tax treatment or the estimates made on the effects of the uncertainty or both.
- Amendments to IFRS 9 Prepayment features with negative compensation (issued on 12 October 2017). These amendments, approved with EU Reg. 2018/498, introduce an exception for particular financial assets that would envisage contractual cash flows represented only by payments of capital and interest (IFRS 9, par. 4.1.2), but do not meet this condition only due to the presence of a contractual advance repayment clause. More specifically, the amendments specify that financial assets with a contractual clause allowing (or forcing) the issuer to repay a debt instrument or allowing (or forcing) the holder to repay a debt instrument to the issuer before the due date can be measured at amortised cost or at fair value with balancing entry to Other comprehensive income, subject to the assessment of the business model in which they are held, if the following conditions are met:
  - the company acquires or issues the financial asset with a premium or discount applied to the nominal amount of the contract;
  - the amount of the advance repayment is basically the nominal contractual amount and the accrued (but not paid) contractual interest that might include a reasonable additional fee for early termination of the contract; and

  - the fair value of the advance payment option is not significant upon initial recognition by the company.

- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017). The amendment clarifies that the company must apply the provisions of IFRS 9 Financial instruments to any other long-term interest that in substance represents another component of the equity investment in the associate or joint venture, to which the equity method is not applied (e.g. preferred shares, non-trade loans and receivables). Any losses recognised based on the equity method exceeding the investment of the entity in ordinary shares of the associate or joint venture are attributed to the other components of the equity investment opposite from their degree of subordination (that is, liquidation priority) after having applied IFRS 9.
- Amendments to IAS 19 Employee Benefits (issued on 7 February 2018). The interpretation "Plan Amendment. Curtailment or Settlement" forces companies to use updated actuarial assumptions in order to determine the pension costs following amendments introduced to the employee defined benefits.
- Improvements to the IFRS 2015-2017 Cycle (issued on 12 December 2017). The document introduces amendments to the following standards:
- IFRS 3 Business Combinations. The IASB clarifies that when an entity obtains control of an asset that is a joint operation, it has to recalculate the value of that asset since this transaction would be considered a business combination carried out in steps and therefore to be recognised on that basis.
  - IFRS 11 Joint Arrangements. It is clarified that if a party taking part in a joint operation - but that does not have joint control - later obtains joint control over the joint operation (constituting an asset as defined in IFRS 3), it is not required to recalculate the value of that asset.
  - IAS 12 Income Taxes. This amendment clarifies that the tax effects of the income taxes arising from distribution of profits (i.e. the dividends), including the payments on financial instruments classified as shareholders' equity, must be recognised when a liability for the payment of a dividend is recognised. The consequences of the income taxes must be recognised in the income statement, in the comprehensive income statement or in the shareholders' equity in consideration of the nature of the transactions or of the past events that generated the distributable profits or how they were initially recognised.
  - IAS 23 Borrowing Costs. The amendment clarifies that an entity should leave out the financial charges applicable to the loans made specifically in order to obtain an asset only as long as the asset is not ready and available for the planned use or sale when calculating the capitalisation rate for loans. The financial charges relating to specific loans that still exist after the relevant asset is ready for the planned use or sale must afterwards be considered as part of the general borrowing costs of the entity.

With reference to the application of said standards, amendments and new interpretations, there were no effects found on the 2019 financial statements of the Company, apart from the EU standard IFRS 16 whose effects on the financial statements resulting from initial application are described in note 2.3 "Application of IFRS 16 - Leases".

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 2019 financial statements must be applied for the financial years following 2019.

- Conceptual Framework (issued on 29 March 2018), applicable from 1 January 2020. 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.
- Amendments to IAS 1 and IAS 8 Definition of "material" (issued on 31 October 2018), applicable from 1 January 2020. The IASB clarified that information is to be considered "material" when its omission, inaccuracy or lack of clearness 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.
- Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform" (issued on 26 September 2019) applicable from 1 January 2020. The amendments relate to companies who apply hedge accounting in accordance with the provisions of IFRS 9 or IAS 39 to hedging relationships directly affected by the applicable interest rates. The 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 contract (issued on 18 May 2017). The new accounting standard establishes the criteria for the recognition, measurement, presentation and disclosure of insurance contracts. After its endorsement, it will fully supersede IFRS 4 Insurance Contracts issued in 2005, 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 applicable for annual reporting periods beginning on 1 January 2021 and the disclosure of comparative data will be required. In November 2018, the IASB decided to propose extension of the coming into force of the IFRS 17 standard by one year, i.e. until 2022. The application has no impact for the Company.
- 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 whole of assets and instruments must also include a set of organised processes that as a whole are suited to

producing goods and services. The amendments will become applicable prospectively to the transactions whose date of acquisition is equal to or later than the year starting from 1 January 2020. Early application is permitted. The application has no impact for the Company.

7. Information on financial risks

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

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

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

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

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

7.1 MARKET RISK

7.1.1 Interest rate risk

The Company utilises external financial resources in the form of credit facilities, and uses cash on hand in bank deposits. Changes in market interest rates affect the cost and the yield of the various credit facilities and uses, therefore affecting the amount of Company financial income and charges. With regard to the measurement of financial charges related to indebtedness, the Company, which is exposed to interest rate fluctuations, regularly assesses its exposure to the interest rate risk and manages it by adopting less onerous credit facilities.
As at 31 December 2019, 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 2019 and 2018 to hedge interest rate fluctuations are summarised as follows:

IRS

	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)

	AL 31 DICEMBRE 2018					
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	11,428,572	11,428,572	11,428,572	11,428,572	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	(450.888)	(456.294)	(465.369)	(489.224)	(1.003.391)	(957.932)

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 2019 were evaluated with respect to a possible change in market rates. which discounted 50 bps write-up and write-down. respectively. The calculation method applied the hypothesis of changes in both balances of the gross bank indebtedness and interest rate paid during the year to remunerate these floating rate liabilities. This analysis is based on the assumption of a general and prompt change in the reference interest rate level.

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

(in thousands of Euro)

	Impact on profit, net of tax effect		Impact on Shareholders' Equity, net of tax effect	
	- 50 bps	+ 50 bps	- 50 bps	+ 50 bps
Year ended 31 December 2019	252	(713)	252	(713)
Year ended 31 December 2018	262	(701)	262	(701)

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 2019 and 31 December 2018 is represented by the sum of financial assets recorded in the financial statements. summarised as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2019	2018
Trade receivables	14,465	12,271
Financial assets	52,682	64,420
Other assets	11,076	31,630
Provision for write-downs	(641)	(646)
TOTAL	**77,582**	**107,675**

Trade receivables as at 31 December 2019 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 after 180 days
Trade receivables	12,300	960	30	232	11	932
TOTAL	**12,300**	**960**	**30**	**232**	**11**	**932**

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)	AS 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**

(in migliaia di Euro)	AS AT 31 DECEMBER 2018		
	Maturity		
	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Trade payables	10,728	-	-
Payables due to banks and other lenders	273,572	55,011	72,917
Other accounts payable	7,418	1,662	-
TOTAL	**291,718**	**56,673**	**72,917**

7.4 FAIR VALUE ESTIMATE

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

- Level 1: fair value is measured with reference to prices quoted (unadjusted) in active markets for identical financial instruments;
- Level 2: fair value is measured based on measurement techniques taking benchmark parameters that are observable on the markets;

- Level 3: fair value is measured based on measurement techniques taking benchmark parameters that are not observable on the market.

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

The following table shows assets and liabilities measured at fair value as at 31 December 2019 and 31 December 2018:

(in thousands of Euro)

	AS 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]

(in thousands of Euro)

	AS AT 31 DECEMBER 2018		
Liabilities	**Level 1**	**Level 2**	**Level 3**
Derivative instruments (interest rate swap) *	-	3.823	-

[* 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 2019 and 31 December 2018 are broken down by category:

(in thousands of Euro)

	AS AT 31 DECEMBER 2019			
	Financial assets/ liabilities measured at amortised costo	*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**

(in thousands of Euro)

	AS AT 31 DECEMBER 2018			
	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	28,358	-	-	**28,358**
Trade receivables	11,625	-	-	**11,625**
Other assets and other current financial assets	88,785	-	-	**88,785**
NON-CURRENT ASSETS				
Other assets and other non-current financial assets	7,265	-	-	**7,265**
CURRENT LIABILITIES				
Trade payables	10,728	-	-	**10,728**
Current financial liabilities	273,572	-	-	**273,572**
Other current liabilities	7,418	-	-	**7,418**
NON-CURRENT LIABILITIES				
Non-current financial liabilities	124,105	1,961	1,862	**127,928**
Other non-current liabilities	1,662	-	-	**1,662**

8. Notes to the Statement of Financial Position

8.1 RIGHTS OF USE

LThe retrospective application of the international accounting Standard IFRS 16 led to the recording. as at 1 January 2019. of non-current assets (rights of use) and current and non-current financial liabilities (note 8.17); the right of use were calculated as net carrying amounts of the assets governed by the leasing and rental contracts. calculated as if the standard had been applied since the contracts and leases were agreed. and using the discounting rates defined at the transition date.

The table below shows the “Rights of use” movements from the transition date to 31 December 2019.

(in thousands of Euro)

	Right of use of buildings	Right of use of other goods	Total
BALANCE AS AT 1 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 divestments	-	-	-
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)*

“Rights of use of buildings” amounting to 2.572 thousand euro refer to contracts related to the real estate property destined as registered office in Rovereto (TN).
“Rights of use of other goods” amounting to 515 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 2019
Depreciation of rights of use	9.6	535
Interest expense on financial liabilities for leases	9.9	99
Short-term contract related costs	9.4	72
Costs related to contracts for low value goods	9.4	63
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		**822**
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 2019 and 2018:

(in thousands of Euro)

	Concessionsi	Industrial patent and intellectual property rights	Other	Total
BALANCE AS AT 1 JANUARY 2018	**4,392**	**7,798**	**1**	**12,191**
Of which:				
Historical cost	*7,324*	*38,067*	*2,251*	***47,642***
Accumulated amortisation	*(2,932)*	*(30,269)*	*(2,250)*	***(35,451)***
Increases	-	5,217	-	**5,217**
Net decreases	-	-	-	**-**
Amortisation	(366)	(3,996)	-	**(4,362)**
BALANCE AS AT 31 DECEMBER 2018	**4,026**	**9,019**	**1**	**13,046**
Of which:				
Historical cost	*7,324*	*43,284*	*2,251*	***52,859***
Accumulated amortisation	*(3,298)*	*(34,265)*	*(2,250)*	***(39,813)***
Increases	500	3,818	50	**4,368**
Net decreases	-	(28)	-	**(28)**
Amortisation	(376)	(4,307)	(1)	**(4,684)**
BALANCE AS AT 31 DECEMBER 20199	**4,150**	**8,502**	**50**	**12,702**
Of which:				
Historical cost	*7,824*	*47,074*	*2,313*	***57,211***
Accumulated amortisation	*(3,674)*	*(38,572)*	*(2,263)*	***(44,509)***

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.

8.3 PROPERTY. PLANT AND EQUIPMENT

Changes in item "Property. plant and equipment" are shown hereunder for the years ended 31 December 2019 and 2018:

(in thousands of Euro)

	Land and buildings	Plant and equipment	Industrial and commercial fittings	Other assets	Work in progress and advance payments	Total
BALANCE AS AT 1 JANUARY 2018	**23,187**	**14,180**	**1,015**	**2,545**	**5,728**	**46,655**
Of which:						
Historical cost	*33,580*	*35,948*	*4,139*	*11,149*	*5,728*	***90,544***
Accumulated depreciation	*(10,393)*	*(21,768)*	*(3,124)*	*(8,604)*	-	***(43,889)***
Increases	808	506	66	280	-	**1,660**
Net decreases	-	(47)	-	(2)	-	**(49)**
Reclassifications	-	-	-	-	-	**-**
Depreciation	(915)	(938)	(182)	(529)	-	**(2,564)**
BALANCE AS AT 31 DECEMBER 2018	**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***
Fondo ammortamento	*(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)***

With regard to p**roperty. plant and equipment**. costs have been capitalised for services provided by internal staff for 498 thousand euro.

The item **land** includes areas where hydroelectric plants are located (2.109 thousand euro). The item **buildings** also includes capitalisations of improvements made in the offices in Rovereto. which are rented from the Municipality. for a residual value of 1.541 thousand euro. as well as the building of the offices in Trento. for a residual value of 6.120 thousand euro. and the building "Le Albere" in Trento. for a residual value of 5.093 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 13.245 thousand euro. in addition to transmission lines and other proprietary photovoltaic plants (687 thousand euro).

The item **industrial and commercial fittings** include the equipment for the chemical-bacteriological laboratory (residual value of 597 thousand euro). as well as remote-control systems and other equipment for the hydroelectric sector (residual value of 174 thousand euro).

The item **other assets** concerns furniture and office equipment (residual value of 477 thousand euro). mostly hardware. for a residual value of 1.662 thousand euro. with an increase of 302 thousand euro. over the year.

Work in progress. at the end of the year. totalled 5.728 thousand euro and mainly concerned feasibility studies and projects relating to company premises.

8.4 EQUITY INVESTMENTS

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

(in thousands of Euro)	AS AT 31 DECEMBER		
	2019	2018	change
Equity investments in subsidiaries	706,954	705,119	1,835
Equity investments in associates and joint ventures	74,405	71,405	3,000
Equity investments in other companies	6,092	5,792	300
TOTAL	787,451	782,316	5,135

Changes in equity investments in subsidiaries. associates. joint ventures and other companies for the year ended 31 December 2018 and 2019 are shown hereunder:

Description of equity investments

(in thousand of Euro)

	Percentage owned	Carrying amount as at 31 December 2017	Changes in 2018	Reclassif. 2018	Carrying amount in 2018	Provision for write-downs as at 31 December 2017	Changes in 2018	Provision for write-downs As at 31 December 2018	Net Value as at 31 December 2018	Net Value as at 31 December 2017
Dolomiti En.Solutions Srl	100.00%	30	–	5,851	5,881	–	–	–	5,881	30
Novareti Spa	100.00%	139,266	–	–	139,266	–	–	–	139,266	139,266
Centraline Trentine Srl	100.00%	–	4,500		4,500	–	–	–	4,500	–
Nesco Srl	100.00%	5,851	–	(5,851)	–	–	–	–	–	5,851
Dolomiti Gnl Srl	100.00%	360	740	–	1,100	–	–	–	1,100	360
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	83.87%	32,619	–	–	32,619	–	–	–	32,619	32,619
S.E.T.Distribuzione Spa	70.20%	85,801	–	–	85,801	–	–	–	85,801	85,801
Hydro Investments De Srl	60.00%	406,602	–	–	406,602	–	–	–	406,602	406,602
Dep.Trentino Centrale Sc.Ar.L.	57.00%	6	–	–	6	–	–	–	6	6
TOTAL SUBSIDIARIES		**699,879**	**5,240**	**–**	**705,119**	**–**	**–**	**–**	**705,119**	**699,879**
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
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	2,049
Ags Spa	20.00%	7,095	–	–	7,095	–	–	–	7,095	7,095
TOTAL ASSOCIATED COMPANIES AND JOINT VENTURES		**79,980**	**–**	**–**	**79,980**	**(8,575)**	**–**	**(8,575)**	**71,405**	**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
C.Le Termoel. Del Mincio Srl – liquidated	–	1	(1)	–	–	–	–	–	–	1
Distr. Tecn.Trentino Sc.Ar.L.	1.77%	5	–	–	5	–	–	–	5	5
Istituto Atesino Svil.Spa	0.32%	387	–	–	387	–	–	–	387	387
Cons.Assindustria Energia	0%	1	–	–	1	–	–	–	1	1
Cassa Rurale Rovereto	0%	–	–	–	–	–	–	–	–	–
TOTAL OTHER COMPANIES		**5,793**	**(1)**	**–**	**5,792**	**(270)**	**–**	**–**	**5,792**	**5,793**
TOTAL EQUITY INVESTMENTS		**785,652**	**5,239**	**–**	**790,891**	**(8,845)**	**–**	**(8,575)**	**782,316**	**777,077**

(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 POWER 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**

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 2019 recorded a profit of 422.505 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 2019 recorded a profit of 8.461.767 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.

CENTRALINE TRENTINE Srl – Trento. Fully paid-up Share Capital of 3.000.000 euro. represented by 3.000.000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The financial year ending 31 December 2019 recorded a profit of 716.750 euro. The company holds equity investments in companies that produce energy from renewable sources.

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 2019. reported a loss of 199.946 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 2019. the company reported a profit of 2.439.992 euro. The company operates in the municipal waste services segment of Trento and Rovereto.

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 2019 recorded a profit of 10.213.115 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 equal to 16.942.700 shares with a nominal value of 16.942.700 euro. On 28 December 2018. the Shareholders' Meeting of Dolomiti Energia resolved on the capital increase of 6.718 euro. through the issue of 6.718 nominative ordinary shares with a nominal value of 1.00 euro each. This increase was entirely subscribed by the Municipality of Molveno through the transfer of the electricity trading business unit. effective as from 1 January 2019. On 1 October 2019. the Shareholders' Meeting then resolved on a further capital increase of 198.614 euro. through the issue of 198.614 nominative ordinary shares with a nominal value of 1.00 euro each. This increase was entirely subscribed by the Azienda Servizi Municipalizzati in Tione through the transfer of the electricity and gas trading business unit. The financial year ending 31 December 2019 recorded a profit of 22,857,125 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. On 28 December 2018. the Shareholders' Meeting of SET Distribuzione resolved on the capital increase of 602.133 euro. through the issue of 602.133 nominative ordinary shares with a nominal value of 1.00 euro each. This increase was entirely subscribed by the Municipality of Molveno through the transfer of the electricity trading business unit. effective as from 1 January 2019. On 1 May 2019. the Shareholders' Meeting then resolved on a further capital increase of 414.823 euro. through the issue of 414.823 nominative ordinary shares with a nominal value of 1.00 euro each. These shares were entirely subscribed by the Municipality of Sant'Orsola Terme through the transfer of the electricity distribution business unit. The financial year ending 31 December 2019 recorded a profit of 15.963.333 euro. The company carries out the electricity distribution business. mainly in the Trentino Province.

