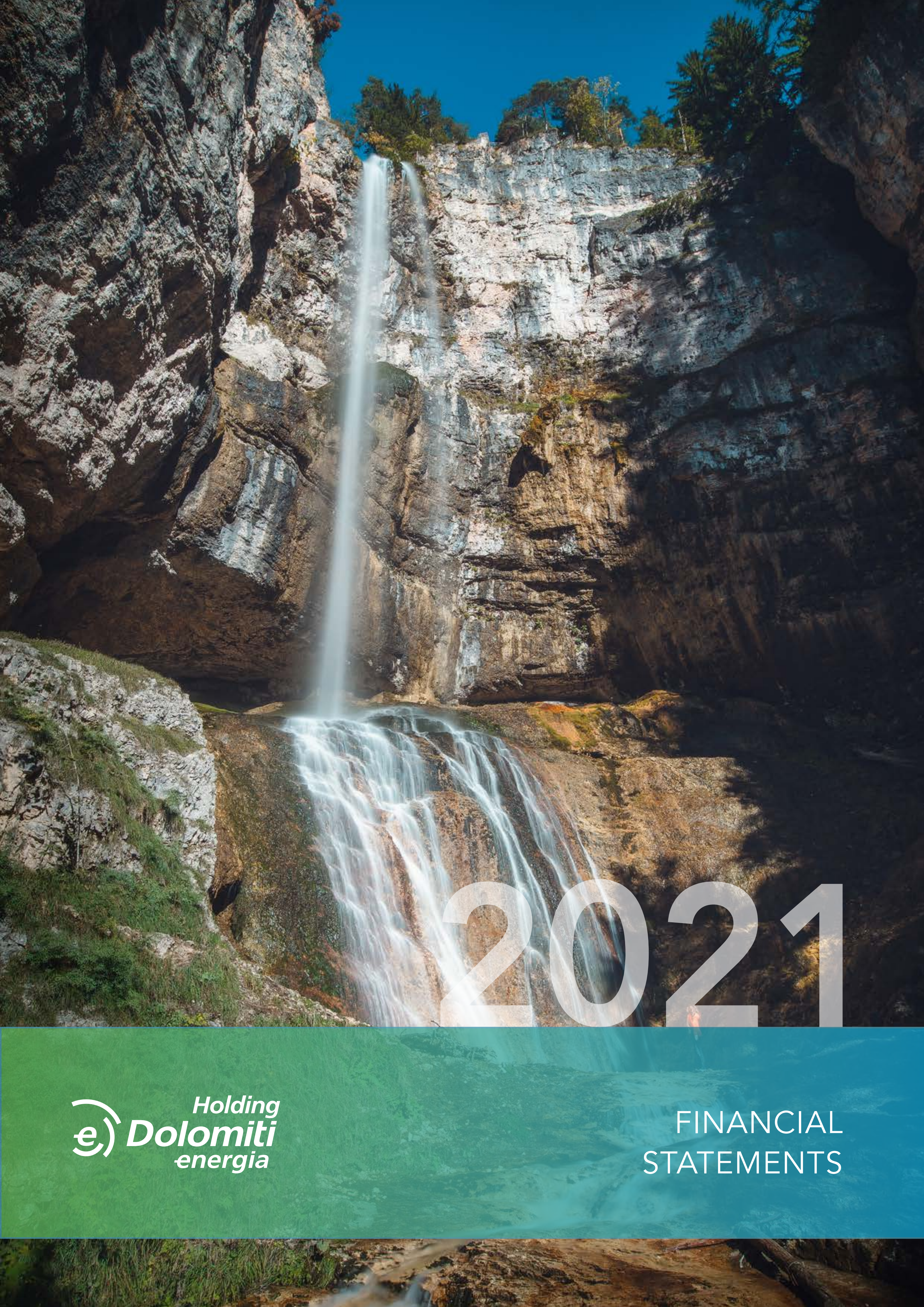

2021

Holding Dolomiti energia

FINANCIAL STATEMENTS

On the cover: Tret Waterfall, Valley of Non
Dolomiti Energia Group Archive, Photo by Tommaso Prugnola

FINANCIAL STATEMENTS
2021

DOLOMITI ENERGIA HOLDING SpA

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

FINANCIAL YEAR

As at 31 December 2021

BOARD OF DIRECTORS	**Chairperson** De Alessandri Massimo **Deputy Chairman** Franceschi Giorgio **Chief Executive Officer** Merler Marco **Directors** Fedrizzi Massimo Decarli Paolo Tomasi Chiara Salvetti Daniela Arlanch Silvia Canteri Simone Stenico Eleonora Rossi Giorgio D'Alonzo Fabio
BOARD OF STATUTORY AUDITORS	**Chairman** Iori Michele **Statutory Auditors** Bonomi William Dalbosco Maura
INDEPENDENT AUDITORS	**PricewaterhouseCoopers SpA**

Board of Directors and Board of Statutory Auditors appointed on 30 April 2021

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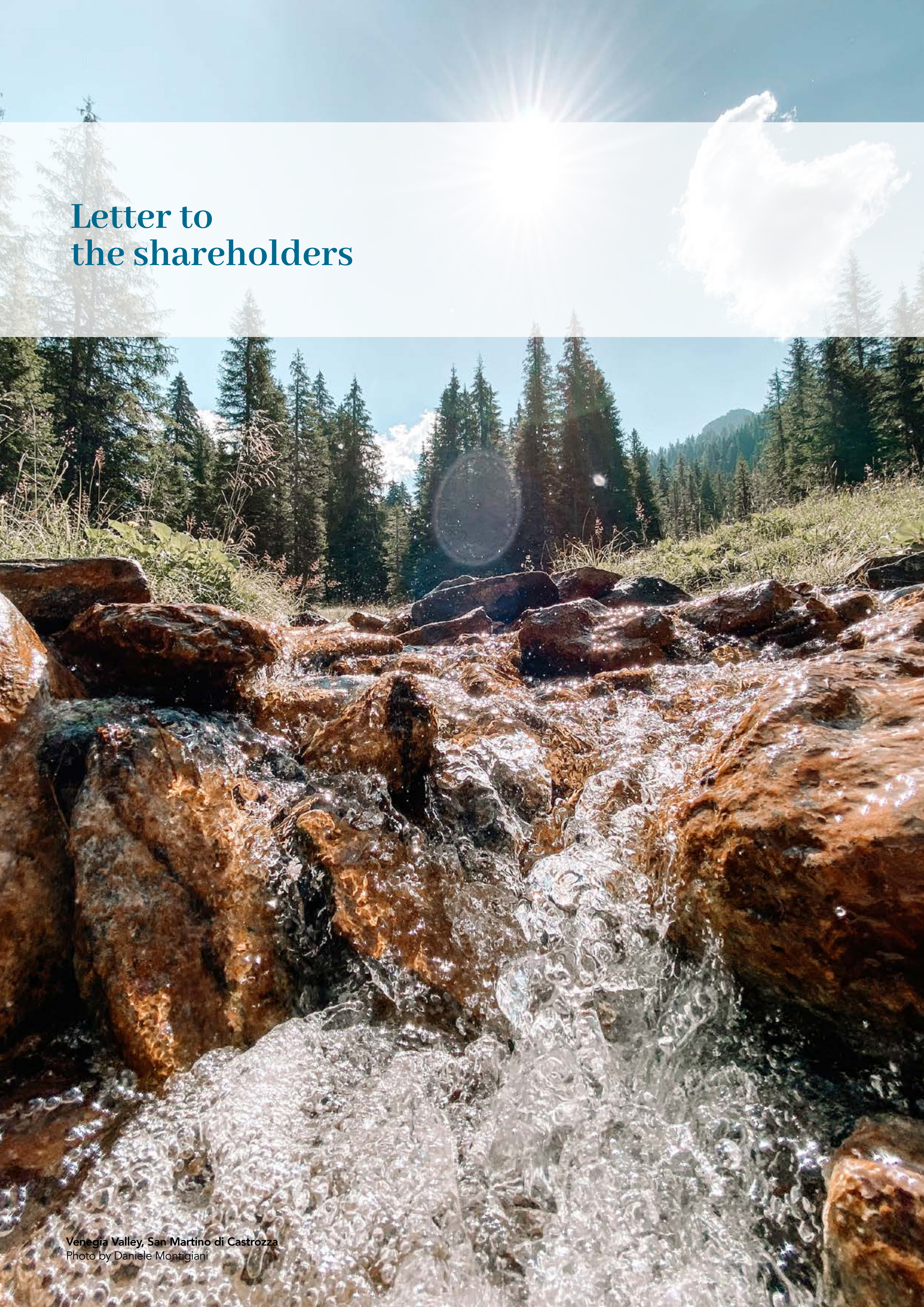
Letter to the shareholders



Venegia Valley, San Martino di Castrozza
Photo by Daniele Montigiani

Dear Shareholders,

The financial year just ended was marked worldwide by the continuing effects of the pandemic, but above all it was heavily influenced by the anomalous trend of the energy markets, particularly marked in the second half of the year, leading to energy commodity prices reaching unprecedented levels. The geopolitical turmoil that has developed following the conflict in Ukraine in recent months is generating major repercussions on the recovery of the global economy and on the entire energy supply chain, further amplifying price tension and creating the prerequisites for a real energy shock.

Your Company implemented numerous measures, in compliance with imposed limits, to guarantee the accessibility to supplies, the continuity of services and the protection of workers' health. In particular, the Group continued with remote working, maintaining activities to protect the health of employees and to limit the spread of infection. Activities of the psychological listening desk for employees also continued.

Concrete economic support actions targeted customers by applying the provisions of the Social Bonus, while aid to the local community and to the most vulnerable were supported with dedicated initiatives such as Etika and Sinergika. Lastly, 250,000 euro were donated to the solidarity fund "InFondo Hope", aimed in particular at families and individuals in temporary economic hardship due to job loss.

THE MACROECONOMIC CONTEXT

In the first half of 2021, the global economy experienced sustained growth, recording a significant recovery after the decline in 2020. In the last part of the year, the heightening of tension on the supply chains on the one hand and the increase in the prices of raw materials and energy products on the other led to a general slowdown in the growth rate, more consistent in the Eurozone.

In this context, the Italian economy recorded growth of +6.6%, a consequence of the decisive recovery in production after 2020, which had reached -8.9% due to the effects of the health emergency. Forecasts at the beginning of the year which had been positive as regards GDP growth also for 2022, albeit with values lower than 2021 (+4.3% for Europe and +3.7% for the USA), will certainly be negatively affected by the consequences of the geopolitical crisis that is involving Europe.

Inflation started to rise again in all the major world markets, driven by the higher prices of raw materials and energy commodities. Consumer price increases in the USA hit 7% in December, the highest level since the 1980s, while in the Eurozone they reached 5%, the highest value since the launch of the Monetary Union. In Italy in 2021, inflation recorded the largest increase since 2012 (+3.0%) and this level is forecast to remain high at least throughout 2022.

Also as a result of this price rise, the Federal Reserve reduced its monthly securities purchase target and announced future rate hikes, as did the Bank of England. The ECB is also expected to head in this direction given the level of market instability at present.

Positive signals come from the labour market in Italy, which in 2021 recorded a general recovery in permanent recruitments, number of hours worked and employment rates.

Uncertainty about the future trend remains very high, both due to the as yet immeasurable consequences of the Ukrainian conflict, and to the effects of price increases seen in many segments that cannot be absorbed by companies for very long and which, transferred to final sales prices, will lead to an inevitable cooling of demand.

THE ENERGY MARKET

The energy market in 2021 was characterised by an absolutely unpredictable trend in gas and electricity prices, unprecedented at any time in history, which led to totally unexpected absolute values up to 4/5 times those ordinarily recorded.

Electricity consumption in Italy in 2021 stood at around 318 TWh, up 5.6% compared to 2020, and were satisfied from production deriving for 51% from thermal sources (excluding biomass), 36% from renewable sources and 13% from the foreign balance.

Among renewable energies, the largest contribution came from hydroelectric (46 TWh of production, representing 40% of total renewable sources). In second place is photovoltaic (25 TWh produced, equal to 21% of the total), followed by wind (21 TWh, equal to 18% of the total), biomass (18 TWh, equal to 16% of the total) and geothermal (6 TWh, equal to 5% of the total).

Net domestic production increased by 2.4% overall compared to 2020.

Natural gas consumption in Italy increased by 7.2% in 2021 compared to the figure recorded in 2020, reaching around 76 billion Sm3, with a further decline in national production (-18% compared to the previous year) which consolidates the reduction in the period from 2010 to 2021 at over 60%.

As regards natural gas supply sources, Russia is still the largest with 40% followed by Algeria with 29% and the new import source through the TAP gas pipeline with 10%, which compensates for the sharp reduction in gas from Northern Europe.

LNG imports through the regasification terminals of Rovigo, Panigaglia and Livorno in 2021 reached 9.8 billion Sm3 (12.6 billion Sm3 in 2020).

Natural gas prices have grown very rapidly to reach values never seen in the course of history, from an average 9 €/MWh in 2020 to about 45 €/MWh on average in 2021, in the last part of the year even exceeding the psychological threshold of 100 €/MWh in relation to the risk of gas unavailability for the winter period.

Likewise, electricity prices saw a sharp rise, particularly in the second half of the year, reaching levels never before recorded in Italy and Europe, with an average increase of +221% year on year and, starting from July, mainly due to the price increase for natural gas and CO2, they gradually increased to record average values in December of more than +400% compared to the same period in 2020.

ECONOMIC AND FINANCIAL RESULTS

Despite the complex context in which the Group had to operate, the final economic and financial results in 2021 proved solid and essentially stable, though down compared to the previous year. Consolidated EBITDA amounted to 206.9 million euro, down 12.9% compared with the previous year's results, although it should be remembered that the 2020 figure was positively affected by some non-recurring items and in particular by the one-off accounting effects (of 14.0 million euro) resulting from the consolidation of Dolomiti Edison Energy.

Group net profit totalled 90 million euro, down 7.8% compared to the previous year due to diversified dynamics within the various business units of the Group which recorded: difficulties for the sales division penalised by the price scenario, but good results hydroelectric production division, despite the reduced production, also thanks to the higher average selling price and in spite of sales arranged in advance to hedge the risk of price fluctuations.

The net financial position of the Group was 696.2 million euro, a strong increase compared to the figure recorded in 2020. This growth is due, in addition to the important investment policy implemented that saw total technical investments rise to 105 million euro, to the physiological increase in the need for working capital in the face of the sharp increase in unit prices of gas and electricity sold to customers, but above all to the exponential growth in the fair value of derivatives stipulated to hedge production which went from 29.8 million euro in 2020 to a value of 210.7 million euro following the price surge recorded in particular in December 2021.

Despite the sharp increase in the net financial position compared to the previous year, which is believed will reverse as soon as this market phase is over, the NFP-EBITDA ratio is 3.4 which, though down compared to last year, is in line with the best market benchmarks and such as to allow a safety margin to buffer the significant macroeconomic impacts linked to the current situation and the effects of regulatory countermeasures.

On 3 September 2021, the Board of Directors approved the update to the Group Business Plan for the period 2021-2024 to take into account the external scenario that has changed profoundly compared to the previous year.

The results achieved in 2021, coupled with a balanced financial structure and the willingness to create value, make it possible to propose the distribution of a dividend of 0.10 euro per share for a total of about 38.5 million euro, with a ratio of dividends over net profit of the Parent Company equal to 72.7%. As everyone knows, dividends will mostly benefit the communities and support the economic fabric of Trentino.

EVENTS

As regards industrial activities, during the year, we continued to monitor market opportunities to define and expand the Group's scope of activities, also through agreements that consolidate operations and acquire technical and operational know-how that is useful for the future. In this regard, it is worth mentioning the acquisition of 33% of the share capital of EPQ, a company active in the field of flexibility and energy management services, and the establishment of Dolomiti Transition Assets, a company dedicated to investments in renewable source energy plants, energy communities and storage. Later in 2021, a new partnership was finalised to develop the green hydrogen supply chain in the Province of Trento.

The process of growth through territorial and business integrations continued with the acquisition of electricity distribution grids in the Municipality of Castello Molina di Fiemme as part of SET. After the major renovations, the industrial zone cogeneration plant in Rovereto was also put into service, which powers the district heating network of the city.

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

Furthermore, to deal with the climate change taking place in recent years, in 2021 initiatives continued to ensure network security and resilience, particularly for electricity distribution and on networks in general, which are now more at risk than ever due to extreme weather events.

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

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

THE FUTURE

The energy crisis will impact global economies throughout 2022, slowing the recovery of economic activities. Thus, the Group will have to operate in a national scenario whose recovery will be dependent on the outcome of the crisis and resulting regulatory countermeasures, which will continue their depressive impacts as long as the situation remains unstable.

Despite this difficult context, the Group will continue implementing the actions set out in the Business Plan, while continuing in its commitment to assess the impacts of the scenario as it develops and continuing with all the necessary actions to mitigate the inevitable negative effects that will arise.

The activities of putting in place the technical and financial elements and the competencies necessary for participating in the tenders scheduled for renewal of the concession for gas distribution within the Trento Province and for assignment of the concessions for the large hydroelectric connections will continue during 2022. For the former, the deadline for calling the tender has been postponed to 31 December 2022, and for the second the termination date of concessions for large diversion plants has been postponed to 31 July 2024.

In parallel, the Group will continue to analyse opportunities present in the market to increase the scope of its activities by participating in other area tenders and/or with extraordinary transactions such as acquisitions and corporate agreements in line with the objectives and guidelines defined in the Business Plan.

During the year, plant investments will be increased to ensure the continuous improvement of the quality of services offered to users, to increase network resilience and for the development of digitisation. The measures to revise the operating processes aimed at increasing the overall efficiency, also by implementing Work Force Management tools to support the planning and management of activities in the field by operations personnel, will also continue.

The long-term plan for mass replacement of the water and gas metres will continue, and the 2G project will go live with the installation of second generation metres which will provide new functionalities.

Consistent with the Group's objectives in 2022, in a context with a high level of risk and variability, the company is called upon to plan future energy accessibility and safety for the communities it serves, as well as to make its own contribution to achieving the energy transition goals, with responsibility for ensuring the continuity of services essential to everyday life.

Pursuing the satisfaction of shareholders, our customers, employees and all the stakeholders, together with the need to protect our natural resources and improve our present and future impact on the environment and on people will remain the Group's key objectives in the constant commitment of the entire organisation in order to generate shared value and a better future for all.

Also on behalf of the Board of Directors, I would like to thank all employees and workers of the Group for the skills and commitment that they employ in their work every day. Thank you for your dedication and responsibility which, also in this difficult situation, have continued to guarantee the supply of essential services, with our traditional efficiency.

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

Lake Ledro, Valley of Ledro
Dolomiti Energia Group Archive, Photo by Tommaso Prugnola

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

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

Significant events during the year

GENERAL ECONOMIC TRENDS

After a first part of the year in which the global economy saw quite a sustained growth, recording the expected significant recovery after the decline in 2020, the last part of the year saw not only a rise in infections but above all the persistence and heightening of supply chain tensions on the one hand and the increase in prices of raw materials and energy products on the other, leading to a general slowdown in growth, more marked in the Eurozone.

In this context, expectations are for significant GDP growth in all major world economies, usually stronger in emerging countries. According to the forecasts made available by the Banca d'Italia (source: Banca d'Italia Bulletin No. 1-2022, Table 2) this growth should be 5.6% for the USA, 5.2% for the Eurozone and 6.9% for the United Kingdom, though the latter had recorded the strongest decline in 2020 (of 10%). Expectations for 2022 also remain positive, albeit with values below those of 2021 (+4.3% for the Eurozone and +3.7% for the United States), even taking into account that these forecasts are impacted by consequences not yet fully defined as regards the geopolitical crisis heavily affecting Europe as a result of Russia's military operation invading Ukraine.

Inflation has started to rise again in all markets, affected by growth in demand, the scarcity of supply, particularly in some sectors, following problems in the supply of certain intermediate components, and rising prices in the energy sector. Price increases in the USA reached 7% in December, the highest level since the 1980s, while in the Eurozone it reached 5% which represents the highest value since the launch of the Monetary Union. In Europe, a significant portion of this increase is attributable to the energy component (source: Bank of Italy Bulletin No. 1-2022, Figure 9, page 16). Overall, inflation was 2.6% in 2021, up from

0.3% in 2020, and the forecast is that this level will remain high at least throughout 2022.

Also as a result of this price increase, particularly accentuated in the energy commodities sector, the normalisation of monetary policies began, albeit gradually. In particular, from November 2021 the Federal Reserve began reducing the monthly target for the purchase of securities and announced future rate hikes in 2022 and in 2023. Similarly, in December the Bank of England increased benchmark rates by 0.25 and warned of the possibility of future increases. The ECB is also expected to proceed in this direction even if at the meeting of 16 December 2021 the Executive Council confirmed the level of benchmark rates and stressed that a high degree of flexibility in monetary policy is necessary, given the strong level of market uncertainty and instability, declaring itself ready to adapt all its instruments, as appropriate and in any direction.

In Italy, too, growth continued at a brisk pace until the third quarter and then recorded a sharp slowdown in the last part of the year due to the return of pandemic waves on the one hand and the aforementioned phenomena of supply difficulties and steep price increases in raw materials and energy commodities on the other. Positive signals come from the labour market which recorded a general recovery of all indicators (permanent recruitments, number of hours worked, employment rate).

As in the previous year, uncertainty about future trends remains very high, due to the inability as yet to assess the repercussions of the ongoing conflict between Russia and Ukraine on the European market and the effects of price increases in many sectors (raw materials, energy, sea freight, transport in general) which, if in an initial phase they are not generally and widely transmitted to consumer prices, they cannot be absorbed by companies for too long given the risk of triggering significant price tension.

GROUP ACTIVITIES

Again in 2021, the Group was heavily conditioned by the spread of the pandemic originating from the Coronavirus which, as we all know, showed quite an irregular trend throughout the year with a critical phase in the early months, improvement during the middle months and a new wave of infections in the last few months of the year. The implementation and monitoring of all activities envisaged by regulations and protocols signed between corporate bodies (supply of PPE, distancing, use of smart working, etc.) continued throughout the year in order to contain the distalia spread of the virus as much as possible, while at the same time ensuring the functioning of the organisation, also taking into account the importance of services provided by the Group companies.

Starting from mid-October, the obligation to possess the Covid-19 Green Pass was introduced for access to the work premises. This regulatory change led to some organisational changes on the one hand, introducing a series of controls required by law and, on the other hand, led to a number of other problems that have been adequately managed, due to the temporary unavailability of some staff not in possession of this Pass and therefore not allowed access to the workplace.

As already mentioned last year in this context, our heartfelt thanks go to all the Group's staff for their support and willingness to deal with this situation, now ongoing on for many months and, hopefully, we should see an end to the emergency during 2022.

2021 was also characterised by an unpredictable skyrocketing of prices on the energy commodity markets, with unprecedented proportions and speed of change. As better explained below, over just a few months, starting from June-July, the price of natural gas on the European markets, and consequently also in Italy, and the price of electricity reached very high levels, off the charts with respect to historic trends. In particular, gas on the spot markets (TTF) in December exceeded the average monthly price by over 110 €/MWh (compared to a maximum of just over 30 recorded in the years 2005-2020), while the PUN reached an average value of 281 €/MWh, almost three times the maximum of 99 €/MWh previously recorded in October 2008. These increases are even more pronounced if we consider that in 2020 the minimum market values were reached in May-June with values of 5 €/MWh for gas and 20 €/MWh for electricity, respectively. This scenario inevitably had a strong impact on the Group's results as will be described in greater detail later.

The market context outlined in the previous paragraph had an opposite effect on the Group's activities exposed to market risk, leading on the one hand to an improvement in the results of hydroelectric production activities, even if partially reduced by the low production recorded in the last quarter due to a near-zero precipitation, while on the other it severely penalised commercial activities for the sale of electricity and gas due to the difficulty in transferring all the price increases to the final customer and the abnormal effects these increases had on certain commercial mechanics (for example, imbalance costs rather than offers with a percentage discount). Despite this articulated and complex context, the year closed with very positive consolidated financial results, albeit down overall compared to 2020. As shown in more detail below, consolidated EBITDA amounted to 206.9 million euro, down 12.9% compared with the 2020 results, although it should be remembered that the 2020 figure was positively affected by some non-recurring items and in particular by the one-off accounting effects resulting from the consolidation, as of 1 July 2020, of Dolomiti Edison Energy, which produced a positive non-recurring component of 15.5 million euro. The Group net profit amounted to 90.0 million euro, down 7.8% compared to the previous year. As mentioned previously, this result is due to diversified dynamics within the various business units of the Group: unlike the previous year, the results of hydroelectric production were good, despite the reduced production recorded in particular in the final part of the 'year, thanks to the higher average selling price, including sales arranged in advance to hedge the risk of price fluctuations. Vice versa, the results of the sales division were negative, penalised by the price scenario.

The net financial position of the Group, calculated as the algebraic sum of the nominal value of financial receivables and payables, is equal to 696.2 million euro, a strong increase compared to the figure recorded in 2020. This growth is due not only to the important investment policy that saw total technical investments rise to 105 million euro in the year, and the physiological increase in the need for working capital in the face of the sharp increase in unit prices of gas and electricity sold to customers, but above all to the exponential growth in the fair value of derivatives stipulated to hedge production which went from 29.8 million euro in 2020 to a value of 210.7 million euro following the price surge recorded in particular in December 2021.

Despite the sharp increase in the NFP compared to the previous year, which is believed will fully reverse as soon as this market phase is over, the NFP-EBITDA ratio is 3.4, a value which, albeit up strongly compared to last year, is in line with market benchmarks and such as to allow a safety margin to buffer the significant macroeconomic impacts linked to the current situation and the effects of the measures mentioned in the section "Business outlook".

On 3 September 2021, the Board of Directors approved the update to the Group Business Plan for the period 2021-2024 to take into account the external scenario that has changed profoundly compared to the previous year.

In 2021, the Internal Audit Department completed its 2019-2021 development road map for the new internal audit model, based on the analysis and assessment of the material risks of the Dolomiti Energia Group and the increasingly strong push towards new digital continuous auditing tools, with the aim of increasing the efficiency and strengthening the organisation and control system such as the set of controls to prevent, reduce, mitigate, monitor and manage risks associated with 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 2021, characterised by control system strengthening initiatives and audit activities to ensure the effectiveness, compliance and improvement of company provisions, reporting on the findings, the progress of follow-up on the action plan and audits, and the results and benefits of initiatives to constantly update the business model. The 2021 plan in particular focused on action relating to the management of energy commodity price risk, the risk-based rationalisation of the sales process, controls adopted to guarantee business continuity in the gas distribution sector, actions taken to address the risks associated with tenders for the renewal of hydroelectric concessions, strengthening of the personal data protection model, updating of the assessment and management tools for the Company's material risks, with particular focus on physical and transition risks linked to climate change and on risks inherent in corporate IT security, and lastly to fraud prevention measures in the context of the corporate sales and purchasing cycle, also through digital continuous auditing tools.

During the year the company's Supervisory Body, appointed to monitor the adequacy, effectiveness and compliance of the Organisational 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. In 2021, the Supervisory Body also kept a close watch on the response to the health emergency, reporting important action taken by the Company and the Group both in terms of the measures put in place and the control activities carried out to verify compliance.

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

DOLOMITI ENERGIA HOLDING

As already mentioned in the 2020 financial statements, the sale of the investment in PVB Power Bulgaria was completed in February 2021.

Note that the Shareholders' Meeting of 15 November 2021 approved an amendment to the Articles of Association in which, at the request of the relative majority shareholder, a pre-emption clause was added in the event of the transfer of shares to parties other than the current shareholders. This change, based on the provisions of the Italian Civil Code, led to the withdrawal of one shareholder who did not participate in approval of the resolution, for an interest equal to 1.2% of the share capital, acquired in the early months of 2022 by other shareholders in accordance with the procedure envisaged in art. 2437-quater of the Italian Civil Code.

On 4 May 2021, DEH signed a loan agreement for 100 million euro with the European Investment Bank (EIB) to support the Group's 2021-2024 development plan. The funds will support the Dolomiti Energia Group in projects for the expansion, modernisation and enhancement of the electricity distribution networks, installation of smart and second-generation meters, renewal and increase in the performance of existing hydroelectric plants, efficiency improvements to public street lighting and upgrading of the operating efficiency of the water networks.

In July 2021, the maturity of the bond called "€ 7,540,000 Subordinated Floating Rate Notes due 2029" issued by the Company and listed on the Irish Stock Exchange was extended to 1 August 2029.

In May 2021, DEH entered the ownership structure of EPQ with an interest of 33% in its share capital. At the same time, the shareholders of EPQ entered with a 33% stake in Dolomiti Transition Assets, the newco of the Dolomiti Energia Group dedicated to investments in renewable source energy plants, energy communities and storage. The transaction offers the option of increasing the equity interest of the Dolomiti Group in EPQ on fulfilment of a series of conditions. The objective of this transaction is to jointly develop the mix of services offered in the field of flexibility and energy management, sectors in which EPQ is one of Italy's leading operators.