HYDRO INVESTMENTS DOLOMITI ENERGIA Srl – Rovereto. 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 60% of the Share Capital. equal to 3.000.000 shares with a nominal value of 3.000.000 euro. On 30 May 2019. the Shareholders' Meeting of Dolomiti Energia resolved on the capital increase of 3.000.000 euro. through the issue of 3.000.000 nominative ordinary shares with a nominal value of 1.00 euro each. entirely subscribed by shareholders. The company indirectly operates. through the purchase of equity investments. in production. purchase and sale of hydroelectric energy. as well as in the management of electricity power plants. As at 31 December 2019. it ended the financial year with a profit of 63.676.993 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.

Associates and joint ventures

DOLOMITI EDISON ENERGY Srl – Trento. Fully paid-up Share Capital of 5.000.000 euro. represented by 5.000.000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 51% of the Share Capital. equal to 2.550.000 shares with a nominal value of 2.550.000 euro (even though holding 51%. Dolomiti Energia Holding does not control the company due to specific agreements with the remaining shareholders). The company produces electricity from renewable sources through the management of five hydroelectric plants.

SF ENERGY Srl – Bolzano. Fully paid-up Share Capital of 7.500.000 euro. represented by 7.500.000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 50.00% of the Share Capital. equal to 3.750.000 shares with a nominal value of 3.750.000 euro. The company is the concession holder of the hydroelectric power plant of San Floriano (Egna).

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 in February 2019 from the joint venture between Dolomiti Energia and Alperia in order to jointly promote electrical mobility and with the aim of creating 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.

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. Dolomiti Energia Holding wrote down this equity investment for 8.575 thousand euro. in consideration of the recorded losses and expected losses resulting from impairment. 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.

Other companies

PRIMIERO ENERGIA SpA – Fiera di Primiero. Fully paid-up Share Capital of 9.938.990 euro. represented by 993.899 shares with a value of 10 euro each; Dolomiti Energia Holding holds 19.94% of the Share Capital. equal to 198.177 shares with a nominal value of 1.981.770 euro. The company is engaged in the production of hydroelectric energy and manages 4 hydroelectric plants in the Primiero valley.

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%
Centraline Trentine Srl	SRL	100.00%
Dolomiti Gnl	SRL	100.00%
Dolomiti Ambiente	SRL	100.00%
Dolomiti Energia Trading	SPA	98.72%
Dolomiti Energia	SPA	83.03%
Set Distribuzione	SPA	69.60%
Hydro Investments Dol,Energia	SRL	60.00%
Depur, Trentino Centr,	SCARL	57.00%
TOTAL SUBSIDIARIES		
Associates and joint ventures		**Percentage owned**
Dolomiti Edison Energy	SRL	51.00%
Sf Energy	SRL	50.00%
Neogy	SRL	50.00%
Giudicarie Gas	SPA	43.35%
Bioenergia Trentino	SRL	24.90%
Pvb Power Bulgaria Ad	SPA	23.13%
Ags	SPA	20.00%
TOTAL ASSOCIATED COMPANIES AND JOINT VENTURES		
Other companies		**Percentage owned**
Primiero Energia	SPA	19.94%
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 2019	Shareholder's Equity 2019	Profit/(Loss) 2019	Cost	Actual
	Via Fersina 23 - 38123 Trento	120,000	4,620,503	422,505	5,915,576	5,915,576
	Via Manzoni 24 - 38068 Rovereto	28,500,000	204,926,494	8,461,767	139,266,500	139,266,500
	Via Fersina 23 - 38123 Trento	3,000,000	3,918,776	716,750	4,500,000	4,500,000
	Via Fersina 23 - 38123 Trento	600,000	419,944	(199,946)	1,100,000	1,100,000
	Via Manzoni 24 - 38068 Rovereto	2,000,000	23,294,656	2,439,992	16,010,000	16,010,000
	Via Fersina 23 - 38123 Trento	2,478,429	9,830,318	10,213,115	13,334,259	13,334,259
	Via Fersina 23 - 38123 Trento	20,405,332	116,928,642	22,857,125	32,619,062	32,619,062
	Via Manzoni 24 - 38068 Rovereto	120,175,728	211,160,211	15,963,333	85,800,504	85,800,504
	Via Manzoni 24 - 38068 Rovereto	5,000,000	728,413,787	63,676,993	408,402,210	408,402,210
	Via Fersina 23 - 38123 Trento	10,000	10,000	-	5,700	5,700
					706,953,811	**706,953,811**

	Registered office	Share Capital 2019	Shareholder's Equity 2019	Profit/(Loss) 2019	Cost	Actual
	Via Fersina 23 - 38123 Trento	5,000,000	26,402,823	2,387,140	32,108,741	32,108,741
	Via Dodiciville 8 - 39100 Bolzano	7,500,000	18,431,904	1,605,325	27,545,000	27,545,000
	Via Dodiciville 8 - 39100 Bolzano	750,000	561,737	(927,940)	3,000,000	3,000,000
	Via Stenico 11 - 38079 Tione-Trento	1,780,023	3,078,768	85,925	838,789	838,789
	loc,Cadino 18/1 38010 S,Michele AA	3,000,000	6,850,447	841,858	1,768,935	1,768,935
	Via Yastrebets 9 – 1680 Sofia -Bulgaria	30,678,000	31,842,000	466,040	10,624,057	2,049,057
	Via Ardaro 27 - 38066 Riva d,Garda	23,234,016	49,501,971	3,363,512	7,094,721	7,094,721
					82,980,243	**74,405,243**

	Registered office	Share Capital 2019	Shareholder's Equity 2019	Profit/(Loss) 2019	Cost	Actual
	Via Guadagnini 31 - 38054 Fiera di Primiero	9,938,990	45,515,147	4,702,971	4,614,702	4,614,702
	Via Pillocco, 4 - 38033 Cavalese	7,058,964	11,984,194	695,169	784,639	784,639
	Viale Dante, 151 - 38057 Pergine Valsugana	10,000	35,428	(4,572)	300,000	300,000
	Piazza Manifattura 1 - 38068 Rovereto	232,000	511,837	112,638	5,000	5,000
	Viale Adriano Olivetti, 36 - 38122 Trento	79,450,676	135,041,838	4,634,117	387,200	387,200
	Via Degasperi 77 - 38123 Trento	-	-	-	516	516
	Via Manzoni 1 - 38068 Rovereto	-	-	-	160	160
					6,092,217	**6,092,217**
					796,026,271	**787,451,271**

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.

A summary of the reference standard context for large diversion plants is provided hereunder with regards to 60% of interests in Hydro Investments Dolomiti Energia Srl (HIDE), which in turn wholly owns Hydro Dolomiti Energia Srl (HDE), a concession holder for the management of large diversion hydroelectric plants mainly located in the Trento Autonomous Province, whose concessions are mostly expiring over the next few years.

Depreciable amount of certain elements of the Provincial hydroelectric supply chain following law no. 205/2017 and law no. 160/2019

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 13 December 2019, the Provincial Council of the Trento Autonomous Province decided to pre-adopt an initial text, which was not published or made public, of a draft law governing the procedural regulations to carry out tenders and therefore implementing the provisions of article 13 of Presidential Decree no. 670 of 31 August 1972. It is expected that said legislative measure, following the required discussion and approval procedure, may enter into effect in spring 2020.

In regard to point a), in consideration of:

- the fact that the start up of the procedures open to public scrutiny require, in any case, the approval of ongoing Provincial laws, and the preliminary inquiry by the Provincial bodies of both the existence of any predominating interests in the use of the water resources and verification of the environmental impact of use of the resources for hydroelectric purposes;

- the technical times necessary for the conclusion of the procedures for the assignment of the subject tenders, considering the high degree of complexity objectively present in these procedures and the fact that there are specific precedents to which to refer;

it was assumed that 31 December 2023 would 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, carried out as of the 2019 financial statements

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 introduces a new way to measure said assets at the end of the concession, and even though it is provided for, it is not duly defined in the above-mentioned law. In order to interpret and apply said standard, it will be necessary to wait for the approval of a provincial implementing law, which determines the limits and calculation methods. Therefore, since this law could result in the identification of a final value higher than the net carrying amount at the end of 2023 (which will be equal to zero), it was suited to postpone inclusion in the financial statements of its effects to when the criteria to define said amount would be known. No standards have been applied to define the above criteria at the reporting date of these 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 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 subsidiary Hydro Dolomiti Energia, 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.

An impairment test was performed at the end of 2019 in order to assess whether there was any impairment with reference to the equity investment held in the company Hydro Investments Dolomiti Energia Srl and with reference to the equity investment held through it in the company Hydro Dolomiti Energia Srl.
The test was performed by comparing the carrying amount of the equity investment in Hydro Investments Dolomiti Energia Srl 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 subsidiary through the flows deriving from the indirect subsidiary Hydro Dolomiti Energia Srl. 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 2019-2022 referring to the CGU represented by the hydroelectric plants managed by Hydro Dolomiti Energia Srl. 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 relating only to 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. From the test performed, the value in use, and therefore the recoverable amount, was higher than the carrying amount of the equity investment and therefore it was not necessary to recognise any impairment. Even increasing the WACC used by 25%, the impairment test would not bring to light any impairment.

8.5 NON-CURRENT FINANCIAL ASSETS

The item "Non-current financial assets" as at 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2019	2018	variazione
Securities at the Clesio Real Estate Fund	-	7,187	(7,187)
TOTAL	**-**	**7,187**	**(7,187)**

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. During the year, 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 2019 and 31 December 2018 are broken down by type of temporary differences as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2019	2018	change
Property, plant and equipment	613	686	(73)
Provision for write-downs	115	115	-
Production bonus	223	216	7
Provisions for risks and charges	427	504	(77)
Fair value of derivatives	1,998	471	1,527
Non-deductible interest expense	1,336	1,336	-
Real estate fund write-down	3,763	2,038	1,725
Other differences, Ita Gaap - IFRS	25	53	(28)
Other	10	1	9
Employee termination benefits	76	28	48
Other employee benefits	293	270	23
IFRS16	228	-	228
TOTAL PREPAID TAXES	**9,107**	**5,718**	**3,389**
Property, plant and equipment	105	137	(32)
Provision for write-downs	56	56	-
TOTAL DEFERRED TAXES	**161**	**193**	**(32)**

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 31.12.2018	Increases/ (Decreases) in Income Statement	Increases/ (Decreases) in Shareholders' Equity	Other changes in Income Statement	Other changes in Shareholders' Equity	as at 31.12.2019
DEFERRED TAX ASSETS:						
Property, plant and equipment	**686**	(73)	-		-	613
Provision for write-downs	**115**	-	-	-	-	115
Production bonuses	**216**	7	-	-	-	223
Provisions for risks and charges	**504**	(77)	-	-	-	427
Fair value of derivatives	**471**	-	1,527	-	-	1,998
Non-deductible interest expense	**1,336**	-	-	-	-	1,336
Real estate fund write-down	**2,038**	1,725	-	-	-	3,763
Other differences, ITA GAAP - IFRS	**53**	(28)		-	-	25
Other	**1**	9		-	-	10
Employee termination benefits	**28**	4	44	-	-	76
Other employee benefits	**270**	3	20	-	-	293
IFRS16	**-**	(10)	-	-	238	228
TOTAL PREPAID TAXES	**5,718**	**1,560**	**1,591**	**-**	**238**	**9,107**
Property, plant and equipment	**137**	(32)	-	-	-	105
Provision for write-downs	**56**	-	-	-	-	56
TOTAL DEFERRED TAXES	**193**	**(32)**	**-**	**-**	**-**	**161**

8.7 OTHER NON-CURRENT ASSETS

The item “Other non-current assets” as at 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2019	2018	variazione
Other assets	79	78	1
TOTAL	79	78	1

LThe item “Other non-current receivables” includes mainly 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 2019 and 2018 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2019	2018	change
Raw materials and consumables	490	92	398
TOTAL	490	92	398

Inventories of raw materials refer primarily to stocks of meters (485 thousand euro) purchased by the Parent Company for its subsidiaries.

8.9 TRADE RECEIVABLES

The item “Trade receivables” as at 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2019	2018	variazione
Accounts receivable - customers	5,844	6,515	(671)
Accounts receivable - subsidiaries	8,447	5,616	2,831
Accounts receivable - associates	34	40	(6)
Accounts receivable - parent companies	140	100	40
Provision for write-downs	(641)	(646)	5
TOTAL	13,824	11,625	2,199

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 2018 and 2019:

(in thousands of Euro)

	Provision for write-downs
AS AT 1 JANUARY 2018	**723**
Allocations	-
Utilisations	(77)
AS AT 31 DECEMBER 2018	**646**
Allocations	-
Utilisations	(5)
AS AT 31 DECEMBER 2019	**641**

8.10 INCOME TAX CREDITS AND PAYABLES

The item "Income tax credits" as at 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2019	2018	variazione
IRES credit (corporate tax)	624	1,913	(1,289)
TOTAL	**624**	**1,913**	**(1,289)**

The IRES credit includes the rebate requested in 2012 on the basis of the so-called "Salva Italia" and "Semplificazioni" decrees for 624 thousand euro.

The table hereunder shows the income tax payable as at 31 December 2019 and 2018:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2019	2018	variazione
IRES payable	2,957	18,282	(15,325)
TOTAL	**2,957**	**18,282**	**(15,325)**

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 2019 and 2018 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2019	2018	change
Financial assets - subsidiaries	46,332	49,576	(3,244)
Financial assets - associates	6,350	7,656	(1,306)
TOTAL	52,682	57,232	(4,550)

Financial receivables from subsidiaries include receivables from the parent company for cash pooling and related interest (46,328 thousand euro) that, compared to last year, dropped by 2,641 thousand euro. The receivable referred to associates represents an interest-bearing loan granted to Dolomiti Edison Energy (5,100 thousand euro) repayable within a short term and an interest-bearing loan granted to Neogy srl (1,250 thousand euro).

8.12 OTHER CURRENT ASSETS

The item "Other current assets" as at 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2019	2018	change
VAT credit	4,005	886	3,119
Prepayments and accrued income	358	360	(2)
Other accounts receivable	111	136	(25)
Accounts receivable - CSEA	52	52	-
Renewable source certificates	717	1,629	(912)
Advances/Deposits	132	59	73
Accounts receivable - Social security institutions	1	-	1
Accounts receivable - subsidiaries	5,620	28,430	(22,810)
TOTAL OTHER CURRENT ASSETS	10,996	31,552	(20,556)

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 2019.
Accounts receivable - subsidiaries include account receivables resulting from the adhesion of subsidiaries to the national tax consolidation (5,620 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 Hydro Investments DE 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 2019 and 2018 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2019	2018	change
Bank and postal current accounts	18,010	28,354	(10,344)
Cash on hand	6	4	2
TOTAL	**18,016**	**28,358**	**(10,342)**

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

8.14 SHAREHOLDERS' EQUITY

Changes in equity reserves is shown in the tables of these financial statements for the year.
As at 31 December 2019, the Company's share capital amounted to 411,496,169 euro and comprised 411,496,169 ordinary shares with a nominal value of 1 euro each.
The Shareholders' Equity is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2019	2018	change
Share capital	411,496	411,496	-
Legal reserve	32,917	30,885	2,032
Share premium reserve	994	994	-
Treasury shares reserve	(67,552)	(67,552)	-
OTHER RESERVES AND RETAINED EARNINGS			
Revaluation reserve	1,128	1,128	-
Contributions reserve	13,177	13,177	-
Extraordinary reserve	88,296	88,296	-
Deferred tax reserve	19,437	19,437	-
Merger surplus from share swap reserve	33,866	33,866	-
FTA reserve	(33,992)	(38,544)	4,552
Reserve for retained earnings and losses carried forward	6,176	6,744	(568)
Reserve - IAS 19	(26)	116	(142)
Reserve for hedges on expected cash flows	(4,809)	(1,490)	(3,319)
OTHER RESERVES	123,253	122,730	523
Net profit/(loss) for the year	36,485	40,623	(4,138)
TOTAL SHAREHOLDERS' EQUITY	537,593	539,176	(1,583)

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

Contributions reserve

	Balance as at 31 December 2018
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)

	31/12/2019	Possibility of use	Available portion	Usage summary for past three years	
				TO COVER LOSSES	FOR OTHER REASONS
I) SHARE CAPITALE	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	(4,809)	-	-		
PROFIT RESERVES					
Legal reserve	32,917	B	-	-	-
Treasury shares reserve	(67,552)	-	-	-	-
Contributions reserve	13,177	A,B,C	13,177	-	-
Extraordinary reserve	88,296	A,B,C	88,296	-	-
Deferred tax reserve	19,437	A,B,C	19,437	-	-
FTA RESERVE	(33,992)				-
Retained earnings or losses carried forward	6,176	A,B,C	6,176		-
Reserve - Ias 19	(26)				
TOTAL	501,108		163,074	-	-
NON-DISTRIBUTABLE PORTION			(34,860)		
RESIDUAL DISTRIBUTABLE PORTION			128,214		

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

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

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

8.15 PROVISIONS FOR RISKS AND NON-CURRENT AND CURRENT CHARGES

The items “Provisions for risks and non-current charges” and “Provisions for risks and current charges” as at 31 December 2019 and 2018 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2019	2018	change
Provision for risks and charges	1,395	1,459	(64)
TOTAL PROVISION FOR NON-CURRENT RISKS	**1,395**	**1,459**	**(64)**

Provision for risks – plants

The provision as at 31 December 2019 amounted to 1,125 thousand euro and was provided over the years to cover the risk of charges deriving from the management of plants and associated areas. There were no changes in the year.