In July 2021, DEH acquired 25% of the share capital of Tecnodata Trentina, a historic ICT Services and Solutions company specialising in the provision of Internet connectivity throughout the province of Trento, both to individuals and companies, including through the construction of radio transmission systems using FWA technology. The partnership aims to help narrow the digital divide between the various areas by bringing ultra-broadband connectivity to all areas of the province of Trento, including the most distant and low population density areas using fibre optic networks where possible (FTTC/FTTH) and, where this infrastructure is not yet available, relying on the Tecnodata infrastructure.

NOVARETI

During 2021, 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 2022.

Following the extraordinary transactions carried out at the end of 2020, from 1 January 2021 Novareti started the gas distribution activities previously managed by the Isera Municipal Authority and by STET spa (now Amambiente spa). From the same date, management of the Civezzano water supply system ceased and was entrusted to STET spa (now Amambiente spa).

DOLOMITI ENERGIA/DOLOMITI ENERGIA TRADING

The results of commercial activities and the sale of electricity and gas were heavily penalised by the price trends on the commodity markets. Unfortunately, the year closed with negative results in this sector, even if customer acquisition activity continued with positive results despite the difficulties linked to the pandemic and the market scenario, laying the foundations for a recovery in future years.

Note that from 1 July 2021, customers meeting the legal requirements (small businesses and customers with power above the 15 kw threshold) for access to the Enhanced Protection Service, provided by Dolomiti Energia from 1 January to 30 June 2021, were transferred to the operator awarded the tender for the Trentino area.

After transfer of the related business unit with effect from 1 January 2022, the Protection Service will also be provided in the Castello-Molina Municipal Authority.

In October 2021, Dolomiti Energia was awarded the CONSIP tender for the supply of natural gas to public administrations in the Emilia-Romagna, Friuli-Venezia Giulia, Veneto and Trentino-Alto Adige regions.

HYDROELECTRIC PRODUCTION

The preparation, analysis and assessment activities continued with a view to possible tenders for renewal of the concessions, although to date, as reported below, the regulations still do not appear to be fully defined.

SET DISTRIBUZIONE

The "SmartEcoMeter" project was launched for the complete replacement of electricity meters with the new "2G" system capable of readings every quarter of an hour for all users. Over the next few years, this programme will involve significant organisational and financial commitments from SET and the entire Group. The plan presented to ARERA for approval envisages completion of the mass replacement of meters by the end of 2025.

After transfer of the related business unit with effect from 1 January 2022, the electricity distribution service will also be extended to the Castello-Molina Municipal Authority.

DOLOMITI AMBIENTE

As better described below, Dolomiti Ambiente has filed a project with the Community of Vallagarina, with a public-private partnership formula, for management of the waste collection service in the area of the Community and in that of the Magnifica Comunità degli Altipiani Cimbri. This proposal received a statement of public interest from the Public Authority and release of the relative tender is now pending.

Dolomiti Energia Group Summary of economic, equity and financial positions

ECONOMIC POSITION

The consolidation scope of the Dolomiti Energia Group comprises 14 companies, which in detail are: in addition to the Parent Company Dolomiti Energia Holding, the subsidiaries Dolomiti Energia Solutions srl, Novareti SpA, Dolomiti Ambiente srl, Dolomiti Energia Trading SpA, Dolomiti Energia SpA, SET Distribuzione SpA, Depurazione Trentino Centrale Scarl, Hydro Dolomiti Energia srl, Dolomiti GNL srl, Dolomiti Energia Hydro Power srl, Gasdotti Alpini srl and Dolomiti Transition Asset srl (the last two consolidated for the first time in 2021).

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

(figures in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2021	2020	Difference
Revenue	2,062,118	1,270,076	792,042
Revenue from works on assets under concession	63,449	58,271	5,178
Other revenue and income	51,148	69,066	(17,918)
TOTAL REVENUE AND OTHER INCOME	**2,176,715**	**1,397,413**	**779,302**
Raw materials and consumables	(1,304,448)	(495,471)	(808,977)
Service costs	(503,393)	(522,990)	19,597
Costs from works on assets under concession	(62,151)	(57,072)	(5,079)
Costs for other operating charges	(35,063)	(36,736)	1,673
Personnel	(65,310)	(66,007)	697
OPERATING EXPENSES	**(1,970,365)**	**(1,178,276)**	**(792,089)**
Gains and expenses from equity investments	551	18,540	(17,989)
EBITDA - GROSS OPERATING MARGIN	**206,901**	**237,677**	**(30,776)**
Amortisation, depreciation, allocations and write-downs	(62,216)	(62,951)	735
EBIT - OPERATING RESULT	**144,685**	**174,726**	**(30,041)**
Financial (income)/charges	(6,845)	(4,629)	(2,216)
PROFIT BEFORE TAX	137,840	170,097	(32,257)
Taxes	(8,964)	(41,647)	32,683
NET PROFIT/(LOSS) FOR THE YEAR	128,876	128,450	426
Third-party result	38,883	30,849	8,034
GROUP RESULT	89,993	97,601	(7,608)

The total revenue and other income amounted to 2,177 million euro (1,397 million euro in 2020).

Operating costs amounted to 1,976 million euro (1,178 million euro in 2020).

Personnel costs totalled 65.3 million euro (66.0 million euro in 2020).

The gross operating margin (EBITDA), including income from equity investments, decreased compared to the previous year to 206.9 million euro (237.7 million euro in 2020). In percentage terms compared to total revenue and other income, it was 9.5% (17.0% in 2020).

Total amortisation/depreciation, allocations and write-downs of fixed assets amounted to 62.2 million euro (63.0 million euro in 2020), a minimal change on the previous year.

The equity investments result is a positive 0.6 million euro, decreasing strongly compared to the previous year when it amounted to 18.5 million euro. Last year's result primarily reflected the impact of the valuation of the investment in Dolomiti Edison Energy, which, as of 1 July 2020, is being consolidated line by line.

The EBIT obtained amounted to 144.7 million euro, versus 174.7 million euro in 2020.

Financial management shows a charge of 6.8 million euro, deteriorating compared to last year's charge of 4.6 million euro. The main components are represented by the interest on bonds and on the uses of bank credit facilities.

Income taxes for the year totalled 9.0 million euro (41.6 million euro in 2020) and take into account the deferred tax assets and liabilities as illustrated in detail in the Explanatory Notes.

A number of Group companies (SET, Novareti and Dolomiti Energia) applied the option envisaged in Article 110 of Italian Law Decree 104/2020 to release assets under concession and goodwill. The release led to a substitute tax charge of 3,922 thousand euro, the recognition of deferred tax assets for 26,172 thousand euro, the release of deferred tax liabilities for 5,093 thousand euro in relation to certain assets, overall resulting in a positive net effect of 27,343 thousand euro on profit for the year.

Consolidated net profit, net of minority interests, was 90.0 million euro (97.6 million euro in 2020).

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	2021	2020	Difference
ROE	Net profit/Equity	11.40%	12.10%	-0.70%
ROI	EBIT/Invested capital	3.50%	7.50%	-4.00%
ROS	EBIT/Turnover	6.60%	12.50%	-5.90%
EBITDA	Gross operating margin (thousands of euro)	206.901	237.677	-30.776
EBIT	Net operating margin (thousands of euros)	144.685	174.726	-30.041

All indicators are strongly affected by the increase in turnover due mainly to the price increases relating to both natural gas and electricity.

(figures in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2021	2020	Differenza
NET FIXED ASSETS			
Property, plant and equipment	1,636,958	1,587,494	49,464
Equity investments	80,594	69,992	10,602
Other non-current assets	105,424	36,619	68,805
Other non-current liabilities	(109,457)	(109,561)	104
TOTAL	**1,713,519**	**1,584,544**	**128,975**
NET WORKING CAPITAL			
Trade receivables	501,951	296,368	205,583
Trade payables	(342,372)	(234,576)	(107,796)
Tax credits/(payables)	6,472	1,444	5,028
Assets/(liabilities) held for sale	-	6,014	(6,014)
Other current assets/(liabilities)	64,199	101,036	(36,837)
TOTAL	**230,250**	**170,286**	**59,964**
GROSS INVESTED CAPITAL	**1,943,769**	**1,754,830**	**188,939**
SUNDRY PROVISIONS			-
Employee benefits	(16,626)	(18,207)	1,581
Provisions for risks and charges	(30,040)	(30,001)	(39)
Net prepaid taxes	(55,280)	(137,418)	82,138
TOTAL	(101,946)	(185,626)	83,680
NET INVESTED CAPITAL	1,841,823	1,569,204	272,619
SHAREHOLDERS' EQUITY	1,145,654	1,198,225	(52,571)
NET INDEBTEDNESS	696,169	370,979	325,190

EQUITY AND FINANCIAL POSITION

The Group's technical investments in 2021 totalled 105.7 million euro (87.7 million euro in 2020).

FINANCIAL AND EQUITY INDICATORS

Table of Contents	Formula	2021	2020	Difference
Hedging of net fixed assets	Equity + medium/long-term liabilities/net fixed assets	0.81	0.79	0.02
Debt ratio	Liabilities/Equity	4.31	1.88	2.43
Secondary liquidity ratio	Short-term assets/short-term liabilities	0.99	1.04	-0.05

Risk analysis - group objectives and policies on risk management

FINANCIAL RISKS

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

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

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

LIQUIDITY RISK

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

The main factors that influence the total liquidity of the Group are the resources generated or absorbed by the operations and the contractual characteristics of the loan.

Despite the recent strong tension in the commodity markets which have absorbed significant financial resources, the Group has an adequate supply of cash credit facilities to meet liquidity needs.

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 31/12/2021 is broken down as follows:

- 27% at fixed rate
- 12% hedged with derivative instruments (IRS plain vanilla)
- 61% at floating rate

COMMODITY PRICE RISK

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

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

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

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

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

REGULATORY RISKS

With reference to regulated sectors (operation of the environment and distribution networks), a Group structure named "Regulation of relations with Agencies-Authorities" is dedicated to continuously monitoring the progress of the reference regulations in order to assess their effects and mitigating them when possible.

Managing this risk implies the following activities:

- management of technical-institutional relations;
- technical-regulatory support towards the Group's operating structures.

With a view to continuous improvement, the Group has also developed a reporting system for regulatory fulfilments for the electricity and gas sectors.

The main regulatory risks identified can be summarised as follows:

- risks consequent to changes in domestic and European sector laws, and of regulations and interpretation of the competent Authority (ARERA, 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 e-business entities, 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 UNI ISO 45001:2018 standard 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 2021 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:

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

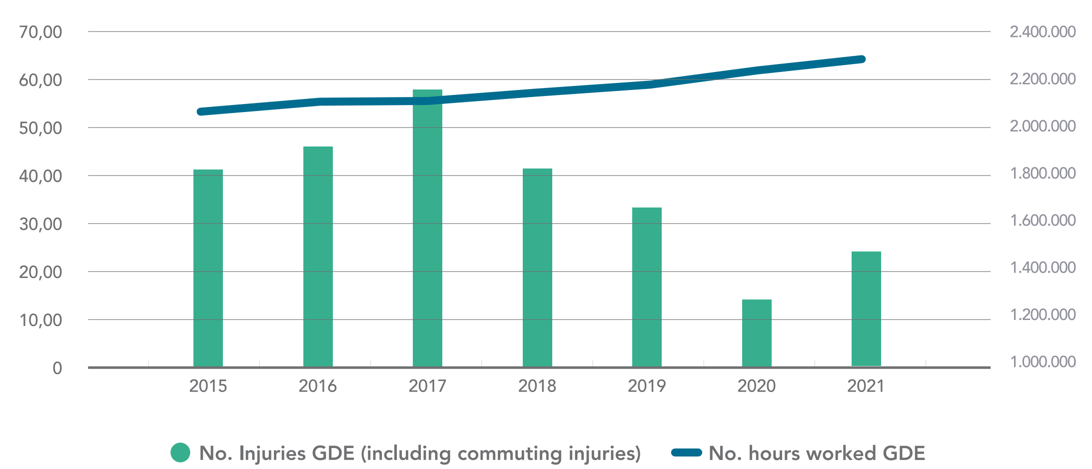
$$\text{SEVERITY INDICATOR (Ig)} = \frac{\text{no. workdays missed due to injury} \times 1{,}000{,}000}{\text{no. hours worked}}$$

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

For 2021 also, the procedure adopted for the calculation of workdays missed due to injury is that introduced in 2018, i.e. accrual in the year; therefore, the workdays missed due to injury that were considered are those actually measured during the year and thus also include the share of those accidents which, although occurring in the previous year, ended in the year under review.

The total number of accidents recorded in 2021 is higher than that of 2020 but below the average in previous years despite the increase in the number of workers employed and, consequently, the number of hours worked.

no. injuries/no. hours worked (including commuting injuries)



Dolomiti Energia Holding, Dolomiti Edison Energy, Dolomiti Energia Solutions and Dolomiti Energia Trading reported no accidents.

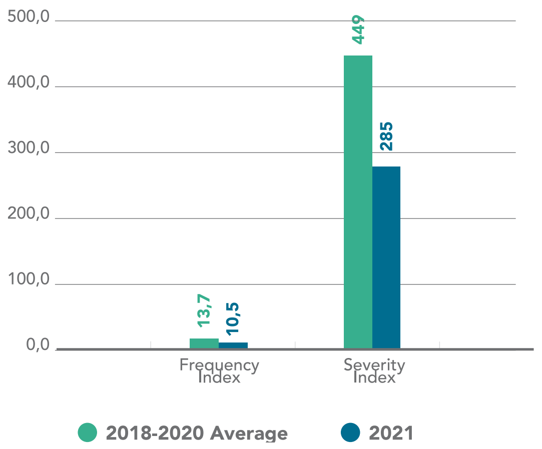
Dolomiti Energy recorded only one accident, when commuting.

The Group frequency indicator recorded in 2021 shows a clear improvement compared to the three-year period 2018-2020; the severity indicator also improved significantly.

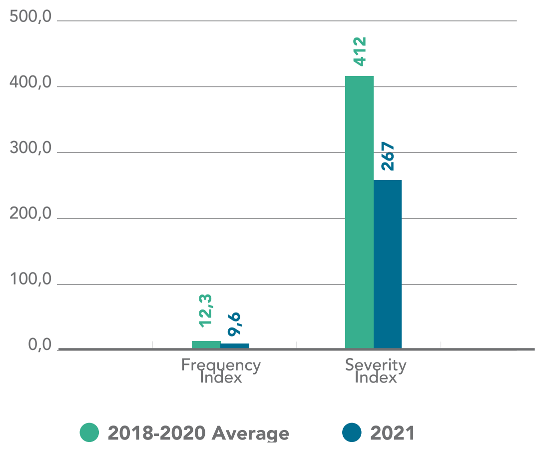
Considering all events (including commuting injuries), the 2021 frequency indicator was 3.2 points lower than the average value of the previous three-year period.

The severity indicator also improved by 164 points, from 449 in the three-year period 2018-20 to 285 in 2021.

Injuries Indicator (including commuting injuries)



Injuries Indicator (excl. commuting injuries)



The trend is also confirmed when injuries that took place when commuting are excluded.

In this case, the comparison with the previous three years confirms an improvement in the frequency indicator of 2.7 points compared to the average value of the previous three years.

The severity indicator also improved, from 412 in the three-year period 2018-20 to 267 in 2021.

Dolomiti Energia Holding Spa

SUMMARY OF ECONOMIC, EQUITY AND FINANCIAL POSITIONS

ECONOMIC POSITION

(figures in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2021	2020	Difference
Revenue	16,078	8,097	7,981
Other revenue and income	31,647	33,058	(1,411)
TOTAL REVENUE AND OTHER INCOME	**47,725**	**41,155**	**6,570**
Raw materials and consumables	(10,188)	(5,693)	(4,495)
Service costs	(22,194)	(20,829)	(1,365)
Costs for other operating charges	(1,868)	(2,223)	355
Personnel	(13,170)	(12,396)	(774)
OPERATING EXPENSES	**(47,420)**	**(41,141)**	**(6,279)**
EBITDA - GROSS OPERATING MARGIN	**305**	**14**	**291**
Amortisation, depreciation, allocations and write-downs	(9,379)	(8,541)	(838)
Gains and expenses from equity investments	51,902	59,420	(7,518)
EBIT - OPERATING RESULT	**42,828**	**50,893**	**(8,065)**
Financial (income)/charges	1,049	961	88
PROFIT BEFORE TAX	**43,877**	**51,854**	**(7,977)**
Taxes	1,421	1,147	274
NET PROFIT/(LOSS) FOR THE YEAR	**45,298**	**53,001**	**(7,703)**

Total revenue and other income amounted to 47,7 million euro.
Production costs amounted to 56.8 million euro (49.7 million euro in 2020) of which:

- personnel costs amounted to 13,2 million euro;
- amortisation, depreciation, allocations and write-downs amounted to 9,4 million euro.

The EBITDA was 0,3 million euro.

The EBIT, net of income and expenses from equity investments, had a negative value of 9,1 million euro.
Gains from investments amounted to 51.9 million euro (59.4 million euro in 2020).
Income from financial management was 1.0 million euro.
Income taxes for the year amounted to 1,4 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 45.3 million euro and decreased by 7.7 million euro compared to the result achieved in 2020.

EQUITY AND FINANCIAL POSITION

(figures in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2021	2020	Difference
NET FIXED ASSETS			
Property, plant and equipment	65,500	63,847	1,653
Equity investments	822,956	802,651	20,305
Other non-current assets	404	79	325
Other non-current liabilities	(42)	(537)	495
TOTAL	**888,818**	**866,040**	**22,778**
NET WORKING CAPITAL			-
Trade receivables	16,329	11,079	5,250
Trade payables	(17,324)	(14,958)	(2,366)
Tax credits/(payables)	6,989	(2,527)	9,516
Assets/(liabilities) held for sale		6,014	(6,014)
Other current assets/(liabilities)	(2,540)	3,323	(5,863)
TOTAL	**3,454**	**2,931**	**523**
GROSS INVESTED CAPITAL	**892,272**	**868,971**	**23,301**
SUNDRY PROVISIONS			-
Employee benefits	(2,862)	(3,197)	335
Provisions for risks and charges	(2,230)	(3,203)	973
Net prepaid taxes	7,915	9,529	(1,614)
TOTAL	2,823	3,129	(306)
NET INVESTED CAPITAL	895,095	872,100	22,995
SHAREHOLDERS' EQUITY	578,408	569,324	9,084
NET INDEBTEDNESS	316,687	302,776	13,911

Investments in fixed assets made by the Company in 2021 totalled 11.1 million euro (11.1 million euro in 2020).

Risk analysis - corporate objectives and policies on risk management

FINANCIAL RISKS

LIQUIDITY RISK

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

MARKET RISK

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

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

CREDIT RISK

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

OPERATIONAL RISKS

RISKS RELATING TO JOINT VENTURE AND PARTNERSHIP AGREEMENTS

The Company has 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

GENERAL PERFORMANCE OF THE ENERGY MARKETS

ELECTRICITY

According to the latest available final data (from Terna S.p.A.), electricity consumption in Italy in 2021 stood at 318,075 million kWh, an increase of 5.6% compared to 2020 (in 2019 the figure was 319,622 million kWh), broken down between the various sources as follows:

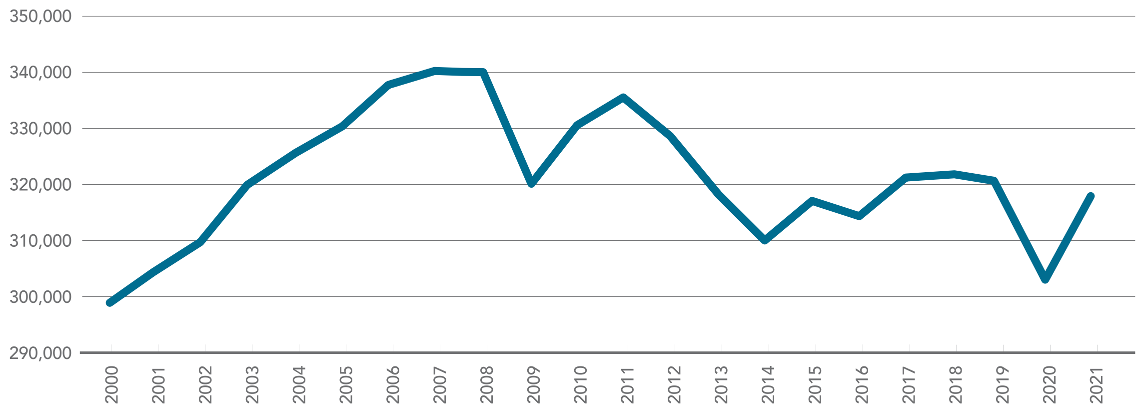
Millions of kWh

	2021	2020	% Change
Hydroelectric	46,317	48,952	-5.4%
Thermal	180,579	173,888	3.8%
of which Biomass	*18,232*	*18,063*	*0.9%*
Geothermal	5,526	5,647	-2.1%
Wind	20,619	18,609	10.8%
Photovoltaic	25,068	24,552	2.1%
TOTAL PRODUCTION, NET	**278,109**	**271,648**	**2.4%**
Import	46,564	39,786	17.0%
Export	3,771	7,586	-50.3%
FOREIGN BALANCE	**42,793**	**32,200**	**32.9%**
Pumps	2,827	2,668	6.0%
DEMAND IN ELECTRICITY (1)	**318,075**	**301,180**	**5.6%**

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

Net domestic production increased by 2.4% compared to 2020. Energy imports from abroad in 2021 increased by over 17% while exports fell by 50%, resulting in a foreign balance of 42,793 million kWh (net imports) (+32.9% compared to 2020).

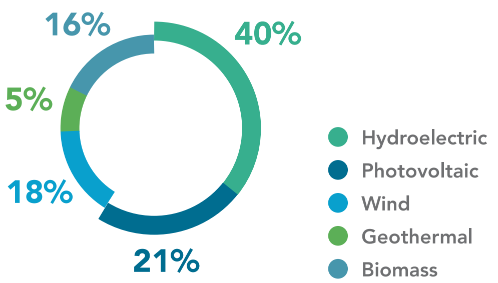
Consumption Italy (GWh)



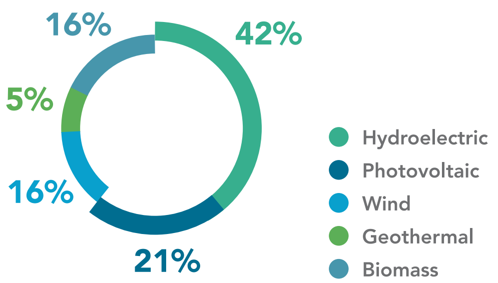
In 2021, 57% of Electricity Demand in Italy was met from thermal sources (58% in 2020), 30% from other sources (hydroelectric, wind, photovoltaic, geothermal), and the balance of 13% from abroad (11% in 2020). Renewable sources (also considering the share of the thermal source related to biomass) in 2021 produced 115.7 TWh, contributing 36% to the Energy Demand (37% in 2020), thermal sources, net of biomass, produced 162 TWh contributing 51% (52% in 2020) and the balance from abroad was 42.7 TWh, contributing 13% (11% in 2020).

Among renewable energies, the largest contribution in 2021 came from hydroelectric (46 TWh of production, representing 40% of total renewable sources). In second place is photovoltaic (25 TWh produced, equal to 21% of the total), followed by wind (21 TWh, equal to 18% of the total), biomass (18 TWh, equal to 16% of the total) and geothermal (6 TWh, equal to 5% of the total).

Breakdown of renewable sources 2021

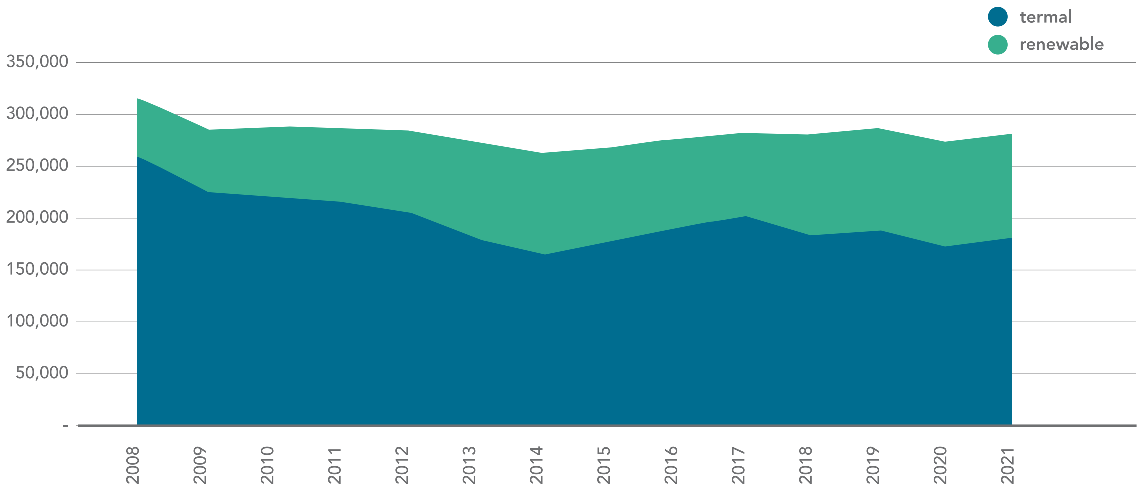


Breakdown of renewable sources 2020



The production of electricity from thermal sources, including biomass, amounted to 180.6 billion kWh produced, higher (+3.8%) than the 2020 figure of 173.8 TWh and lower than the average figure for the last ten years of around 185.5 billion kWh produced. As can be seen from the chart below, the decline of thermal sources coincides with the rapid rise of renewable sources (hydro, photovoltaic, wind and geothermal).

Historical trend of thermal production and renewable production (GWh)



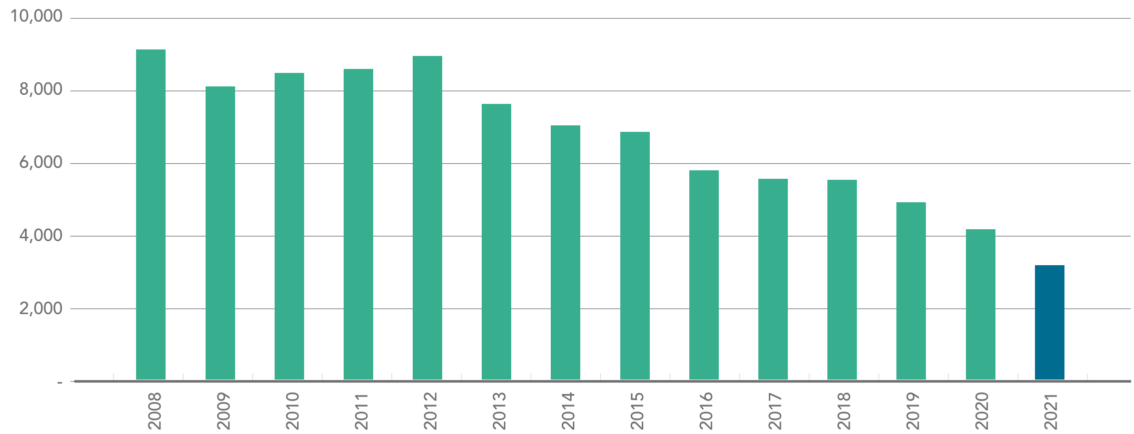
NATURAL GAS

Natural gas consumption in Italy increased by 7.2% in 2021 compared to the figure recorded in 2020, reaching approximately 76 billion Sm3.

Natural gas consumption Italy (MSmc)

Concerning gas procurement sources, the decline in domestic production was confirmed, with a reduction by over 60% from 2010 to 2021.

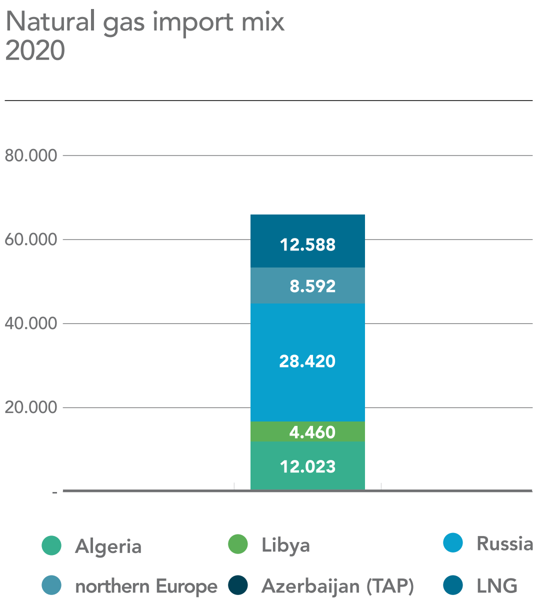
Nationatl production,
MSmc

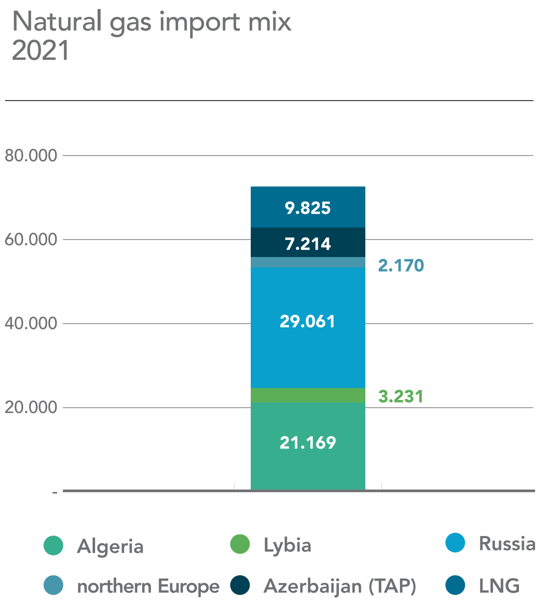


Consequently, imports of natural gas increased by 10% to 72.7 billion Sm3.