Provision for charges – Guardia di Finanza inspection

In light of novelties introduced by the Decree Law 119/2018 and Order no. 298724 (9 November 2018), the Company joined the institution of the so-called facilitated resolution through which it settled the dispute by paying 90% of the disputed taxes and benefiting from the total relief of penalties and interest. Due to the above, the Fund that as at 31 December 2018 amounted to 64 thousand euro, was used by 43 thousand euro and the remaining amount, equal to 21 thousand euro, was released as contingent assets.
The item “P**rovisions for risks and current charges**” amounted to 756 thousand euro as at 31 December 2019 and is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2019	2018	variazione
Provision for risks and charges	756	733	23
TOTAL PROVISION FOR CURRENT RISKS	**756**	**733**	**23**

The provision for risks and current charges includes the estimate of liabilities for employee performance bonuses, to be paid in 2020 on the basis of the final balance of results relating to 2019. The provision for 2018 performance bonuses was used after the final balance of the previous year’s results was calculated, which amounted to 394 thousand euro; the residual portion (339 thousand euro) was recognised as contingent assets in the income statement.

8.16 EMPLOYEE BENEFITS

The item “Employee benefits”, as at 31 December 2019, included 2,364 thousand euro related to the Provision for employee termination benefits and 1,037 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 2018, are broken down as follows:

in thousands of Euro

	AS AT 31 DECEMBER 2018					
	Employee termination benefits	Loyalty bonuses	Additional monthly wagese	Energy discounts	Medals	Total
LIABILITIES AT BEGINNING OF THE YEAR	**2,367**	**204**	**323**	**1,170**	**65**	**4,129**
Current cost of service	–	9	11	(418)	3	(395)
Interest to be discounted	35	3	5	17	1	61
Benefits paid	(57)	(4)	(7)	(52)	(2)	(122)
Actuarial losses/(profits)	1	(15)	(6)	(67)	(5)	(92)
Transfers	86	–	2	–	1	89
LIABILITIES AT YEAR END	**2,432**	**197**	**328**	**650**	**63**	**3,670**

(in thousands of Euro)

	AS AT 31 DECEMBER 2019					
	Employee termination benefits	Loyalty bonuses	Additional monthly wagese	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 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:

	AS AT 31 DECEMBER	
	2019	2018
Discount rate	0.80%	1.50%
Inflation rate	1.50%	1.50%
Turnover	0.50%	0.50%
Annual frequency of advances	**3.00%**	**3.00%**

A sensitivity analysis, as at 31 December 2019, 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)

	AS AT 31 DECEMBER 2019					
	Discount rate +0.50%	Discount rate -0.50%	Inflation rate +0.25%	Inflation rate -0.25%	Turnover rate +2%	Turnover rate -2%
Employee termination benefits	2,261	2,473	2,395	2,333	2,335	2,372

8.17 FINANCIAL LIABILITIES (CURRENT AND NON-CURRENT)

The table hereunder shows current and non-current financial liabilities as at 31 December 2019 and 2018:

(in thousands of Euro)

	AS AT 31 DECEMBER					
	2019		2018		Variazione	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Payables due to banks	116,984	97,904	132,174	115,853	(15,190)	(17,949)
Bond loans	-	5,052	-	5,052	-	-
IRS derivatives	497	6,806	-	3,823	497	2,983
Payables for cash pooling to subsidiaries	108,963	-	130,859	-	(21,896)	-
Payables due to other lenders	600	3,241	-	-	600	3,241
Other financial payables	39,703	3,200	10,539	3,200	29,164	-
TOTAL	**266,747**	**116,203**	**273,572**	**127,928**	**(6,825)**	**(11,725)**

Payables due to banks include mortgages taken out with various banks (115,889 thousand euro), short-term loans (85,000 thousand euro), and other amounts due to banks (13,999 thousand euro).

As regards mortgages, the Company has two loans that it has taken out from Banca Intesa and the European Investment Bank (EIB) for a residual carrying amount at 31 December 2019 of 15,889 thousand euro and 100,000 thousand euro, respectively. Those loans are subject to the usual financial covenants required by the financial system, determined on economic and financial values; during the last verification conducted by the Company, all covenants had been respected

Other financial payables also include 39,660 euro due to the subsidiary Hydro Investments Dolomiti Energia related to a deposit contract.

Bond loan

The existing Bond Loan shows a residual amount of 5,052 thousand euro; on 10 August 2017, the Regulation on "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 2019 and 31 December 2018, the Company had the following bond loans in place:

Bond loans

(in thousands of Euro)

AS AT 31 DECEMBER 2019					Accounting balance			
		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	-
TOTALE					**5,052**	**-**	**5,052**	**-**

(in migliaia di Euro)

AS AT 31 DECEMBER 2018					Accounting balance			
		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 ago-22	€ 30,000	5,052	-	5,052	-
TOTALE					**5,052**	**-**	**5,052**	**-**

The retrospective application of international accounting Standard IFRS 16 led to the recording as at 1 January 2019 of non-current assets (note 8.1) and current and non-current financial liabilities; the liabilities for the rental and lease contracts were calculated as the current amount of the future payments remaining at the transition date, discounted back by using the marginal borrowing rate applicable on the basis of the expiry horizon. The table below shows the composition and changes during the year.

(in thousands of Euro)

	as at 01.01.2019	New contracts	Refunds	as at 31.12.2019	of which current quota
Financial payables for buildings	3,743	-	(425)	3,318	430
Financial payables for other moveable assets	418	269	(164)	523	170
PAYABLES DUE TO OTHER LENDERS	**4,161**	**269**	**(589)**	**3,841**	**600**

The following table shows the breakdown of net financial indebtedness of the company Dolomiti Energia Holding SpA as at 31 December 2019 and 2018, 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	
	2019	2018
A. Cash	6	4
B. Other cash and cash equivalents	18,010	28,354
C. Securities held for trading	-	-
D. Cash and cash equivalents (A+B+C)	**18,016**	**28,358**
E. Current financial receivables	**52,682**	**57,232**
F. Current payables due to banks and other lenders	(99,600)	(116,605)
G. Current portion of non-current payables	(17,984)	(15,569)
H. Other current financial payables	(149,163)	(141,398)
I. Current financial position (F+G+H)	**(266,747)**	**(273,572)**
J. Current net financial position (I+E+D)	**(196,049)**	**(187,982)**
K. Non-current payables due to banks and other lenders	(101,145)	(115,853)
L. Bonds issued	(5,052)	(5,052)
M. Other non-current financial payables	(10,006)	(7,023)
N. Non-current financial position (K+L+M)	**(116,203)**	**(127,928)**
O. Net financial position (J+N)	**(312,252)**	**(315,910)**
Non-current financial assets	-	7,187
NET FINANCIAL POSITION OF THE COMPANY	**(312,252)**	**(308,723)**

8.18 OTHER LIABILITIES (CURRENT AND NON-CURRENT)

The items "Other non-current liabilities" and "Other current liabilities" as at 31 December 2019 and 2018 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2019	2018	change
Accrued liabilities and deferred income	450	662	(212)
Other non-current liabilities	600	1,000	(400)
TOTAL OTHER NON-CURRENT LIABILITIES	**1,050**	**1,662**	**(612)**

The multi-year deferred income refers to the rental payments to MC-LINK S.p.A. to be due in 2022 (413 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 (600 thousand euro).

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2019	2018	change
Social security and welfare payables	881	850	31
Accrued liabilities and deferred income	218	218	-
IRPEF	475	362	113
Other tax payables	39	51	(12)
Other accounts payable	540	509	31
Accounts payable - employees	648	1,392	(744)
Payables for direct and indirect taxes to subsidiaries	8,820	3,979	4,841
Payables for direct and indirect taxes to associates	192	57	135
TOTAL OTHER CURRENT LIABILITIES	**11,813**	**7,418**	**4,395**

Social security payables concerned charges and withholding taxes to employees, paid in the following month. Similarly, payables for IRPEF concerned withholding taxes for December, paid in January 2020.
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 648 thousand euro.
Social security payables concerned charges and withholding taxes to employees, paid in the following month. Similarly, payables for IRPEF concerned withholding taxes for December, paid in January 2020.
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 648 thousand euro.

8.19 TRADE PAYABLES

The item "Trade payables" as at 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2019	2018	change
Payables to subsidiaries	4,113	4,080	33
Payables to parent companies	255	22	233
Payables to other companies	8,120	6,626	1,494
TOTAL TRADE PAYABLES	**12,488**	**10,728**	**1,760**

The item Accounts payable - subsidiaries includes all relations between the Holding with Group companies and includes, amongst other, considerations related to the management of sewerage treatment plants through the subsidiary DTC, personnel in charge, service contracts and all supplies of goods and services.
The item Accounts payable - parent companies is related to payables due to the Municipality of Rovereto for rentals.
Trade payables to other companies include amounts due for invoices received, totalling 2,846 thousand euro, and invoices to be received, totalling 5,274 thousand euro.

9. Notes to the Income Statement

9.1 REVENUE

The item “Revenue” for the years ended 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2019	2018	change
Electricity production	8,115	7,095	1,020
Distribution and grids	63	61	2
Other services	1,330	1,253	77
TOTAL	**9,508**	**8,409**	**1,099**

As regards revenue from electricity production, the increase is mainly due to the higher productions of hydroelectric energy from owned plants (4,603 thousand euro with 16% increase). The thermoelectric production also reported a positive trend, with revenue amounting to 3,512 thousand euro (12% increase compared to the previous year). 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, up by 6% compared to the amounts of last year (1,330 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 2019 and 2018 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2019	2018	change
Other revenue	325	136	189
S. Colombano Operations	621	539	82
Real estate income	368	368	-
Gains from standard operations	1	-	1
Other revenue and income	2,018	3,035	(1,017)
Software user license revenue	587	615	(28)
Services to third parties	22	21	1
Purification management	3,007	2,955	52
Revenue from services to subsidiaries	20,259	17,713	2,546
Revenue from services to associates	26	29	(3)
Seconded personnel	1,458	787	671
Standard contingent assets	548	764	(216)
Grants - plants	6	6	-
Operating grants	1,657	1,453	204
TOTAL	**30,903**	**28,421**	**2,482**

This item includes mainly:

- the item “Other revenue and income” mainly includes the sales of materials and meters, which the Company purchases and resells to the Subsidiaries and other customers (1,898 thousand euro), plus the income from the Hydrotour projects (78 thousand euro);
- the item “Purification management” includes considerations paid by the Trento Autonomous Province (PAT) for the management of purification plants of the Central basin (3,007 thousand euro);
- revenue with subsidiaries mostly referred to service contracts entered into to regulate the administrative, logistic and IT services between the Parent Company and Subsidiaries (18,490 thousand euro), bank sureties and parent company (1,025 thousand euro), and advisory and other services (744 thousand euro);
- revenue for “seconded personnel” refers to its personnel seconded to Hydro Dolomiti Energia (1,352 thousand euro), Dolomiti Energia Solutions (85 thousand euro) and Dolomiti Ambiente (19 thousand euro);
- contingent assets referred to provisions exceeding the performance bonus paid to employees during the year (339 thousand euro), as well as to trade balancing payments (73 thousand euro);
- operating grants referred to GRIN incentives granted by GSE to producers of energy from renewable sources (1,653 thousand euro).

9.3 RAW MATERIALS, CONSUMABLES AND MERCHANDISE

The item "Raw materials, consumables and merchandise" for the years ended 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2019	2018	change
Purchases of elect. raw materials	253	158	95
Purchases of gas raw materials	2,240	2,556	(316)
Purchases of inventories	2,187	2,557	(370)
Purchase of fuels and vehicle spare parts	238	186	52
Purchases of laboratory and chemicals	230	235	(5)
Changes in inventories of raw materials, consumables and merchandise	(398)	142	(540)
Contingent liabilities on purchases	5	3	2
Other purchases	12	15	(3)
TOTAL	**4,767**	**5,852**	**(1,085)**

Purchases of electricity and gas refer to thermoelectric production of the Mincio power plant that the Company co-owns with A2A Milano, AGSM Verona and AIM Vicenza;
Among the purchases of materials managed in stock, the purchase of meters (2,096 thousand euro) and other materials intended for subsequent sale to subsidiaries (91 thousand euro) is reported.
The item "Other purchases" includes sundry materials not managed in stock and costs for the purchase of personal protective equipment (PPE).

9.4 SERVICE COSTS

The item "Service costs" for the years ended 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2019	2018	change
External maintenance services	10,004	8,558	1,446
Insurance, banking and financial services	763	542	221
Other services	2,604	1,996	608
Commercial services	491	826	(335)
General services	3,239	3,395	(156)
Miscellaneous costs	-	1	(1)
Contingent liabilities for services	183	148	35
Rental expense	44	613	(569)
Rental fees	135	289	(154)
Water diversion charges	1,167	1,201	(34)
TOTAL	**18,630**	**17,569**	**1,061**

External maintenance services essentially concern the operation and maintenance of the systems, the costs to manage the hydroelectric and thermal power plants (2,242 thousand euro), the hardware and software payments (5,203 thousand euro) and the maintenance of the vehicle fleet (65 thousand euro). Cost tipping of purification plants managed through the subsidiary Depurazione Trentino Centrale (2,494 thousand euro) is also included.

Insurance service costs corresponded to 473 thousand euro, while the banking and financial services comprised bank commissions and charges for guarantees and financial professional services that amounted to 290 thousand euro.

The item "other services" includes services provided to employees that totalled 810 thousand euro (691 thousand euro in the previous year), mainly relating to canteen, payslip processing and training expense. Cleaning and security services (384 thousand euro), technical. IT and consultancy professional services are also included for the total amount of 1,410 thousand euro.

Commercial services include transmission, modulation and balancing services, as well as service contracts with subsidiaries (370 thousand euro), as well as sponsorship, advertising and communication services (121 thousand euro).

Telephone costs (1,135 thousand euro), utility bills and annual membership fees (724 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.

Rental expense remarkably decreased compared to 2018 following the application of the EU IFRS 16 Standard and include costs for the use of areas that are not controlled by the Company.

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 2019 and 2018 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2019	2018	change
Wages and salaries	9,056	8,721	335
Social security costs	2,764	2,582	182
Employee termination benefits	572	562	10
Other costs	(298)	(776)	478
TOTAL	**12,094**	**11,089**	**1,005**

Personnel costs include an estimate of employee bonuses earned as a result of the achievement of corporate objectives for the amount of 756 thousand euro (733 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 498 thousand euro (479 thousand euro in the previous year).

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; these amounts for 2018 were used to adjust the current service cost and are classified under the item "other costs". In 2019, this item was not affected by this process.

The total increase in personnel costs is attributable primarily to the hiring of 8 persons (9 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 2019, 188 employees resulted on the Company's payroll, including: 10 executives, 21 managers, 147 while collar employees and 10 manual workers.

9.6 AMORTISATION, DEPRECIATION, ALLOCATIONS AND WRITE-DOWNS

The item "Amortisation, depreciation, allocations and write-downs" for the years ended 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2019	2018	change
Amortisation/depreciation of rights of use	535	-	535
Amortisation of intangible assets	4,684	4,362	322
Depreciation of property, plant and equipment	2,479	2,564	(85)
Write-downs of property, plant and equipment	-	47	(47)
Write-downs of financial fixed assets	7,187	1,507	5,680
TOTAL	**14,885**	**8,480**	**6,405**

2019 amortisation/depreciation increased compared to 2018 also following the adoption of the EU IFRS 16 standard (535 thousand euro).
During the year, the Company performed a write-down of financial assets that zeroed the value of the Clesio real estate fund.

9.7 OTHER OPERATING COSTS

The item "Other operating costs" for the years ended 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2019	2018	change
Miscellaneous costs	816	328	488
IMU (property tax)	247	243	4
Standard contingent liabilities	277	59	218
Losses from standard operations	5	1	4
Postal charges	2	6	(4)
Other taxes	100	104	(4)
TOTAL	**1,447**	**741**	**706**

Miscellaneous costs include stamp and registry tax, vehicle circulation tax, stationary costs and other sundry charges for the Company's ordinary management (301 thousand euro). They also include charges for the execution of obligations for carbon emissions in the thermoelectric production of the Mincio power plant (515 thousand euro over 51 thousand euro in the previous year).

Contingent liabilities refer mainly to the differences between estimated costs of previous years and the actual costs recorded in the accounts.

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

9.8 GAINS AND EXPENSES FROM EQUITY INVESTMENTS

The item "Gains and expenses from equity investments" for the years ended 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2019	2018	change
Dividends from subsidiaries	43,129	44,746	(1,617)
Dividends form associates and joint ventures	1,256	227	1,029
Dividends and income from other Companies	627	32	595
Write-downs of equity investments and securities	-	(1)	1
TOTAL	**45,012**	**45,004**	**8**

Dividends collected over the year and recognised through income statement come from subsidiaries: Novareti (7,125 thousand euro), Dolomiti Energia (11,013 thousand euro), SET Distribuzione (7,528 thousand euro), Hydro Investments Dolomiti Energia (11,280 thousand euro, of which 10,511 thousand euro offset with a financial payable to the subsidiary outstanding at 31 December 2018), Dolomiti Energia Trading (5,383 thousand euro) and Dolomiti Ambiente (800 thousand euro).

Dividends from associates were paid by Dolomiti Edison Energy (1,020 thousand euro), Alto Garda Servizi (161 thousand euro) and Bioenergia Trentino (75 thousand euro).
The item income from other companies includes collection of the dividend from Primiero Energia (595 thousand euro), Bioenergia Fiemme (20 thousand euro) and from Istituto Atesino Sviluppo (12 thousand euro).

9.9 FINANCIAL INCOME AND CHARGES

The item "Financial income and charges" for the years ended 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
Financial income	2019	2018	change
Financial income from subsidiaries	1,601	2,033	(432)
Financial income from associates	113	99	14
Financial income from other companies	249	127	122
Fair value changes in IRS derivatives	1,365	2,188	(823)
TOTAL	**3,328**	**4,447**	**(1,119)**

The item "Financial income from subsidiaries" includes interest accrued on cash pooling balances (855 thousand euro) and commissions related to funds (746 thousand euro).

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
Financial charges	2019	2018	change
Financial charges due to subsidiaries, associates and joint ventures	(151)	(116)	(35)
Financial charges due to other companies	(2,102)	(3,080)	978
Interest to be discounted	(90)	(61)	(29)
TOTAL	**(2,343)**	**(3,257)**	**914**

The item "Financial charges due to other companies" includes interest expense on bank current accounts and mortgages, amounting to 1,957 thousand euro (2,960 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 (1,003 thousand euro).

9.10 TAXES

The item “Taxes” for the years ended 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)	PFOR THE YEAR ENDED 31 DECEMBER		
	2019	2018	change
Deferred taxes	32	24	8
Prepaid taxes	1,560	337	1,223
Prepaid taxes on tax losses	165	424	(259)
Income/charge from tax consolidation	158	220	(62)
Taxes from prior years	(14)	325	(339)
TOTAL	**1,901**	**1,330**	**571**

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

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER			
	2019	%	2018	%
PROFIT BEFORE TAXE	**34,584**		**39,294**	
Theoretical IRES	8,300	24,00%	9,431	24.00%
Permanent differences	(42,151)		(41,796)	
Temporary differences	6,880		741	
ACE	-		-	
IRES taxable amount	(687)		(1,761)	
ACTUAL IRES	**(165)**		**(424)**	
OPERATING RESULT	**33,599**		**38,103**	
Interest margin	(333)		(941)	
Costs without relevance for IRAP purposes	19,779		13,121	
Revenue without relevance for IRAP purposes	(45,012)		(45,004)	
TOTAL	**8,033**		**5,279**	
Theoretical IRAP	447	5,57%	294	5.57%
Permanent differences	(11,437)		(10,710)	
Temporary differences	(1,158)		(833)	
IRAP EFFETTIVA	**-**		**-**	
CURRENT INCOME TAXES	**-**		**-**	
PREPAID TAXES ON TAX LOSSES	**(165)**		**(424)**	

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 2019 and 2018, the main transactions with related parties concerned the following:

(in thousands of Euro) — AS AT 31 DECEMBER

	2019				2018			
	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES
DTC	1,599	805	(1,540)	-	613	2,232	(2,094)	-
Dolomiti Energia	5,018	167	(431)	(21,343)	2,347	160	(201)	(1,107)
Dolomiti Energia Solutions	250	2,932	(186)	(2)	151	9	(117)	(995)
Set Distribuzione	1,457	8	139	(88,647)	2,703	7	(203)	(93,262)
Novareti	2,029	3,777	(13)	(1,129)	3,107	4	(87)	(8,224)
Hydro Dolomiti Energia	2,013	125	(2,040)	(2,766)	19,832	88	(1,293)	(27,847)
Dolomiti Energia Trading	1,225	36,542	(15)	(703)	4,911	45,162	(10)	(286)
Dolomiti GNL	22	1,968	-	(33)	32	1,705	-	(51)
Hydro Investments Dolomiti En,	3	2	-	(39,918)	4	2	-	(11,481)
Centraline Trentine	22	-	-	(600)	-	200	-	-
Dolomiti Ambiente	428	7	(27)	(2,343)	345	7	(76)	(2,125)
TOTAL	**14,066**	**46,333**	**(4,113)**	**(157,484)**	**34,046**	**49,576**	**(4,080)**	**(145,377)**

(in thousands of Euro) — FOR THE YEAR ENDED 31 DECEMBER

	2019								2018							
	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	-	132	4	-	(2,494)	-	73	-	-	139	-	-	(2,635)	-	77	-
Dolomiti Energia	-	4,364	-	-	(391)	(21)	670	(50)	-	3,403	-	-	(339)	(47)	634	(62)
Dolomiti Energia Solutions	-	413	-	-	(313)	-	29	-	-	276	-	-	(303)	(1)	22	-
Set Distribuzione	-	4,740	-	-	(145)	-	31	(96)	-	4,049	-	(1)	(424)	-	36	(50)
Novareti	-	5,925	-	(10)	-	-	107	-	-	6,383	-	(22)	(88)	-	34	-
Hydro Dolomiti Energia	-	4,200	-	-	(1,980)	-	469	(2)	-	3,958	-	-	(1,839)	-	606	-
Dolomiti Energia Trading	2,761	1,121	-	-	(15)	-	1,152	-	2,257	1,022	-	-	(10)	-	1,408	-
Dolomiti GNL	-	22	-	-	-	-	55	-	-	23	-	-	-	-	52	-
Hydro Investments Dol,En,	-	10	-	-	-	-	6	(1)	-	10	-	-	-	-	6	-
Centraline Trentine	-	22	-	-	-	-	3	-	-	-	-	-	-	-	-	-
Dolomiti Ambiente	-	1,687	-	-	(26)	-	30	-	-	1,525	-	-	(94)	-	32	-
TOTAL	**2,761**	**22,636**	**4**	**(10)**	**(5,364)**	**(21)**	**2,625**	**(149)**	**2,257**	**20,786**	**-**	**(23)**	**(5,732)**	**(48)**	**2,906**	**(112)**

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 2019 and 2018 are broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2019	2018	change
Guarantees given to third parties	126,616	123,044	3,572
Financial commitments in favour of third parties	102,009	86,081	15,928
TOTAL	**228,625**	**209,125**	**19,500**

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2019	2018	change
Usage of signature facilities to issue bank/insurance guarantee	2,331	1,448	883
TOTAL	**2,331**	**1,448**	**883**

Guarantees given to third parties (126,616 thousand euro) include parent company guarantees issued in favour of subsidiaries/associates, in the amount of 80,902 thousand euro (71,885 thousand euro as at 31 December 2018), as well as guarantees given to banks and insurance companies for loans/credit lines granted to investees, in the amount of 45,714 thousand euro (51,159 thousand euro at the end of previous year). The Company also undertook financial commitments in favour of third parties, equal to 102,009 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 2019 and 2018 are broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2019	2018
Fees to Directors	437	396
Fees to Board of Statutory Auditors	88	88
TOTALE	**525**	**484**

Remunerations are substantially in line with the previous year.

13. 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 years ended 31 December 2019 and 2018, as well as remuneration for tax advisory and audit services:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2019	2018
Independent Auditors' fees	44	43
Other audit services	4	4
TOTAL	**48**	**47**

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 2019 financial statements.

The beginning of this year was marked by the COVID 19 emergency, which is having a heavy impact on the daily and working life of companies and people. The Company is monitoring the evolution of the highly complex situation not only in Italy but throughout the world and to the consequent severe repercussions that could affect the macroeconomic environment.

With regard to business performance, starting from the emergence of the crisis and in particular after the decrees of 8, 9 and 11 March the operating activity, which had already been performed carrying out a series of measures to safeguard workers' health, was limited to necessary activity to guarantee service continuity and, whenever possible, activities are performed in ways that allow their remote execution. Personnel not involved in essential activities or unable to work usefully from home were suspended using available welfare provisions. In any case, all prescriptions deriving from the various Decrees of the President of the Council of Ministers and of the national and provincial health authorities to minimise personal contacts have been adopted.

At present, it is impossible to quantify with sufficient reliability the economic and financial effects of the event, both because the duration of existing restriction is unknown and impossible to reasonably estimate, and because the short time elapsed between the start of the events and today's date has not yet allowed to fully measure its effects, which inevitably will be produced mainly in upcoming months.

For the Company following the impacts on the results of its subsidiaries, there will certainly be negative economic effects, even to a significant extent in certain segments. In particular, energy and gas sales will certainly be negatively affected, not only by the drastic decline in sale volumes (due to reduced withdrawals by customers and/or to the definitive shut-down of businesses) but also by the need to re-sell on the market the volumes procured at fixed price, where this was the purchase and sale formula, at significantly lower prices recorded in recent weeks. There could also be a highly significant impact deriving from the increase in late and missed payments of invoices by end customers, in particular by the businesses that were most heavily hit by the crisis. The price collapse will inevitably also lead to a contraction in the revenue of the production activity, whose amount will depend on how long this situation will go on. The other segments appear to be less heavily impacted on the revenue side at this time, although the severe reduction in investments on the networks may have an effect on the evolution of the RAB and hence of future revenue. In general, for the Company and its subsidiaries it will be necessary to assess the impact of the higher costs tied to the management of this emergency phase, which today are hard to assess.

Nonetheless, on the basis of the information available to date and the stress scenarios prepared on the 2020 budget, it is not believed that the possible negative impacts are such so as to compromise the capacity of the Company and the subsidiaries to continue to operate on a going concern basis.

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 2019.

18. Proposed allocation of profits or loss coverage

We propose to the Shareholders' Meeting that profit for the year of 36,485,138 euro be allocated as follows:

- 1,824,257 euro, equal to 5% of the profit for the year, to the legal reserve
- euro 34,038,856 ordinary dividend to shareholders, corresponding to 0.09 euro per share;
- 622,025 euro to FTA (First Time adoption) reserve.

Rovereto, 27 March 2020

on behalf of the Board of Directors
Dolomiti Energia Holding SpA
The Chairman
Massimo De Alessandri

Certification of the Financial statements

1. 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 2019.
2. No significant aspects emerged to this regard.
3. It is also certified that:

3.1 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.

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

Rovereto, 27 March 2020,

The Chairman
Massimo De Alessandri

The Head of the Administration Department
Michele Pedrini

Reports

Val di Non - Meleti - Santa Giustina Lake
Photo Library Trentino Sviluppo S.p.A. - Photo Carlo Baroni

Board of Statutory Auditors' Report to the Shareholders' Meeting

PURSUANT TO ARTICLE 2429, PARAGRAPH 2 OF THE ITALIAN CIVIL CODE AND 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 2019, 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 Audit Committee" was assigned, in the persons of the Board of Statutory Auditors, the supervisory task related to the audit and internal control processes,
- 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 09 April 2020 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 met the Internal Audit 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 2019, whose figures are summarised below:

STATEMENT OF FINANCIAL POSITION	31/12/2019	31/12/2018
Assets	954,562,727	984,820,424
Liabilities	416,969,248	445,644,898
Shareholders' equity (excluding the result for the year)	501,108,341	498,552,378
Result for the year	40,623,148	51,507,553
INCOME STATEMENT	**31/12/2019**	**31/12/2018**
Other revenue and income	40,410,931	36,829,802
Costs	-51,823,269	-43,730,926
DIFFERENCE	**-11,412,338**	**-3,223,632**
Gains and expenses from equity investments	45,011,505	45,004,447
OPERATING RESULT	33,599,167	38,103,323
Financial income and charges	984,682	1,190,252
PROFIT BEFORE TAX	**34,583,849**	**39,293,575**
Taxes for the period	1,901,289	1,329,573
RESULT FOR THE YEAR	**36,485,138**	**40,623,148**
Total other profits (losses) that will not be reclassified in the income statement	-3,459,932	-1,075,585
TOTAL AGGREGATE RESULT FOR THE YEAR	**33,025,206**	**39,547,563**

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

The financial statements for the year ended 31 December 2019 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 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 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 09 April 2020, the Board of Statutory Auditors proposes to the Shareholders' Meeting to approve the financial statements as at 31 December 2019, as they have been drawn up by the Directors.

Trento, 10 April 2020

IHE 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 2019, 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 2019, 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.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it

Key Audit Matters	Auditing procedures performed in response to key audit matters
Evaluation on the recoverable value of the equity investment in Hydro Investments Dolomiti Energia Srl *Note 8.4 "Equity investments" of the explanatory notes to the financial statements as of 31 December 2019.*	
The Company's financial statements as of 31 December 2019 include Equity investments for Euro 787,5 million, of which Euro 408,4 million related to the subsidiary Hydro Investments Dolomiti Energia Srl (hereinafter also HIDE), which controls 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. The equity investment in the subsidiary Hydro Investments Dolomiti Energia Srl is entered in the financial statements at cost, and eventually impaired. Even in the absence of impairment	We analysed the findings of the audit of the financial statements as of 31 December 2019 of HIDE and HDE. We examined the Company's management estimates of the cash flows expected in the period 2020-2022 from the equity investments in HDE and HIDE. 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 and carried out sensitivity analysis for the significant assumptions adopted by the directors 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*
indicators, as of 31 December 2019 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 HIDE, 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 HIDE 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 2019, 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 2019 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 2019 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, 9 April 2020

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 2019

Dolomiti Paganella - Molveno Lake
Photo Library Trentino Sviluppo S,p,A, - Photo Carlo Baroni

Consolidated Statement of Financial Position

(in thousands of Euro)	NOTES	AS AT 31 DECEMBER 2019	2018
Assets			
NON-CURRENT ASSETS			
Rights of use	7.1	10,061	-
Assets under concession	7.2	548,208	525,644
Goodwill	7.3	36,124	34,579
Other intangible assets	7.3	40,502	43,457
Property, Plant and Equipment	7.4	845,405	849,418
Equity investments measured at equity and other companies	7.5	76,135	72,855
Non-current financial assets	7.6	99	7,345
Deferred tax assets	7.7	32,686	24,575
Other non-current assets	7.8	22,358	26,050
TOTAL NON-CURRENT ASSETS		**1,611,578**	**1,583,923**
CURRENT ASSETS			
Inventories	7.9	20,862	17,701
Trade receivables	7.10	302,192	280,874
Receivables for current taxes	7.11	5,684	7,423
Current financial assets	7.12	137,362	82,914
Other current assets	7.13	58,885	74,554
Cash and cash equivalents	7.14	23,237	30,424
TOTAL CURRENT ASSETS		**548,222**	**493,890**
TOTAL ASSETS		**2,159,800**	**2,077,813**
Shareholders' equity			
Share capital	7.15	411,496	411,496
Reserves	7.15	254,178	223,202
Net profit/(loss) for the year	7.15	80,602	78,194
TOTAL GROUP SHAREHOLDERS' EQUITY		**746,276**	**712,892**
Capital and reserves - minority interests	7.15	336,473	311,913
Profit/(Loss) - minority interests	7.15	29,036	30,760
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY		**1,111,785**	**1,055,565**
Liabilities			
NON-CURRENT LIABILITIES			
Provisions for risks and non-current charges	7.16	23,612	19,842
Employee benefits	7.17	18,635	20,805
Deferred tax liabilities	7.7	170,202	169,856
Non-current financial liabilities	7.18	247,181	242,778
Other non-current liabilities	7.19	110,805	115,473
TOTAL NON-CURRENT LIABILITIES		**570,435**	**568,754**
CURRENT LIABILITIES			
Provisions for risks and current charges	7.16	4,492	5,061
Trade payables	7.20	222,650	205,304
Current financial liabilities	7.18	216,934	198,874
Liabilities for current taxes	7.21	3,697	20,514
Other current liabilities	7.19	29,807	23,741
TOTAL CURRENT LIABILITIES		**477,580**	**453,494**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,159,800**	**2,077,813**

Consolidated Comprehensive Income Statement

(in thousands of Euro)

	Notes	2019	2018
		AS AT 31 DECEMBER	
Revenue	8.1	1,401,080	1,349,184
Revenue from works on assets under concession	8.2	44,106	31,745
Other revenue and income	8.3	54,577	78,918
TOTAL REVENUE AND OTHER INCOME		**1,499,763**	**1,459,847**
Raw materials, consumables and merchandise	8.4	(590,522)	(629,451)
Service costs	8.5	(558,728)	(489,858)
Costs from works on assets under concession	8.2	(43,148)	(31,085)
Personnel costs	8.6	(65,407)	(65,725)
Amortisation, depreciation, allocations and write-downs	8.7	(58,149)	(58,082)
Net write-backs (write-downs) of receivables	8.7	(5,025)	(2,978)
Other operating costs	8.8	(27,731)	(33,013)
TOTAL COSTS		**(1,348,710)**	**(1,310,192)**
Result of equity investments measured at equity and other companies	8.9	2,566	5,725
OPERATING RESULT		**153,619**	**155,380**
Financial income	8.10	37,933	85,814
Financial charges	8.10	(37,433)	(92,845)
PROFIT BEFORE TAX		**154,119**	**148,349**
Taxes	8.11	(44,481)	(39,396)
NET PROFIT/(LOSS) FOR THE YEAR (A) OF CONTINUING OPERATIONS		**109,638**	**108,953**
Discontinuing operations		-	-
NET PROFIT/(LOSS) FOR THE YEAR (B) OF DISCONTINUING OPERATIONS		**-**	**-**
PROFIT/(LOSS) FOR THE YEAR		**109,638**	**108,953**
of which Group		80,602	78,194
of which Minority interests		29,036	30,760
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Actuarial profit/(loss) for employee benefits		(518)	233
Tax effect on actuarial profit/(loss) for employee benefits		137	(56)
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (C1)		**(381)**	**177**
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Profit/(loss) on cash flow hedge instruments		(14,031)	(1,506)
Tax effect on change in fair value in cash flow hedge derivatives		3,427	361
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (C2)		**(10,604)**	**(1,145)**
TOTAL OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX EFFECT (C)= (C1)+(C2)		**(10,985)**	**(968)**
TOTAL AGGREGATE RESULT FOR THE YEAR (A)+(B)+(C)		**98,653**	**107,985**
of which Group		65,296	75,642
of which Minority interests		33,357	32,344