Import of gas,
MSmc

In country terms, Russia is still the largest supplier with 40% followed by Algeria with 29% and the new import source through the TAP pipeline with 10%, which compensates for the sharp reduction in gas from Northern Europe.





LNG imports through the regasification terminals of Rovigo, Panigaglia and Livorno in 2021 amounted to 9.8 billion Sm3 (12.6 billion Sm3 in 2020).

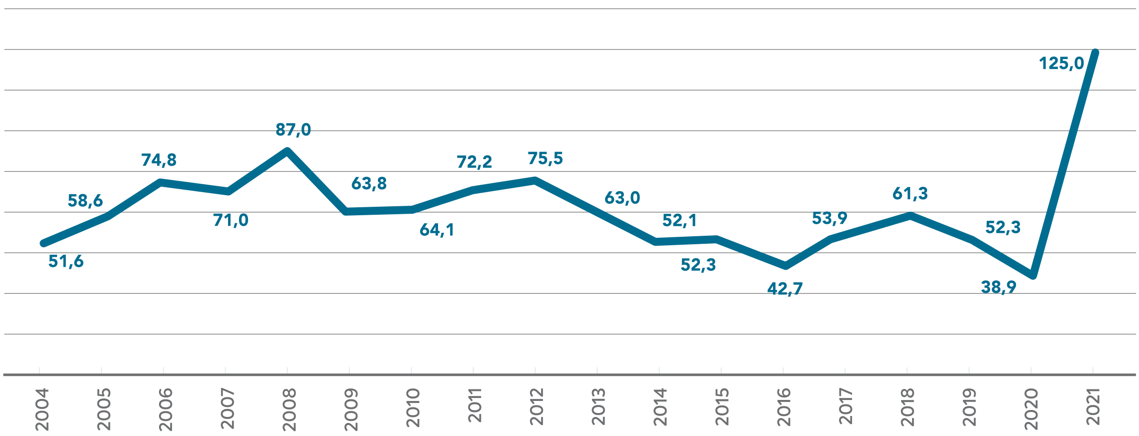
ELECTRICITY PRICES

The values of the monthly average PUN prices rose sharply, particularly in the second part of the year, reaching levels never before recorded in Italy or in the rest of Europe. In 2021, the national average PUN was 125 €/MWh (+221% the 2021 annual arithmetic average compared to the 2020 annual average of 38.9 €/MWh). From July in particular, mainly due to the increase in the price of natural gas and CO2, the economic recovery and the resulting return to pre-Covid level consumption, the PUN values progressively increased up to a peak in December 2021 of 281.2 €/MWh and an average for the last quarter of 241.6 €/MWh, roughly five times higher (+400%) than in the same quarter of 2020. See below for more details:

			CHANGES	
Average monthly PUN (€/MWh)	2021	2020	Diff.	%
January	60.7	47.5	13.2	28%
February	56.6	39.3	17.3	44%
March	60.4	32.0	28.4	89%
April	69.0	24.8	44.2	178%
May	69.9	21.8	48.1	221%
June	84.8	28.0	56.8	203%
July	102.7	38.0	64.7	170%
August	112.4	40.3	72.1	179%
September	158.6	48.8	109.8	225%
October	217.6	43.6	174.1	400%
November	226.0	48.7	177.2	364%
December	281.2	54.0	227.2	420%
AVERAGE FOR THE YEAR	125.0	38.9	86.1	221%

The price of electricity (PUN) recorded in 2021 was by far the highest ever recorded since the Italian Electricity Exchange was established (2004).

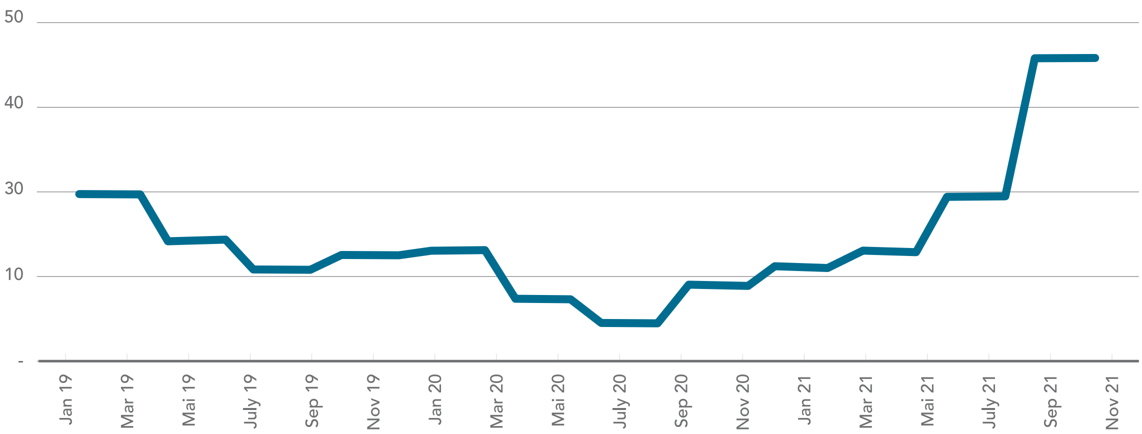
Historical annual PUN [€/MWh]



NATURAL GAS PRICES

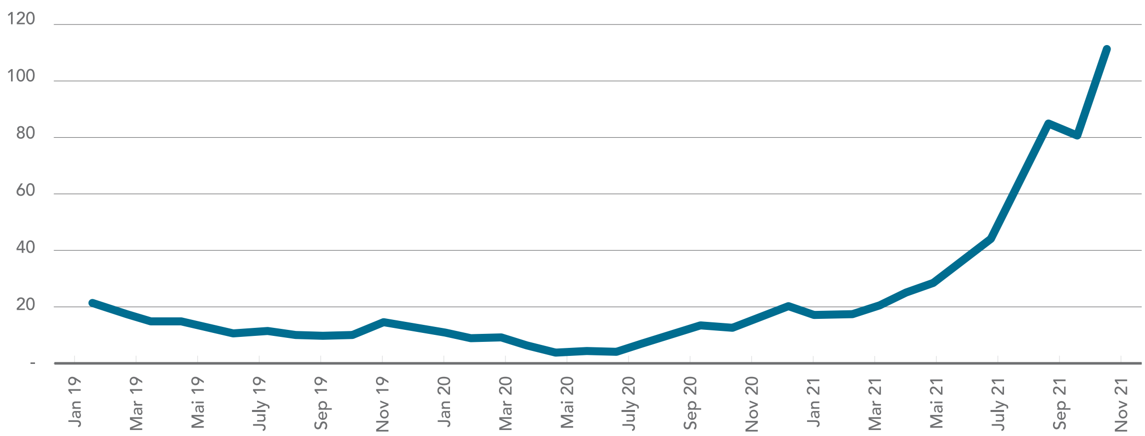
Natural gas prices rose rapidly in 2021 to reach unprecedented values. The value of the Pfor, the benchmark price of gas for households, increased from 6 €/MWh in the third quarter of 2020 to 45 €/MWh in the fourth quarter of 2021.

PFOR price €/MWh



The increase in the spot market is even more evident, where prices largely exceeded the psychological threshold of 100 €/MWh in the last part of the year in the face of market concerns emerging in relation to the risk of gas unavailability for the winter period.

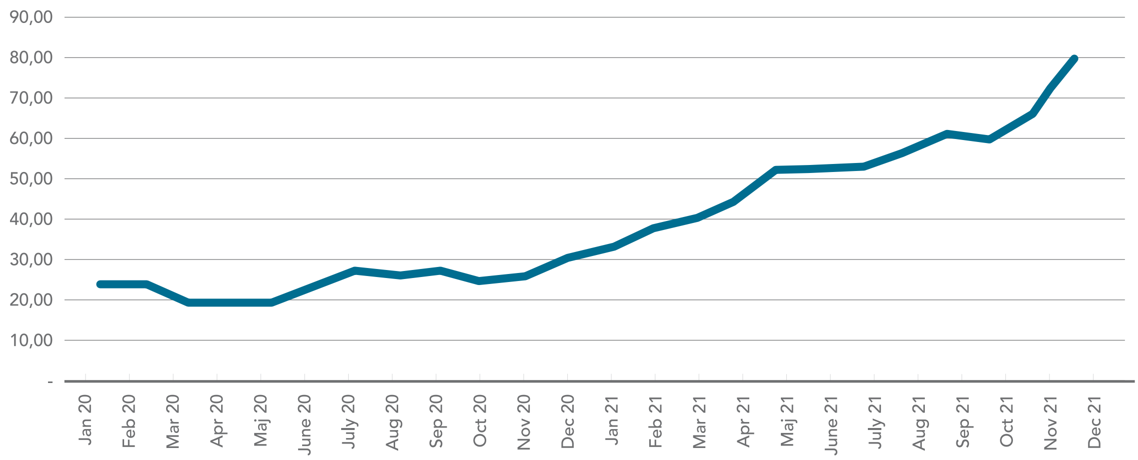
TTF DA, €/MWh



CO2 PRICES

CO2 prices remained very high for all of 2021, with a peak of almost 80 €/ton in December.

CO2 spot, €/ton



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

In 2021, the experimental self-audit procedure was completed in which, since 2016, the subsidiaries Novareti S.p.A. and Set Distribuzione S.p.A. have participated.

ARERA, in fact, approved the proposed test procedure in accordance with the terms already notified to the companies in the Notice of Investigation Results in December 2020.

This is the first audit procedure expressly recognized by a Regulator as an additional tool in its operating structure to strengthen regulatory compliance in proactive, collaborative form with companies that innovate the ordinary dynamics of repressive enforcement.

The impacts of this recognition are certainly innovative, including:

a) important formal exemptions (e.g. in relation to restrictions on commercially sensitive information, or to those relating to the submission of annual network infrastructure development plans to ARERA);
b) recognition of the Compliance Manager as auxiliary to the Regulator in the management of controls, and consequently the results reported to the Regulator by ILM constitute a reliable sign of compliance in the context of accountability activities of the Distributor (DSO) and the vertically integrated company;
c) the Compliance Manager will be able to support ARERA in managing inspections on company premises in place of the ordinary Guardia di Finanza-ARERA teams of officials;
d) reporting of situations of possible conflict with the regulatory framework would give rise not to a dispute and the initiation of sanction proceedings, but rather to a collaborative path in which to set up a remediation solution agreed with the offices of the Regulator;
e) with specific regard to the intercompany contracts segment, note that the procedure adopted, the only one formally approved by the Regulator thus far, guarantees a reliable assessment of compliance with the economic benchmarks envisaged in the TIUF.

In essence, these are results that constitute a real alternative platform for the regulated-regulator relationship with important benefits in terms of cost reduction and objectively appreciable regulatory risks. Lastly, added to this when it becomes operational in the near future is the tariff regime to cover the costs of the procedure, starting with the recovery of costs incurred for the experimental phase.

Business segments

SALE OF ELECTRICITY AND NATURAL GAS

The performance of the methane gas sales segment was in line with the previous year, with 531.9 million Sm3 sold at approximately 220,000 delivery points, while the volumes of electricity sold to end customers (including those served in the protected market) amounted to approximately 3.9 TWh.

The number of delivery points, approximately 490,000, increased markedly (15,000 delivery points).

ELECTRICITY PRODUCTION

REGULATORY AND TARIFF FRAMEWORK

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.

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

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

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

In light of the above, the Group therefore confirmed the assumption, adopted in previous years, of setting the date of 31 December 2023 as the end date of the concession with regard to large diversion plants with expiry prior to that date, which had led to the consequent restructuring of the depreciation of the assets referred to in point b) above.

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

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

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

In consideration of the absence of investments with the characteristics referred to in point I. above and in light of the failure to define the method for calculating the indemnity, the assumption of zeroing the net book value of the so-called "wet works" at the end of the concession has been confirmed.

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

- with regard to the method used to evaluate so-called "dry" works (basically, hydroelectric power plants and their contents), the criterion set forth in paragraph 2 of Article 25 of Royal Decree No 1775 of 11 December 1933 is reiterated, contrary to what is established by the national legislation, "price equal to the estimated value of the material being worked, calculated at the time of entry into possession, not considering the income that can be made from it from any measurement".
- the assets referred to in the preceding point may be acquired by the Autonomous Province of Trento; otherwise, the assets may be acquired by the incoming concession holder, if the latter provides for their use when submitting its bid; the provincial law therefore also establishes the concept of "cherry picking", i.e. the right given to the incoming concession holder not to acquire all or part of the dry assets, without the consequent obligation to pay compensation to the transferor;
- in the context of verifying the existence of interests in the competing use of water, which is a preliminary act with respect to the tender procedures, special consideration will be given to initiatives involving "positive effects on the territory and the community generated also by the historical electric cooperatives" referring to the case of self-production;

- the subject of the call for tender (concession and its characteristics) will be defined through an Environmental Impact Assessment procedure that will have as its initial reference the current concessions, possibly aggregated or, in some cases, unbundled, pre-restricted following the assessment of the existence of competing use interests referred to in the previous point;
- in accordance with the provisions of national law, concessions may be awarded through the use of one of the following methods:
  a) running of a public procurement procedure;
  b) assignment to mixed public-private companies established in accordance with the provisions of the same law;
  c) through forms of public-private partnership, pursuant to Article 179 of Legislative Decree No 50 of 18 April 2016 (Public Contracts Code);
- the contents of the call for tender are defined as well as the requirements of the participants, part of which will be calibrated on the basis of the characteristics of the specific concession.

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

Against this challenge, Trento Autonomous Province, by means of two subsequent legislative measures, Provincial Law no. 6 of 23 April 2021 and Provincial Law no. 18 of 04 August 2021, amended the reference standard to incorporate the content of the aforementioned appeal which in any event is still pending at the reporting date.

The same legislative measures introduced important innovations also and above all with regard to the regulations governing concessions for small hydroelectric diversions, significantly modifying Provincial Law no. 18 of 8 July 1976 introducing ex novo the provision of a tender also for these concessions on their natural expiry, postponing the rules to a subsequent regulation that must be adopted by the end of spring 2022.

Additional future development of the regulatory framework relating to the reassignment of hydroelectric diversion concessions may be conditioned by the filing (in September 2021) of the 2011/2016 infringement proceedings relating to Italy, together with the similar proceedings against Germany, the United Kingdom, Poland, Austria and Switzerland.

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

- the adoption, by the Trento Autonomous Province (PAT), of the resolution of 5 October 2019, which implemented the provisions of Article 23 ter, paragraph 3 bis, of Provincial Law no. 4/1998;
- the execution by HDE 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.

INITIATIVES AND INVESTMENTS

Investments made by the Group in 2021 totalled 14.0 million euro. They mainly refer to efficiency maintenance activities (Stay in Business), the upgrading of plants to meet legal environmental and safety requirements (Mandatory), development activities and activities prior to participation in tenders for the renewal of hydroelectric concessions (LIC Development).

The most significant business investments are described below.

Ala-Bussolengo-Chievo canal: 1,415 thousand euro recognised for extraordinary maintenance work on the canal.

Cogolo plant: 1,202 thousand euro recognised for upgrading works for the restart plan.

Torbole plant: 780 thousand euro recognised for renovation works on the group 1 turbine.

Dro plant: 489 thousand euro recognised for construction of the new SEU computer centre.

Cimego plant: 401 thousand euro recognised for gradient upgrading works and 361 thousand euro for overhaul of the single-phase units of the group 2 transformer.

Storo plant: 340 thousand euro recognised for purchase of the new machine transformer.

Molveno tank: 327 thousand euro recognised for the purchase of new screen rakes.

VOLUMES AND OPERATING EFFICIENCY

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

The Group's total energy output in 2021 was 3,513 GWh (3,991 in 2020), of which 3,439 GWh hydroelectric.

ELECTRICITY DISTRIBUTION

REGULATORY AND TARIFF FRAMEWORK

In 2021, the reference regulations of the electricity distribution system did not undergo any particular changes or significant interventions. It should be remembered that EU, national and provincial rules govern the sector, given the legal responsibility attributed to the Trento Autonomous Province.

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

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

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

INITIATIVES AND INVESTMENTS

Overall, the investments made in 2021 totalled 35.6 million euro.

It should be remembered that the technical structures of the Group 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 2024 and it is the reference for the communications prescribed by the Authority within the scope of the integrated regulation on unbundling.

TECHNICAL INVESTMENTS DUE TO UTILITY REQUEST

The interventions on the MV and LV network to satisfy the connection requests of utilities increased compared to 2020 for a total of around 11.8 million euro.

In 2021 the grid connections of photovoltaic plants (1193) and other mainly hydroelectric production plants (6) doubled, for a total installed capacity of over 11 MW.

Connection requests for accumulation systems associated with generating plants from a renewable source, mainly photovoltaic, were almost four times higher than in previous years (657 in 2021, 163 in 2020, 208 in 2019).

TECHNICAL INITIATIVE INVESTMENTS

During the year, Set Distribuzione initiatives relating to network enhancement, improvement of the service and regulatory upgrading of plants, the volume of activity grew strongly compared to the already significant values of previous years and amounted to approximately 12.5 million euro.

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

With regard to the primary substations, the installation of new control panels with fibre optic connections continued, preparatory to the new automated fault detection techniques on the MV network. With a view to reducing environmental impact, the investment to replace the high voltage transformer of the primary substation in Nembia should be mentioned, for which a new type of organic oil, biodegradable and recyclable, was used for the first time in Italy on transformers of this size.

On the medium voltage network, the main investments carried out in 2021 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 98 km;
- replacements of lines with bare conductors in wooded areas with lines with insulated overhead cable, totalling 36 km of MV lines;
- requalification of numerous obsolete secondary substations, fitted with motorised protected switchboards or with switches, in order to improve the continuity of the service and the selectivity of faults on the medium voltage 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 2,586 GWh (2,418 GWh in 2020).

Additional information:

Electricity distribution		2021	2020
High voltage grids	km	0	0
Medium voltage grids	km	3,524	3,507
Low voltage grids	km	8,859	8,754
TOTAL CUSTOMERS CONNECTED TO THE GRID	**n.**	**334,631**	**332,889**

QUALITY OF THE SERVICE PROVIDED

TECHNICAL QUALITY

In 2021, the indicators relating to the number and duration of outages generally show a better trend than the previous year, particularly in the low concentration area where most of the users served are located.

The 2020 results, published with ARERA resolution 535/2021/R/eel, show once again that SET Distribuzione is the best among the companies in the electricity distribution sector, allowing your Company, as recognition for the excellent results achieved, to obtain a bonus of 1.68 million euro, which is the highest in terms of relative value per user among the medium-large sized entities. In detail, in each of the areas of competence (high, medium and low concentration of users), the average duration of the outages in 2020 was better than the targets the Authority assigned to SET Distribuzione (high concentration: standard 28 minutes - result 8.89 minutes; medium concentration: standard 45 minutes - result 10.31 minutes; low concentration: standard 68 minutes - result 30.81 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 0.18; medium concentration: standard 2.25 - result 0.46; low concentration: standard 4.30 - result 1.75).

COMMERCIAL QUALITY

With regard to commercial quality, in 2021 SET Distribuzione maintained the good results of the previous years in compliance with the standards set by the Authority for the times of execution of the various services (quotes and simple work on LV network, activations and deactivations of measurement sets, replacements of faulty measurement sets, etc.). Approximately 30,000 services were rendered subject to a specific level of Commercial Quality, compliant with the prescribed times in 99% of the cases.

NATURAL GAS DISTRIBUTION

REGULATORY AND TARIFF FRAMEWORK

From 1 February 2021, ARERA radically changed the management of the social bonus for economic hardship by regulating its automatic recognition in place of the "on application" recognition applied up to and including 2020 (Resolution 63/2021/R/com).

Furthermore, in order to mitigate the increase in prices for the supply of natural gas, ARERA strengthened the bonus by introducing, from the fourth quarter of 2021, an additional compensation for domestic customers in a situation of economic hardship (Resolution 396/2021/R/com).

In March (Resolution 117/2021/R/gas, later followed by Resolution 350/2021/R/gas in August), the final reference tariffs for gas distribution and metering services for 2020 were approved, on the basis of final balance sheet data for 2019, and again in March, on the basis of the pre-final balance sheet figures for 2020, the provisional reference tariffs for gas distribution and metering services were determined for 2021 (Resolution 122/2021/R/gas) (the second year of the new regulatory period defined at the end of 2019 with Resolution 570/2019/R/gas).

In continuity with the previous regulatory period, for the second tariff year of the fifth regulatory period, application of the distribution and metering tariffs continues according to the principles on which the revenue components related to remuneration and depreciation are determined, based on the annual updating of net invested capital (RAB), taking into account the (net) investments made in year t-1.

The invested capital of the distribution companies (RAB) continues to be divided into local invested capital and centralised invested capital. The measurement criterion for invested capital in local distribution and metering activities is essentially based on the revalued historical cost method, with the exception of new investments in electronic meters, the recognised cost of which continues to be determined as the weighted average of the actual cost and the standard cost set by the Authority, with weights for the 2021 tariffs respectively equal to 70% and 30%.

The rate of return on invested capital (WACC) of natural gas distribution and metering activities, the determination and updating criteria for which in the period 1 January 2016-31 December 2021 were set with Resolution 583/2015/R/com, was unified for both services and set at 6.3% for 2020 and 2021.

With Resolution 570/2019/R/gas, the initial levels of operating costs and x-factors for the new regulatory period were also set. With regard to operating costs in particular, the initial level was determined on the basis of the unbundled annual accounts of the operators' Unbundling Financial Statements, divided by company size and customer density, remunerating management costs as a weighted average, with equal weighting between the costs actually incurred and the costs recognised in the previous regulatory period.

By the same measure, the Authority also completed regulation of the stock of public and private grants as at 31 December 2011 that began with resolution 573/2013/R/gas, envisaging full depletion over a useful life of 40 years.

Lastly, in relation to start-up locations, affected by Resolution 704/2016/R/gas, the application of a cap to the recognition of investments starting from the 2018 tariffs was confirmed, but limited to locations with a first year of supply after 2017. The measure envisages verification of any overshoot of the cap in multiple phases, up to the sixth year, without prejudice to the correct interpretation and application of recent provisions regarding new methanisation.

In particular, art. 114 ter, Law no. 77 of 17 July 2020 established that the extensions and upgrades of existing networks and plants in the municipalities already methanised, as well as new network and plant constructions in municipalities to be methanised belonging to climate zone F and classified as mountain areas pursuant to Law no. 1102 of 3 December 1971, are considered efficient and already positively assessed for the purpose of costs and benefits to consumers. To this end, ARERA allows full tariff recognition of the related investments.

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 2021 totalled 20.8 million euro (23.6 million euro in 2020), and the main interventions involved:

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

From a management point of view, the use of digital devices introduced following the "industrialisation" of field activities and tools to support operations through a Work Force Management tool as a potential technological enabler began in 2021.

The management of gas distribution activities began in January 2021 in the Isera and Pergine Valsugana Municipal Authorities, previously managed by Isera srl and STET spa, respectively, for a total increase in RP of approximately 9,700 units and of the managed network by approximately 135 km, which required a major commitment in terms of personnel and investments to adapt the infrastructures to the Novareti standard.

A point worthy of note in 2021 is the achievement of ISO 45001:2018 certification in relation to an occupational health and safety management system regarding the management, construction, operation and maintenance of natural gas distribution plants and networks.

METERING

With regard to gas metering, in 2021 work continued to replace traditional meters with new generation, electronic ones. In 2021, the programme for replacement of the class G6 and G4 meters was implemented in compliance with Resolution 501/2020/R/GAS of 1 December 2020, by which ARERA updated the deadlines set in the Gas Smart Meter Guidelines for commissioning obligations for class G4-G6 gas smart meters, postponing them by one calendar year.

VOLUMES AND OPERATING EFFICIENCY

Distribution is carried out in 88 municipalities in the Trento province, Valle dell'Adige, Valsugana and Tesino, Valle di Non, Valle dei Laghi, the upland of Paganella, the valleys of Cembra, Fiemme and Fassa and the uplands of Folgaria, Lavarone and Luserna; the cogeneration and district heating plant is fuelled in the municipality of Cavalese, where the high pressure pipeline passes. Distribution is also carried out in 2 municipalities outside the Trento province (Brentino Belluno and Salorno).

Gas distributed during the year totalled 341.8 million m3 (291.8 million m3 in 2020).

Natural gas		2021	2020
Length of the network	km	2,652	2,428
Total utility contracts	no.	168,766	159,126

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 2021, the general index of the services performed within the standard times, for quality of service parameter purposes, was 99.52%.

AREA TENDERS

In 2021, the Contracting Authority continued its activities for the tender pertaining to the Trento Province. Provincial Law no. 18 of 4 August 2021 amended art. 39 of Provincial Law no. 20 of 4 October 2012 by inserting the following:

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

Novareti 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

With regard to obligations dictated by the Regulatory Authority for Energy, Networks and Environment (ARERA), note the following main aspects of 2021:

a) End of the first regulatory period 2018-2021 relating to the "Provisions on connection fees and right of withdrawal methods" (TUAR), which began on 1 June 2018 and ended on 31 December 2021 (Resolution no. 24/2018/R/tlr and subsequent amendments).
The second regulatory period began on 1 January 2022 and will end on 31 December 2025 (Resolution no. 463/2021/R/tlr);
b) End of the first regulatory period 2019-2021 relating to the "Regulation of the commercial quality of the district heating and cooling service" (RQCT), which began on 1 July 2019 and ended on 31 December 2021 (Resolution no. 661/2018/R/tlr and subsequent amendments).
The second regulatory period began on 1 January 2022 and will end on 31 December 2025 (Resolution no. 526/2021/R/tlr);
c) Beginning of the first regulatory period 2021-2023 relating to the "Regulation of the technical quality of the district heating and cooling service" (RQTT), from 1 January 2021 to 31 December 2023 (Resolution 548/2019/R/TLR).

This required the preparation and publication on the company portal of the following management procedures:

- emergency response (PG-COG-11);
- supply interruption management (PG-COG-12);
- programmed search, location, safety works and elimination of dispersions (PG-COG-13);
- emergency management (PG-COG-15);
- incident management (PG-COG-16).

In compliance with the provisions of the management procedures, the structure of the on-call service was updated with appointment of the First Response and Emergency Management managers. In addition, several training sessions were organised for on-call staff, who were provided with devices for fast access to information from the MSir-Next computerised mapping system, for the location of network and user elements.

For the reporting to ARERA of data for the technical quality of service assessment, the WEB-TLC portal was implemented to trace district heating events, taking as a reference that already in use by the GAS service.

d) Continuation of the 2020-2023 regulatory period relating to "Transparency of the district heating and cooling service (TITT) (Resolution 313/2019/R/TLR), which applies entirely to the seller, i.e. Dolomiti Energia, except for consultation of the operator Novareti for the technical aspects and the "Disclosure obligations for entities operating in the district heating and cooling sector (OITLR) (Resolution 574/2018/R/TLR);

e) Upgrading of the dedicated WEB-TLC portal and full implementation of prior agreements with SET (Service Agreement dated 25/08/2020) for "Regulation of district heating and cooling service metering", following the entry into force of the metering quality regulatory period from 1 January 2022 to 31 December 2024 (TIMT) (Resolution 478/2020/R/TLR).

With regard to the commercial aspects of district heating, tariff updates are arranged quarterly, with prices based on the type of customer served.

They are divided into:

- users connected to the cogeneration plants in piazzale Degasperi and via Zeni in Rovereto, where the tariffs are defined in relation to the price for the supply of natural gas, under a restricted regime, including excise duties, according to the updates to components defined quarterly by ARERA, considering the specific type of customer;
- users relating to the "Le Albere" residential complex in Trento, where the fixed and variable heat portion is linked to the trend of similar heating prices envisaged for "Apartment blocks" for the Rovereto Municipal Authority;
- users to whom a dual tariff is applied, with a variable portion and a fixed portion, with update linked to performance of the ISTAT FOI index, excluding tobacco products;

As regards the purchase of natural gas for the cogeneration plants and thermal energy production boilers, note that in the gas year October 2021-September 2022, as in the past, purchase for the Via Zeni plant in Rovereto and the "Le Albere" plant in Trento is at prices set by ARERA, with quarterly updates of the price components for the supply of natural gas under a restricted regime, while for the industrial zone cogeneration plant in Piazzale Degasperi, Rovereto, the purchase of natural gas is at market prices. The anomalous rises in natural gas market prices in the fourth quarter of 2021 required particular attention in management of the industrial zone cogeneration plant in Piazzale Degasperi, Rovereto. Due to the high installed combustion capacity, this plant is also subject to Emission Trading System obligations, with a cost per tonne of CO2 emitted into the atmosphere of approximately 53 €/t in 2021, compared to average prices of around 25 €/t in 2020. However, the plant's CO2 emissions went from around 24,000 t in 2020 to around 9,700 t in 2021.