Consolidated Cash Flow Statement

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER	
	2019	**2018**
PROFIT BEFORE TAX	**154,119**	**148,348**
ADJUSTMENTS FOR:		
Amortisation/depreciation of:		
- intangible assets	11,257	15,467
- property, plant and equipment	11,118	14,027
- assets under concession	26,197	25,438
Write-downs of assets	5,025	3,765
Allocations and releases of provisions	9,578	3,150
Fair value of derivatives on commodities	-	-
Result of equity investments measured at equity and other companies	20	(464)
Financial (income)/charges	(500)	7,031
(Capital gains)/Capital losses and other non-monetary elements	(308)	1,710
Cash flow from operations before changes in net working capital	**216,506**	**218,472**
Increase/(Decrease) in provisions		
Increase/(Decrease) in employee benefits	(2,170)	(2,678)
(Increase)/Decrease in inventories	(3,161)	(3,085)
(Increase)/Decrease in trade receivables	(26,343)	(2,209)
(Increase)/Decrease in other assets/liabilities, deferred tax assets and liabilities	7,773	15,653
Increase/(Decrease) in trade payables	17,346	(17,097)
Dividends collected	-	-
Interest and other financial income collected	37,933	85,814
Interest and other financial expenses paid	(37,433)	(92,845)
Utilisation of provisions for risks and charges	2,694	4,066
Taxes paid	(61,244)	(12,393)
CASH FLOWS FROM OPERATIONS (A)	**151,900**	**193,698**
Net investments in intangible assets	(9,846)	(6,439)
Net investments in property, plant and equipment	(6,797)	(11,717)
Net investments in assets under concession	(55,013)	(33,052)
Net investments in equity investments	(3,300)	(4,740)
(Increase)/Decrease in other investment assets		
CASH FLOWS FROM INVESTMENT/DIVESTMENT ACTIVITIES (B)	**(74,956)**	**(55,948)**
Financial payables (new issues of long-term loans)		
Short-term financial payables (reimbursements and other net changes)	(39,767)	(54,703)
Medium/long-term financial payables (reimbursements and other net changes)	2,579	(11,716)
Dividends paid	(46,942)	(43,700)
CASH FLOWS FROM FINANCING ACTIVITIES (C)	**(84,130)**	**(110,119)**
Effect of changes on cash and cash equivalents (D)	-	-
Increase/(Decrease) in cash and cash equivalents (A+B+C+D)	(7,187)	27,631
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**30,424**	**2,793**
CASH AND CASH EQUIVALENTS AT YEAR END	**23,237**	**30,424**

Consolidated statement of changes in Shareholders' Equity

(in thousands of Euro)

	Share capital	Share premium reserve	Treasury shares reserve
BALANCE AS AT 31 DECEMBER 2017	**411,496**	**994**	**(67,552)**
TRANSACTIONS WITH SHAREHOLDERS:			
Dividend distribution	-	-	-
OTHER TRANSACTIONS WITH SHAREHOLDERS	-	-	-
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**-**	**-**
AGGREGATE RESULT FOR THE YEAR:			
Net profit (loss)	-	-	-
Change in consolidation area	-	-	-
Actuarial profit/(loss) for employee benefits, net of tax effect	-	-	-
Profit/(loss) on cash flow hedge	-	-	-
TOTAL AGGREGATE RESULT FOR THE YEAR	**-**	**-**	**-**
BALANCE AS AT 31 DECEMBER 2018	**411,496**	**994**	**(67,552)**
Adoption of new accounting standards	-	-	-
BALANCE AS AT 1 JANUARY 2019	**411,496**	**944**	**(67,552)**
TRANSACTIONS WITH SHAREHOLDERS:			
Dividend distribution	-	-	-
Other transactions with shareholders	-	-	-
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**-**	**-**
AGGREGATE RESULT FOR THE YEAR::			
Net profit (loss)	-	-	-
Change in consolidation area	-	-	-
Actuarial profit/(loss) for employee benefits, net of tax effect	-	-	-
Profit/(loss) on cash flow hedge	-	-	-
TOTAL AGGREGATE RESULT FOR THE YEAR	**-**	**-**	**-**
BALANCE AS AT 31 DECEMBER 2019	**411,496**	**994**	**(67,552)**

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
280,996	**214,438**	**34,911**	**660,845**	**313,294**	**974,139**
8,436	8,436	(34,911)	(26,475)	(17,226)	(43,701)
1,327	1,327		1,327	15,813	17,140
9,763	**9,763**	**(34,911)**	**(25,148)**	**(1,413)**	**(26,561)**
–	–	78,194	78,194	30,760	108,954
–	–	–	–	–	–
145	145		145	32	177
(1,144)	(1,144)		(1,144)		(1,144)
(999)	**(999)**	**78,194**	**77,195**	**30,792**	**107,987**
289,760	**223,202**	**78,194**	**712,892**	**342,673**	**1,055,565**
(811)	(811)	–	(811)	(202)	(1,013)
288,949	**222,391**	**78,194**	**712,081**	**342,471**	**1,054,552**
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**

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**") operate 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 2019, 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	2,291,118	0.56%
Azienda Servizi Munic. di Tione	14,622	0.00%
PRIVATE ENTITIES		
FT Energia	48,861,683	11.87%
I.S.A. - Ist. Sviluppo Atesino Spa	17,175,532	4.17%
Fondazione Caritro	21,878,100	5.32%
Enercoop Srl	7,303,825	1.77%
Montagna Sig.ra Erminia	27,540	0.01%
Elettrometallurgica Trentina Srl	203	0.00%
Pomara Dott.ssa Luciana	203	0.00%
TREASURY SHARES	**33,286,658**	**8.09%**
TOTAL	**411,496,169**	**100.00%**

2. Summary of the accounting standards adopted

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

2.1 PREPARATION BASIS

The 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 1 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.

These Consolidated Financial Statements were approved by the Company's Board of Directors on 27 March 2020.

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 Pricewaterhouse-Coopers 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 2019, with indication of share capital and consolidation method used in the preparation of the Consolidated Financial Statements, is reported in Attachment A herein.

2.4 CONSOLIDATION PRINCIPLES

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

Subsidiaries

The subsidiaries are the companies controlled by the Group. The Group controls a company when it is exposed to the variable results of the same and has the power to influence such results by exercising its power on the company. In general, the existence of a control is inferred when the Company owns, either directly or indirectly, more than the half of the voting rights, also considering the possible voting rights that can be exercised or converted.

All subsidiaries are consolidated on a line-by-line basis, on the day in which the control has been transferred to the Group. Conversely, these companies are excluded from the consolidation area as from the day in which this control ceases.

Business combinations are recognised by the Group by using the acquisition method. According to this method:

- ithe 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

Application of IFRS 16 - Leases

The new standard IFRS 16 - Leases (Regulation 2017/1986), applicable since 1 January 2019, was published by the IASB on 13 January 2016, and replaces the standard IAS 17 - Leases, and the IFRIC 4 interpretations - Determining whether an arrangement contains a lease, SIC 15 Operating Leases - Incentives and SIC 27 Evaluating the Substance of Transactions in the Legal form of a Lease.

The standard provides a new definition of leases and introduces a criteria based on the control (right of use) of an asset to distinguish between lease contracts and contracts for services. identifying the following as discriminants: identification of the asset, the right to replace it, the right to obtain substantially all the financial benefits from use of the asset and the right to manage the use of the asset underlying the contract.

The standard establishes a single model to recognise and measure lease contracts for the lessee which provides for recording the asset subject to lease under assets, with an offsetting financial debt, also providing for the option not to apply the above-mentioned model to contracts that relate to low-value assets or short-term leases that are equal to or less than 12 months. On the other hand, the new standard does not envisage significant changes for lessors.

The Group availed itself of the practical measure envisaged in paragraph C3, which allows for the use of conclusions achieved in the past on the basis of IFRIC 4 and IAS 17 regarding the classification of operating leases for a specific contract. This practical measure was applied to all the contracts as provided by paragraph C4.

Finally, the Group elected to apply the standard on a retrospective basis. However, the cumulated effect was recorded in Shareholders' Equity as at 1 January 2019, in accordance with provisions set out in paragraphs C7-C13.

More specifically, the Group recognised the following with reference to the lease contracts previously classified as operating:

- a financial liability, equal to the current value of the future payments remaining as at the transition date, discounted by using the marginal borrowing rate for each contract applicable at the transition date;
- a right of use equal to the net carrying amount that it would have had if the Standard had been applied since the initial date of the contract, using the discounting back rate defined at the transition date.

The table below reports the effects of adopting the IFRS 16 as at the transition date:

(figures in thousands of Euro)	EFFECT AT THE TRANSITION DATE 1 JANUARY 2019
NON-CURRENT ASSETS	
Rights of use - buildings	6,508
Rights of use - other movable assets	4,034
Deferred tax assets	364
TOTAL ASSETS	**10,906**
NON-CURRENT LIABILITIES	
Non-current financial liabilities	(9,892)
CURRENT LIABILITIES	
Current financial liabilities	**(2,027)**
TOTAL LIABILITIES	**(11,919)**
SHAREHOLDERS' EQUITY RESERVE	**(1,013)**

In adopting the IFRS 16 Standard, the Group availed itself of the exemption envisaged in paragraph 5 a), in relation to short-term leases (less than 12 months) related to the hiring of vehicles and of the exemption envisaged in paragraph 5 b), with reference to lease contracts where the underlying asset is of low value, i.e. when the single underlying asset does not exceed the value of EUR 5,000.

For these contracts, the introduction of IFRS 16 did not involve the recognition of the financial liability and the related right of use. The lease payments will be therefore recognised to profit or loss on a straight-line basis for the duration of the respective contracts.

Additionally, with reference to the transition rules, the Group took advantage of the following practical measures:

- classification of the contracts where the lease term is less than 12 months from the transition date as short-term leases. For these contracts, the lease payments will be recognised to profit or loss on a straight-line basis;
- use of the information available at the transition date to calculate the contract duration, with specific reference to the exercise of extension options and early closure.

The impacts related to the initial application of the standard on the income statement for FY 2019 are set out below,

(figures in thousands of Euro)	EFFECT OF APPLICATION OF IFRS 16 2019 FINANCIAL YEAR
Service costs (use of third party assets)	(2,533)
Amortisation/depreciation	2,157
TOTAL COSTS	**(376)**
Operating result	(376)
Financial charges	283
PROFIT BEFORE TAX	**(93)**
TAXES	**25**
PROFIT/(LOSS) FOR THE YEAR	**(68)**

Assets under concession (IFRIC 12)

Assets under concession represent the right of the Group to use assets under concession for the management of the electricity distribution service through the subsidiary SET Distribuzione 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

LOther 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;

- ontract 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

TAll 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.

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:

- undertakes business operations that generate revenue and costs (including revenue and costs concerning operations with other components of the same entity);
- 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;
- 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 ex-

pected 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:

- defined-contribution plans and
- 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.

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:

- 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 carrying amount of property, plant and equipment and intangible assets is periodically tested for impairment and whenever circumstances or events require a more frequent assessment. The impairment test shall be carried out on goodwill at least once a year when the accounts are closed. Whenever it is deemed that a carrying amount of a group of fixed assets has suffered an impairment loss, the same is written-down to the related recoverable value, estimated based on the use and future sale of the asset, in relation to provisions set out in the latest business plans. It is deemed that estimates of these recoverable values are reasonable. However, possible changes in the estimate factors, on which the calculation of the aforesaid recoverable values is based, might result in different valuations.

- **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 1 January 2019.

- IFRS 16 Leases (issued on 13 January 2016). The new standard supersedes the previous standard on leases, the IAS 17 and related interpretations, defines criteria for the recognition, measurement, presentation and disclosures to be supplied as reference for lease contracts to both lessor and lessee. Albeit IFRS 16 does not modify the definition of lease contract supplied by IAS 17, the main novelty introduced is represented by the concept of control within the definition. In particular, in order to determine whether a contract represents a lease, IFRS 16 requires to check whether the lessee has the right to control the use of a specific asset for a determined period of time. The IFRS 16 standard cancels the classification of operating or finance leases, as required by IAS 17, by introducing a single accounting model for all leases. On the basis of the new model, the lessee will have to recognise the assets and liabilities for all the lease contracts with a duration of more than 12 months in the statement of financial position, unless the underlying asset has a low value and, in the income statement, amortisation/depreciation of assets related to leases separate from interest related to corresponding liabilities. With regard to lessors, in IFRS 16 the recognition requirements remain substantially unchanged with respect to those envisaged by IAS 17.
- IFRIC 23 Uncertainty over income tax treatments (issued on 7 June 2017). The interpretation clarifies how to apply the IAS 12 recognition and measurement requirements in the case of uncertainty over income tax treatments (current and deferred). Should there be uncertainties over application of the tax legislation to a specific transaction or group of transactions, IFRIC 23 requires that the probability that the tax authority accepts the choice made by the company regarding the tax treatment of the transaction be evaluated. The interpretation also requires the company to review the judgements and estimates made where there is a change in the facts or circumstances that change the predictions on the acceptability of a certain tax treatment or the estimates made on the effects of the uncertainty or both.
- Amendments to IFRS 9 Prepayment features with negative compensation (issued on 12 October 2017). These amendments, approved with EU Reg. 2018/498, introduce an exception for particular financial assets that would envisage contractual cash flows represented only by payments of capital and interest (IFRS 9, par. 4.1.2), but do not meet this condition only due to the presence of a contractual advance repayment clause. More specifically, the amendments specify that financial assets with a contractual clause allowing (or forcing) the issuer to repay a debt instrument or allowing (or forcing) the holder to repay a debt instrument to the issuer before the due date can be measured at amortised cost or at fair value with balancing entry to Other comprehensive income, subject to the assessment of the business model in which they are held, if the following conditions are met:
  - the companies acquire or issue the financial asset with a premium or discount applied to the nominal amount of the contract;

- the amount of the advance repayment is basically the nominal contractual amount and the accrued (but not paid) contractual interest that might include a reasonable additional fee for early termination of the contract; and
- the fair value of the advance payment option is not significant upon initial recognition by the companies.

- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017). The amendment clarifies that the companies must apply the provisions of IFRS 9 Financial instruments to any other long-term interest that in substance represents another component of the equity investment in the associate or joint venture, to which the equity method is not applied (e.g. preferred shares, non-trade loans and receivables). Any losses recognised based on the equity method exceeding the investment of the entity in ordinary shares of the associate or joint venture are attributed to the other components of the equity investment opposite from their degree of subordination (that is, liquidation priority) after having applied IFRS 9.
- Amendments to IAS 19 Employee Benefits (issued on 7 February 2018). The interpretation "Plan Amendment, Curtailment or Settlement" forces companies to use updated actuarial assumptions in order to determine the pension costs following amendments introduced to the employee defined benefits.
- Improvements to the IFRS 2015-2017 Cycle (issued on 12 December 2017). The document introduces amendments to the following standards:
  - IFRS 3 Business Combinations. The IASB clarifies that when an entity obtains control of an asset that is a joint operation, it has to recalculate the value of that asset since this transaction would be considered a business combination carried out in steps and therefore to be recognised on that basis.
  - IFRS 11 Joint Arrangements. It is clarified that if a party taking part in a joint operation - but that does not have joint control - later obtains joint control over the joint operation (constituting an asset as defined in IFRS 3), it is not required to recalculate the value of that asset.
  - IAS 12 Income Taxes. This amendment clarifies that the tax effects of the income taxes arising from distribution of profits (i.e. the dividends), including the payments on financial instruments classified as shareholders' equity, must be recognised when a liability for the payment of a dividend is recognised. The consequences of the income taxes must be recognised in the income statement, in the comprehensive income statement or in the shareholders' equity in consideration of the nature of the transactions or of the past events that generated the distributable profits or how they were initially recognised.
  - IAS 23 Borrowing Costs. The amendment clarifies that an entity should leave out the financial charges applicable to the loans made specifically in order to obtain an asset only as long as the asset is not ready and available for the planned use or sale when calculating the capitalisation rate for loans. The financial charges relating to specific loans that still exist after the relevant asset is ready for the planned use or sale must afterwards be considered as part of the general borrowing costs of the entity.

With reference to the application of said standards, amendments and new interpretations, there were no effects found on the 2019 consolidated financial statements of the Group, apart from the EU standard IFRS 16 whose effects on the financial statements resulting from initial application are described in note 2.5.

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 2019 financial statements must be applied for the financial years following 2019.