INITIATIVES AND INVESTMENTS

Total investments in this sector amounted to around 2.9 million euro (approximate 3.1 million euro in 2020).

As in 2020, investments were concentrated in the renovation of the Rovereto industrial zone cogeneration plant where, after operational start-up of the new cogenerator, the diathermic oil boilers for steam production were replaced with two new superheated water boilers, with refurbishment of the pumping systems and internal connection pipes to the plant, partial demolition of disused plants, achieving plant and management simplification.

VOLUMES AND OPERATING EFFICIENCY

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

In Rovereto, the supply of high-temperature steam to production plants ceased at the end of March 2021.

Decommissioning of the steam production boilers began in April 2021.

The steam network serving the industries remains, with active cathodic protection, for future use as required.

In 2021, the following quantities of energy were supplied: 3.9 GWh of steam, 72.2 GWh of heat and cooling, 24.4 GWh of electricity.

In the Rovereto Industrial Zone plant, the new cogenerator based on an internal combustion engine, which came into operation on 26 January 2021, provided good performance in terms of electrical and thermal efficiency, reduced emissions of pollutants and operational reliability. Moreover, the need for a prolonged shutdown of the plant for restructuring has allowed only limited operations, with the number of operating hours per year at just over 50% of those expected under normal conditions.

As regards the district heating networks, note that in the winter of 2020-2021, in Rovereto, a significant leak occurred which required initial temporary repairs and subsequent works to replace approximately 40 meters of DN 250 pre-insulated pipes. Other minor works were carried out on the Rovereto network to repair small leaks, inspect sections with suspected leaks and restore continuity of the leak monitoring system in other sections.

As part of activities related to the industrial zone cogeneration plant in Rovereto, there is also management of the Internal User Network (RIU) of Rovereto, which via medium voltage cable connects the plant and the Suanfarma facility to the national grid managed by Terna, by means of a 132/20 kV transformer.

The RIU is regulated by ARERA as part of the Closed Distribution Systems.

INTEGRATED WATER CYCLE AND WASTE TREATMENT SERVICES

REGULATORY AND TARIFF FRAMEWORK

It should be noted that the activities of the Water Sector, following the effects of the popular referendum on the regulation of local public services and the consequent indications received from the municipalities where the service is currently carried out, are destined to be removed from the scope of Novareti's activities. In this regard, in 2021, there were no particular new developments and no significant progress was made in this area.

We should emphasise that the activities of the subsidiary Novareti continue in any event in a regular manner and without being subject to particular conditions in its operating and investment choices. The only element of normal prudence involves the preparation of multi-year investment plans in the water sector, shared with the main Municipalities receiving the Water Service, in order to prevent any possible future distortion.

INITIATIVES AND INVESTMENTS

In 2021, work continued to enhance the water structures, consistently with the multi-year business plan issued and presented to the municipalities in 2018.

Investments in the water management sector in 2021, even in the presence of a not fully defined regulatory framework and of the uncertain outlook, totalled 8.7 million euro (8.0 million euro in 2020).

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. Furthermore, new hydraulic districts are being built which allow a further increase in management and leak detection efficiency.

In the municipality of Rovereto, as regards the Water Supply Service, a new tank has been built to serve part of the town in the hills, and another is under construction, while the restructuring of the historic "Pietra Focaia" tank has been completed. Network replacements also continued, preparatory to construction of the hydraulic districts. As regards the Sewerage Service, the rainwater collection system was further upgraded to allow a better flow of rainwater in the event of particularly intense events.

Minor interventions were carried out in the other municipalities managed.

METERING

In 2019, the team dedicated to the massive replacement of water meters was established, and it worked on the definition of the technical regulations for the preparation of the tender for the supply of the new devices. Mass replacement of meters continued in 2021, while the survey and scheduling phases of the replacements continue in parallel. The set of meters is being replaced with smart meters that will allow remote reading with the operator passing by in a car. At the same time, all connections shall be overhauled.

VOLUMES AND OPERATING EFFICIENCY

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

The opt-out from management for the municipality of Civezzano occurred at the end of 2021.

The water quantities supplied to the network totalled 30.8 million cubic metres (29.5 million in 2020).

Additional information:

Water cycle		2021	2020
Length of the network	km	1,111	1,111
Total utility contracts	no.	76,272	78,147

WASTE MANAGEMENT

REGULATORY FRAMEWORK

The Economic and Financial Plans for 2021 were prepared on the basis of the MTR, the calculation method introduced by ARERA with resolution 443/2019, and were delivered to the Rovereto Municipal Authority on 27 January 2021 and to the Trento Municipal Authority 03 February 2021. To date they have not yet been approved by ARERA.

Adaptation proved complex of the EFP preparation according to the new rules established by ARERA, the Regulatory Authority for Energy, Networks and Environment, which in 2021 approved the new MTR-2 for preparation of the 2022-2025 Financial Plans. The EFPs were sent to Trento Municipal Authority on 22 December 2021 and to Rovereto Municipal Authority on 20 January 2022.

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

INITIATIVES AND INVESTMENTS

The activities of the subsidiary Dolomiti Ambiente in 2021 concerned:

- municipal waste collection, including street sweeping and washing and the cleaning of public areas in the municipalities of Trento and Rovereto; The Trento Municipal Authority requested a special enhancement of the cleaning activities for the historic centre, to guarantee which 5 temporary workers were hired and two special pieces of equipment were rented: an electric street cleaner (identical to that already in use in Rovereto and a manually operated mini sweeper suitable for the pavements and alleys of the historic centre. The cost of these extraordinary activities (87,194.99 euro) was covered from the provision pursuant to art. 102-quinquies of the Provincial Consolidated Act on protection of the environment against pollution

- collection of special waste
- preparation of a public-private partnership project, presented to the Vallagarina Community in July, obtaining the statement of public interest by resolution of 22 November 2021. During 2022, the Vallagarina Community is expected to launch the tender for award of the service management concession.

The investments made in municipal sanitation services in 2021 totalled 1.9 million euro (2.7 million euro in 2020).

VOLUMES AND OPERATING EFFICIENCY

In 2021, 71,781 tons were collected (70,381 tons in 2020), 148,593 utility contracts were managed, also considering the appurtenances (147,194 in 2020) and 88,630 taxpayers were served (88,218 in 2020).

As regards waste, there was an increase in the amount collected compared to 2020, a year marked by the long lockdown in the spring, equal to 1.98% (+3.14% separate collection, -3.49% mixed waste).

The amount of residual mixed waste per capita in Rovereto was slightly higher than that recorded in Trento, except in the last two months, and this is also evident from the percentage value of separate waste collection equal to 82.7%, slightly lower than the Trento value of 83.8%.

OTHER BUSINESS ACTIVITIES

Laboratory activities: the key laboratory operations concern drinking water quality control, but also important are the monitoring and control of water tables, wastewater and water treatment.

In the current year there was a significant decrease in analysis activities due to the lack of samples from Depurazione Trentino Centrale scarl: a total of 12,691 samples were examined, down 30% compared to the previous year. The breakdown of revenue in 2021 was 41.37% for infragroup customers and 58.54% for "external" customers (56.34% in 2020, 54.4% in 2018 and 49.7% in 2017) confirming the constant, albeit minimal, increase in the percentage revenue derived from the external activities. The control activity of the Legionella parameter was confirmed, which in 2021 saw 650 controls, down compared to 2020 as a result of the pandemic.

Human resources

As at 31 December 2021 the Group workforce numbered 1,418 (1,434 in 2020). A total decrease of 16 employees took place in the year compared to 2020.

	2021	2020	Difference
Dolomiti Energia Holding	211	199	12
Dolomiti Ambiente	262	254	8
Dolomiti Energia	200	195	5
Novareti	222	216	6
Dolomiti Energia Solutions	22	18	4
SET Distribuzione	271	274	(3)
Gasdotti Alpini	3	-	3
Depurazione Trentino Centrale	-	66	(66)
Dolomiti Edison Energy	30	30	-
Hydro Dolomiti Energia	175	161	14
Dolomiti Energia Trading	22	21	1
TOTAL	**1,418**	**1,434**	**(16)**

Comparison of the situation of the Group 2021 – 2020 by grade

	executives	managers	employees	manual workers	total
Situation as at 31 Dec. 2021	19	58	768	573	1,418
Situation as at 31 Dec. 2020	19	54	758	603	1,434
CHANGE 2021 VS. 2020	**-**	**4**	**10**	**(30)**	**(16)**

During 2021, the training provided in the Dolomiti Energia Group involved the following areas:

- increasing skills and preparation of personnel to provide a continuously improved service to customers
- increasing/maintaining skills of a technical/operational nature, also linked to specific qualifications held by employees in the areas concerned
- guaranteeing high safety standards in the performance of work activities: safety training was the most important initiative in terms of hours provided together with technical/operational training
- ICT courses: the Information and Communication Technology Function continued its widespread information/training campaign on the subject of Cyber Security by sending interactive audio/video clips via

e-mail to Group employees in possession of a corporate device. Courses were also organised in the use of advanced applications for data management and analysis

- courses on Privacy GDPR - Protection of personal data and Code of Conduct, Model 231, anti-corruption measures and the whistleblowing process delivered through the company's e-learning platform Dyn Device
- courses on area topics delivered in webinar mode by external providers

Research and development

In 2021, activities with high innovation content continued, on one hand with the reservation of strategic relationships and on the other with the implementation of real solutions in support of corporate processes, of the operation and advanced management of the Group's activities.

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

- supporting and incentivising the digitisation of production processes;
- valuing worker productivity;
- ground-up development of processes (and supporting software).

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

- the analysis, redesign and digitalisation of all processes to serve the gas and electricity customer base;
- the study, comparison of available alternatives and the design of the energy efficiency offer for electricity and gas consumers;
- the design and implementation of systems for forecasting and optimising the output of hydroelectric power plants, maximising the use of available water;
- the implementation of the redundancy of remote control systems of hydroelectric plants and of the electricity, water and gas distribution;
- the study and implementation of new software for water district management and the preventive identification of leaks in the water supply systems;

- the set-up and design of the process and software directed at the execution of energy management activities to balance and 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 human resources, directed at fulfilling the potential of the Group's employees with the revision of the application software architecture for HR management, completed in 2019.
- 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 collaborate in particular in the following projects:

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 demonstrate the technical feasibility of an "optimal" mix of flexibility solutions, able to maximise the technical-economic efficiency of the European electrical system, assuring its security and reliability. The subsidiary Hydro Dolomiti Energia is particularly involved in work packages relating to experimental activities aimed at the use of hydroelectric generation and pumping plants for balancing the cross-border electricity grid.

Renewable energy production systems: the experimentation of innovative technology continued for the conversion of hydraulic energy into electricity, which can be installed and used along open-channel hydraulic transport works designed by the partner HE-Powergreen S.r.l. with which a specific agreement was signed in 2020. During 2021, testing activities began on the machinery installed along the Biffis canal, relating to the Bussolengo Chievo concession, owned by the subsidiary Hydro Dolomiti Energia, which will continue, pursuant to the provisions of the agreement referred to above, for a further two years. During the year, an experimental floating photovoltaic system with a capacity of approximately 100 kW was installed and activated at the Dampone charge basin serving the Fontanedo hydroelectric plant.

Innovative calculation systems: preparatory activities began for the experimental production of computing power through the use of electricity drawn from auxiliary services of SEU-configuration plants; in December 2021, the procurement of special electronic devices and plant preparation began for the installation of a computer system at the Dro hydroelectric plant of the subsidiary Hydro Dolomiti Energia. The experimental activity is expected to begin in 2022.

Hydrogen: in 2021, with the collaboration of FBK, courses of study, in-depth analysis and subsequent potential experiments were activated in the field of hydrogen production from electricity produced by run-of-the-river hydroelectric plants as well as in the field of distribution network management for same energy carrier;

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 2021, through the electricity meter remote management system, approximately 4.6 million readings were successfully carried out remotely, along with approximately 48,000 user management operations (activation of new contracts, deactivations, transfers, power variations) and approximately 7,700 operations connected with the management of late-paying customers.
During the year, the project activities aimed at making available the new information systems necessary for 2G meter management and related metering were developed. In 2021, the mass replacement plan was presented to ARERA, to be developed between the end of 2022 and the end of 2025. A communication campaign will also be launched in the first half of 2022 with the aim of publicising the launch of the replacement campaign to all stakeholders in the area. In the context of gas distribution, at the end of 2021 the mass market users (class G4-G6) in continuous service, through a remote management system based on the point-multipoint technique via radio at 169 MHz, amounted to 69.7% of the total, in line with regulatory obligations (next deadline: 85% at the end of 2022).

Work Force Management: during 2021, the SET Distribuzione and Novareti extension of the project continued, making it possible to optimise execution and final accounting of all operating activities in the area.

Water network management: work continued on optimising water supply management through advanced simulation and network control tools. In particular, a new controller is in the start-up phase for the management of water districts and predictive detection of leaks. The campaign for the mass replacement of traditional meters with smart meters continues.
The experimentation of new monitoring systems of the sewerage networks is in the initial stages in order to determine any inefficiencies and the presence of parasitic water.

Gas network management: in 2021 the Trento Autonomous Province published the PEAP (Provincial Environmental Energy Plan), an energy-environmental planning tool which indicates the need to also use hydrogen as a vector in future energy mixing. Also on the basis of this stimulus, a series of partnerships have been launched both in Italy through the Bruno Kessler Foundation and internationally through DNV with the aim of establishing a solid background knowledge on hydrogen engineering and verifying its portability in different concentration levels on the existing transport-distribution network.
Technological upgrading continued with the introduction of innovative automatic control systems, also with the aim of testing new remote management models, with particular attention on monitoring the cathodic protection of large steel pipelines and remote regulation of a number of REMI cabins.
With regard to the design phase, use of the BIM environment has been consolidated in the Engineering sector with the aim of making this methodology a standard in the design of gas-water plants and pipelines. Development of the system has been studied with the aim of having the digital restitution of the work "as built" and this further phase of development of the environment will be undertaken in 2022.
In terms of stress and emergency management, a further application of advanced virtual reality training for operating personnel was completed, applying it to objective cases of critical infrastructure situations such as significant leaks on underground pipelines.

Furthermore, during 2021 the SIR 1.5 project was completed, i.e. modernisation of the archive that contains all the technical and geographical information of assets of the Distribution services managed by the Group companies. The main activities involved infrastructural and application upgrades, in particular the transition from the existing on-premises infrastructure to a new Cloud-managed high-performance Hardware infrastructure;
In addition to the upgrading of existing infrastructure, significant improvements were made such as the addition of test servers, the redistribution of resources, database optimisation and the restyling of connections to other applications.

Electricity grid management: in 2021, activities with high innovation content continued, on one hand with the reservation of strategic relationships and on the other with the implementation of real solutions in support of corporate processes, of the operation and advanced management of the network of the near future, also in compliance with the indications of ARERA.
The push to electrify consumption and increase production from renewable sources calls for a need to manage the electricity grid in an increasingly advanced way, also using distributed flexibility resources where possible. From this perspective, the plan for technological evolution of the protection and control equipment adopted in the primary and secondary substations continues, as well as the development of communication systems between the central systems and the equipment installed along the medium and low voltage network.
Installation of the new advanced supervision system also continues in the primary substations, increasing the control of strategic assets as well as the level of safety of personnel working at the plant.
During the year, the training of personnel identified as drone pilots was completed, followed by the start of the periodic and fault inspection activities using these new technology.
The commitment of staff to ensure participation in technical committees and strategic working groups in both Italian and European contexts continues.

Cyber Security: the Dolomiti Energia S.p.A. Group, aware of the extremely significant role of corporate information and IT systems in the achievement of strategic objectives, considering the continuous growth and evolution of cyber threats and aware that IT security is a continuous improvement process, in 2021 continued on its path, implementing activities and initiatives in the different technological, organisational and personnel fields. The path, which is constantly evolving, has included the following activities:

- adoption of technologies and services for prevention and defence from cyber-attacks;
- Vulnerability Assessment and Penetration Test of exposed applications
- increasing the security perimeter of the Group's industrial networks
- organisational changes, definition and revision of adequate policies and procedures;
- continuous sensitisation of personnel and definition of awareness plans dedicated to all employees.

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

Related party transactions

DOLOMITI ENERGIA HOLDING SPA RELATIONS WITH THE LOCAL AUTHORITIES

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

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

INFRAGROUP RELATIONS

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

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

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

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

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

Service agreement entered into between Dolomiti Energia Holding and Dolomiti Energia Trading. It governs administrative services, personnel management and the management of the IT services provided by Dolomiti Energia Holding.

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

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

Business lease agreement between SET Distribuzione and Dolomiti Energia regarding the customer management business unit leased from SET to Dolomiti Energia. The fee is set to 433 thousand euro.

FINANCIAL AND TAX SERVICES

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

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

Business outlook

The trend in 2022 will be heavily influenced by the general situation of the energy commodity markets, where price levels remain extremely high, also due to the strong uncertainty resulting from the ongoing war in Ukraine.

Unfortunately, this situation is having negative effects on commercial activity, on the one hand due to the difficulty of operating in a context of very high and exceptionally volatile prices, and on the other for the consequent increase in credit risk and in the amount of working capital needed to support this activity. With regard to this last aspect, added pressure is likely, both in terms of financial needs and credit risk, following the issue of Decree Law no. 21/2022, art. 8 of which, in a similar manner to the arrangements for residential customers, envisaged the possibility for business end customers of electricity and natural gas to ask their suppliers to allow payment in instalments of amounts due for consumption in May and June 2022, for a number of monthly instalments not exceeding 24, at the same time making it possible for suppliers to activate forms of support from SACE Spa that are being examined by the Group.

Unfortunately, the potential benefits that this market situation could bring to the hydroelectric production results were completely cancelled by the effect of the provision issued by the Italian Government (art.15-bis, Decree Law no 4/2022) which, in a nutshell, envisaged the obligation - from 1 February 2022 until 31 December 2022 - to transfer to GSE the difference between the price achieved from the sale of energy (on the spot markets and on the basis of contracts concluded before 27 January 2022) and the reference price (58 €/MWh for Northern Italy where the Group's plants are located).

Moreover, a new regulation was issued recently (art. 37, Decree Law no. 21/2022, pending conversion) establishing an extraordinary contribution to the energy sector which, given in particular the way it was determined, could further affect business results. Added to this is the fact that, from the last quarter of 2021, hydroelectric production recorded significantly lower values than historic averages following the phase of significant scarcity of water resources due to particularly poor precipitation levels, both rain and snow, in the autumn and winter periods. The expected results, therefore, especially in the first half of the year, will certainly be negatively affected by these phenomena.

In February 2022, the IT systems of the Group were hacked by external parties which resulted in the unavailability of a number of IT platforms used by the Group. In any event, the provision of services by the Group and the safety of the plants were never affected.

The Group immediately adopted all measures to limit the effects and spread of the attack by taking the necessary actions to protect all counterparties potentially involved, with the support of a team of IT security experts. The situation was reported promptly to the Postal and Telecommunications Police and the competent data protection authorities. Maximum effort was made to restore full operations as quickly as possible, compatible with the need to ensure maximum process safety.

After confirming that Article 9 of the articles of association offer the option of calling the ordinary shareholders' meeting to approve the financial statements also beyond one hundred and twenty days from year end, i.e. by 29 June 2022 (one hundred and eighty days after year end), and given the need to arrange all necessary verification associated with the aforementioned breach of information systems used by Dolomiti Energia Holding for final preparation of the separate and consolidated financial statements for 2021, the Board of Directors decided to opt for the one hundred and eighty days' deadline offered by Article 2364 of the Italian Civil Code to call the ordinary shareholders' meeting, in the usual manner, to approve the financial statements for the year ended 31 December 2021.

Treasury shares

As at 31 December 2021, Dolomiti Energia Holding owned 26,369,875 treasury shares with a nominal value of 26,369,875 euro. The percentage of this shareholding comes to 6.4%.

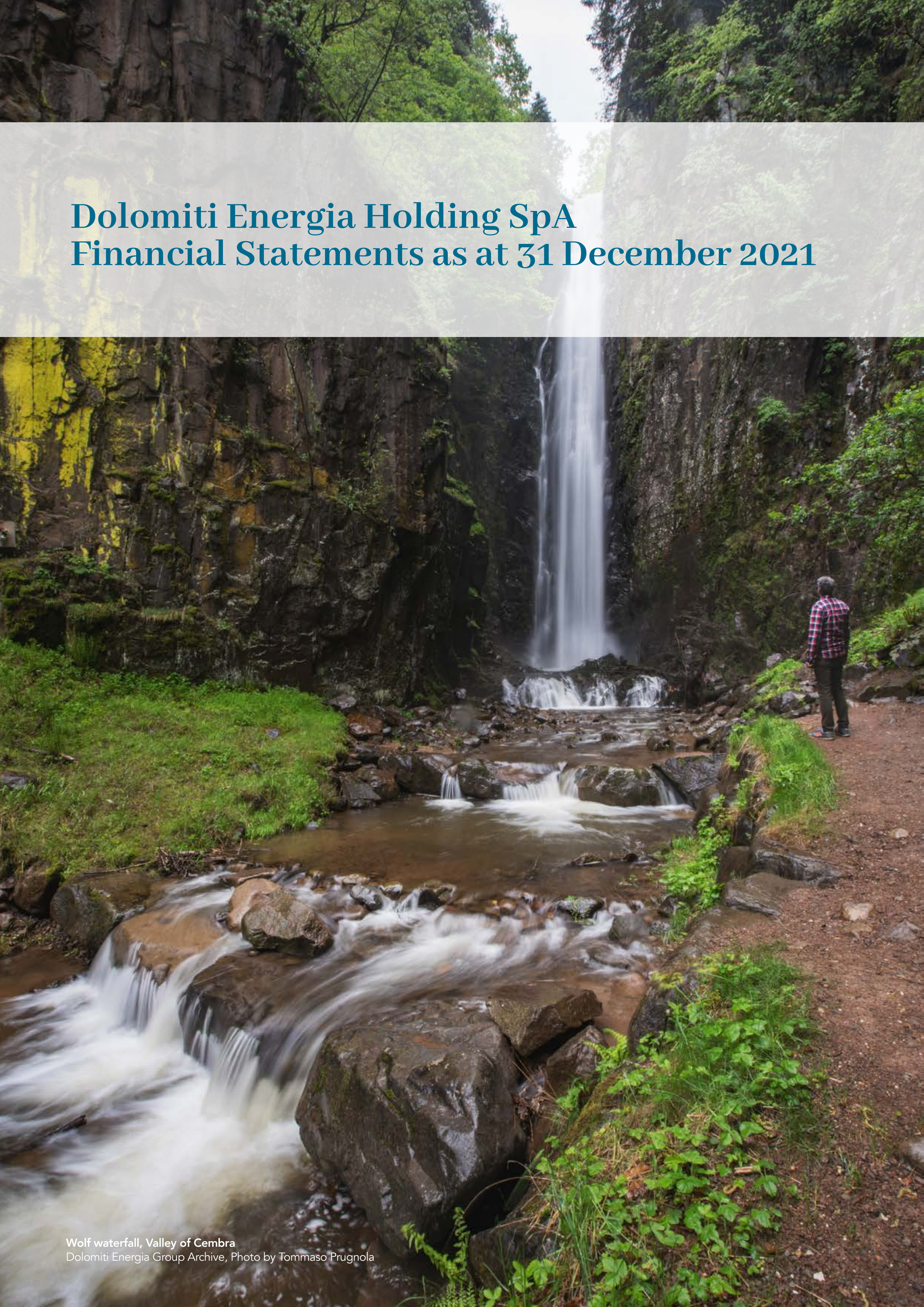
As at 31 December 2021, Dolomiti Energia Holding did not own, either directly or through trust companies or third parties, any shares in parent companies.

Rovereto, 19 April 2022

on behalf of the Board of Directors
Dolomiti Energia Holding SpA

The Chairman
De Alessandri Massimo

Dolomiti Energia Holding SpA
Financial Statements as at 31 December 2021



Wolf waterfall, Valley of Cembra
Dolomiti Energia Group Archive, Photo by Tommaso Prugnola

Statement of Financial Position

(figures in Euro)

Assets	Notes	AS AT 31 DECEMBER 2021	2020
NON-CURRENT ASSETS			
Rights of use	8.1	2,369,873	2,798,342
Intangible assets	8.2	17,937,250	15,190,093
Property, Plant and Equipment	8.3	45,192,821	45,858,881
Equity investments	8.4	822,955,286	802,650,727
Non-current financial assets	8.5	4,000,000	-
Deferred tax assets	8.6	8,032,104	9,660,993
Other non-current assets	8.7	404,310	79,352
TOTAL NON-CURRENT ASSETS		**900,891,644**	**876,238,388**
CURRENT ASSETS			
Inventories	8.8	451,790	142,768
Trade receivables	8.9	16,329,166	11,078,682
Income tax credits	8.10	6,988,798	-
Current financial assets	8.11	534,247,159	95,595,550
Other current assets	8.12	17,181,237	10,917,736
Cash and cash equivalents	8.13	77,263,194	15,494,818
TOTAL CURRENT ASSETS		**652,461,344**	**133,229,554**
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**8.14**	**-**	**6,013,540**
TOTAL ASSETS		**1,553,352,988**	**1,015,481,482**
Shareholders' Equity			
Share capital	8.15	411,496,169	411,496,169
Reserves	8.15	122,079,328	104,946,850
Reserve - IAS 19	8.15	(465,677)	(119,504)
Net profit/(loss) for the year	8.15	45,298,156	53,000,677
TOTAL SHAREHOLDERS' EQUITY		**578,407,976**	**569,324,192**
Liabilities			
NON-CURRENT LIABILITIES			
Provisions for risks and non-current charges	8.16	1,372,389	1,395,055
Employee benefits	8.17	2,861,522	3,197,094
Deferred tax liabilities	8.6	116,591	132,408
Non-current financial liabilities	8.18	194,485,876	107,146,186
Other non-current liabilities	8.19	42,241	537,089
TOTAL NON-CURRENT LIABILITIES		**198,878,619**	**112,407,832**
CURRENT LIABILITIES			
Provisions for risks and current charges	8.16	858,131	1,808,321
Trade payables	8.20	17,325,365	14,957,900
Current financial liabilities	8.18	737,710,535	306,721,180
Income tax payables	8.10	-	2,527,402
Other current liabilities	8.19	20,172,362	7,734,655
TOTAL CURRENT LIABILITIES		**776,066,393**	**333,749,458**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,553,352,988**	**1,015,481,482**

Comprehensive Income Statement

(figures in Euro)

	Notes	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Revenue	9.1	16,078,351	8,096,543
Other revenue and income	9.2	31,646,834	33,058,027
TOTAL REVENUE AND OTHER INCOME		**47,725,185**	**41,154,570**
Raw materials, consumables and merchandise	9.3	(10,187,620)	(5,692,721)
Service costs	9.4	(22,194,227)	(20,828,784)
Personnel costs	9.5	(13,170,433)	(12,395,966)
Amortisation, depreciation, allocations and write-downs	9.6	(9,378,940)	(8,541,279)
Other operating costs	9.7	(1,868,118)	(2,222,632)
TOTAL COSTS		**(56,799,338)**	**(49,681,382)**
Gains and expenses from equity investments	9.8	51,902,276	59,419,863
OPERATING RESULT		**42,828,123**	**50,893,051**
Financial income	9.9	3,883,876	2,241,780
Financial charges	9.9	(2,835,422)	(1,280,916)
PROFIT BEFORE TAX		**43,876,577**	**51,853,915**
Taxes	9.10	1,421,579	1,146,762
PROFIT/(LOSS) FOR THE YEAR (A)		**45,298,156**	**53,000,677**
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Actuarial profit/(Loss) for employee benefits		(13,627)	(153,984)
Tax effect on actuarial profit/(loss) for employee benefits		(332,546)	60,431
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (B1)		**(346,173)**	**(93,553)**
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Profit/(Loss) on cash flow hedge instruments		3,815,773	(2,842,972)
Tax effect on change in fair value in cash flow hedge derivatives		(1,171,343)	834,333
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (B2)		**2,644,430**	**(2,008,639)**
TOTAL OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX EFFECT (B)= (B1)+(B2)		**2,298,257**	**(2,102,192)**
TOTAL AGGREGATE RESULT FOR THE YEAR (A)+(B)		**47,596,413**	**50,898,485**

Cash Flow Statement

(figures in thousands of Euro)

	Notes	AS AT 31 DECEMBER 2021	2020
PROFIT/(LOSS) FOR THE YEAR		**45,298**	**53,001**
ADJUSTMENTS FOR:			
Amortisation/depreciation of:			
- rights of use	9.6	570	550
- intangible assets	9.6	6,170	5,524
- property, plant and equipment	9.6	2,639	2,468
Allocations to/(absorptions from) provisions for risks and charges	8.16; 8.17	475	833
(Gains)/expenses from equity investments	9.8	(51,902)	(59,420)
Financial (income)/charges	9.9	(1,048)	(961)
(Capital gains)/Capital losses from sale of property, plant and equipment		(88)	65
Other non-monetary elements	9.5	(10)	177
Income taxes	9.10	(1,422)	(1,147)
Cash flow from operations before changes in net working capital		*682*	*1,090*
CHANGES IN NET WORKING CAPITAL:			
(Increase)/Decrease in inventories	8.8	(309)	348
(Increase)/Decrease in trade receivables	8.9	(5,250)	2,745
(Increase)/Decrease in other assets	8.12	37,688	33,466
Increase/(Decrease) in trade payables	8.20	2,367	2,470
Increase/(Decrease) in other liabilities	8.19	(1,166)	(1,283)
Dividends collected	9.8	52,032	19,609
Interest and other financial income collected	9.9	2,608	2,444
Interest and other financial expenses paid	9.9	(3,030)	(1,060)
Utilisation of provisions for risks and charges	8.16; 8.17	(2,129)	(1,137)
Income taxes paid		(38,993)	(34,984)
CASH FLOWS FROM OPERATIONS (A)		**44,500**	**23,708**
Net investments in intangible assets	8.2	(8,968)	(8,011)
Net investments in property, plant and equipment	8.3	(1,834)	(3,089)
Net investments in equity investments	8.4	(16,235)	(18,249)
(Increase)/decrease in other investment activities	8.11	(441,363)	(43,611)
CASH FLOWS FROM INVESTMENT ACTIVITIES (B)		**(468,400)**	**(72,960)**
Capital increases/Sale of treasury shares	8.15	-	14,871
Financial payables (new issues of long-term loans)	8.18	100,000	-
Financial payables (reimbursements and other net changes)	8.18	424,181	65,899
Dividends paid		(38.513)	(34,039)
CASH FLOWS FROM FINANCING ACTIVITIES (C)		**485,668**	**46,731**
Effect of changes on cash and cash equivalents (d)	-	-	-
Increase/(decrease) in cash and cash equivalents (a+b+c+d)		61.768	(2,521)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**15,495**	**18,016**
CASH AND CASH EQUIVALENTS AT YEAR END		**77,263**	**15,495**

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 Sharehol-ders' Equity
BALANCE AS AT 1 JANUARY 2020	**411,496**	**32,916**	**994**	**(67,552)**	**123,254**	**36,485**	**537,593**
TRANSACTIONS WITH SHAREHOLDERS:							
Dividend distribution	-	-	-	-	-	(34,039)	(34,039)
Sale of treasury shares	-	-	-	14,037	834	-	14,871
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**-**	**-**	**14,037**	**834**	**(34,039)**	**(19,168)**
ALLOCATION TO RESERVES OF PROFIT/(LOSS) FOR THE YEAR	**-**	**1,825**	**-**	**-**	**621**	**(2,446)**	**-**
AGGREGATE RESULT FOR THE YEAR:							
Net profit (loss)	-	-	-	-	-	53,001	53,001
Other comprehensive profit (loss), net of tax effect	-	-	-	-	(2,102)	-	(2,102)
TOTAL AGGREGATE RESULT FOR THE YEAR	**-**	**-**	**-**	**-**	**(2,102)**	**53,001**	**50,899**
BALANCE AS AT 31 DECEMBER 2020	**411,496**	**34,741**	**994**	**(53,515)**	**122,607**	**53,001**	**569,324**
TRANSACTIONS WITH SHAREHOLDERS:							
Dividend distribution	-	-	-	-	-	(38,513)	(38,513)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**-**	**-**	**-**	**-**	**(38,513)**	**(38,513)**
ALLOCATION TO RESERVES OF PROFIT/(LOSS) FOR THE YEAR	-	2,650	-	-	11,838	(14,488)	-
AGGREGATE RESULT FOR THE YEAR:							
Net profit (loss)	-	-	-	-	-	45,298	45,298
Other comprehensive profit (loss), net of tax effect	-	-	-	-	2,299	-	2,299
TOTAL AGGREGATE RESULT FOR THE YEAR	**-**	**-**	**-**	**-**	**2,299**	**45,298**	**47,597**
BALANCE AS AT 31 DECEMBER 2021	**411,496**	**37,391**	**994**	**(53,515)**	**136,744**	**45,298**	**578,408**

Explanatory notes

1 GENERAL INFORMATION

Dolomiti Energia Holding S.p.A. (the "Company" of "DEH") mainly operates in the management of equity investments and, in a marginal way, in the production of energy from hydroelectric sources.

Dolomiti Energia Holding S.p.A. is a company established and domiciled in Italy and organised according to legislation of the Italian Republic, with registered office in Rovereto, via Alessandro Manzoni 24. As at 31 December 2021, the Company's share capital was held by:

Shareholder	No. of Shares	%
PUBLIC ENTITIES		
FINDOLOMITI ENERGIA Srl	196,551,963	47.77%
COMUNE DI TRENTO	24,008,946	5.83%
COMUNE DI ROVERETO	17,852,031	4.34%
BIM ADIGE	3,322,260	0.81%
BIM SARCA MINCIO GARDA	3,322,260	0.81%
BIM BRENTA	819,407	0.20%
BIM CHIESE	819,407	0.20%
OTHER PUBLIC AUTHORITIES	12,564,567	3.05%
UTILITY		
AGS RIVA DEL GARDA	4,861,800	1.18%
AMAMBIENTE ex STET	12,437,119	3.02%
AIR - AZ.INTERCOMUNALE ROTALIANA	4,085,912	0.99%
ACSM PRIMIERO	823,006	0.20%
CONSORSIO ELETTRICO DI STORO	2,741,118	0.67%
PRIMIERO ENERGIA	2,430,900	0.59%
CONS. ELETTRICO INDUSTRIALE DI STENICO	2,293,658	0.56%
AZ.SERVIZI MUNICIPALIZZATA - TIONE	14,622	0.00%
CONSORZIO ELETTRICO DI POZZA DI FASSA	930,232	0.23%
PRIVATE ENTITIES		
FT ENERGIA	28,286,874	6.87%
EQUITIX ITALIA HOLDCO 1 Srl	20,574,809	5.00%
I.S.A. - IST. ATESINO DI 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%
PUBLIC ENTITIES	**259,260,841**	**63.00%**
PRIVATE ENTITIES	**95,247,086**	**23.15%**
UTILITY	**30,618,367**	**7.44%**
TREASURY SHARES	**26,369,875**	**6.41%**
TOTAL	**411,496,169**	**100%**

2. SUMMARY OF THE ACCOUNTING STANDARDS ADOPTED

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

2.1 PREPARATION BASIS

The European Regulation (EC) No. 1606/2002 of 19 July 2002, introduced the obligation to apply the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), as endorsed by the European Union ("EU IFRS" or "International Accounting Standards"), as from accounting periods beginning in 2005, for the preparation of financial statements of companies with shares and/or bonds listed in one of the regulated markets of the European Community. Following the above-mentioned European Regulation, on 28 February 2005 the Legislative Decree no. 38 was issued, then amended by Decree Law no. 91 of 24 June 2014, which also governed the possible adoption of International Accounting Standards by unlisted companies for the drawing up of their financial statements.
The Company elected to adopt the above-mentioned option for the drafting of its financial statements as at 31 December 2016, by identifying the day 1 January 2015 as transition date to IFRSs ("Transition Date"). Additionally, on 14 July 2017, the Company finalised the listing transactions on the Irish Stock Exchange of a previously existing bond loan for a residual nominal amount of 5 million euro, taking on the classification as a Public Interest Entity (PIE) and therefore with the obligation to draw up its own financial statements in accordance with the EU IFRS standards.

The 2021 Financial Statements were drawn up in compliance with EU IFRS standards in force at the approval date of the same. It should be noted that the wording EU IFRS means all "International Financial Reporting Standards", all "International Accounting Standards" (IAS), as well as all interpretations of "International Reporting Interpretations Committee" (IFRIC), previously called "Standing Interpretation Committee" (SIC) which, at the date of approval of the Financial Statements had been endorsed by the European Union according to the procedure envisaged by Regulation (EC) no. 1606/2002, approved by the European Parliament and the European Council on 19 July 2002.

The Financial Statements were drafted on an ongoing basis and based on the conventional criterion of the historical cost, except for some accounting items that were recognised at fair value, pursuant to provisions set out in the International Accounting Standards.
These Financial Statements were drawn up based on the best knowledge of EU IFRSs and taking account of the best knowledge on the matters. Any future guidelines and interpretation updates will be reflected in the following years, according to the modalities envisaged from time to time by reference accounting standards.

With regard to the impact of the Covid-19 pandemic, in addition to the information provided in greater detail in the Report on Operations, the effects of the current health emergency were taken into account in the analysis of the estimates and assumptions used to characterise the financial statement amounts, and these figures reflect any resulting impact. The effects on the Company's operations have been described in the Report on Operations; at present, no specific risks have been identified as a result of the Covid-19 pandemic that could affect the Company's ability to meet its commitments.
These draft Financial Statements were approved by the Company's Board of Directors on 19 April 2022.

2.2. FORM AND CONTENT OF ACCOUNTS

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

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

ii) the Comprehensive Income Statement includes the profit or loss for the year, as well as changes in Shareholders' Equity related to financial items that, as expressly envisaged by the International Accounting Standards, are recognised in the Shareholders' Equity components;

iii) the Cash Flow Statement is disclosed according to the indirect method.

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

These financial statements were drawn up in Euro, functional currency of the Company. The figures reported in the statements, as well as in the tables included in the Explanatory Notes, are expressed in thousands of Euro, unless otherwise indicated.

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

2.3 RELATIONS WITH SUBSIDIARIES

With reference to service agreements signed with certain Group companies, note that:

a) a cash pooling agreement was signed between Dolomiti Energia Holding S.p.A. and a number of subsidiaries for centralised cash and supplier payments management (Cash Pooling);

b) the Company benefited from the regulations envisaged by Article 73, last paragraph, of the Presidential Decree 633/72 (Group VAT) for VAT payments;

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

2.4 MEASUREMENT CRITERIA

RIGHTS OF USE (LEASES)

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

INTANGIBLE ASSETS

Concessions and other intangible assets include non-monetary elements and are identifiable assets lacking physical substance, controlled by the company and able to produce future economic benefits. Concessions and other intangible assets are recognised at purchase and/or production cost, including directly attributable expenses incurred to prepare the asset for use, net of accumulated amortisation and possible impairment losses.

Other intangible assets are amortised from the time at which the asset becomes available for use. Their amortisation is apportioned systematically in relation to the residual possible use, i.e. based on their estimated useful life.

The useful life estimated by the Company for concessions and other intangible assets is as follows:

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

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

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

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

Assets acquired after 31 December 1997

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

Revaluation of assets as at 01 January 2003 as a result of the merger

The capital gain of 44,276,481 euro emerging from assessment of the extraordinary transaction for the merger by absorption of SIT and ASM into Dolomiti Energia (now Dolomiti Energia Holding SpA), confirmed by the expert appointed by the Court President, was allocated as described below:

- 8,107,734 euro to Dolomiti Energia S.p.A. (now Dolomiti Energia Holding SpA) assets

- land	5,907,256 euro
- new office building	2,200,478 euro

- 36,168,747 euro on the assets of the water and gas cycle contributed to Dolomiti Reti S.p.A. (now Novareti SpA).

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

EQUITY INVESTMENTS

Equity investments in subsidiaries, associates and joint ventures are recognised at purchase or formation cost.

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

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

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

TRADE RECEIVABLES AND OTHER CURRENT AND NON-CURRENT ASSETS

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

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

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

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

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

NON-DERIVATIVE FINANCIAL ASSETS

Non-derivative financial assets are distinguished by fixed or calculable payments not listed in an active market, for which the Company's objective is to achieve the contractual cash flows represented by payment of the principal and interest. These financial assets are stated under current assets if their maturity term is within 12 months; otherwise, they are stated under non-current assets.

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

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

i) significant financial difficulties of the debtor;

ii) contract breaches, as non-payment of interest or principal;

iii) the creditor, for economic or legal reasons connected with the financial difficulties of the debtor, grants the debtor facilities that would not be considered in other cases;

iv) it is probable that the debtor be bankrupt or be subject to a composition procedure with creditors; or

v) the active market of financial assets no longer exists.

INVENTORIES

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

FINANCIAL DERIVATIVES

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

Derivative instruments can be accounted for using the hedge-accounting approach only when:

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

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

i) Fair value hedge – If a financial derivative is designated as a hedge for exposure to the changes in the current value of a recognised asset or liability, the change in fair value of the hedging derivative is recognised in the income statement, consistently with the fair value measurement of hedged assets and liabilities.

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

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

DETERMINATION OF FAIR VALUE OF FINANCIAL INSTRUMENTS

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

CASH AND CASH EQUIVALENTS

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

TREASURY SHARES

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

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

FINANCIAL LIABILITIES, TRADE AND OTHER PAYABLES

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

Financial liabilities are classified under current liabilities, except in the event the Company has an unconditional right to defer payment for at least 12 months from the reference date.

Financial liabilities are derecognised from the financial statements upon redemption and when the Company has transferred all related risks and charges to the instrument itself.

PROVISIONS FOR RISKS AND CHARGES

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

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

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

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

PERSONNEL-RELATED PROVISIONS

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

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

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

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

The cost components of defined benefits are recognised as follows:

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

PUBLIC GRANTS

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

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

ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current and current assets of disposal groups are classified as held for sale if the related book value is recovered mainly through the sale. This condition is deemed as fulfilled when the sale is highly probable and the asset, or disposal group, is available for immediate sale in its current conditions. Non-current assets held for sale, current and non-current assets related to disposal groups and liabilities directly attributable are recognised in the statement of financial position, separate from other assets and liabilities.

Non-current assets held for sale are not amortised and are measured at the lower of their book value and the related fair value, less the costs of sale.

Any difference between book value and fair value, less the costs of sale, is charged to the income statement as write-down. Any recoveries in value are recognised until recovery of the previously recorded write-downs, including those that were recognised before the classification of the asset as held for sale.

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

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

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

REVENUE RECOGNITION

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

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

ii. identification of the “Performance obligations” contained in the contract;

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

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

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

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

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

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

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

iv. revenue from services rendered is recorded upon supply, or according to contract clauses.

RECOGNITION OF COSTS

Costs are recognised upon acquisition of an asset or service.

TAXES

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

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

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

e) Fair value of derivative 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 2021.

- • Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2" (issued on 27 August 2020), applicable from 01 January 2021. The IASB has divided its work on the reform of benchmark interest rates into two phases. The first phase (involving amendments to IFRS 9, IAS 39 and IFRS 7 applicable from the start of the 2020 financial year) addressed issues affecting financial reporting in the period prior to the replacement of an existing benchmark interest rate with an alternative rate; a second phase, the objective of which is to assist entities in providing useful information to users of financial statements and to support drafters in applying IFRS standards when changes are made to contractual cash flows or hedging relationships as a result of the move to alternative near-risk-free benchmark rates. In particular, in this second phase the intention was to stabilise cash flow measurement, avoiding impacts on the income statement from the exchange rate used for these measurements.
-
- • Amendments to IFRS 16 Leases Covid-19 - Related Rent Concessions (issued on 28 May 2020), applicable from 1 June 2020, with immediate application permitted. The amendment allows lessees, as a practical expedient, to disregard individual lease contracts in determining whether relief granted as a direct result of the Covid-19 pandemic should have been classified as contractual modifications. Therefore, if the conditions are met, lessees could recognise the amount of the condoned rent by 30 June 2021 in profit or loss in the year of concession; otherwise, that amount would have been recognised in profit or loss over the term of the lease contract to which it relates. The amendment did not concern lessors. On 31 March 2021, the IASB further amended IFRS 16, extending the criterion for applying the practical expedient to concessions that reduce the lease payments originally due by 30 June 2022. This last amendment is in force for financial years starting from 1 April 2021 or later, with early application permitted.

With reference to the application of these standards, amendments and new interpretations, it should be noted that there was no impact on the Company's 2021 financial statements.

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

The following accounting standards, amendments to accounting standards and interpretations issued by the IASB and incorporated by the European Union at the date of presentation of the 2021 financial statements must be applied for the financial years following 2021.

- Amendments to IFRS 3, IAS 16, IAS 37 and improvements to the 2018-2020 IFRS cycle (issued on 14 May 2020). The amendments, applicable as of 1 January 2022 with early application permitted, are as follows:

- IFRS 3 "Business Combinations". The amendments update a reference to the financial reporting systematic framework, without changing the accounting requirements for business combinations;
- IAS 16 "Property, Plant and Equipment". The amendments introduce the inability to reduce the cost of property, plant and equipment by the amount received from the sale of goods produced while preparing the asset for its intended use. These sales, on the other hand, must be recorded in the income statement as income, as must the related costs;
- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The amendment specifies which costs must be considered when assessing whether a contract will be onerous, i.e. if the non-discretionary costs necessary for fulfilment of the obligations assumed exceed the economic benefits that are expected to be obtained from the contract. It clarified that the costs necessary to fulfil the contract include incremental costs, such as labour and direct raw materials, and also other costs directly associated with fulfilment that the entity cannot avoid, such as the allocation of depreciation for an element of property, plant and equipment used in fulfilment of the contract;
- Improvements to the annual 2018-2020 IFRS cycle. These are amendments that clarify, correct or remove redundant or conflicting wording or formulations in the text of the relevant standards. Minor changes were made to IFRS 1, IFRS 9, IAS 41 and the illustrative examples accompanying IFRS 16.

Its application is not expected to have any impact for the Company.

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

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

- Amendments to IAS 1 'Presentation of financial statements' (issued on 23 January 2020 and 15 July 2020). The amendments, which are effective 1 January 2023, clarify the requirements to be considered in determining whether, in the statement of financial position, payables and other liabilities with an uncertain settlement date should be classified as current or non-current (including payables extinguishable by conversion into equity instruments). The proposed amendments aim to clarify:
  - that the classification of a liability as current or non-current is based on the entity's rights at the end of the reporting period; and
  - the link between the extinguishment of the liability and the outflow of financial resources from the entity.
- Amendments to IAS 1 "Presentation of financial statements" and IFRS Practice Statement 2 (issued on 12 February 2021). The disclosure requirements regarding accounting policies are changed from "sig-

nificant accounting policies" to "disclosure on material accounting policies". The amendments provide indications on when information on accounting policies is likely to be considered material. The amendments to IAS 1 are effective from financial years starting on or after 1 January 2023; early application is permitted. Since IFRS Practice Statements are non-binding guidelines, no compulsory effective date has been specified for the amendments to IFRS Practice Statement 2.

- Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors: definition of accounting estimates" (issued on 12 February 2021). The amendments, applicable from 1 January 2023, added the definition of "accounting estimates" to IAS 8 and also clarified that the effects of a change in an input or in a measurement approach are changes in accounting estimates, unless they derive from the correction of errors from the previous period.
- Amendments to IAS 12 "Income taxes: deferred tax related to assets and liabilities arising from a single transaction" (issued on 7 May 2021). The amendments, applicable from 1 January 2023, clarify whether the exemption from initial recognition applies to certain transactions that involve the simultaneous recognition of both an asset and a liability (for example, a lease within the scope of IFRS 16). The amendments introduce an additional criterion for the exemption from initial recognition envisaged by IAS 12.15, for which the exemption does not apply to the initial recognition of an asset or liability which, at the time of the transaction, gives rise to equal taxable and deductible temporary differences.
- Amendments to IFRS 17 "Insurance contracts: initial application of IFRS 17 and IFRS 9 - comparative information" (issued on 9 December 2021). The amendments allow for the application of a transitional option, relating to comparative information on financial assets presented on first-time adoption of IFRS 17. The amendment aims to help entities avoid temporary accounting mismatches between insurance contract financial assets and liabilities, and therefore improve the usefulness of the comparative information. IFRS 17, which incorporates the amendment, is applicable from financial years starting on or after 1 January 2023.

7. INFORMATION ON FINANCIAL RISKS

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

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

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

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

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

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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 2021, 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 2021 and 2020 to hedge interest rate fluctuations are summarised as follows:

IRS

	AS AT 31 DECEMBER 2021	
Date of transaction	**25/05/2017**	**26/05/2017**
Company	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa
Counterparty	Unicredit	Intesa San Paolo
Effective date	01/01/2021	01/01/2021
Maturity	30/09/2032	30/09/2032
Notional in Euro	44,791,666	44,791,666
Floating interest rate	Euribors 3M (floor -0,80)	Euribors 3M (floor -0,80)
Fixed interest rate	1.3400%	1.3235%
Fair value	(2,935,960)	(2,897,426)

IRS

	AS AT 31 DECEMBER 2021					
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	zero	zero	zero	zero	48.958.333	48.958.333
Floating interest rate	Euribor 1M	Euribor 1M	Euribor 1M	Euribor 1M	Euribors 3M (floor -0,80)	Euribors 3M (floor -0,80)
Fixed interest rate	3.4000%	3.4450%	3.5214%	3.7190%	1.3400%	1.3235%
Fair value	zero	zero	zero	zero	(4.843.793)	(4.805.366)

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 2021 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 2021	192	(1,994)	192	(1,994)
Year ended 31 December 2020	-	(719)	-	(719)

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 2021 and 31 December 2020 is represented by the sum of financial assets recorded in the financial statements, summarised as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2021	2020	Change
Trade receivables	16,970	11,719	5,251
Financial assets	538,247	95,596	442,651
Other assets	17,586	10,998	6,588
Provision for write-downs	(641)	(641)	-
TOTAL	572,162	117,672	454,490

Trade receivables as at 31 December 2021 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	15,905	139	66	-	6	854
TOTAL	15,905	139	66	-	6	854

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 change in the market scenarios (significant increase in commodity prices) has led to a considerable absorption of funds (increase in current assets). The Company therefore requested and obtained new bank credit facilities to ensure adequate financial flexibility and correct management of liquidity risk.

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 2021		
	Maturity		
	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Trade payables	17,325	-	-
Payables due to banks and other lenders	737,711	56,101	138,385
Other accounts payables	20,172	42	-
TOTAL	**775,208**	**56,143**	**138,385**

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

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 2021 and 31 December 2020:

(in thousands of Euro)	AS AT 31 DECEMBER 2021		
Liabilities	**Level 1**	**Level 2**	**Level 3**
Derivative instruments *(interest rate swap)**	-	5,833	-

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

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

[* this amount includes the fair value of all derivatives that, under an accounting viewpoint, are classified as 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 2021 and 31 December 2020 are broken down by category:

(in thousands of Euro)	AS AT 31 DECEMBER 2021			
	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	77,263	-	-	77,263
Trade receivables	16,329	-	-	16,329
Other assets and other current financial assets	551,428	-	-	551,428
NON-CURRENT ASSETS				
Other assets and other non-current financial assets	4,404	-	-	4,404
ASSETS HELD FOR SALE	**-**	**-**	**-**	**-**
CURRENT LIABILITIES				
Trade payables	17,325	-	-	17,325
Current financial liabilities	737,711	-	-	737,711
Other current liabilities	20,172	-	-	20,172
NON-CURRENT LIABILITIES				
Non-current financial liabilities	188,653	5,833	-	194,486
Other non-current liabilities	42	-	-	42

(in thousands of Euro)	AS AT 31 DECEMBER 2020			
	Financial assets/ liabilities measured at amortised cost	Financial assets/ liabilities measured at fair value FVOCI	Financial assets/ liabilities measured at fair value FVTPL	Total
CURRENT ASSETS				
Cash and cash equivalents	15,495	-	-	15,495
Trade receivables	11,079	-	-	11,079
Other assets and other current financial assets	106,513	-	-	106,513
NON-CURRENT ASSETS				
Other assets and other non-current financial assets	79	-	-	79
ASSETS HELD FOR SALE	**6,014**	**-**	**-**	**6,014**
CURRENT LIABILITIES				
Trade payables	14,958	-	-	14,958
Current financial liabilities	306,721	-	-	306,721
Other current liabilities	7,735	-	-	7,735
NON-CURRENT LIABILITIES				
Non-current financial liabilities	97,497	9,649	-	107,146
Other non-current liabilities	537	-	-	537

8. NOTES TO THE STATEMENT OF FINANCIAL POSITION

8.1 RIGHTS OF USE

Changes in item "Rights of Use" are shown hereunder for the years ended 31 December 2021 and 2020:

(in thousands of Euro)

	Rights of use of buildings	Rights of use of other goods	Total
BALANCE AS AT 1 JANUARY 2020	**2,572**	**515**	**3,087**
Of which:			
Historical cost	*10,308*	*813*	*11,121*
Accumulated depreciation	*(7,736)*	*(298)*	*(8,034)*
Increases	171	496	667
Net decreases	-	(406)	(406)
Amortisation/depreciation	(384)	(166)	(550)
BALANCE AS AT 31 DECEMBER 2020	**2,359**	**439**	**2,798**
Of which:			
Historical cost	*10,360*	*645*	*11,005*
Accumulated depreciation	*(8,001)*	*(206)*	*(8,207)*
Increases	-	142	142
Net decreases	-	-	-
Amortisation/depreciation	(384)	(186)	(570)
BALANCE AS AT 31 DECEMBER 2021	**1,975**	**395**	**2,370**
Of which:			
Historical cost	*10,360*	*730*	*11,090*
Accumulated depreciation	*(8,385)*	*(335)*	*(8,720)*

"Rights of use of buildings" amounting to 1.975 thousand euro mainly refer to contracts related to the real estate property destined as registered office in Rovereto (TN).

"Rights of use of other goods" amounting to 395 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 2021
Depreciation of rights of use	9.6	570
Interest expense on financial liabilities for leases	9.9	79
Short-term contract related costs	9.4	108
Costs related to contracts for low value goods	9.4	525
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		**773**
Profits/(losses) from sales and leaseback transactions		-

8.2 INTANGIBLE ASSETS

Changes in item "Intangible assets" are shown hereunder for the years ended 31 December 2021 and 2020:

(in thousands of Euro)

	Concessions	Industrial patent and intellectual property rights	Other	Total
BALANCE AS AT 1 JANUARY 2020	**4,150**	**8,502**	**50**	**13,046**
Of which:				
Historical cost	*7,824*	*47,074*	*2,313*	*52,859*
Accumulated depreciation	*(3,674)*	*(38,572)*	*(2,263)*	*(39,813)*
Increases	-	8,007	4	4,368
Net decreases	-	-	-	(28)
Amortisation/depreciation	(383)	(5,134)	(6)	(4,684)
BALANCE AS AT 31 DECEMBER 2020	**3,767**	**11,375**	**48**	**15,190**
Of which:				
Historical cost	*7,824*	*55,063*	*2,329*	*65,216*
Accumulated depreciation	*(4,057)*	*(43,688)*	*(2,281)*	*(50,026)*
Increases	-	8,966	2	8,968
Net decreases	-	(52)	-	(52)
Amortisation/depreciation	(383)	(5,780)	(6)	(6,169)
BALANCE AS AT 31 DECEMBER 2021	**3,384**	**14,509**	**44**	**17,937**
Of which:				
Historical cost	*7,824*	*63,964*	*2,320*	*74,108*
Accumulated depreciation	*(4,440)*	*(49,455)*	*(2,276)*	*(56,171)*

The item concessions refers to charges on franchises on small water diversions of the Mini Idro plants purchased from Hydro Dolomiti Energia in previous years (2,928 thousand euro). Amortisation of the concession is based on its duration (twenty years), with maturity term in 2029. Also included is a thirty-year concession of the Oleificio Costa plant equal to 456 thousand euro.

Industrial patent and intellectual property rights fully include the costs relating to the acquisition, implementation and development of software serving the activities carried out by the companies belonging to the Dolomiti Energia Group, with an increase of 8,966 thousand euro.

8.3 PROPERTY, PLANT AND EQUIPMENT

Changes in item "Property, plant and equipment" are shown hereunder for the years ended 31 December 2021 and 2020:

(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 2020	**22,872**	**13,993**	**771**	**2,139**	**5,728**	**45,503**
Of which:						
Historical cost	*35,125*	*37,495*	*4,255*	*11,754*	*5,728*	*94,357*
Accumulated depreciation	*(12,253)*	*(23,502)*	*(3,484)*	*(9,615)*	*-*	*(48,854)*
Increases	981	486	83	556	1,029	3,135
Net decreases	(3)	(106)	-	(1)	(201)	(311)
Reclassifications	4,357	-	-	-	(4,357)	-
Amortisation/depreciation	(1,020)	(676)	(168)	(604)	-	(2,468)
BALANCE AS AT 31 DECEMBER 2020	**27,187**	**13,697**	**686**	**2,090**	**2,199**	**45,859**
Of which:						
Historical cost	*40,460*	*37,871*	*4,338*	*12,179*	*2,199*	*97,047*
Accumulated depreciation	*(13,273)*	*(24,174)*	*(3,652)*	*(10,089)*	*-*	*(51,188)*
Increases	893	689	32	223	280	2,117
Net decreases	-	(137)	-	(7)	-	(144)
Reclassifications	95	924	-	-	(1,019)	-
Amortisation/depreciation	(1,158)	(753)	(152)	(576)	-	(2,639)
BALANCE AS AT 31 DECEMBER 2021	**27,017**	**14,420**	**566**	**1,730**	**1,460**	**45,193**
Of which:						
Historical cost	*41,448*	*38,945*	*4,370*	*12,317*	*1,460*	*98,540*
Accumulated depreciation	*(14,431)*	*(24,525)*	*(3,804)*	*(10,587)*	*-*	*(53,347)*

With regard to property, plant and equipment, costs have been capitalised for services provided by internal staff for 434 thousand euro.