- Conceptual Framework (issued on 29 March 2018), applicable from 1 January 2020. 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.
- Amendments to IAS 1 and IAS 8 Definition of “material” (issued on 31 October 2018), applicable from 1 January 2020. The IASB clarified that information is to be considered “material” when its omission, inaccuracy or lack of clearness 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.
- Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform” (issued on 26 September 2019) applicable from 1 January 2020. The amendments relate to companies who apply hedge accounting in accordance with the provisions of IFRS 9 or IAS 39 to hedging relationships directly affected by the applicable interest rates. The application has no impact for the Company,

ACCOUNTING STANDARDS APPLICABLE TO SUBSEQUENT YEARS BUT STILL NOT ENDORSED BY THE EUROPEAN UNION AS AT 31 DECEMBER 2019

- IFRS 17 Insurance contract (issued on 18 May 2017). The new accounting standard establishes the criteria for the recognition, measurement, presentation and disclosure of insurance contracts. After its endorsement, it will fully supersede IFRS 4 Insurance Contracts issued in 2005. 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 applicable for annual reporting periods beginning on 1 January 2021 and the disclosure of comparative data will be required. In November 2018, the IASB decided to propose extension of the coming into force of the IFRS 17 standard by one year, i.e. until 2022. Its application has no impact for the Group.
- 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 whole of assets and instruments must also include a set of organised processes that as a whole are suited to producing goods and services. The amendments will become applicable prospectively to the transactions whose date of acquisition is equal to or later than the year starting from 1 January 2020. Early application is permitted. Its application has no impact for the Group,

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 2019, 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 3,750 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 2019 and 31 December 2018 are summarised as follows:

IRS

in thousands of Euro	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 Euribors (floor -0,80)	3M Euribors (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)

in thousands of Euro	AS AT 31 DECEMBER 2018					
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	11,428,572	11,428,572	11,428,572	11,428,572	48,958,333	48,958,333
Floating interest rate	1M Euribor	1M Euribor	1M Euribor	1M Euribor	3M Euribors (floor -0,80)	3M Euribors (floor -0,80)
Fixed interest rate	3.4000%	3.4450%	3.5214%	3.7190%	1.3400%	1.3235%
Fair value	(450,888)	(456,294)	(465,369)	(489,224)	(1,003,391)	(957,932)

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 2019 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 2019	252	-713	252	-713
Year ended 31 December 2018	262	-701	262	-701

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 2019 and 2018 to hedge commodity price risk are summarised as follows:

Commodity

in thousands of Euro

	AS AT 31 DECEMBER	
	2019	**2018**
Date of transaction	miscellaneous	miscellaneous
Company	DET	DET
Counterparty	ECC_EEX	ECC_EEX
Underlying	Power	Power
Maturity	miscellaneous	miscellaneous
Notional in thousands of Euro	1,386,180	90,379
Fair value	(5,770)	5,594

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 2019 and 31 December 2018 is represented by the sum of financial assets recorded in the financial statements, summarised as follows:

in thousands of Euro

	AS AT 31 DECEMBER	
	2019	**2018**
Accounts receivable - customers	314,843	294,774
Accounts receivable - associates	70	64
Accounts receivable - parent companies	141	100
Accounts receivable - sister companies	2,618	
Provision for write-downs	(15,480)	(14,064)
TOTAL	**302,192**	**280,874**

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 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**

(in thousands of Euro)	MATURITY		
As at 31 December 2018	**Within 1 year**	**Between 1 and 5 years**	**Beyond 5 years**
Trade payables	205,304	-	-
Payables due to banks and other lenders	198,874	132,927	109,851
Liabilities for current taxes	20,514	-	-
Other accounts payable	23,741	115,473	-
TOTAL	**448,433**	**248,400**	**109,851**

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 2019 and 31 December 2018:

(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]

(in thousands of Euro)	AS AT 31 DECEMBER 2018		
	Level 1	Level 2	Level 3
Derivative instruments (interest rate swap)	-	(3,823)*	-
Financial derivatives (commodities)	-	2,692*	-

[* tthis 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 2019 and 31 December 2018 are broken down by category:

(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**

(in thousands of Euro)	AS AT 31 DECEMBER 2018			
	Financial assets/ liabilities measured at amortised cost	Financial assets/ liabilities measured at fair value FVOCI	Financial assets/ liabilities measured at fair value FVTPL	Total
CURRENT ASSETS				
Cash and cash equivalents	30,424	-	-	**30,424**
Trade receivables	280,874	-	-	**280,874**
Other current assets	74,554	-	-	**74,554**
Current financial assets	15,949	7,617	59,348	**82,914**
NON-CURRENT ASSETS				
Other non-current assets	26,050	-	-	**26,050**
Non-current financial assets	7,345	-	-	**7,345**
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**-**	**-**	**-**	**-**
CURRENT LIABILITIES				
Trade payables	205,304	-	-	**205,304**
Current financial liabilities	134,602	2,022	62,250	**198,874**
Other current payables	23,741	-	-	**23,741**
NON-CURRENT LIABILITIES				
Non-current payables due to banks and other lenders	238,955	1,961	1,862	**242,778**
Other non-current payables	115,473	-	-	**115,473**

120,768 euro in current and non-current financial liabilities include the amount of the fixed-rate bonds (note 7.18) whose fair value as at 31 December 2019 is a negative 151,314 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) — 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**

(in thousands of Euro) — 2018

	Electricity production	Heat production, Steam and Cooling	Distribution and grids	Commercial and trading	Water cycle and Environment	Other minor services	Total
EBITDA	109,093	2,971	74,158	23,550	6,664	(208)	**216,227**
EBIT	94,435	(46)	51,556	17,231	170	(7,965)	**155,381**

7. Notes to the Statement of Financial Position

7.1 RIGHTS OF USE

The retrospective application of the international accounting Standard IFRS 16 led to the recording, as at 1 January 2019, of non-current assets (rights of use) and current and non-current financial liabilities (note 7.18); the right of use were calculated as net carrying amounts of the assets governed by the leasing and rental contracts, calculated as if the standard had been applied since the contracts and leases were agreed, and using the discounting rates defined at the transition date.

The table below shows the "Rights of use" movements from the transition date to 31 December 2019.

(in thousands of Euro)

	Rights of use - buildings	Rights of use - other assets	Total
BALANCE AS AT 1 JANUARY 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
Change		-	-
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)*

"Rights of use of buildings" amounting to 6,018 thousand euro refer to contracts on property complexes to be used as headquarters and offices all over the territory. A new long-term rental contract was signed during the year, with a current total of 558 thousand euro.

"Rights of use of other goods" amounting to 4,043 thousand euro refer to contracts for vehicles with an average duration of 5 years. For the company cars, the Group decided on long-term rentals and at the expiry of these contracts, they are replaced with new vehicles and new long-term contracts; sometimes, at the natural expiry of these contracts, they are extended for a further 12 months without a formal re-newal.

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

(in thousands of Euro)

	Notes	As at 31 December 2019
Depreciation of rights of use	8.7	2,156
Interest expense on financial liabilities for leases	8.10	283
Short-term contract related costs	8.5	481
Costs related to contracts for low value goods	8.5	196
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		**3,268**
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 2019 and 2018:

(in thousands of Euro)

	Electric grid	Gas network	Water network	Total
BALANCE AS AT 31 DECEMBER 2017	**271,826**	**164,498**	**62,474**	**498,798**
Of which:				
Historical cost	*663,019*	*275,514*	*126,084*	**1,064,617**
Accumulated depreciation	*(391,193)*	*(111,016)*	*(63,610)*	**(565,819)**
Increases	54,135	8,685	4,593	**67,413**
Depreciation	(16,510)	(5,493)	(3,435)	**(25,438)**
Disinvestments	(3,593)	(77)	-	**(3,670)**
Change	(11,459)			**(11,459)**
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)**

Impairment tests on rights on assets under concession

At the year-end date, the Group performed impairment tests in order to assess the existence of any impairment loss with reference to the amounts accounted for under item Rights on assets under concession, for the distribution of electricity.

The test is performed by comparing the carrying value of the asset, or group of assets, included in the Cash Generating Unit, with the recoverable value of the same asset, resulting from the higher value between fair value (less any sales cost) and the value of net discounted cash flows that are estimated will be generated by the asset or the group of assets included in the CGU (value in use). The impairment test was based on the explicit cash flows set forth in the budget and the 2020-2022 plan approved by the board of directors, and for the years 2023 and 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 "P*rovisions 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.

Please note that during the year the Municipalities of Molveno and S. Orsola transferred its electricity distribution business to SET, including assets for the recognised value of 2,592 thousand euro.

7.3 GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in item "Goodwill and other intangible assets" are shown hereunder for the years ended 31 December 2019 and 2018:

(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 2017	**37,499**	**40,917**	**7,995**	**653**	**-**	**87,064**
Of which:						
Historical cost	*37,499*	*57,532*	*36,690*	*6,588*	-	*138,309*
Accumulated amortisation	-	*(16,615)*	*(28,695)*	*(5,935)*	-	*(51,245)*
Increases	774		5,298	367		**6,439**
Net decreases						**-**
Reclassifications						**-**
Amortisation		(7,301)	(4,114)	(358)		**(11,773)**
Write-downs	(3,694)					**(3,694)**
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 amortisation	-	*(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 amortisation)			18			**18**
Reclassifications (historical cost)				134	158	**292**
Reclassifications (provision)	(19)					**(19)**
Amortisation	-	(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 amortisation	*(19)*	*(30,144)*	*(37,158)*	**(6,955)**	**-**	**(74,276)**

Impairment testing on goodwill as at 31 December 2019

As envisaged by IAS 36, the Group performed impairment tests to verify the possible recovery in value of goodwill in the financial statements, for the CGUs coinciding with the companies SET Distribuzione (electricity distribution) and Dolomiti Energia (electricity and gas sales). The test is performed by comparing the carrying value of the asset, or group of assets, included in the Cash Generating Unit, with the recoverable value of the same asset, resulting from the higher value between fair value (less any sales cost) and the value of net discounted cash flows that are estimated will be generated by the asset or the group of assets included in the CGU (value in use).

For the CGU referring to electricity distribution activities, the goodwill of which amounts to 30,764 thousand euro, the impairment test was based on the explicit cash flows set forth in the budget and the 2020-2022 plan approved by the board of directors of the Company, and for the years 2023 and 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 2019 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 5,360 thousand euro (increased during the year by 1,564 thousand euro following transfers of business units by the Municipality of Molveno and of ASM Tione), the impairment test was based on the explicit cash flows set forth in the budget and the 2020-2022 plan approved by the board of directors of the Company, and for the years 2023 and 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 2019 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 2019 and 2018:

(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 2017	**71,776**	**761,243**	**3,499**	**9,130**	**7,790**	**853,438**
Of which:						
Historical cost	*107,803*	*1,341,183*	*18,947*	*27,332*	*7,790*	***1,503,055***
Accumulated depreciation	*(36,027)*	*(579,940)*	*(15,448)*	*(18,202)*	*-*	***(649,617)***
Increases	1,438	5,842	494	619	1,841	**10,234**
Decreases (historical cost)	(16)	(1,542)	-	(1,433)	(118)	**(3,109)**
Decreases (accumulated depreciation)	6	951	-	1,925	-	**2,882**
Reclassifications (historical cost)	263	1,301	13	(390)	(1,187)	**-**
Reclassifications (provision)	(198)			198		**-**
Depreciation	(1,144)	(9,253)	(563)	(3,067)	-	**(14,027)**
Change in consolidation area						**-**
historical cost	-	-	-	-	-	-
depreciation	-	-	-	-	-	-
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 (provision)	(24)					**(24)**
Depreciation	(1,202)	(7,734)	(512)	(1,670)		**(11,118)**
Change in consolidation area						**-**
historical cost	-	-	-	-	-	-
depreciation	-	-	-	-	-	-
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)***

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.

Depreciable amount of certain elements of the Provincial hydroelectric supply chain following law no. 205/2017 and law no. 160/2019

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:

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 13 December 2019, the Provincial Council of the Trento Autonomous Province decided to pre-adopt an initial text, which was not published or made public, of a draft law governing the procedural regulations to carry out tenders and therefore implementing the provisions of article 13 of Presidential Decree no. 670 of 31 August 1972. It is expected that said legislative measure, following the required discussion and approval procedure, may enter into effect in spring 2020.

In view of the above, and considering:

- the fact that the start up of the procedures open to public scrutiny require, in any case, the approval of ongoing Provincial laws, and the preliminary inquiry by the Provincial bodies of both the existence of any predominating interests in the use of the water resources and verification of the environmental impact of use of the resources for hydroelectric purposes;
- the technical times necessary for the conclusion of the procedures for the assignment of the subject tenders, considering the high degree of complexity objectively present in these procedures and the fact that there are specific precedents to which to refer;

the concession holders therefore assumed 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 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 introduces a new way to measure said assets at the end of the concession, and even though it is provided for, it is not duly defined in the above-mentioned law. In order to interpret and apply said standard, it will be necessary to wait for the approval of a provincial implementing law, which determines the limits and calculation methods. Therefore, since this law could result in the identification of a final value higher than the net carrying amount at the end of 2023 (which will be equal to zero), it was suited to postpone inclusion in the financial statements of its effects to when the criteria to define said amount would be known. No standards have been applied to define the above criteria at the reporting date of these 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 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 2019-2022 referring to 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	
	2019	2018
Equity investments in associates	70,040	67,007
Equity investments in other companies	6,095	5,795
TOTAL EQUITY INVESTMENTS	**76,135**	**72,802**

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 2019 and 2018 are shown hereunder:

(in thousands of Euro)

	% of share capital as at 31 December 2019	As at 1 January 2018	Acquisitions - Sales	Other changes	Revalua-tions	Write-downs	As at 31 December 2018	Acquisitions - Sales	Other changes	Write-downs, Ad-justments	As at 31 December 2019
SOCIETÀ COLLEGATE											
Dolomiti Edison Energy	51,00%	19,856	–	218		–	20,074		2,034	(1,020)	21,088
SF Energy	50,00%	28,112	–	(54)		–	28,058		67	(856)	27,269
IVI Gnl	50,00%	20	–	(10)		–	10	31		(11)	30
Neogy	50,00%					–	–	3,000		(678)	2,322
Giudicarie Gas	43,35%	1,284	–	38		–	1,322		69		1,391
Rabbies Energia	31,02%	–	–	2,448		(68)	2,380		8		2,388
Bioenergia Trentino	24,90%	1,524	–	55		–	1,579				1,579
PVB Power Bulgaria Ad	23,13%	2,049	–	–		–	2,049				2,049
Masoenergia	26,25%	–	–	1,675		(48)	1,627			(29)	1,598
AGS Riva del Garda	20,00%	9,004	–	434		–	9,438		575	(160)	9,853
SG Eletrica Brasil	20,00%	5	–	2		–	7				7
Vermigliana	20,00%	–	–	534		(73)	461		3		464
Energy_net	20,00%	2	–	–		–	2				2
TOTAL ASSOCIATES		**61,856**	**-**	**5,340**	**-**	**(189)**	**67,007**	**3,031**	**2,756**	**(2,754)**	**70,040**
OTHER COMPANIES											
Primiero Energia	19,94%	4,615	–	–		–	4,615				4,615
Bio Energia Fiemme	11,46%	785	–	–		–	785				785
Cherrychain	10,00%		–	–		–	–	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 Energyland	–	1	–	–		–	1				1
Cons,Assindustria Energia	–	1	–	–		–	1				1
TOTAL OTHER COMPANIES		**5,795**	**-**	**-**	**-**	**-**	**5,795**	**300**	**-**	**-**	**6,095**

The summary of economic and financial figures for joint ventures and associates relevant for the entity, as at 31 December 2019 and 2018, is shown hereunder:

(in thousands of Euro)	SUMMARY DATA AS AT 31.12.2019		
	SF Energy Srl 50%	Dolomiti Edison Energy Srl 51%	Neogy srl 50%
Dividends received		1,020	
INCOME STATEMENT			
Revenue	12,516	26,106	1,893
GROSS OPERATING MARGIN	**557**	**10,381**	**(1,090)**
Amortisation, depreciation and write-downs	(484)	(2,167)	(255)
NET OPERATING RESULT	**73**	**8,214**	**(1,345)**
Interest income	74		
Interest expense		(214)	(5)
Income taxes	(13)	(2,241)	(6)
PROFIT/(LOSS) FOR THE YEAR	**134**	**5,759**	**(1,356)**
STATEMENT OF FINANCIAL POSITION			
Total assets	22,227	45,691	6,174
Shareholders' Equity	18,566	30,162	1,654
Cash and cash equivalents	6,308	5,337	2,230
Current financial liabilities		(10,000)	(2,500)
Non-current financial liabilities			

(in thousands of Euro)	SUMMARY DATA AS AT 31.12.2018		
	SF Energy Srl 50%	Dolomiti Edison Energy Srl 51%	Neogy srl 50%
Dividends received			
INCOME STATEMENT			
Revenue	12,178	23,439	1,323
GROSS OPERATING MARGIN	**631**	**5,946**	**(1,100)**
Amortisation, depreciation and write-downs	(480)	(2,052)	(86)
NET OPERATING RESULT	**151**	**3,894**	**(1,186)**
Interest income	45		
Interest expense	(46)	(189)	(10)
Income taxes	1,455	(1,318)	268
PROFIT/(LOSS) FOR THE YEAR	**1,605**	**2,387**	**(928)**
STATEMENT OF FINANCIAL POSITION			
Total assets	26,577	47,730	2,464
Shareholders' Equity	18,432	26,403	562
Cash and cash equivalents	6,787	8,090	1
Current financial liabilities		(15,000)	
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.

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 (even though holding 51%, Dolomiti Energia Holding does not control the company due to specific agreements with the remaining shareholders). The company produces electricity from renewable sources through the management of five hydroelectric plants.

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

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 in February 2019 from the joint venture between Dolomiti Energia and Alperia in order to jointly promote electrical mobility and with the aim of creating 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 100,000 euro, represented by 100,000 shares of 1 euro each; Dolomiti Energia Holding holds 50.00% of the Share Capital through one of its subsidiaries. The company is assessing the possibility of entering the distribution of gaseous fuels market, especially by means of the creation of a store of liquid natural gas and infrastructures for the distribution and supply of gas to users not reached by the methane gas distribution network.

RABBIES ENERGIA Srl – **Rabbi (TN).** Fully paid-up Share Capital of 518,199.69 euro, divided up between the Shareholders Municipality of Malè, Municipality of Rabbi and Centraline Trentine, 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. Dolomiti Energia Holding wrote down this equity investment for 8,575 thousand euro, in consideration of the recorded losses and expected losses resulting from impairment. 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 Centraline Trentine, 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 and Centraline Trentine, 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.

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 2019 and 31 December 2018 is detailed as follows:

(in thousands of Euro)	AS AT 31 DECEMBER 2019	2018
Securities at the Clesio Real Estate Fund	-	7,187
Other	99	158
NON-CURRENT FINANCIAL ASSETS	**99**	**7,345**

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. During the year, 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 2019 and 31 December 2018 are broken down as follows:

Prepaid taxes

(in thousands of Euro)	AS AT 31 DECEMBER 2019	2018
Fixed assets	12,530	10,076
Provision for write-downs	2,568	2,183
Production bonuses	1,086	1,066
Provisions for risks and charges	2,936	2,340
Fair value of derivatives	6,011	2,340
Non-deductible interest expense	1,347	1,347
Real estate fund write-down	3,763	2,038
Employee benefits	1,785	1,818
Other	660	541
TOTAL PREPAID TAXES	**32,686**	**24,575**

Deferred taxes

(in thousands of Euro)	AS AT 31 DECEMBER	
	2019	**2018**
Property, plant and equipment	154,019	154,036
Intangible assets	3,835	2,857
Goodwill	8,138	9,531
Provision for write-downs	57	57
Derivatives	3,271	1,916
Other	882	1,459
TOTAL DEFERRED TAXES	**170,202**	**169,856**

7.8 OTHER NON-CURRENT ASSETS

The item “Other non-current assets” as at 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2019	**2018**
Prepayments and accrued income	1,343	1,752
Guarantee deposits	20,904	23,373
Other	111	925
TOTAL OTHER NON-CURRENT ASSETS	**22,358**	**26,050**

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

7.9 INVENTORIES

The item “Inventories” as at 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2019	**2018**
Raw materials and consumables	18,721	16,305
Other inventories	2,141	1,396
TOTAL	**20,862**	**17,701**

Inventories of raw materials, related primarily to materials used in the construction of networks and natural gas stocks, increased by 2,416 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 2019. They increased by 745 thousand euro compared to the previous year.

7.10 TRADE RECEIVABLES

The item “Trade receivables” as at 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2019	2018
Accounts receivable - customers	314,843	294,774
Accounts receivable - subsidiaries (not consolidated)		
Accounts receivable - associates	70	64
Accounts receivable - parent companies	141	100
Accounts receivable - sister companies	2,618	
Provision for write-downs	(15,480)	(14,064)
TOTAL	**302,192**	**280,874**

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 2019 and 2018:

(in thousands of Euro)

	Provision for write-downs
AS AT 31 DECEMBER 2017	**15,456**
Allocations	2,782
Utilisations	(4,173)
AS AT 31 DECEMBER 2018	**14,065**
Allocations	4,597
Utilisations	(3,182)
AS AT 31 DECEMBER 2019	**15,480**

7.11 RECEIVABLES FOR CURRENT TAXES

The item “Receivables for current taxes” as at 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2019	2018
IRES	5,392	6,940
IRAP	292	483
TOTAL	**5,684**	**7,423**

7.12 CURRENT FINANCIAL ASSETS

The item "Current financial assets" as at 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2019	2018
Loans to associates	6,350	7,779
Loan to Fedaia Holding	26,440	7,007
Financial derivatives	103,339	66,965
Other receivables	1,233	1,163
CURRENT FINANCIAL ASSETS	**137,362**	**82,914**

The item Financial derivatives, equal to 103,339 thousand euro (66,965 thousand euro as at 31 December 2018) includes 2,195 thousand euro related to fair value as at 31 December 2019 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 101,144 thousand euro is related to the fair value, as at 31 December 2019, 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 Investments 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 2019 and 2018 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2019	2018
Elect./gas tax credits	945	7,057
Group VAT credit	4,006	1,143
Other tax credits	30	9,737
Prepayments and accrued income	11,482	11,452
Other accounts receivable	5,345	1,188
Receivables from derivatives management		
Accounts receivable - CSEA	8,996	5,296
Renewable source certificates	24,712	34,754
Advances/Deposits	2,360	2,259
Accounts receivable - Social security institutions	65	46
Accounts receivable - Public authorities for contributions	739	1,117
Accounts receivable - Public authorities	205	505
TOTAL OTHER CURRENT ASSETS	**58,885**	**74,554**

In particular, it is worth noting the increase in Group VAT credit, the decrease in other tax credits and the continuation of the accounts receivable from the Customs Agency.

7.14 CASH AND CASH EQUIVALENTS

The item "Cash and cash equivalents" as at 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2019	2018
Bank and postal current accounts	23,225	30,415
Cash on hand	11	9
TOTAL	**23,236**	**30,424**

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

7.15 SHAREHOLDERS' EQUITY

Changes in equity reserves were shown in the tables of these consolidated financial statements.
As at 31 December 2019, the Company's share capital amounted to 411,496,169 euro, and comprised 411,496,169 ordinary shares with a nominal value of 1.00 euro each.

7.16 PROVISIONS FOR RISKS AND CURRENT AND NON-CURRENT CHARGES

The item "Provisions for risks and current charges" amounted to 4,492 thousand euro as at 31 December 2018 and is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2019	2018
Provision for risks and charges	517	1,174
Provision for performance bonus	3,975	3,887
TOTAL PROVISION FOR RISKS AND CURRENT CHARGES	**4,492**	**5,061**

The item "Provisions for risks and non-current charges" amounted to 23,612 thousand euro as at 31 December 2019 and is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2019	2018
Provision for risks and charges	21,643	17,621
Provision for coverage of waste disposal charges	1,383	1,737
Pension fund	586	484
TOTAL PROVISIONS FOR RISKS AND NON-CURRENT CHARGES	**23,612**	**19,842**

Provisions for risks and charges

The **provision for risks - plants**, of 5,571 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 4,176 thousand euro during the year for the estimated charges to empty the sediment from certain catchment basins.

The provision for charges - Guardia di Finanza inspection amounted to 3,026 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 170 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.

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.

Provision for disputes and litigation (104 thousand euro), intended to mainly cover potential liabilities that could derive from pending legal disputes or other litigation.

The **IMU (property tax) provision** of 9,907 thousand euro - was established 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 2019, the IMU (property tax) provision changed for utilisations only (2,067 thousand euro).

The **Provision for facilitated energy - irrigation consortia**, equal to 2,091 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 2,091 thousand euro.

Other provisions for 43 thousand euro.

Provision for coverage of waste disposal charges

The **Provision for coverage of waste disposal charges**, equal to 1,383 thousand euro, was allocated in previous years to cover future expenses to be borne for the post-closure management of the landfill in Ischia Podetti, Municipality of Trento, which was then managed by the provider. Pursuant to Art. 102 quinquies of the Decree of the President of the Provincial Council no. 1-41/Legisl. of 26 January 1987 (Consolidated provincial act on the safeguard of environment from pollution), as from 1 January 2014 the Trento Autonomous Province is entrusted with the management of landfills for urban waste, as well as their post-closure management. The Province has replaced the municipalities and the Municipality of Trento in all asset and liability transactions underway. Allocations made until this date by operators were left at the disposal of the same, to cover future charges related to the waste disposal service.

Pension fund

The **Provision for agents' leaving indemnities**, equal to 586 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 2019 and 2018, 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 2017	**17,633**	**987**	**390**
Allocations	1,080	750	94
Utilisations	(1,092)	-	-
Releases	-	-	-
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**

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:

AEEGSI no. 18/2014 decision

There is an appeal before the Council of State, brought by the Company on 5 June 2015, to appeal against the ruling whereby the Lombardy Regional Administrative Court rejected the petition by Novareti to overrule decision no. 18/2014/R/gas of 30.01.2014, with which the Authority stated that the Company would not be given the premiums for the improvement of security of the gas distribution services for 2011.

LOMBARDY REGIONAL ADMINISTRATIVE COURT - MILAN 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 / AEEGSI (NOW REGULATORY AUTHORITY FOR ENERGY NETWORKS AND ENVIRONMENT - 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 / REGULATORY AUTHORITY FOR ENERGY NETWORKS AND ENVIRONMENT - 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.

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 nos. 1, 2 and 3. The proceedings are still pending, with the hearing scheduled for 25 March 2020.

LAZIO REGIONAL ADMINISTRATIVE COURT COGENERATION

The three appeals filed by the Company against three decisions whereby G.S.E. - Gestore di Servizi Elettrici S.p.A. rejected the requests for recognition of the bonuses related to the production of energy from renewable sources or similar to renewable sources (known as green / white certificates) are still pending. More specifically, they involve the following:

- **Green certificates Rovereto "Tecnofin Area" cogeneration plan**

  The legal proceedings have not proceeded since the Lazio Regional Administrative Court did not schedule the hearing even though the Company filed various motions to request a hearing to be scheduled.

- **White certificates Rovereto Industrial Area cogeneration power plant**

  Following the rejection by the GSE of the support system pursuant to Ministerial Decree of 5 September 2011 with note of 29 November 2013,

  the GSE also denied the bonus requests sent by the Company in subsequent production years, forcing Novareti to file an appeal, and submitting a claim for additional reasons every 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 first hearing for these proceedings still has to be scheduled.

7.17 EMPLOYEE BENEFITS

The item "Employee benefits", as at 31 December 2019, included 13,323 thousand euro related to the Provision for employee termination benefits and 5,312 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. In November 2019, the Group 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.

Changes in the Provision for employee termination benefits and other employee benefits, for the years ended 31 December 2019 and 31 December 2018, are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER 2018					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Energy discounts	Medals	Total
LIABILITIES AT BEGINNING OF THE YEAR	**14,594**	**1,082**	**1,842**	**5,720**	**246**	**23,483**
Current cost of service	114	54	65	(1,309)	14	(1,062)
Interest to be discounted	135	13	23	(30)	2	143
Benefits paid	(1,292)	(35)	(141)	(168)	(9)	(1,645)
Actuarial losses/(profits)	(6)	10	11	(1,142)	(70)	(1,197)
Other changes	375	1	7	698	2	1,083
LIABILITIES AT YEAR END	**13,920**	**1,125**	**1,807**	**3,769**	**185**	**20,805**

(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:

	AS AT 31 DECEMBER	
	2019	2018
Discount rate	0,80%	1,50%
Inflation rate	1,50%	1,50%
Turnover	0,50%	0,50%
Annual frequency of advances	3,00%	3,00%

A sensitivity analysis, as at 31 December 2019, related to the main actuarial assumptions included in the calculation model is shown hereunder, considering the base line scenario described above and increasing and decreasing the annual average discount rate, the average inflation rate and the turnover rate. The results obtained can be summarised in the following table:

Sensitivity

(in thousands of Euro)	AS AT 31 DECEMBER 2019					
	Discount rate +0,50%	Discount rate -0,50%	Inflation rate +0,25%	Inflation rate -0,25%	Turnover rate +2%	Turnover rate -2%
Employee termination benefits	12,920	14,168	13,703	13,347	13,336	13,578

7.18 PFINANCIAL LIABILITIES (CURRENT AND NON-CURRENT)

The table hereunder shows current and non-current financial liabilities as at 31 December 2019 and 2018:

(in thousands of Euro)	AS AT 31 DECEMBER			
	2019		2018	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Payables due to banks	117,912	97,904	131,245	117,102
Bond loans	3,356	117,412	3,357	118,653
Shareholder loans	1	3,200	-	3,200
Derivatives on commodities	92,648	12,745	64,272	-
IRS derivatives	497	6,806	-	3,823
Payables due to other lenders	2,520	9,114	-	-
TOTAL	**216,934**	**247,181**	**198,874**	**242,778**

The item Payables due to banks includes two mortgages that the Group took out from Banca Intesa and the European Investment Bank (EIB) for a residual carrying amount at 31 December 2019 of 15,889 thousand euro and 100,000 thousand euro, respectively. Those loans are 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.

Bond loans

IOn 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 2019 and 31 December 2018 the Group had the following bond loans in place, and the balance shown hereunder is the capital debt at year end:

Bond loans

(in thousands of Euro)

AS AT 31 DECEMBER 2019					Saldo contabile			
	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-feb-10	10-ago-22	€ 5,051,800	5,052		5,052	-
Dolomiti Energia fixed rate 2018/2022	Dolomiti Energia SpA	27-feb-18	10-ago-22	€ 5,000,000	3,750	1,250	2,500	
SET Distribuzione fixed rate 4.6 2006/2029	Set Distribuzione SpA	01-ago-06	01-ago-29	€ 110,000,000	111,966	2,106	-	109,860
					120,768	**3,356**	**7,552**	**109,860**

(in thousands of Euro)

AS AT 31 DECEMBER 2018					Saldo contabile			
	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-feb-10	10-ago-22	€ 5,051,800	5,052	-	5,052	-
Dolomiti Energia fixed rate 2018/2022	Dolomiti Energia SpA	27-feb-18	10-ago-22	€ 5,000,000	5,000	1,250	3,750	-
SET Distribuzione fixed rate 4.6 2006/2029	Set Distribuzione SpA	01-ago-06	01-ago-29	€ 110,000,000	111,958	2,107	-	109,851
TOTALE					**122,010**	**3,357**	**8,802**	**109,851**

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 105,393 thousand euro (64,272 thousand euro as at 31 December 2018), representing 13,673 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 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 91,720 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 retrospective application of international accounting Standard IFRS 16 led to the recording as at 1 January 2019 of non-current assets (note 7.1) and current and non-current financial liabilities; the liabilities for the rental and lease contracts were calculated as the current amount of the future payments remaining at the transition date, discounted back by using the marginal borrowing rate applicable on the basis of the expiry horizon. The table below shows the composition and changes during the year.

(in thousands of Euro)

	as at 01,01,2019	New contracts	Refunds	as at 31,12,2019	of which current quota
Financial payables for buildings	7,796	558	(1,152)	7,202	1,210
Financial payables for other moveable assets	4,123	1,353	(1,334)	4,142	1,023
PAYABLES DUE TO OTHER LENDERS FOR LEASES AND RENTS	**11,919**	**1,911**	**(2,486)**	**11,344**	**2,233**

The following table shows the breakdown of net financial indebtedness of the Group as at 31 December 2019 and 2018, 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	
	2019	2018
A. Cash	11	9
B. Other cash and cash equivalents	23,225	30,415
C. Securities held for trading	-	-
D. Cash and cash equivalents (A+B+C)	23,236	30,424
E. Current financial receivables	137,362	82,914
F. Current payables due to banks and other lenders	(120,433)	(131,245)
G. Current portion of non-current payables	(3,356)	(3,357)
H. Other current financial payables	(93,145)	(64,272)
I. Current financial position (F+G+H)	(216,934)	(198,874)
J. Current net financial position (I+E+D)	(56,336)	(85,536)
K. Non-current payables due to banks and other lenders	(110,218)	(120,302)
L. Bonds issued	(117,412)	(118,653)
M. Other non-current financial payables	(19,551)	(3,823)
N. Non-current financial position (K+L+M)	(247,181)	(242,778)
O. Net financial position (J+N)	(303,517)	(328,314)
Non-current financial assets	99	7,345
NET FINANCIAL POSITION OF THE COMPANY	**(303,418)**	**(320,969)**

7.19 OTHER LIABILITIES (CURRENT AND NON-CURRENT)

The items “Other non-current liabilities” and “Other current liabilities” as at 31 December 2019 and 2018 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2019	2018
Accrued liabilities and deferred income	104,130	109,092
Guarantee deposits	6,675	6,381
TOTAL OTHER NON-CURRENT LIABILITIES	**110,805**	**115,473**

The accrued liabilities and deferred income are mainly due to grants for connections for natural gas (14,820 thousand euro) and for electricity connections (60,321 thousand euro) and for water service connections (8,402 thousand euro); grants for plants related to natural gas (4,865 thousand euro) and grants for plants related to the water service (9,081 thousand euro).

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2019	2018
Social security and welfare payables	4,541	4,429
Accrued liabilities and deferred income	475	500
Tax on electricity/gas	7,043	1,559
Other taxes	172	82
IRPEF	2,147	2,100
Other accounts payable	6,371	6,269
RAI television fee	1,825	1,223
Accounts payable - employees	2,831	3,211
Accounts payable - PAT	359	361
Sewerage charge	3,849	3,950
Accounts payable - hydroelectric plant fees		
Accounts payable - associates	192	57
TOTAL OTHER CURRENT LIABILITIES	**29,806**	**23,741**

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

7.20 TRADE PAYABLES

The item "Trade payables" includes amounts due for the supply of goods and services, and amounts to 222,650 thousand euro as at 31 December 2019, 205,304 thousand euro as at 31 December 2018.

7.21 LIABILITIES FOR CURRENT TAXES

The item "Liabilities for current taxes", equal to 3,697 thousand euro as at 31 December 2019, 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	
	2019	2018
IRES	3,112	18,282
IRAP	585	2,232
TOTAL	**3,697**	**20,514**

8. Notes to the Income Statement

8.1 REVENUE

The item "Revenue" for the years ended 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2019	2018
Electricity revenue	1,054,967	1,027,794
Water resource revenue	21,329	20,670
Natural gas revenue	240,328	220,380
Heating revenue	7,675	8,292
Revenue from municipal waste services	27,919	26,377
Other revenue	46,661	43,624
Revenue from water treatment	2,201	2,046
TOTAL	**1,401,080**	**1,349,184**

All the items under core revenue show moderate increases.