The item land includes that related to hydro and thermoelectric works (344 thousand euro), and other land purchased for expansion projects of company offices for 4,357 thousand euro.

The item buildings also includes capitalisations of buildings of the hydroelectric production plants with a residual value of 1,873 thousand euro; improvements made in the offices in Rovereto, which are rented from the Municipality, for a residual value of 2,079 thousand euro, as well as the building of the offices in Trento, for a residual value of 3,766 thousand euro, and the building "Le Albere" in Trento, for a residual value of 4,633 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 13,843 thousand euro. This also includes proprietary photovoltaic plants and fixed systems of the corporate offices for a net value of 455 thousand euro. Note that at the end of the year the sale to Terna of the section of the "Maso Corona-San Colombano" national HV transmission line was completed.

The item industrial and commercial fittings includes equipment for the chemical-bacteriological laboratory (residual value of 421 thousand euro), as well as remote control systems and other equipment for the hydroelectric sector (residual value of 44 thousand euro) and other inventory fittings (residual value 101 thousand euro).

The item other assets concerns furniture and office equipment (residual value of 699 thousand euro), mostly hardware for a residual value of 1,015 thousand euro.

At the end of the year, work in progress amounted to 1,460 thousand euro and mainly involved feasibility studies and projects for the company headquarters in Trento (1,134 thousand euro), as well as work on the hydroelectric power plants started during the year but not yet completed for 222 thousand euro.

8.4 EQUITY INVESTMENTS

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

(in thousands of Euro)	AS AT 31 DECEMBER		
	2021	2020	Change
Equity investments in subsidiaries	747,700	739,073	8,627
Equity investments in associates and joint ventures	51,504	39,827	11,677
Equity investments in other companies	23,751	23,751	-
TOTAL	822,955	802,651	20,304

Changes in equity investments in subsidiaries, associates, joint ventures and other companies for the year ended 31 December 2020 and 2021 are shown hereunder:

Description of equity investments

(in thousands of Euro)

	Percentage owned	Carrying amount s at 31 December 2019	Changes in 2020	Reclassif. 2020	Carrying amount in 2020	Provision for write-downs as at 31 December 2019	Changes in 2020	Provision for write-downs as at 31 December 2020	Net Value as at 31 December 2020	Net Value as at 31 December 2019
DOLOMITI EN.SOLUTIONS SRL	100.00%	5,916		-	5,916	-	-	-	5,916	5,916
NOVARETI SPA	100.00%	139,266	-	-	139,266	-	-	-	139,266	139,266
DOLOMITI EN.HYDRO POWER SRL	100.00%	4,500	-		4,500	-	-	-	4,500	4,500
DOLOMITI GNL SRL	100.00%	1,100	-	-	1,100	-	-	-	1,100	1,100
DOLOMITI AMBIENTE SRL	100.00%	16,010	-	-	16,010	-	-	-	16,010	16,010
GASDOTTI ALPINI SRL	100.00%	-	10	-	10	-	-	-	10	-
DOLOMITI EN.TRADING SPA	98.72%	13,334	-	-	13,334	-	-	-	13,334	13,334
DOLOMITI ENERGIA SPA	83.03%	32,619	-	-	32,619	-	-	-	32,619	32,619
S.E.T.DISTRIBUZIONE SPA	69.60%	85,801	-	-	85,801	-	-	-	85,801	85,801
HYDRO INVESTMENTS DE SRL	-	408,402	(408,402)	-	-	-	-	-	-	408,402
HYDRO DOLOMITI ENERGIA SRL	60.00%	-	408,402	-	408,402	-	-	-	408,402	-
DEP.TRENTINO CENTRALE Sc.ar.l.	57.00%	6	-	-	6	-	-	-	6	6
DOLOMITI EDISON ENERGY SRL	51.00%	-	-	32,109	32,109	-	-	-	32,109	-
TOTAL SUBSIDIARIES		**706,954**	**10**	**32,109**	**739,073**	**-**	**-**	**-**	**739,073**	**706,954**
DOLOMITI EDISON ENERGY SRL	51.00%	32,109	-	(32,109)	-	-	-	-	-	32,109
SF ENERGY SRL	50.00%	27,545	-	-	27,545	-	-	-	27,545	27,545
NEOGY SRL	50.00%	3,000			3,000	-	(1,000)	(1,000)	2,000	3,000
IVI GNL SRL	50.00%	-	580	-	580	-	-	-	580	-
GIUDICARIE GAS SPA	43.35%	838	-	-	838	-	-	-	838	838
BIOENERGIA TRENTINO SRL	24.90%	1,769	-	-	1,769	-	-	-	1,769	1,769
PVB POWER BULGARIA SPA	23.13%	10,624	-	(10,624)	-	(8,575)	8,575	-	-	2,049
AGS SPA	20.00%	7,095	-	-	7,095	-	-	-	7,095	7,095
TOTAL ASSOCIATED COMPANIES AND J OINT VENTURES		**82,980**	**580**	**(42,733)**	**40,827**	**(8,575)**	**7,575**	**(1,000)**	**39,827**	**74,405**
PRIMIERO ENERGIA SPA	19.94%	4,614	-	-	4,614	-	-	-	4,614	4,614
INIZIATIVE BRESCIANE SPA	16.53%	-	17,659	-	17,659	-	-	-	17,659	-
BIO ENERGIA FIEMME SPA	11.46%	785	-	-	785	-	-	-	785	785
CHERRYCHAIN SRL	10.00%	300		-	300	-	-	-	300	300
DISTR. TECN.TRENTINO Sc.ar.l.	2.49%	5	-	-	5	-	-	-	5	5
ISTITUTO ATESINO SVIL.SPA	0.32%	387	-	-	387	-	-	-	387	387
CONS.ASSINDUSTRIA ENERGIA	0%	1	-	-	1	-	-	-	1	1
CASSA RURALE ROVERETO	0%	-	-	-	-	-	-	-	-	-
TOTAL OTHER COMPANIES		**6,092**	**17,659**	**-**	**23,751**	**-**	**-**	**-**	**23,751**	**6,092**
TOTAL EQUITY INVESTMENTS		**796,026**	**18,249**	**(10,624)**	**803,651**	**(8,575)**	**7,575**	**(1,000)**	**802,651**	**787,451**

(in thousands of Euro)

	Percentage owned	Carrying amount as at 31 December 2020	Changes in 2021	Reclassif. 2021	Carrying amount in 2021	Provision for write-downs as at 31 December 2020	Changes in 2021	Provision for write-downs as at 31 December 2021	Net Value as at 31 December 2021	Net Value as at 31 December 2020
DOLOMITI EN.SOLUTIONS SRL	100.00%	5,916		-	5,916	-	-	-	5,916	5,916
NOVARETI SPA	100.00%	139,266	-	-	139,266	-	-	-	139,266	139,266
DOLOMITI EN.HYDRO POWER SRL	100.00%	4,500	-		4,500	-	-	-	4,500	4,500
DOLOMITI GNL SRL	100.00%	1,100	500	-	1,600	-	-	-	1,600	1,100
DOLOMITI AMBIENTE SRL	100.00%	16,010	-	-	16,010	-	-	-	16,010	16,010
GASDOTTI ALPINI SRL	100.00%	10	1,000	-	1,010	-	-	-	1,010	10
DOLOMITI EN.TRADING SPA	98.72%	13,334	-	-	13,334	-	-	-	13,334	13,334
DOLOMITI ENERGIA SPA	83.03%	32,619	-	-	32,619	-	-	-	32,619	32,619
S.E.T.DISTRIBUZIONE SPA	69.60%	85,801	(1)	-	85,800	-	-	-	85,800	85,801
DOLOMITI TRANSITION ASSETS SRL	66.67%	-	7,128	-	7,128	-	-	-	7,128	-
HYDRO DOLOMITI ENERGIA SRL	60.00%	408,402	-	-	408,402	-	-	-	408,402	408,402
DEP.TRENTINO CENTRALE Sc.ar.l.	57.00%	6	-	-	6	-	-	-	6	6
DOLOMITI EDISON ENERGY SRL	51.00%	32,109	-	-	32,109	-	-	-	32,109	32,109
TOTAL SUBSIDIARIES		**739,073**	**8,627**	**-**	**747,700**	**-**	**-**	**-**	**747,700**	**739,073**
SF ENERGY SRL	50.00%	27,545	-	-	27,545	-	-	-	27,545	27,545
NEOGY SRL	50.00%	3,000	400	-	3,400	(1,000)	(1,944)	(2,944)	456	2,000
IVI GNL SRL	50.00%	580	-	-	580	-	-	-	580	580
GIUDICARIE GAS SPA	43.35%	838	1	-	839	-	-	-	839	838
EPQ SRL	33.00%	-	12,843	-	12,843	-	-	-	12,843	-
TECNODATA TRENTINA SRL	25.00%	-	377	-	377	-	-	-	377	-
BIOENERGIA TRENTINO SRL	24.90%	1,769	-	-	1,769	-	-	-	1,769	1,769
AGS SPA	20.00%	7,095	-	-	7,095	-	-	-	7,095	7,095
TOTAL ASSOCIATED COMPANIES AND JOINT VENTURES		**40,827**	**13,621**	**-**	**54,448**	**(1,000)**	**(1,944)**	**(2,944)**	**51,504**	**39,827**
PRIMIERO ENERGIA SPA	19.94%	4,614	-	-	4,614	-	-	-	4,614	4,614
INIZIATIVE BRESCIANE SPA	16.53%	17,659	-	-	17,659	-	-	-	17,659	17,659
BIO ENERGIA FIEMME SPA	11.46%	785	-	-	785	-	-	-	785	785
CHERRYCHAIN SRL	10.00%	300		-	300	-	-	-	300	300
DISTR. TECN.TRENTINO Sc.ar.l.	2.49%	5	-	-	5	-	-	-	5	5
ISTITUTO ATESINO SVIL.SPA	0.32%	387	-	-	387	-	-	-	387	387
CONS.ASSINDUSTRIA ENERGIA	0%	1	-	-	1	-	-	-	1	1
CASSA RURALE ROVERETO	0%	-	-	-	-	-	-	-	-	-
TOTAL OTHER COMPANIES		**23,751**	**-**	**-**	**23,751**	**-**	**-**	**-**	**23,751**	**23,751**
TOTAL EQUITY INVESTMENTS		**803,651**	**22,248**	**-**	**825,899**	**(1,000)**	**(1,944)**	**(2,944)**	**822,955**	**802,651**

SUBSIDIARIES

DOLOMITI ENERGIA SOLUTIONS Srl – Trento. Fully paid-up Share Capital of 120,000 euro, represented by 120,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The company operates in the renewable energy, savings and energy efficiency sector, and is qualified for the design, construction and redevelopment of photovoltaic systems and public lighting systems. The financial year ending 31 December 2021 recorded a loss of 1,113,539 euro.

NOVARETI S.p.A. – Rovereto. Fully paid-up Share Capital of 28,500,000 euro, represented by 28,500,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The financial year ending 31 December 2021 recorded a profit of 9,527,403 euro. The company is engaged in the distribution of network services: gas, cogeneration, district heating and the fully integrated water cycle.

DOLOMITI ENERGIA HYDRO POWER Srl – Trento. Fully paid-up Share Capital of 100,000 euro, represented by 100,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The company operates in the hydroelectric sector, managing a number of power stations, as well as holding investments in companies that produce energy from renewable sources. The financial year ending 31 December 2021 recorded a profit of 691,604 euro.

DOLOMITI GNL SRL - Trento. Fully paid-up Share Capital of 600,000 euro, represented by 600,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The company, still in the development phase of the LNG distribution infrastructures, was recapitalised during the year by means of a payment for a future capital increase of 500,000 euro and at 31 December 2021 recorded a loss of 62,422 euro.

DOLOMITI AMBIENTE Srl – Rovereto. Fully paid-up Share Capital of 2,000,000 euro, represented by 2,000,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The company operates in the municipal waste services segment of Trento and Rovereto. At 31 December 2021 it recorded a profit of 2,376,909 euro.

GASDOTTI ALPINI Srl – Rovereto. Fully paid-up Share Capital of 10,000 euro, represented by 10,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The company, established on 8 October 2020 for the regional transport of natural gas, having not completed the authorisation process, was recapitalised during the year in anticipation of a future capital increase of 1,000,000 euro; it closed its first year with a loss of 23,785 euro.

DOLOMITI ENERGIA TRADING S.p.A. – Trento. Fully paid-up Share Capital of 2,478,429 euro, represented by 2,478,429 shares with a value of 1 euro each; Dolomiti Energia Holding holds 98.72% of the Share Capital, equal to 2,446,829 shares with a nominal value of 2,446,829 euro. The company is a Group wholesaler in charge of the wholesale marketing of electricity from renewable sources and natural gas. The financial year ending 31 December 2021 recorded a loss of 3,784,072 euro.

DOLOMITI ENERGIA S.p.A. – Trento. Fully paid-up Share Capital of 20,414,755 euro, represented by 20,414,755 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 2 December 2020, the Shareholders' Meeting resolved to increase the share capital from 20,405,332 euro to 20,414,755 euro through the transfer in kind of the electricity marketing business unit of the Sella Giudicarie Municipal Authority. The financial year ending 31 December 2021 recorded a loss of 3,627,277 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 S.p.A. - Rovereto. Fully paid-up Share Capital of 120,175,728 euro, represented by 120,175,728 shares with a value of 1 euro each; Dolomiti Energia Holding holds 69.60% of the Share Capital, equal to 83,645,346 shares with a nominal value of 83,645,346 euro. The financial year ending 31 December 2021 recorded a profit of 17,135,062 euro. The company is an electricity distributor in the Trento Autonomous Province for the 164 municipalities in which it is the concession holder.

DOLOMITI TRANSITION ASSETS Srl - Trento. Fully paid-up Share Capital of 1,000,000 euro, represented by 1,000,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 66.67% of the Share Capital, equal to 666,667 shares with a nominal value of 666,667 euro. The company, resulting from the partnership with EPQ srl, was established on 16 April 2021, subsequently approved the share capital increase (6 May 2021) subscribed by the shareholders Firefly srl and NPV Holding srl. The company closed its first year with a profit of 130,326 euro and is active in the energy transition and sustainability sector.

HYDRO DOLOMITI ENERGIA Srl – Trento. Fully paid-up Share Capital of 3,000,000 euro, represented by 3,000,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 60% of the Share Capital, equal to 1,800,000 shares with a nominal value of 1,800,000 euro. The company is a leader in Trentino in the production of energy from renewable sources, operating its own 22 power stations and others under direct management. As at 31 December 2021, it closed the financial year with a profit of 79,196,760 euro.

DEPURAZIONE TRENTINO CENTRALE S. Cons. a r.l. (in liquidation) – Trento. Fully paid-up Share Capital of 10,000 euro, represented by 10,000 shares of 1 euro each; Dolomiti Energia Holding holds 57% of the Share Capital equal to 5,700 holdings with a nominal value of 5,700 euro. From 1 January 2021, the company no longer manages the purification plants in the Trentino Central Basin. For this reason the company was placed in liquidation on 6 August 2021. The interim liquidation balance sheet closed on 31 December 2021 records a profit of 55,967 euro.

DOLOMITI EDISON ENERGY Srl – Trento. Fully paid-up Share Capital of 5,000,000 euro, represented by 5,000,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 51% of the Share Capital, equal to 2,550,000 shares with a nominal value of 2,550,000 euro. The financial year ending 31 December 2021 produced a profit of 4,482,705 euro. The company produces electricity from renewable sources through the management of five hydroelectric plants.

ASSOCIATES AND JOINT VENTURES

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

NEOGY Srl – Bolzano. Fully paid-up Share Capital of 750,000 euro, represented by 750,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 50.00% of the Share Capital, equal to 375,000 shares with a nominal value of 375,000 euro. The company was established from the joint venture between Dolomiti Energia and Alperia in order to jointly promote electrical mobility and with the aim of organising a widespread recharging infrastructure in the territory to serve both private customers and companies. In this start-up phase, during the year the company was recapitalised for a future capital increase of euro 1,400,000 euro, of which 1,000,000 euro from use of the provision allocated in the previous year. Analysing past losses and those of the current year, the equity investment was written down by a further 1,944 thousand euro, reducing its value to 456 thousand euro.

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

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

EPQ Srl - Trento. Share Capital of 100,000 euro fully paid-up, divided into 100,000 shares with a value of 1 each; Dolomiti Energia holds 33% of the Share Capital, equal to 33,000 shares and a nominal value of 33,000 euro. The equity investment in this energy management company was acquired in 2021.

TECNODATA TRENTINA Srl – Trento. Fully paid-up Share Capital of 10,400 euro, represented by 10,400 shares with a value of 1 euro each; Dolomiti Energia Holding holds 25% of the Share Capital, equal to 2,600 shares with a nominal value of 2,600 euro. The company, operating in the IT field of interconnection services, was acquired in 2021.

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

ALTO GARDA SERVIZI S.p.A. – Riva del Garda. Fully paid-up Share Capital of 23,234,016 euro, represented by 446,808 shares with a value of 52 euro each; Dolomiti Energia Holding holds 20% of the Share Capital, equal to 89,362 shares with a nominal value of 4,646,824 euro. The company is 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 S.p.A. – Fiera di Primiero. Fully paid-up Share Capital of 9,938,990 euro, represented by 993,899 shares with a value of 10 euro each; Dolomiti Energia Holding holds 19.94% of the Share Capital, equal to 198,177 shares with a nominal value of 1,981,770 euro. The company is engaged in the production of hydroelectric energy and manages several large hydroelectric plants in the Primiero valley.

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

BIO ENERGIA FIEMME S.p.A. – Cavalese. Fully paid-up Share Capital of 7,058,964 euro, represented by 1,176,494 shares with a value of 6 euro each; Dolomiti Energia Holding holds 11.46% of the Share Capital, equal to 134,800 shares with a nominal value of 808,800 euro. The company 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 1,500 euro. The company works in the ICT sector, mainly dealing with software development, digital identity management systems and regulatory compliance.

DISTRETTO TECNOLOGICO TRENTINO Soc. Cons. a r.l. – Rovereto. Fully paid-up Share Capital of 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 S.p.A. – Trento. Fully paid-up Share Capital of 79,450,676 euro, represented by 79,450,676 shares with a unit value of 1 euro each; Dolomiti Energia Holding holds 0.32% of the Share capital equal to 252,653 shares with a nominal value of 252,653 euro. ISA is a holding company that participates in various companies in the environmental, insurance, banking, real estate and industrial energy segment.

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

CASSA RURALE DI ROVERETO S.C.A R.L. – Rovereto. Dolomiti Energia Holding holds an interest of 160 euro.

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

Subsidiaries		Percentage owned
DOLOMITI ENERGIA SOLUTIONS	SRL	100.00%
NOVARETI	SPA	100.00%
DOLOMITI ENERGIA HYDRO POWER	SRL	100.00%
DOLOMITI GNL	SRL	100.00%
DOLOMITI AMBIENTE	SRL	100.00%
GASDOTTI ALPINI	SRL	100.00%
DOLOMITI ENERGIA TRADING	SPA	98.72%
DOLOMITI ENERGIA	SPA	83.03%
SET DISTRIBUZIONE	SPA	69.60%
DOLOMITI TRANSITION ASSETS	SRL	66.67%
HYDRO DOLOMITI ENERGIA	SRL	60.00%
DEPUR.TRENT.CENTR. (in liquidation)	SCARL	57.00%
DOLOMITI EDISON ENERGY	SRL	51.00%
TOTAL SUBSIDIARIES		
Associates and joint ventures		**Percentage owned**
SF ENERGY	SRL	50.00%
NEOGY	SRL	50.00%
IVI GNL	SRL	50.00%
GIUDICARIE GAS	SPA	43.35%
EPQ SRL	SRL	33.00%
TECNODATA TRENTINA	SRL	25.00%
BIOENERGIA TRENTINO	SRL	24.90%
AGS	SPA	20.00%
TOTAL ASSOCIATED COMPANIES AND JOINT VENTURES		
Other companies		**Percentage owned**
PRIMIERO ENERGIA	SPA	19.94%
INIZIATIVE BRESCIANE	SPA	16.53%
BIO ENERGIA FIEMME	SPA	11.46%
CHERRYCHAIN	SRL	10.00%
DISTRETTO TECNOLOGICO TRENT.	SCARL	2.49%
ISTITUTO ATESINO SVILUPPO	SPA	0.32%
CONS.ASSINDUSTRIA ENERGIA	CONS.	0.00%
CASSA RURALE ROVERETO	SCARL	0.00%
TOTAL OTHER COMPANIES		
TOTAL EQUITY INVESTMENTS		

Registered office associates	Share Capital 2021	Shareholders' Equity 2021	Profit/(Loss) 2021	Cost	Actual
Via Fersina 23 - 38123 Trento	120,000	3,708,785	(1,113,539)	5,915,576	5,915,576
Via Manzoni 24 - 38068 Rovereto	28,500,000	331,415,091	9,527,403	139,266,500	139,266,500
Via Fersina 23 - 38123 Trento	100,000	3,654,813	691,604	4,500,000	4,500,000
Via Fersina 23 - 38123 Trento	600,000	722,203	(62,422)	1,600,000	1,600,000
Via Manzoni 24 - 38068 Rovereto	2,000,000	25,718,572	2,376,909	16,010,000	16,010,000
Via Manzoni 24 - 38068 Rovereto	10,000	986,214	(23,785)	1,010,000	1,010,000
Via Fersina 23 - 38123 Trento	2,478,429	13,595,645	(3,784,072)	13,334,259	13,334,259
Via Fersina 23 - 38123 Trento	20,414,755	113,101,902	(3,627,277)	32,619,062	32,619,062
Via Manzoni 24 - 38068 Rovereto	120,175,728	233,427,787	17,135,062	85,800,504	85,800,504
Via Fersina 23 - 38123 Trento	1,000,000	10,822,326	130,326	7,128,000	7,128,000
Viale Trieste 43 - 38121 Trento	3,000,000	585,497,395	79,196,760	408,402,210	408,402,210
Via Fersina 23 - 38123 Trento	10,000	65,967	55,967	5,700	5,700
Via Fersina 23 - 38123 Trento	5,000,000	56,947,056	4,482,705	32,108,741	32,108,741
				747,700,552	**747,700,552**

Registered office associates	Share Capital 2020	Shareholders' Equity 2020	Profit/(Loss) 2020	Cost	Actual
Via Dodiciville 8 - 39100 Bolzano	7,500,000	18,776,874	210,665	27,545,000	27,545,000
Via Dodiciville 8 - 39100 Bolzano	750,000	8,168	(1,646,233)	3,400,000	456,078
Loc.Cirras - 09096 Santa Giusta OR	1,100,000	1,053,525	(24,395)	580,000	580,000
Via Stenico 11 - 38079 Tione-Trento	1,780,023	3,255,963	101,238	838,789	838,789
Via Fersina 23 - 38123 Trento	100,000	5,626,048	5,506,046	12,843,239	12,843,239
Via R.Guardini 17 - 38121 Trento	10,400	348,863	190,122	377,242	377,242
loc.Cadino 18/1 38010 S.Michele AA	3,000,000	7,915,162	762,139	1,768,935	1,768,935
Via Ardaro 27 - 38066 Riva d.Garda	23,234,016	53,612,693	3,292,271	7,094,721	7,094,721
				54,447,926	**51,504,004**

Registered office associates	Share Capital 2020	Shareholders' Equity 2020	Profit/(Loss) 2020	Cost	Actual
Via Guadagnini 31-38054 Fiera Primiero	9,938,990	45,581,885	1,903,208	4,614,702	4,614,702
Piazza Vittoria 19 - 25043 Breno BS	26,018,840	69,413,828	4,948,023	17,658,513	17,658,513
Via Pillocco, 4 - 38033 Cavalese	7,058,964	13,009,887	668,382	784,639	784,639
V.le Dante, 151 - 38057 Pergine Valsug.	15,000	1,047,634	28,484	300,000	300,000
P.za Manifattura 1 - 38068 Rovereto	201,000	706,407	50,305	5,000	5,000
Viale A.Olivetti, 36 - 38122 Trento	79,450,676	137,497,338	5,042,662	387,200	387,200
Via Degasperi 77 - 38123 Trento	-	-	-	516	516
Via Manzoni 1 - 38068 Rovereto	-	-	-	160	160
				23,750,730	**23,750,730**
				825,899,208	**822,955,286**

In the above table some qualified equity investments are recorded at a higher value than the percentage equity pertaining to Dolomiti Energia Holding. In this cases the Company reported no loss in value and deems that the higher value is due to expected future results for these investees. In particular, the subsidiaries Dolomiti Energia Solutions and Dolomiti GNL carry out activities that are still in the development phase in the field of energy efficiency and distribution of LNG and from which increasing positive results are expected in the next few years; Dolomiti Energia Hydro Power (acquired in 2020) and SF Energy are companies that manage hydroelectric energy production plants through concessions with expiry dates that justify significant future cash flows; lastly, in 2021 the Company acquired 33% of the share capital of EPQ srl, an energy management company operating in the energy market to support high-energy consumption companies to best enhance their energy assets; major results are expected in the future, especially from the competitive advantage the investee is exploiting in a new, strongly expanding market.

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

Depreciable amount of certain elements of the Provincial hydroelectric supply chain following Law No 205/2017, Law No 160/2020 and Law No 9/2021.

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.

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

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

In November and December 2020, the Water and Energy Resources Management Department of the Autonomous Province of Trento notified the extension by right of the thirteen large hydroelectric concessions held by the subsidiary HDE "for the period needed to complete the public bidding process and, in any case, no later than 31 December 2023, pursuant to Article 13 of Presidential Decree No. 670 of 31 August 1972 and Provincial Law No. 4 of 6 March 1998".

In light of the above, the subsidiary therefore confirmed the assumption, adopted in 2019, of setting the date of 31 December 2023 as the end date of the concession with regard to large diversion plants with expiry prior to that date, which had led to the consequent restructuring of the depreciation of the assets referred to in point b) above.

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

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

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

In consideration of the absence of investments with the characteristics referred to in point I. above and in light of the failure to define the method for calculating the indemnity, the assumption of zeroing the net book value of the so-called "wet works" at the end of the concession has been confirmed.

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

- with regard to the method used to evaluate so-called "dry" works (basically, hydroelectric power plants and their contents), the criterion set forth in paragraph 2 of Article 25 of Royal Decree No 1775 of 11 December 1933 is reiterated, contrary to what is established by the national legislation, "price equal to the estimated value of the material being worked, calculated at the time of entry into possession, not considering the income that can be made from it from any measurement".
- the assets referred to in the preceding point may be acquired by the Autonomous Province of Trento; otherwise, the assets may be acquired by the incoming concession holder, if the latter provides for their use when submitting its bid; the provincial law therefore also establishes the concept of "cherry picking", i.e. the right given to the incoming concession holder not to acquire all or part of the dry assets, without the consequent obligation to pay compensation to the transferor;

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

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

Against this challenge, Trento Autonomous Province, by means of two subsequent legislative measures, Provincial Law no. 6 of 23 April 2021 and Provincial Law no. 18 of 04 August 2021, amended the reference standard to incorporate the content of the aforementioned appeal which in any event is still pending at the reporting date.

The same legislative measures introduced important innovations also and above all with regard to the regulations governing concessions for small hydroelectric diversions, significantly modifying Provincial Law no. 18 of 8 July 1976 introducing ex novo the provision of a tender also for these concessions on their natural expiry, postponing the rules to a subsequent regulation that must be adopted by the end of spring 2022.

Additional future development of the regulatory framework relating to the reassignment of hydroelectric diversion concessions may be conditioned by the filing of the 2011/2016 infringement proceedings relating to Italy, together with the similar proceedings against Germany, the United Kingdom, Poland, Austria and Switzerland.

Despite the absence of specific impairment indicators, an impairment test was performed at the end of the 2021 reporting year for the equity investments held in Hydro Dolomiti Energia and Dolomiti Edison Energy. The analysis, which was carried out assuming that the concessions held by the subsidiaries would be extended to 31 December 2024, showed that there were no presumed impairment losses.

8.5 NON-CURRENT FINANCIAL ASSETS

The item "Non-current financial assets" as at 31 December 2021 and 31 December 2020 is detailed as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2021	2020	change
Non-current financial assets	4,000	-	4,000
TOTAL	4,000	0	4,000

The item "Non-current financial assets" includes the real estate fund Clesio (net carrying amount of zero), with an original historical cost of 15,678 thousand euro, deriving from the subscription of 322 units of the Clesio real estate fund, of which 101 units received by way of dividend in kind from Urbin S.p.A. for 5,512 thousand euro in 2008 and 221 units purchased during 2011 for 10,166 thousand euro after the liquidation of the same company. In previous years, the Company decided to fully write down the residual amount of the units, on a prudential basis due to the very poor performance of the property market and the difficulty in liquidating the Fund units.