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 2019 and 2018 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER			
	2019		2018	
	REVENUE	COSTS	REVENUE	COSTS
Electric grid	26,490	(25,850)	18,468	(18,019)
Gas network	13,055	(12,737)	8,685	(8,474)
Water network	4,561	(4,561)	4,592	(4,592)
TOTAL	**44,106**	**(43,148)**	**31,745**	**(31,085)**

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 2019 and 2018 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2019	2018
Other revenue	3,082	1,458
S. Colombano Operations	621	539
Real estate income	956	903
Gains from standard operations	245	367
Other revenue and income	1,226	959
Software user license revenue	587	616
Revenue from extraordinary maintenance	5	355
Revenue from plant management	864	936
Services to third parties	1,480	1,500
Purification management	3,007	2,955
Group revenue	3,272	2,186
Seconded personnel	22	5
Energy efficiency	14,496	13,173
Standard contingent assets	16,029	37,267
Cesspit treatment	699	628
Sundry reimbursements	470	227
Grants - plants	997	1,308
Operating grants	6,519	13,536
TOTAL	**54,577**	**78,918**

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, mainly relating to the gas commodity.

There was a considerable decline in contingent assets compared to the previous year; in particular, in 2018 they included:

- 8,566 thousand euro, equal to the value of the provision for risks released in 2018 following the relief measure, which recognised to the Group the right to the repayment of registration tax paid following the assessment relating to the acquisition of the business unit from ENEL Distribuzione SpA;
- 8,982 thousand euro, essentially linked to the gas commodity, and resulting from the application of resolutions of the Authority, including the definition of natural gas seller relief methods, resulting from the redetermination of the k coefficient used to determine the price of the gas commodity for the service subject to additional safeguards (2.2 million euro).

8.4 RAW MATERIALS, CONSUMABLES AND MERCHANDISE

The item “Raw materials, consumables and merchandise” for the years ended 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2019	2018
Purchases of elect. raw materials	408,973	442,266
Purchases of gas raw materials	145,910	150,059
Purchases of inventories	4,488	2,572
Purchase of fuels and vehicle spare parts	1,295	1,361
Purchases of laboratory and chemicals	939	738
Changes in inventories of raw materials, consumables and merchandise	-3,161	-2,749
Certificates	24,852	18,705
Other purchases	5,853	6,154
Contingencies	1,373	10,345
TOTAL	**590,522**	**629,451**

The decrease is mainly due to the considerable reduction in electricity and natural gas costs, partially offset by the increased costs for Certificates.

8.5 SERVICE COSTS

The item “Service costs” for the years ended 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2019	2018
External maintenance services	29,297	23,598
Insurance, banking and financial services	4,723	4,760
Other services	14,165	11,062
Commercial services	428,665	364,787
General services	2,881	3,186
Financial statement certification	307	325
Board of Statutory Auditors	316	335
Directors	1,016	957
Miscellaneous costs	105	70
Rental expense	428	1,782
Rental fees	639	2,061
Easements	14	17
Service agreement charges	1,324	1,409
Business unit rental	546	554
Water diversion charges	72,444	72,732
Contingencies	1,858	2,225
TOTAL	**558,728**	**489,858**

The overall increase can basically be attributed to the item commercial services, which mainly includes the cost for electricity and gas transmission, which has increased significantly compared to the previous year and can be attributed to higher volumes and the increase in the distribution tariff only in the electricity sector; the natural gas distribution volume was up as well. Dispatching costs also rose, due to the electricity commodity.

8.6 PERSONNEL COSTS

The item “Personnel costs” for the years ended 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2019	2018
Wages and salaries	42,976	46,273
Social security costs	17,567	16,291
Employee termination benefits	3,439	3,530
Other costs	1,426	-369
TOTAL	**65,407**	**65,725**

As at 31 December 2019, the Group had 1,362 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 2019 and 2018 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2019	**2018**
Amortisation of intangible assets	11,257	11,773
Depreciation of property, plant and equipment	11,118	14,027
Depreciation of assets under concession	24,041	25,438
Depreciation of rights of use	2,156	-
Write-downs of property, plant and equipment	1,883	3,694
Provisions for risks	507	1,596
Write-downs of financial fixed assets	7,187	1,554
TOTAL	**58,149**	**58,082**

The amortisation/depreciation for 2019 is in line with the previous year, apart from the amortisation/depreciation relating to the rights of use which was not in the previous year as explained in more detail in the introductory notes to the Explanatory notes. Please refer to paragraphs 7.1, 7.2, 7.3 and 7.4 for the performance resulting from the investments made during the year.

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

The provisions for risks for the year, amounting to 507 thousand euro, includes a provision of 200 thousand euro for the irrigation consortia subsidised energy provision and a provision of 307 thousand euro in relation to the overall replacement of the first generation analogue gas counters.

The write-down of financial assets of 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 2019 and 2018 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2019	**2018**
Write-down of accounts receivable recognised to current assets	4,597	2,782
Credit losses	428	196
TOTAL	**5,025**	**2,978**

8.8 OTHER OPERATING COSTS

The item "Other operating costs" for the years ended 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2019	**2018**
Energy efficiency charges	14,177	12,860
Standard contingent liabilities	2,161	6,300
ICI (local property tax)	4,103	4,075
Miscellaneous costs	2,174	1,970
Municipal charges and agreements	1,695	1,756
Cts/social security fee	172	935
Other taxes	819	801
TOSAP/COSAP	983	674
Losses from standard operations	207	2,172
Other costs	1,240	1,469
TOTAL	**27,731**	**33,013**

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".

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 2019 and 2018 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2019	**2018**
Dividends and other income from other companies	626	12
Revaluations of equity investments	5,724	7,811
Write-downs of equity investments and securities	(3,859)	(2,098)
Profits from equity investments in associates	75	
TOTAL	**2,566**	**5,725**

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.

The profits from equity investments in associates relate to the associate BioEnergia Trentino.

8.10 FINANCIAL INCOME AND CHARGES

The item "Financial income and charges" for the years ended 31 December 2019 and 2018 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
Financial income	2019	2018
Financial income from associates	113	99
Financial income from parent companies		
Financial income from other companies	785	418
Financial derivatives	37,035	85,239
Other		58
TOTAL	37,933	85,814

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
Financial charges	2019	2018
Financial charges due to associates	-	
Financial charges due to parent companies	(3)	
Financial charges due to other companies	(7,253)	(8,218)
Financial derivatives	(29,612)	(84,264)
Right of use interest expense	(274)	
Financial charges from discounting	(178)	(249)
Other	(113)	(114)
TOTAL	(37,433)	(92,845)

The items Financial income and charges for derivatives include the fair value, as at 31 December 2019, 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 2019 and 2018 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2019	2018
Current taxes	46,009	43,264
Deferred taxes	(1,019)	(2,458)
Prepaid taxes	(3,068)	(60)
Tax consolidation income/charges	(448)	(1,240)
Taxes from prior years	3,007	(110)
TOTAL	44,481	39,396

The reconciliation between tax charge as per financial statements and theoretical tax charge is shown hereunder for the years ended 31 December 2019 and 2018:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER			
	2019	%	2018	%
PROFIT BEFORE TAX	**154,119**		**148,349**	
ITheoretical income taxes	36,989	24,0%	35,604	24,0%
IRES	40,698	26,4%	38,277	24,8%
IRAP	5,311	3,4%	4,987	3,2%
Tax effect of permanent and other differences	(1,528)	-1,0%	(3,868)	-2,5%
TOTAL	**44,481**	**0**	**39,396**	**0**

9. Related party transactions

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

For the years ended 31 December 2019 and 2018, the main transactions with related parties concerned the following:

(in thousands of Euro)	AS AT 31 DECEMBER									
	2019					2018				
	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	DIVIDENDS RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	DIVIDENDS RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES
Dolomiti Edison Energy	801	5,100	-	2,785	192	681	7,656	-	1,900	57
SF Energy	1,316	-	-	1,177	-	351	-	-	1,535	-
TOTAL	**2,117**	**5,100**	**-**	**3,962**	**192**	**1,032**	**7,656**	**-**	**3,435**	**57**

(in thousands of Euro)	AS AT 31 DECEMBER															
	2019								2018							
	REVENUE			PURCHASES			FINANCIAL INCOME	FINANCIAL CHARGES	REVENUE			PURCHASES			FINANCIAL INCOME	FINANCIAL CHARGES
	Goods	Servi-ces	Other	Goods	Servi-ces	Other			Goods	Servi-ces	Other	Goods	Servi-ces	Other		
Dolomiti Edison Energy	824	1,215	-	12,255	-	-	113	-	918	1,146	-	10,905	-	-	90	-
SF Energy	-	2,031	-	6,247	-	-	-	-	-	1,529	-	3,699	-	-	-	-
TOTAL	**824**	**3,246**	**-**	**18,502**	**-**	**-**	**113**	**-**	**918**	**2,675**	**-**	**14,604**	**-**	**-**	**90**	**-**

10. Guarantees and commitments

The Guarantees and commitments in favour and undertaken by the Group as at 31 December 2019 and 2018 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
Guarantees and commitments in favour of third parties	2019	2018
Guarantees given to third parties	21,090	19,952
Financial commitments in favour of third parties	1,598	2,043
TOTAL	22,688	21,995

(in thousands of Euro)	AS AT 31 DECEMBER	
Guarantees received by third parties	2019	2018
Guarantees received by third parties in favour of banks for loans	115,500	115,500
Usage of signature facilities to issue bank/insurance guarantee	104,363	87,529
TOTAL	219,863	203,029

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 2019 and 2018 are broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2019	2019
Board of Statutory Auditors	316	335
Directors	1,016	957
TOTAL	1,332	1,292

12. Independent Auditors' fees

The following table shows the remuneration received by the independent auditors PricewaterhouseCoopers S.p.A. for the auditing services of the financial statements for the Group companies and the consolidated financial statements for the years ended 31 December 2019 and 2018, as well as remuneration for other services rendered to companies:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2019	2019
Audit	224	226
Other audit services	41	37
Remuneration for tax advisory services	-	-
Other services besides auditing	-	14
TOTAL	**265**	**277**

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 2019.

14. Significant events occurred after year end

The start of the year 2020 was characterised by performance levels in line with the previous year. Unfortunately, as is well known, starting from the second half of February, Italy was progressively affected by an extremely severe health crisis of epochal impact. The Group is monitoring the evolution of the highly complex situation due to the outbreak of COVID 19 (Coronavirus) not only in Italy but throughout the world and to the consequent severe repercussions that could affect the macroeconomic environment.

With regard to business performance, starting from the emergence of the crisis and in particular after the decrees of 8, 9 and 11 March the operating activity, which had already been performed carrying out a series of measures to safeguard workers' health, was limited to necessary activity to guarantee service continuity and, whenever possible, activities are performed in ways that allow their remote execution. Personnel not involved in essential activities or unable to work usefully from home were suspended using available welfare provisions. In any case, all prescriptions deriving from the various Decrees of the President of the Council of Ministers and of the national and provincial health authorities to minimise personal contacts have been adopted.

At present, it is impossible to quantify with sufficient reliability the economic and financial effects of the event, both because the duration of existing restriction is unknown and impossible to reasonably estimate, and because the short time elapsed between the start of the events and today's date has not yet allowed to fully measure its effects, which inevitably will be produced mainly in upcoming months.

For the Group, there will certainly be negative economic effects, even significant ones in some segments. In particular, energy and gas sales will certainly be negatively affected, not only by the drastic decline in sale volumes (due to reduced withdrawals by customers and/or to the definitive shut-down of businesses) but also by the need to re-sell on the market the volumes procured at fixed price, where this was the purchase and sale formula, at significantly lower prices recorded in recent weeks. There could also be a highly significant impact deriving from the increase in late and missed payments of invoices by end customers, in particular by the businesses that were most heavily hit by the crisis. The price collapse will inevitably also lead to a contraction in the revenue of the production activity, whose amount will depend on how long this situation will go on. The other segments appear to be less heavily impacted on the revenue side at this time, although the severe reduction in investments on the networks may have an effect on the evolution of the RAB and hence of future revenue. In general, for all Companies it will be necessary to assess the impact of the higher costs tied to the management of this emergency phase, which today are hard to assess.

Nonetheless, on the basis of the information available to date and the stress scenarios prepared on the 2020 budget, it is not believed that the possible negative impacts are such so as to compromise the capacity of the Group and the individual consolidated companies to continue to operate on a going concern basis.

Attachment A to the Consolidated Financial Statements

Consolidation area

(in Euro)

DOLOMITI ENERGIA HOLDING	type	Share capital euro	2019	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
Centraline Trentine	srl	3,000,000	100.00%	line-by-line
Dolomiti Energia Trading	spa	2,478,429	98.72%	line-by-line
Dolomiti Energia	spa	20,200,000	83.03%	line-by-line
SET Distribuzione	spa	119,158,772	69.60%	line-by-line
DTC	scarl	10,000	57.00%	line-by-line
HIDE	srl	5,000,000	60.00%	line-by-line
HDE	srl	3,000,000	100.00%	line-by-line
Neogy	srl	750,000	50.00%	equity
Sub Ivignl	srl	100,000	50.00%	equity
Dee	srl	5,000,000	51.00%	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

Rovereto, 27 March 2020

The Chairman of the Board of Directors
Massimo De Alessandri

Certification of the Consolidated Financial Statements

1. 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:

   - 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 2019 to 31 December 2019.

2. 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.

3. It is also certified that:

   3.1 the consolidated financial statements as at 31 December 2019:

   a) have been prepared under the applicable international accounting standards endorsed by the European Union, pursuant to EC Regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

   b) agree with the balances shown in the books and accounting entries;

   c) give a true and fair view of the equity, economic and financial position of the Issuer and all companies included in the consolidation

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

Rovereto, 27 March 2020

The Chairman
Massimo De Alessandri

The Head of the Administration Department
Michele Pedrini

Report on the Consolidated Financial Statement

Valsugana - Laghi di Levico e Caldonazzo
Fototeca Trentino Sviluppo S.p.A. - Foto Carlo Baroni

Board of Statutory Auditors' Report on the consolidated financial statements as at 31 December 2019

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

Dear Shareholders,

The consolidated financial statements as at 31 December 2019 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 2019, were prepared in compliance with the International Accounting Standards –IAS and the International Financial Reporting Standards – IFRS, issued by the International Accounting Standards Board (IASB), as well as by IFRIC and SIC interpretations, endorsed by the European Union pursuant to Regulations (EC) no. 1606/2002 and in force at year end.

The financial statements were prepared in compliance with Article 9, Paragraph 3 of Law Decree no. 38 of 28 February 2005 as amended.

In summary, in thousands of euro, the consolidated financial statements as at 31 December 2019 report Group profit for the year of 105,636 euro (including 72,189 euro pertaining to the Group), total assets of 2,159,800 euro and Group shareholders' equity of 1,111,785 euro (including 746,276 euro pertaining to the Group).

The measurements specifically concern:

- l'area di consolidamento;
- il metodo di consolidamento;
- la data di riferimento dei bilanci oggetto di consolidamento,

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 Solution S.r.l.
- Novareti S.p.A.
- Dolomiti Ambiente S.r.l.
- Dolomiti GNL S.r.l.
- Centraline Trentine 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 Investment Dolomiti Energia srl
- Hydro Dolomiti Energia S.r.l.
- NEOGY S.r.l.
- IVIGNL Srl
- Dolomiti Edison Energy 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 subsidiaries: Dolomiti Energia Solution S.r.l., Novareti S.p.A., Dolomiti Ambiente S.r.l., Dolomiti GNL S.r.l., Centraline Trentine 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 Investments Dolomiti Energia srl, Hydro Dolomiti Energia srl.
Consolidation was instead performed using the equity method for the associates: NEOGY Srl, IVIGNL Srl, Dolomiti Edison Energy 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..

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 2019 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 approva.

Trento, 10 April 2020

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 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 2019, 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 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

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

Key Audit Matters

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

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C .F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it

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 7.43 “Property, plant and equipment” of the explanatory notes to the consolidated financial statements as of 31 December 2019 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 2019 includes Euro 755.5 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. The Group depreciates its “assets transferable for free” in order to complete the related depreciation process within 31 December 2023, considering the necessary time reasonably expected to complete the public tendering procedures by the grantor. The Group is waiting for the promulgation of the provincial law, which will	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 2020-2022 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 held by HDE 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. Furthermore, with the support of PwC network’s experts, we examined the discount rate used in the impairment test and carried out sensitivity analysis for the significant assumptions adopted by the directors in order

pwc

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
clarify and regulate the details to evaluate the accounting impacts, if any, of the indemnity envisaged for the investments of the concession-holder in such assets. With reference to the assets related to the hydroelectric plants that are not transferable for free, the Group, already in the prior years, interrupted the depreciation whenever the book value of these assets was lower than the reimbursement value estimated by the directors for the outgoing concession-holder. Even in the absence of impairment indicators, as of 31 December 2019 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.	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.
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 financial statements at 31 December 2019.* Revenue from the sale of electricity and gas realised by the Group in the year ended 31 December 2019 derives for 69% 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 Italian Regulatory Authority for Energy, Networks and Environment (*Autorità di Regolazione per l'Energia Reti e Ambiente - 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	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

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
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.	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;

pwc

- 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 2019, 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 operat9ons with the consolidated financial statements of Dolomiti Energia Group as of 31 December 2019 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 2019 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, 9 April 2020

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.

www.gruppodolomitienergia.it

Holding Dolomiti energia