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

8.6 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities as at 31 December 2021 and 31 December 2020 are broken down by type of temporary differences as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2021	2020	change
Property, plant and equipment	404	519	(115)
Provision for write-downs	114	114	-
Production bonuses	246	239	7
Provisions for risks and charges	402	424	(22)
Fair value of derivatives	1,660	2,832	(1,172)
Non-deductible interest expense	926	1,126	(200)
Real estate fund write-down	3,763	3,763	-
Other	4	13	(9)
Employee termination and other benefits	336	425	(89)
IFRS16	177	206	(29)
TOTAL DEFERRED TAX ASSETS	**8,032**	**9,661**	**(1,629)**
Property, plant and equipment	60	76	(16)
Provision for write-downs	57	56	1
TOTAL DEFERRED TAXES	**117**	**132**	**(15)**

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 31.12.2020	Increases/ (Decreases) in Income Statement	Increases/ (Decreases) in Shareholders' Equity	Other changes in Income Statement	Other changes in Shareholders' Equity	as at 31.12.2021
DEFERRED TAX ASSETS:						
Property, plant and equipment	**519**	(115)	-	-	-	**404**
Provision for write-downs	**114**	-	-	-	-	**114**
Production bonuses	**239**	7	-	-	-	**246**
Provisions for risks and charges	**424**	(22)	-	-	-	**402**
Fair value of derivatives	**2,832**	-	(1,172)	-	-	**1,660**
Non-deductible interest expense	**1,126**	(200)	-	-	-	**926**
Real estate fund write-down	**3,763**	-	-	-	-	**3,763**
Other	**13**	(9)	-	-	-	**4**
Employee termination and other benefits	**425**	243	(332)	-	-	**336**
IFRS16	**206**	(29)	-	-	-	**177**
TOTAL DEFERRED TAX ASSETS	9,661	(125)	(1,504)	-	-	8,032
Property, plant and equipment	**76**	(16)	-	-	-	**60**
Provision for write-downs	**56**	1	-	-	-	**57**
TOTAL DEFERRED TAXES	132	(15)	-	-	-	117

8.7 OTHER NON-CURRENT ASSETS

The item "Other non-current assets" as at 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2021	2020	variazione
Other assets	404	79	325
TOTAL	404	79	325

The item other non-current receivables includes guarantee deposits paid to suppliers (55 thousand euro), portions of deferred income for multi-year SW fees (325 thousand euro) and other multi-year receivables (24 thousand euro).

8.8 INVENTORIES

The item "Inventories" as at 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2021	2020	change
Raw materials and consumables	452	143	309
TOTAL	**452**	**143**	**309**

Inventories of raw materials refer primarily to stocks of meters (448 thousand euro) purchased by the Parent Company for its subsidiaries.

8.9 TRADE RECEIVABLES

The item "Trade receivables" as at 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2021	2020	change
Accounts receivable - customers	8,642	4,319	4,323
Accounts receivable - subsidiaries	8,205	7,256	949
Accounts receivable - associates	12	6	6
Accounts receivable - parent companies	111	139	(28)
Provision for write-downs	(641)	(641)	-
TOTAL	**16,329**	**11,079**	**5,250**

Trade receivables, shown net of the related provision for write-downs, mainly includes receivables from customers deriving from the sale of energy produced and from services of the chemical analysis laboratory. The increase compared to the balance at the end of 2020 derives essentially from the significant increase in energy sale prices which, especially in the last quarter of 2021, involved sales of thermoelectric energy produced by the combined cycle turbogas plant in Ponti sul Mincio. Accounts receivable - subsidiaries include receivables for general services provided by the Company as defined in the Report on Operations, to which reference is made for a more in-depth description of the dealings between related parties.

The adjustment criteria of receivables at the estimated realisable value take account of different valuations based on the status of the dispute.

The provision for write-downs did not record any changes in 2020 and 2021.

(in thousands of Euro)

	Provision for write-downs
AS AT 1 JANUARY 2020	**641**
Allocations	-
Utilisations	(5)
AS AT 31 DECEMBER 2020	**641**
Allocations	-
Utilisations	-
AS AT 31 DECEMBER 2021	**641**

8.10 INCOME TAX CREDITS AND PAYABLES

The item "Income tax credits" as at 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2021	2020	change
IRES credit (corporate tax)	6,989	-	6,989
TOTAL	**6,989**	**-**	**6,989**

The Group IRES credit as at 31 December 2021, determined in application of the tax consolidation agreement, represents the greater value of the tax prepayments made during the year compared to the Group IRES payable accrued for 2021.

The table hereunder shows the income tax payable as at 31 December 2021 and 2020:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2021	2020	change
IRES payable	-	2,527	(2,527)
TOTAL	**-**	**2,527**	**(2,527)**

The Group IRES payable as at the end of the previous year was restated and paid in 2021 for a total of 2,832 thousand euro.

8.11 CURRENT FINANCIAL ASSETS

The item "Current financial assets" as at 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2021	2020	change
Financial assets - subsidiaries	531,801	94,221	437,580
Financial assets - associates	2,438	1,375	1,063
Other financial assets	8	-	8
TOTAL	534,247	95,596	438,651

Financial receivables from subsidiaries include receivables from the parent company for cash pooling and related interest (530,904 thousand euro), which increased by 436,683 thousand euro compared to the previous year. The Parent Company also recognises other receivables for sureties and commissions for making funds available to subsidiaries for 897 thousand euro.

The receivable relating to associates includes receivables for a shareholder loan granted to IVI GnI for a nominal amount of 125 thousand euro (unchanged compared to 31 December 2020), repayable in the short term, and an interest-bearing shareholder loan granted to Neogy for a nominal value of 2,250 thousand euro (1,250 thousand euro at the end of the previous year) in addition to receivables for interest accrued on loans for a total of 63 thousand euro.

8.12 OTHER CURRENT ASSETS

The item "Other current assets" as at 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2021	2020	change
VAT credit	4,879	5,255	(376)
Prepayments and accrued income	793	487	306
Other accounts receivable	208	174	34
Renewable source certificates	216	153	63
Advances/Deposits	50	31	19
Accounts receivable - Social security institutions	13	4	9
Accounts receivable - subsidiaries	11,022	4,814	6,208
TOTAL OTHER CURRENT ASSETS	17,181	10,918	6,263

The VAT credit is the year-end balance of the centralised management of Group VAT.

Prepayments mainly include software fees paid in advance for 534 thousand euro, up compared to 31 December 2020, and prepayments for hydroelectric surcharges equal to 199 thousand euro.

The item Renewable source certificates refers to the receivable deriving from the right to receive GRIN Certificates based on the production of energy from hydroelectric sources, to be collected by CSEA and pertaining to 2021 (216 thousand euro).

Receivables from subsidiaries represent the receivables deriving from application of the tax consolidation agreement (11,022 thousand euros) and are due from subsidiaries, resulting in an IRES tax payable at 31 December 2021.

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, Dolomiti Edison Energy 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 2021 and 2020 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2021	2020	variazione
Bank and postal current accounts	77,261	15,493	(61,768)
Cash on hand	2	2	0
TOTAL	**77,263**	**15,495**	**(61,768)**

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

8.14 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

As at 31 December 2021 there were no assets held for sale.

8.15 SHAREHOLDERS' EQUITY

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

As at 31 December 2021, 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		
	2021	2020	change
Share capital	411,496	411,496	-
Legal reserve	37,391	34,741	2,650
Share premium reserve	994	994	-
Treasury shares reserve	(53,515)	(53,515)	-
OTHER RESERVES AND RETAINED EARNINGS			
Revaluation reserve	1,128	1,128	-
Contributions reserve	13,177	13,177	-
Extraordinary reserve	89,130	89,130	-
Deferred tax reserve	19,437	19,437	-
Merger surplus from share swap reserve	33,866	33,866	-
FTA reserve	(21,532)	(33,370)	11,838
Reserve for retained earnings and losses carried forward	6,176	6,176	-
Reserve - IAS 19	(466)	(120)	(346)
Reserve for hedges on expected cash flows	(4,172)	(6,817)	2,645
OTHER RESERVES	**136,744**	**122,607**	**14,137**
Net profit/(loss) for the year	45,298	53,001	(7,703)
TOTAL SHAREHOLDERS' EQUITY	**578,408**	**569,324**	**9,084**

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 2021
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)

	31/12/2021	Possibility of use	Available portion	Usage summary for past three years	
				TO COVER LOSSES	FOR OTHER REASONS
I) SHARE CAPITAL	411,496				
EQUITY RESERVES					
Share premium reserve	994	A,B	994	-	-
Revaluation reserves	1,128	A,B,C	1,128	-	-
Merger surplus from share s wap/elimination reserve	33,866	A,B	33,866	-	-
Reserve for hedges on expected cash flows	(4,172)	-	-		
PROFIT RESERVES					
Legal reserve	37,391	B	-	-	-
Treasury shares reserve	(53,515)	-	-	-	-
Contributions reserve	13,177	A,B,C	13,177	-	-
Extraordinary reserve	89,130	A,B,C	89,130	-	-
Deferred tax reserve	19,437	A,B,C	19,437	-	-
FTA reserve	(21,532)				-
Retained earnings or losses carried forward	6,176	A,B,C	6,176		-
Reserve - IAS 19	(466)				
TOTAL	533,110		163,908	-	-
NON-DISTRIBUTABLE PORTION			(34,860)		
RESIDUAL DISTRIBUTABLE PORTION			129,048		

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

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

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

8.16 PROVISIONS FOR RISKS AND NON-CURRENT AND CURRENT CHARGES

The items "Provisions for risks and non-current charges" and "Provisions for risks and current charges" as at 31 December 2021 and 2020 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2021	2020	change
Provision for risks and charges	1,372	1,395	(23)
TOTAL PROVISIONS FOR RISKS AND NON-CURRENT CHARGES	**1,372**	**1,395**	**(23)**

PROVISION FOR RISKS - PLANTS

The provision as at 31 December 2021 amounted to 1,372 thousand euro. A portion of this provision was set aside over the years to cover the risk of costs incurred in connection with the operation of plants and associated areas (1,304 thousand euro); another portion was set aside to cover the cost of divesting thermoelectric power plants (63 thousand euro), which, even if written down, could generate additional disposal costs. During the year, the provision for risks was used in part to cover the costs of decommissioning some of the systems at the Mincio thermoelectric plant.

The item **"Provisions for risks and current charges"** amounted to 858 thousand euro as at 31 December 2021 and is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2021	2020	change
Provision for risks and charges	858	1,808	(950)
TOTAL PROVISION FOR CURRENT RISKS	**858**	**1,808**	**(950)**

The provision for current risks and charges includes an estimate of the liability for employee performance bonuses, to be paid in 2022 on the basis of final results for the 2021 financial year (858 thousand euro); the provision for 2020 performance bonuses was used following final balance of the results for the previous financial year in the amount of 802 thousand euro, while the remaining part (6 thousand euro) was released under contingent assets in the income statement.

In the current year the provision for charges of 1,000 thousand euro, allocated in the previous year to support the investments of the associate Neogy Srl, was liquidated.

8.17 EMPLOYEE BENEFITS

The item "Employee benefits", as at 31 December 2021, included 1,974 thousand euro related to the Provision for employee termination benefits and 888 thousand euro related to other employee benefits.

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

Changes in the Provision for employee termination benefits and other employee benefits, for the years ended 31 December 2020 and 31 December 2021, are broken down as follows:

(in thousands of Euro)

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

(in thousands of Euro)

AS AT 31 DECEMBER 2021	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Energy discounts	Medals	Total
LIABILITIES AT BEGINNING OF THE YEAR	**2,173**	**343**	**327**	**266**	**88**	**3,197**
Current cost of service	-	20	11	-	6	37
Interest to be discounted	8	1	1	-	-	10
Benefits paid	(207)	(36)	(44)	(98)	(8)	(393)
Actuarial losses/(gains)	-	21	(16)	-	9	14
Transfers	-	(3)	-	-	-	(3)
LIABILITIES AT YEAR END	**1,974**	**346**	**279**	**168**	**95**	**2,862**

In October 2018, the Company reached an agreement with the trade union organisations that, as from 1 January 2020, provides for payment of a one-off gross amount in replacement of the electricity tariff reductions for former retired employees and surviving beneficiary spouses as at the date of 31 December 2018 with charges borne by Dolomiti Energia Holding. Moreover, in November 2020, 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	
	2021	2020
Discount rate	1.00%	0.35%
Inflation rate	1.50%	0.75%
Turnover	0.50%	0.50%
Annual frequency of advances	3.00%	3.00%

A sensitivity analysis, as at 31 December 2021, 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					
	Discount rate +0.50%	Discount rate -0.50%	Inflation rate +0.25%	Inflation rate 0.25%	Turnover rate +2.00%	Turnover rate -2.00%
Employee termination benefits	1,893	2,059	1,998	1,950	1,956	1,979

8.18 FINANCIAL LIABILITIES (CURRENT AND NON-CURRENT)

The table hereunder shows current and non-current financial liabilities as at 31 December 2021 and 2020:

(in thousands of Euro)	AS AT 31 DECEMBER					
	2021		2020		change	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Payables due to banks	564,335	181,251	209,054	86,383	355,281	94,868
Bond loans	-	5,052	-	5,052	-	-
IRS derivatives	-	5,833	-	9,649	-	(3,816)
Payables for cash pooling to subsidiaries	169,516	-	95,002	-	74,514	-
Payables due to other lenders	635	2,350	624	2,862	11	(512)
Other financial payables	3,225	-	2,041	3,200	1,184	(3,200)
TOTAL	737,711	194,486	306,721	107,146	430,990	87,340

Payables due to banks include two loans taken out with the European Investment Bank (EIB), with maturities of 2032 and 2037, respectively, for a residual carrying amount of 189,583 thousand euro (97,917 thousand euro at 31 December 2020); the increase derives from the stipulation in 2021 of a new loan for a nominal amount of 100,000 thousand euro maturing in 2037. These loans are subject to the usual financial covenants required by the financial system, determined on economic and equity values; based on the last verification conducted by the Company, all covenants had been respected. Payables due to banks also include short-term "hot money" loans agreed with various banks, for 556,000 thousand euro (185,000 thousand euro at 31 December 2020).

The other financial payables at 31 December 2021 include an interest-bearing shareholder loan received from Findolomiti Energia to be repaid in the short term (3,200 thousand euro).

BOND LOAN

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

As at 31 December 2021 and 31 December 2020, the Company had the following bond loans in place:

Bond loans

(in thousands of Euro)

	AS AT 31 DECEMBER 2021							
					Accounting balance			
	COMPANY	TAKING OUT	MATURITY	OPENING BALANCE (ORIGINAL CURRENCY)	TOTAL	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Fondazione CARITRO	Dolomiti Energia Holding SpA	10-Feb-10	1-Aug-29	€ 30,000	5,052	-		5,052
TOTAL					**5,052**	**-**		**5,052**

(in thousands of Euro)

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

The following table shows the breakdown and changes during the year in liabilities for rental and lease agreements, determined in accordance with EU IFRS 16.

(in thousands of Euro)

	as at 31.12.2020	New contracts	Refunds	as at 31.12.2021	of which current quota
Financial payables for buildings	3,041	-	(459)	2,582	464
Financial payables for other moveable assets	445	142	(184)	403	171
PAYABLES DUE TO OTHER LENDERS	**3,486**	**142**	**(643)**	**2,985**	**635**

Below is a breakdown of Dolomiti Energia Holding SpA's net financial indebtedness as at 31 December 2021 and 2020, determined in accordance with the document published by ESMA on 4 March 2021 "Guidelines on disclosure obligations" pursuant to Regulation (EU) 2017/1129 (the Prospectus Regulation), the adoption of which was also recommended by CONSOB through Warning Notice no. 5/21 of 29 April 2021.

(figures in thousands of Euro)	AS AT 31 DECEMBER	
	2021	2020
A. Cash and cash equivalents	77,263	15,495
B. Cash and cash equivalents	-	-
C. Other current financial assets	534,247	95,596
D. Cash and cash equivalents (A+B+C)	**611,510**	**111,091**
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(729,378)	(295,188)
F. Current portion of non-current financial debt	(8,333)	(11,533)
G. Current financial indebtedness (E+F)	**(737,711)**	**(306,721)**
H. Current net financial indebtedness (D+G)	**(126,201)**	**(195,630)**
I. Non-current financial debt (excluding the current portion and debt instruments)	(183,601)	(92,445)
J. Debt instruments	(5,052)	(5,052)
K. Trade payables and other non-current payables	-	-
L. Non-current financial indebtedness (I+J+K)	**(188,653)**	**(97,497)**
M. Total financial indebtedness (H+L)	**(314,854)**	**(293,127)**

8.19 OTHER LIABILITIES (CURRENT AND NON-CURRENT)

The items "Other non-current liabilities" and "Other current liabilities" as at 31 December 2021 and 2020 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2021	2020	change
Accrued liabilities and deferred income	42	237	(195)
Other non-current liabilities	-	300	(300)
TOTAL OTHER NON-CURRENT LIABILITIES	**42**	**537**	**(495)**

Multi-year deferred income refers to multi-year operating grants.

(in thousands of Euro)	AS AT 31 DECEMBER		
	2021	2020	change
Social security and welfare payables	822	923	(101)
Accrued liabilities and deferred income	222	218	4
VAT	461	-	461
IRPEF	432	424	8
Other tax payables	35	35	-
Other accounts payable	584	623	(39)
Accounts payable - employees	622	638	(16)
Payables for direct and indirect taxes to subsidiaries	16,994	4,874	12,120
TOTAL OTHER CURRENT LIABILITIES	**20,172**	**7,735**	**12,437**

Social security payables concerned charges and withholding taxes to employees at the end of the financial year, paid in the following month. Similarly, payables for IRPEF concerned withholding taxes for December, paid in January 2022.

Other payables include the amount due to former shareholders of the subsidiary NESCO srl, now Dolomiti Energia Solutions, for the balance on the purchase of the equity investment (300 thousand euro).

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 622 thousand euro.

The Parent Company recognises payables to subsidiaries for Group VAT (3,796 thousand euro) (4,788 thousand euro at the end of the previous year) and IRES tax payables resulting from the tax consolidation for 13,198 thousand euro (86 thousand euro as at 31 December 2020).

8.20 TRADE PAYABLES

The item "Trade payables" as at 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2021	2020	change
Payables to subsidiaries	3,279	4,146	(867)
Payables to parent companies	261	262	(1)
Payables to other companies	13,785	10,550	3,235
TOTAL TRADE PAYABLES	**17,325**	**14,958**	**2,367**

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

The item Accounts payable - parent companies is related to payables due to the Municipality of Rovereto for rentals.

Trade payables to other companies include payables for invoices received amounting to 9,115 thousand euro and for invoices to be received amounting to 4,670 euro; the increase compared to the previous year is mainly due to mass year-end invoicing settled in the following months.

9. NOTES TO THE INCOME STATEMENT

9.1 REVENUE

The item "Revenue" for the years ended 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2021	2020	change
Electricity production	13,768	6,785	6,983
Energy certificates	1,008	-	1,008
Distribution and grids	64	63	1
Other services	1,238	1,249	(11)
TOTAL	16,078	8,097	7,981

Revenue from hydroelectric energy sales amounted to 4,528 thousand euro, up slightly compared to last year (4,276 thousand euro). Revenue from thermoelectric energy sales (9,240 thousand euro in 2021 - 2,505 thousand euro in 2020) derive from the production of the combined cycle turbogas plant in Ponti sul Mincio; the considerable increase depends on the combined effect of the higher volumes produced (48,951 MWh in 2021 - 42,368 MWh in 2020) and the sudden rise in market prices. Please refer to the Report on Operations for a complete and more detailed picture of the year's production performance.

Energy certificates refer to the revenue from the former green certificate incentive tariff recognised by the GSE and accrued in 2021 on the production of thermoelectric energy.

Other services regarded sales of laboratory chemical analyses for third parties for 1,238 thousand euro (1,249 thousand euro in 2020).

All revenue was achieved in Italy.

9.2 OTHER REVENUE AND INCOME

The item "Other revenue and income" for the years ended 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2021	**2020**	**change**
Other revenue	427	386	41
S. Colombano Operations	445	537	(92)
Real estate income	369	355	14
Gains from standard operations	179	13	166
Other revenue and income	3,169	3,220	(51)
Software user license revenue	664	642	22
Services to third parties	7	28	(21)
Purification management	-	3,009	(3,009)
Revenue from services to subsidiaries	23,189	21,286	1,903
Revenue from services to associates	19	27	(8)
Seconded personnel	946	986	(40)
Standard contingent assets	891	1,390	(499)
Grants - plants	-	6	(6)
Operating grants	1,342	1,173	169
TOTAL	**31,647**	**33,058**	**(1,411)**

This item includes mainly:

- the item "other revenue and income" mainly include the sales of materials and meters, which the Company purchases and resells to the Subsidiaries and other customers (2,901 thousand euro), with an increase of 70 thousand euro compared to last year; it also includes revenues from the sale of materials purchased for the Covid-19 emergency for all Group companies (211 thousand euro);
- the item "purification management" is zero as from 1 January 2021 the company no longer manages the purification plants in the Trentino Central Basin through the subsidiary Depurazione Trentino Centrale, placed in liquidation;
- revenue with subsidiaries mostly referred to service contracts entered into to regulate the administrative, logistics and IT services between the Parent Company and Subsidiaries (20,462 thousand euro), bank sureties and parent company guarantees (1,620 thousand euro), sanitisation services for Covid-19 emergency management (150 thousand euro) and advisory and other services (408 thousand euro);
- revenue for "seconded personnel" refers to its personnel seconded to Hydro Dolomiti Energia (570 thousand euro), Dolomiti Energia Solutions (162 thousand euro), Dolomiti Ambiente (141 thousand euro) and Dolomiti Energia (73 thousand euro);
- contingent assets are essentially attributable for 410 thousand euro to higher CO2 quotas recognised for the 2020 obligation; also included are adjustments on hydroelectric fees and other adjustments of a commercial nature (euro 252 thousand);

- operating grants referred to GRIN incentives granted by GSE to producers of energy from renewable sources (1.332 thousand euro).

9.3 RAW MATERIALS, CONSUMABLES AND MERCHANDISE

The item "Raw materials, consumables and merchandise" for the years ended 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER		
	2021	2020	change
Purchases of elect. raw materials	304	174	130
Purchases of gas raw materials	6,622	1,547	5,075
Purchases of inventories	3,018	2,356	662
Purchase of fuels and vehicle spare parts	103	597	(494)
Purchases of laboratory and chemicals	169	192	(23)
Changes in inventories of raw materials, consumables and merchandise	(308)	347	(655)
Contingent liabilities on purchases	2	36	(34)
Other purchases	278	444	(166)
TOTAL	**10,188**	**5,693**	**4,495**

In detail they include:

- purchases of electricity and gas related to thermoelectric production of the Mincio power plant that the Company co-owns with A2A Milano, AGSM AIM SpA; the strong increase is due to the steep rise in raw material costs as mentioned previously;
- among the purchases of materials managed in stock are the purchase of meters (2,277 thousand euro) and other materials for the production plants (741 thousand euro);
- the item "other purchases" include consumables not managed in stock, such as PPE devices and sanitisation products for managing the Covid-19 emergency, most of which were charged to subsidiaries.

9.4 SERVICE COSTS

The item "Service costs" for the years ended 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2021	2020	change
External maintenance services	11,812	11,776	36
Insurance, banking and financial services	598	581	17
Other services	3,050	3,144	(94)
Commercial services	340	250	90
General services	3,887	3,260	627
Contingent liabilities for services	606	467	139
Rental expense	58	55	3
Rental fees	576	193	383
Water diversion charges	1,267	1,103	164
TOTAL	22,194	20,829	1,365

External maintenance services essentially concern the operation and maintenance of the systems, the costs to manage the hydroelectric and thermal power plants (2,347 thousand euro), the hardware and software payments (8,539 thousand euro) and the maintenance of the vehicle fleet (223 thousand euro).

Insurance service costs corresponded to 511 thousand euro, while the banking and financial services comprised bank commissions and charges for guarantees and financial professional services that amounted to 87 thousand euro.

The item "other services" includes services provided to employees for 855 thousand euro mainly relating to canteen, payslip processing and training expenses. Cleaning and security services (596 thousand euro), technical, IT and consultancy professional services are also included for a total amount of 1,498 thousand euro (1,854 thousand euro in the previous year).

Commercial services include transmission, modulation and balancing services, as well as service contracts with subsidiaries (281 thousand euro), as well as sponsorship, advertising and communication services (59 thousand euro).

Telephone costs (1,671 thousand euro), utility bills and annual membership fees (813 thousand euro) are included under General services. The item also includes costs for financial statement certification and fees to directors and statutory auditors, as detailed under items 12 and 13 herein. Fees were duly paid during the year to the Board of Statutory Auditors in compliance with Shareholders' Meeting resolutions. The fees paid to the Board of Directors were decided by the Shareholders' Meeting, and for special offices by the Board of Directors.

Contingent liabilities include trade-related balances (405 thousand euro) and other costs for services pertaining to previous periods settled during the year (201 thousand euro).

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

9.5 PERSONNEL COSTS

The item "Personnel costs" for the years ended 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2021	2020	change
Wages and salaries	9,820	9,266	554
Social security costs	2,969	2,815	154
Employee termination benefits	672	593	79
Other costs	(291)	(278)	(13)
TOTAL	**13,170**	**12,396**	**774**

Personnel costs include an estimate of employee bonuses earned as a result of the achievement of corporate objectives for the amount of 858 thousand euro (808 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 434 thousand euro (440 thousand euro in the previous year).

The total increase in personnel costs is attributable primarily to the hiring of 12 persons (11 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 2021, the Company had a workforce of 211, including: 11 executives, 23 managers, 168 while collar employees and 9 manual workers.

9.6 AMORTISATION, DEPRECIATION, ALLOCATIONS AND WRITE-DOWNS

The item "Amortisation, depreciation, allocations and write-downs" for the years ended 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2021	2020	change
Amortisation/depreciation of rights of use	570	550	20
Amortisation of intangible assets	6,170	5,523	647
Depreciation of property, plant and equipment	2,639	2,468	171
TOTAL	9,379	8,541	838

Amortisation in 2021 increased compared to 2020 as a result of significant investments the Company made in patents and software serving the Group (increase of 646 thousand euro).

9.7 OTHER OPERATING COSTS

The item "Other operating costs" for the years ended 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER		
	2021	2020	change
Miscellaneous costs	468	443	25
Sales management expenses	1,020	414	606
IMU (property tax)	246	226	20
Standard contingent liabilities	56	958	(902)
Losses from standard operations	39	77	(38)
Postal charges	2	1	1
Other taxes	37	104	(67)
TOTAL	**1,868**	**2,223**	**(355)**

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

Sales management expenses refer to the costs for fulfilling the CO2 emissions obligations on thermoelectric production of the Mincio plant (1,020 thousand euro).

The contingent liabilities are essentially attributable to lower charges allocated and higher revenue estimates recorded in the previous year, which generated adjustments in the current year (56 thousand euro).

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

9.8 GAINS AND EXPENSES FROM EQUITY INVESTMENTS

The item "Gains and expenses from equity investments" for the years ended 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER		
	2021	2020	change
Dividends from subsidiaries	51,152	56,785	(5,633)
Dividends form associates and joint ventures	1,744	241	1,503
Dividends and income from other Companies	950	429	521
Write-ups of equity investments and securities	-	3,965	(3,965)
Write-downs of equity investments and securities	(1,944)	(2,000)	56
TOTAL	**51,902**	**59,420**	**(7,518)**

Dividends collected over the year and recognised in the income statement were from subsidiaries: Dolomiti Energia (11,012 thousand euro), SET Distribuzione (5,019 thousand euro), Hydro Dolomiti Energia (27,314 thousand euro), Dolomiti Energy Edison (3,060 thousand euro), Dolomiti Energia Trading (2,447 thousand euro) and Dolomiti Ambiente (2,300 thousand euro).

Dividends from associates and joint ventures were paid by Alto Garda Servizi (125 thousand euro), by Bioenergia Trentino (75 thousand euro) and from distribution of the extraordinary reserve of EPQ srl (1,544 thousand euro).

The item "income from other companies" includes collection of the dividend from Primiero Energia (298 thousand euro), Bioenergia Fiemme (20 thousand euro), Istituto Atesino Sviluppo (13 thousand euro) and Iniziative Bresciane (619 thousand euro).

The write-down relates to the investment in the associate Neogy srl for 1,944 thousand euro, made to adjust its value to the shareholders' equity.

9.9 FINANCIAL INCOME AND CHARGES

The item "Financial income and charges" for the years ended 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER		
Financial income	**2021**	**2020**	**change**
Financial income from subsidiaries	3,644	1,527	2,117
Financial income from associates	72	55	17
Financial income from other companies	168	163	5
Fair value changes in IRS derivatives	-	497	(497)
TOTAL	**3,884**	**2,242**	**1,642**

The item "Financial income from subsidiaries" includes interest accrued on positive cash pooling balances (2,494 thousand euro, compared to 467 thousand euro last year), commissions for the provision of funds (820 thousand euro in 2021 compared to 768 thousand euro in 2020) and interest on loans to subsidiaries (330 thousand euro compared to 292 thousand euro in the previous year).

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER		
Financial charges	**2021**	**2020**	**change**
Financial charges due to subsidiaries, associates and joint ventures	(141)	(150)	9
Financial charges due to other companies	(2,605)	(1,023)	(1,582)
Interest to be discounted	(89)	(108)	19
TOTAL	**(2,835)**	**(1,281)**	**(1,554)**

The item "Financial charges due to other companies" includes interest expense on bank current accounts and mortgages, amounting to 2,502 thousand euro (926 thousand euro in the previous year), in addition to interest on the bond loan (85 thousand euro). The increase in charges compared to the previous year derives from higher charges associated with the settlement of interest rate swaps to hedge loans payable and the interest accrued on the new loan agreement signed in 2021 with the EIB (1,577 thousand euro).

9.10 TAXES

The item "Taxes" for the years ended 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2021	2020	change
Deferred taxes	16	29	(13)
Prepaid taxes	(125)	(340)	215
Prepaid taxes on tax losses	1,556	1,335	221
Income/charge from tax consolidation	(25)	123	(148)
TOTAL	**1,422**	**1,147**	**275**

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			
	2021	%	2020	%
PROFIT BEFORE TAX	**43,877**		**51,853**	
Theoretical IRES	10,530	24.00%	12,445	24.00%
Permanent differences	(48,229)		(56,314)	
Temporary differences	(1,274)		(565)	
ACE	-		-	
IRES taxable amount	(5,626)		(5,026)	
Actual IRES	(1,350)		(1,206)	
OPERATING RESULT	**42,828**		**50,893**	
Interest margin	1,059		487	
Costs without relevance for IRAP purposes	13,604		12,830	
Revenue without relevance for IRAP purposes	(51,902)		(59,420)	
TOTAL	**5,589**		**4,790**	
Theoretical IRAP	260	4.65%	267	5.57%
Permanent differences	(11,892)		(11,272)	
Temporary differences	(905)		(927)	
ACTUAL IRAP	-		-	
CURRENT INCOME TAXES	-		-	
PREPAID TAXES ON TAX LOSSES	(1,350)		(1,206)	

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 2021 and 2020, the main transactions with related parties concerned the following:

(in thousands of Euro)

	AS AT 31 DECEMBER 2021				2020			
	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES
DTC	585	3	(494)	(188)	1,144	797	(1,413)	-
Dolomiti Energia	5,974	50,463	(274)	(5,727)	4,781	5,587	(163)	(10)
Dolomiti Energia Solutions	567	13,511	(143)	(478)	428	6,039	(271)	(195)
Set Distribuzione	1,397	8	(75)	(52,169)	2,986	8	30	(82,117)
Novareti	1,622	35,200	(19)	(697)	1,030	24,010	(18)	(352)
Hydro Dolomiti Energia	12,412	110	(1,158)	(109,163)	1,909	32,725	(4,106)	(14,773)
Dolomiti Edison Energy	93	4,145	-	(1,094)	73	2,245	-	(136)
Dolomiti Energia Trading	897	424,890	(1,037)	(5,299)	608	19,070	(16)	(491)
Dolomiti GNL	16	1,637	-	(42)	22	2,051	-	(27)
Dolomiti En.Hydro Power	(8)	541	-	-	28	1,679	-	-
Gasdotti Alpini	-	-	(76)	(661)	-	-	-	-
Dolomiti Transition Asset	-	-	-	(10,679)	-	-	-	-
Dolomiti Ambiente	551	1,293	(2)	(339)	265	9	(2)	(2,002)
TOTAL	**24,106**	**531,801**	**(3,278)**	**(186,536)**	**13,274**	**94,220**	**(5,959)**	**(100,103)**

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER 2021								2020							
	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	-	-	40	-	-	-	21	-	-	158	-	-	(2,471)	-	29	-
Dolomiti Energia	-	-	5,915	-	(362)	(16)	173	(41)	-	5,279	-	-	(236)	(13)	650	(49)
Dolomiti Energia Solutions	-	-	786	(6)	(502)	-	218	-	-	673	-	-	(465)	-	113	-
Set Distribuzione	-	6	5,877	-	(146)	(2)	10	(100)	-	6,216	-	-	(97)	(1)	32	(100)
Novareti	-	454	6,280	-	(2)	-	616	-	-	5,933	-	(1)	(18)	-	129	-
Hydro Dolomiti Energia	-	26	3,954	-	(1,389)	-	674	-	-	3,823	-	-	(1,366)	(110)	806	-
Dolomiti Edison Energy	-	1	558	-	-	-	70	-	-	303	-	-	-	-	29	-
Dolomiti Energia Trading	2,521	-	1,841	-	(17)	(1,020)	1,778	-	2,401	660	-	-	(16)	-	850	-
Dolomiti GNL	-	-	12	-	-	-	5	-	-	12	-	-	-	-	55	-
Dolomiti En.Hydro Power	-	-	25	-	-	-	33	-	-	41	-	-	-	-	41	-
Gasdotti Alpini	-	-	-	-	(76)	-	-	-								
Dolomiti Ambiente	-	22	1,823	-	(21)	-	46	-	-	1,798	-	-	(21)	-	35	-
TOTAL	**2,521**	**509**	**27,111**	**(6)**	**(2,515)**	**(1,038)**	**3,644**	**(141)**	**2,401**	**24,896**	**-**	**(1)**	**(4,690)**	**(124)**	**2,769**	**(149)**

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

11. GUARANTEES AND COMMITMENTS

The breakdown of guarantees and commitments undertaken by the Company as at 31 December 2021 and 2020, in favour of third parties and mainly in the interest of other companies in the Dolomiti Energia Group is provided below:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2021	2020	change
Guarantees given to third parties	308,853	134,248	174,605
Financial commitments in favour of third parties	100,067	106,120	(6,053)
TOTAL	**408,920**	**240,368**	**168,552**

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

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2021	2020	change
Usage of signature facilities to issue bank/insurance guarantee	2,019	2,038	(19)
TOTAL	**2,019**	**2,038**	**(19)**

Guarantees given to third parties (308,853 thousand euro) include parent company guarantees issued in favour of subsidiaries/associates, in the amount of 185,148 thousand euro (98,533 thousand euro as at 31 December 2020), as well as guarantees given to banks and insurance companies for loans/credit lines granted to investees, in the amount of 123,705 thousand euro (35,715 thousand euro at the end of previous year). The Company also undertook financial commitments in favour of third parties, equal to 100.067 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 2021 and 2020 are broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2021	2020
Fees to Directors	443	452
Fees to Board of Statutory Auditors	89	88
TOTAL	**532**	**540**

Remunerations are substantially in line with the previous year.

13. INDEPENDENT AUDITORS' FEES

The following table shows the remuneration received by the independent auditors PricewaterhouseCoopers S.p.A. for the auditing services of the financial statements for the years ended 31 December 2021 and 2020, as well as remuneration for tax advisory and audit services:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2021	2020
Independent Auditors' fees	45	45
Other audit services	51	4
TOTAL	**96**	**49**

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 2021 financial statements.

In February 2022, the IT systems of the Group were hacked by external parties which resulted in the unavailability of a number of IT platforms used by the Group. In any event, the provision of services by the Group and the safety of the plants were never affected.

The Group immediately adopted all measures to limit the effects and spread of the attack by taking the necessary actions to protect all counterparties potentially involved, with the support of a team of IT security experts. The situation was reported promptly to the Postal and Telecommunications Police and the competent data protection authorities. Maximum effort was made to restore full operations as quickly as possible, compatible with the need to ensure maximum process safety.

The geopolitical turmoil that developed in Ukraine and more generally at European level in recent months in 2022 has had major repercussions on the recovery of the global economy, and obviously also on the entire energy supply chain. A further complexity added to a scenario already made difficult by the performance of the energy markets in the second half of 2021. An asset that has become particularly complex to manage due to the continuous fluctuation and fluidity of the situation: the steep rise in prices from the end of February 2022 represents a real risk to households and companies, and the extraordinary regulatory measures to try to manage and mitigate the impact of the crisis calls upon companies in our sector to plan - despite a panorama of great uncertainty - future energy accessibility and security for the communities we serve.

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 34/2020 (growth decree), published on the Official Gazette No 100 of 30 April 2020, 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 2021.

18. PROPOSED ALLOCATION OF PROFITS OR LOSS COVERAGE

We propose to the Shareholders' Meeting that profit for the year of 45,298,156 euro be allocated as follows:

- 2,264,908 euro, equal to 5% of the profit for the year, to the legal reserve
- 38,512,629 euro ordinary dividend to shareholders, corresponding to 0.10 euro per share;
- 4.520.619 euro to FTA (First Time adoption) reserve

Rovereto, 19 April 2022

on behalf of the Board of Directors
Dolomiti Energia Holding S.p.A.

The Chairman
Massimo De Alessandri

Certification of the financial statements

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

- the adequacy in relation to the business characteristics and
- the actual application of the administrative and accounting procedures for the formation of the financial statements during 2021.

No significant aspects emerged to this regard.

It is also certified that:

- the financial statements:
    a) have been prepared under the applicable international accounting standards endorsed by the European Union, pursuant to EC Regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
    b) agree with the balances shown in the books and accounting entries;
    c) give a true and fair view of the equity, economic and financial position of the Issuer.
- The Report on Operations includes a reliable analysis of performance and the results of operations, and of the general situation of the Issuer, together with a description of the principal risks and uncertainties to which it is exposed.

Rovereto, 19 April 2022

The Chairman
Massimo De Alessandri

Head of the Administration Department
Michele Pedrini

Reports

Valley of Genova
Dolomiti Energia Group Archive, Photo by Tommaso Prugnola

Board of Statutory Auditors' Report to the Shareholders' Meeting

PURSUANT TO ARTICLE 2429, PARAGRAPH 2, OF THE ITALIAN CIVIL CODE AND PURSUANT TO ARTICLE 3, PARAGRAPH 7 OF LEGISLATIVE DECREE 254/2016

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

Dear Shareholders,

In accordance with the articles of association in force, during the year ending 31 December 2021 the Board of Statutory Auditors was assigned the function of supervising compliance with law and with the articles of association, as well as compliance with the principles of sound administration pursuant to Article 2403 of the Italian Civil Code, whilst statutory audit of the accounts was assigned to the independent auditor PricewaterhouseCoopers S.p.A.

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

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

- pursuant to Article 22 of the articles of association, the Board of Statutory Auditors acts as the "Internal Control and Auditing Committee", which is responsible for supervising and overseeing the audit and the internal control systems;
- the Company is bound to comply with provisions set out by Legislative Decree 254/2016 and, among other things, prepare the Consolidated Non-financial Statement.

REPORT ON SUPERVISORY ACTIVITIES PURSUANT TO ARTICLE 2429, PARAGRAPH 2 OF THE ITALIAN CIVIL CODE

During the year ended 31 December 2021, our activities were governed by legal provisions and the "Code of Conduct of the Board of Statutory Auditors" issued by the Italian Accounting Profession, published in December 2020 and in force from 1 January 2021.

This report brings to your attention the activities carried out and the results achieved.

The Financial Statements of Dolomiti Energia Holding S.p.A. for the year ended 31 December 2021 are submitted for your examination. They were drafted in compliance with Italian regulations governing their preparation and record profit for the year of 47,596,413 euro. The financial statements were made available to us by the legal deadline.

The audit report of 3 May 2022, containing an unqualified opinion, was delivered to us by the independent auditor, PricewaterhouseCoopers S.p.A.

According to the Independent Auditor's Report, the financial statements for the year ended 31 December 2021 provide a true and fair view of the financial position, economic result and cash flows of your Company, and were drafted in compliance with regulations governing their preparation and with the International Financial Reporting Standards adopted by the European Union, as well as with measures issued in implementation of Article 9 of Italian Legislative Decree 38/05.

As it is not responsible for the statutory audit, the Board of Statutory Auditors performed supervisory activities on the financial statements as envisaged in Rule 3.8 of the "Code of Conduct for the Board of Statutory Auditors of unlisted companies", consisting in an overall summary control to confirm that the financial statements were prepared correctly. Audit of the accuracy of the accounting data, in fact, is the responsibility of the independent auditor.

SUPERVISORY 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 of and, to the extent of our responsibility, supervised the adequacy and function of the Company's organisational structure, also by gathering information from the function managers, and in this regard, and likewise as regards the measures adopted by the administrative body in relation to the Covid-19 emergency, 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 Regulation (EU) 537/2014 that was made available on 3 May 2022 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 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.

During the year, on 17 June 2021 and 29 October 2021 the Board of Statutory Auditors issued opinions, pursuant to Article 2437-ter, paragraph 2 of the Italian Civil Code, relating to the criteria adopted by the Board of Directors to determine the liquidation value of ordinary shares of Dolomiti Energia Holding S.p.A. for shareholders' exercise of the right of withdrawal.

During the course of our supervision, as described above, no new significant events emerged that would require mention in this report. These supervisory activities were performed in meetings of the Board and by taking part in all meetings of the Board of Directors and Executive Committee.

The Chairman of the Board of Statutory Auditors also met the Internal Auditing Manager on a number of occasions, and attended all meetings with the Supervisory Body.

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

FINANCIAL STATEMENTS

We have examined the draft financial statements as at 31 December 2021, whose figures are summarised below:

STATEMENT OF FINANCIAL POSITION	31/12/2021	31/12/2020
Assets	1,553,352,988	1,015,481,482
Liabilities	974,945,012	446,157,290
Shareholders' Equity	578,407,976	569,324,192
INCOME STATEMENT	**31/12/2021**	**31/12/2020**
Other revenue and income	47,725,185	41,154,570
Costs	- 56,799,338	- 49,681,382
DIFFERENCE	**- 9,074,153**	**- 8,526,812**
Gains and expenses from equity investments	51,902,276	59,419,863
OPERATING RESULT	42,828,123	50,893,051
Financial income and charges	1,048,454	960,864
PROFIT BEFORE TAX	**43,876,577**	**51,853,915**
Taxes for the period	1,421,579	1,146,762
RESULT FOR THE YEAR	**45,298,156**	**53,000,677**
Total other profits (losses) that will not be reclassified in the income statement	2,298,257	-2,102,192
TOTAL AGGREGATE RESULT FOR THE YEAR	**47,596,413**	**50,898,485**

With regard to which we wish to report the following:

The financial statements for the year ended 31 December 2021 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.

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

CONCLUSIONS

Considering our business results and the opinion expressed in the Independent Auditor's Report, we invite the shareholders to approve the financial statements for the year ended 31 December 2021, as prepared by the Directors.

The Board of Statutory Auditors agrees with the proposed allocation of profit for the year as formulated by the Directors in the Notes to the Financial Statements.

Trento, 5 May 2022

The Board of Statutory Auditors

Michele Iori
William Bonomi
Maura Dalbosco

Independent auditor's report

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

To the shareholders of Dolomiti Energia Holding SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dolomiti Energia Holding SpA (the Company), which comprise the statement of financial position as of 31 December 2021, 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 2021, 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

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Evaluation on the recoverable value of the equity investment in Hydro Dolomiti Energia Srl *Note 8.4 "Equity investments" of the explanatory notes to the financial statements as of 31 December 2021.* The Company's financial statements as of 31 December 2021 include Equity investments for Euro 823 million, of which Euro 408,4 million related to the subsidiary Hydro Dolomiti Energia Srl (hereinafter also HDE), whose activity consists in managing plants for the use of hydroelectric concessions, mainly located in the Autonomous Province of Trento. Law 205 of 27 December 2017 ("2018 Budget Law") and the subsequent Law 160 of 27 December 2019 amended Article 13 of the Consolidated Law introduced by Presidential Decree no. 670 of 31 August 1972, prescribing that: • the concessions of large diversions in the provinces of Trento and Bolzano, with expiration date prior to 31 December 2023, are extended *de jure* for the period useful to complete the public tendering procedures and in any case not beyond the aforesaid date; • the concession-holder who, at its own expense, made investments related to "assets transferable for free", shall be entitled to receive, at the expiry of the concession, an indemnity equal to the value of the part of the asset that has not been depreciated, determined according to criteria that have to be set forth in a provincial law. Law 9 of 21 October 2020 of the Autonomous Province of Trento confirmed the extention of the expiring date to 31 December 2023 for the above concessions, and defined the criteria for the indemnification for "assets transferable for free".	We analysed the findings of the audit of the financial statements as of 31 December 2021 of HDE. We examined the Company's management estimates of the cash flows expected in the period 2022-2023 from the equity investments in HDE. We examined the appraisal commissioned by the Company's management in 2019 to a third party expert for the estimate of the presumed repayment value of assets held by HDE that are not transferable for free, and verified the correspondence of the terminal values used in the impairment test with the values as per the appraisal. We examined the impairment test, analysing the relating methodological correctness, the mathematical accuracy and, with the support of PwC network's experts, the discount rate used; in addition, we verified the sensitivity analysis carried out by the directors in relation to the assumptions relevant to in order to identify the existance of any impairment of the equity investment. Finally, we verified the adequacy and the completeness of the information included in the explanatory notes.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
The equity investment in the subsidiary Hydro Dolomiti Energia Srl is entered in the financial statements at cost, and eventually impaired. Even in the absence of impairment indicators, as of 31 December 2021 the Company's management has done a specific impairment test based on the discounted cash flow expected from the equity investment. Considering the significance of the equity investment in HDE, the development of the national and provincial regulations on concessions of large diversions as well as the expiry of the main concessions currently held by HDE, the evaluation of the Company's directors on the non-existence of impairment indicators for the equity investment in HDE represented a key matter in the audit of the financial statements.	

Responsibilities of the Board of Directors and the Board of Statutory Auditors for the Financial Statements

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

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Compliance with other Laws and Regulations

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

The directors of Dolomiti Energia Holding SpA are responsible for preparing a report on operations of Dolomiti Energia Holding SpA as of 31 December 2021, 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 2021 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 2021 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, 3 May 2022

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 2021

Lake of Careser, Valley of Pejo
Dolomiti Energia Group Archive, Photo by Tommaso Prugnola

Consolidated Statement of Financial Position

(in thousands of Euro)

		AS AT 31 DECEMBER	
Assets	**Notes**	**2021**	**2020**
NON-CURRENT ASSETS			
Rights of use	7.1	7,941	8,836
Assets under concession	7.2	620,404	576,794
Goodwill	7.3	36,853	36,881
Intangible assets	7.3	47,168	47,869
Property, Plant and Equipment	7.4	924,593	917,114
Equity investments measured at equity and other companies	7.5	80,594	69,992
Non-current financial assets	7.6	4,085	407
Deferred tax assets	7.7	141,806	38,524
Other non-current assets	7.8	105,423	36,619
TOTAL NON-CURRENT ASSETS		**1,968,867**	**1,733,036**
CURRENT ASSETS			
Inventories	7.9	35,524	21,526
Trade receivables	7.10	501,951	296,368
Receivables for current taxes	7.11	11,547	5,110
Current financial assets	7.12	1,520,437	88,225
Other current assets	7.13	57,330	86,079
Cash and cash equivalents	7.14	88,216	82,990
TOTAL CURRENT ASSETS		**2,215,005**	**580,298**
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**7.15**		**6,014**
TOTAL ASSETS		**4,183,872**	**2,319,348**
Shareholders' Equity			
Share capital	7.16	411,496	411,496
Reserves	7.16	286,144	295,818
Net profit/(loss) for the year	7.16	89,993	97,601
TOTAL GROUP SHAREHOLDERS' EQUITY		**787,633**	**804,915**
Capital and reserves - minority interests	7.16	319,139	362,461
Profit/(Loss) - minority interests	7.16	38,882	30,849
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY		**1,145,654**	**1,198,225**
Liabilities			
NON-CURRENT LIABILITIES			
Provisions for risks and non-current charges	7.17	23,075	24,221
Employee benefits	7.18	16,626	18,207
Deferred tax liabilities	7.7	197,087	175,942
Non-current financial liabilities	7.19	452,378	234,621
Other non-current liabilities	7.20	109,457	109,561
TOTAL NON-CURRENT LIABILITIES		**798,623**	**562,552**
CURRENT LIABILITIES			
Provisions for risks and current charges	7.17	6,965	5,780
Trade payables	7.21	342,372	234,576
Current financial liabilities	7.19	1,856,529	291,333
Liabilities for current taxes	7.22	5,075	3,666
Other current liabilities	7.20	28,654	23,216
TOTAL CURRENT LIABILITIES		**2,239,595**	**558,571**
LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS		-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4,183,872**	**2,319,348**

Consolidated Comprehensive Income Statement

(in thousands of Euro)

	Notes	AS AT 31 DECEMBER 2021	AS AT 31 DECEMBER 2020
Revenue	8.1	2,062,118	1,270,076
Revenue from works on assets under concession	8.2	63,449	58,271
Other revenue and income	8.3	51,148	69,066
TOTAL REVENUE AND OTHER INCOME		2,176,715	1,397,413
Raw materials, consumables and merchandise	8.4	(1,304,448)	(495,471)
Service costs	8.5	(503,393)	(522,990)
Costs from works on assets under concession	8.2	(62,151)	(57,072)
Personnel costs	8.6	(65,310)	(66,007)
Amortisation, depreciation, allocations and write-downs	8.7	(59,964)	(58,196)
Net write-backs (write-downs) of receivables	8.7	(2,253)	(4,755)
Other operating costs	8.8	(35,063)	(36,736)
TOTAL COSTS		(2,032,582)	(1,241,227)
Result of equity investments measured at equity and other companies	8.9	552	18,540
Operating result		144,685	174,726
Financial income	8.10	1,142	1,906
Financial charges	8.10	(7,987)	(6,535)
PROFIT BEFORE TAX		137,840	170,097
Taxes	8.11	(8,964)	(41,647)
NET PROFIT/(LOSS) FOR THE YEAR (A) OF CONTINUING OPERATIONS		128,876	128,450
Discontinuing operation		-	-
NET PROFIT/(LOSS) FOR THE YEAR (B) OF DISCONTINUING OPERATIONS		-	-
PROFIT/(LOSS) FOR THE YEAR		128,876	128,450
of which Group		89,993	97,601
of which Minority interests		38,883	30,849
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Actuarial profit/(loss) for employee benefits		(115)	(829)
Tax effect on actuarial profit/(loss) for employee benefits		(570)	221
Other components			
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (C1)		(685)	(608)
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Profit/(loss) on cash flow hedge instruments		(181,142)	(15,309)
Tax effect on change in fair value in cash flow hedge derivatives		48,709	3,674
Other components			
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (C2)		(132,433)	(11,635)
TOTAL OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX EFFECT (C)= (C1) + (C2)		(133,118)	(12,243)
TOTAL AGGREGATE RESULT FOR THE YEAR (A)+(B)+(C)		(4,243)	116,207
of which Group		8,928	91,552
of which Minority interests		(13,170)	24,655

Consolidated Cash Flow Statement

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER	
	2021	**2020**
PROFIT BEFORE TAX	**137,840**	**170,097**
ADJUSTMENTS FOR:		
Depreciation of:		
- intangible assets	15,815	12,919
- property, plant and equipment	13,188	12,954
- assets under concession	29,005	29,883
Write-downs of assets	2,253	4,755
Allocations and releases of provisions	5,423	2,440
Fair value of derivatives on commodities	-	
Result of equity investments measured at equity and other companies	551	(19,360)
Financial (income)/charges	6,845	4,629
(Capital gains)/Capital losses and other non-monetary elements	-	(2,883)
Cash flow from operations before changes in net working capital	**210,920**	**215,434**
Increase/(Decrease) in provisions		
Increase/(Decrease) in employee benefits	(1,581)	(428)
(Increase)/Decrease in inventories	(13,998)	(664)
(Increase)/Decrease in trade receivables	(208,003)	1,069
(Increase)/Decrease in other assets/liabilities, deferred tax assets and liabilities	(311,769)	(73,725)
Increase/(Decrease) in trade payables	107,796	11,926
Interest and other financial income collected	1,142	1,907
Interest and other financial expenses paid	(7,987)	(6,536)
Utilisation of provisions for risks and charges	(1,917)	(543)
Taxes paid	(50,751)	(43,431)
CASH FLOWS FROM OPERATIONS (A)	**(276,148)**	**105,009**
Net investments in intangible assets	(15,086)	(11,678)
Net investments in property, plant and equipment	(20,667)	(19,373)
Net investments in assets under concession	(61,161)	(56,641)
Net investments in equity investments	(9,269)	(21,294)
(Increase)/Decrease in other investment assets	(3,678)	
CASH FLOWS FROM INVESTMENT/DIVESTMENT ACTIVITIES (B)	**(109,861)**	**(108,986)**
Financial payables (new issues of long-term loans)		
Short-term financial payables (reimbursements and other net changes)	90,041	140,183
Medium/long-term financial payables (reimbursements and other net changes)	358,274	(12,868)
Dividends paid	(64,143)	(63,585)
Change in consolidation area	7,064	
CASH FLOWS FROM FINANCING ACTIVITIES (C)	**391,236**	**63,730**
Effect of changes on cash and cash equivalents (d)	-	-
Increase/(Decrease) in cash and cash equivalents (a+b+c+d)	*5,226*	*59,753*
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**82,990**	**23,237**
CASH AND CASH EQUIVALENTS AT YEAR END	**88,216**	**82,990**

Consolidated statement of changes in Shareholders' Equity

(in thousands of Euro)

	Share capital	Share premium reserve	Treasury shares reserve
BALANCE AS AT 31 DECEMBER 2019	**411,496**	**994**	**(67,552)**
TRANSACTIONS WITH SHAREHOLDERS:			
Dividend distribution	-	-	-
Other transactions with shareholders	-	-	2,801
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**-**	**2,801**
AGGREGATE RESULT FOR THE YEAR:			
Net profit (loss)	-	-	-
Change in consolidation area	-	-	-
Actuarial profit/(loss) for employee benefits, net of tax effect	-	-	-
Profit/(loss) on cash flow hedge instruments	-	-	-
TOTAL AGGREGATE RESULT FOR THE YEAR	**-**	**-**	**-**
BALANCE AS AT 31 DECEMBER 2020	**411,496**	**994**	**(64,751)**
TRANSACTIONS WITH SHAREHOLDERS:			
Dividend distribution	-	-	-
Other transactions with shareholders	-	-	11,236
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**-**	**11,236**
AGGREGATE RESULT FOR THE YEAR:			
Net profit (loss)	-	-	-
Change in consolidation area	-	-	-
Actuarial profit/(loss) for employee benefits, net of tax effect	-	-	-
Profit/(loss) on cash flow hedge instruments	-	-	-
TOTAL AGGREGATE RESULT FOR THE YEAR	**-**	**-**	**-**
BALANCE AS AT 31 DECEMBER 2021	**411,496**	**994**	**(53,515)**

	Other reserves and retained earnings	Total Other reserves	Net profit/(loss) pertaining to the Group	Total shareholders' equity pertaining to the Group	Shareholders' equity - minority interests	Total Shareholders' Equity
	320,736	**254,178**	**80,602**	**746,276**	**365,509**	**1,111,785**
	46,563	46,563	(80,602)	(34,039)	(29,545)	(63,584)
	(1,694)	1,107	-	1,107	32,710	33,817
	44,869	**47,670**	**(80,602)**	**(32,932)**	**3,165**	**(29,767)**
	-	-	97,601	97,601	30,849	128,450
	-	-	-	-	-	-
	(599)	(599)	-	(599)	(9)	(608)
	(5,431)	(5,431)	-	(5,431)	(6,204)	(11,635)
	(6,030)	**(6,030)**	**97,601**	**91,571**	**24,636**	**116,207**
	359,575	**295,818**	**97,601**	**804,915**	**393,310**	**1,198,225**
	59,089	59,089	(97,601)	(38,512)	(25,630)	(64,142)
	1,114	12,350	-	12,350	3,464	15,814
	60,203	**71,439**	**(97,601)**	**(26,162)**	**(22,166)**	**(48,328)**
	-	-	89,993	89,993	38,882	128,875
	-	-	-	-	-	-
	(619)	(619)	-	(619)	(66)	(685)
	(80,494)	(80,494)	-	(80,494)	(51,939)	(132,433)
	(81,113)	**(81,113)**	**89,993**	**8,880**	**(13,123)**	**(4,243)**
	338,665	**286,144**	**89,993**	**787,633**	**358,021**	**1,145,654**

Explanatory notes

1. GENERAL INFORMATION

Dolomiti Energia Holding S.p.A. (the "**Company**" or "**DEH**") and the companies controlled by the same (the "**Dolomiti Energia Group**" or the "**Group**") manage activities in six different operating segments, as described hereunder:

- Electricity production;
- Heat, Steam and Cooling;
- Commercial and trading;
- Distribution and grids;
- Water cycle and Environment;
- Other minor services.

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

As at 31 December 2021, the Parent Company's share capital was held by:

Shareholder	No. of shares	%
PUBLIC ENTITIES		
Findolomiti Energia Srl	196,551,963	47.77%
Comune di Trento	24,008,946	5.83%
Comune di Rovereto	17,852,031	4.34%
Bim Adige	3,322,260	0.81%
Bim Sarca Mincio Garda	3,322,260	0.81%
Bim Brenta	819,407	0.20%
Bim Chiese	819,407	0.20%
Altri Enti Pubblici	12,564,567	3.05%
UTILITY		
AGS Riva Del Garda	4,861,800	1.18%
Amambiente (ex STET)	12,437,119	3.02%
AIR	4,085,912	0.99%
ACSM Primiero	823,006	0.20%
Consorsio Elettrico di Storo	2,741,118	0.67%
Primiero Energia	2,430,900	0.59%
Cons. Elettrico Industriale di Stenico	2,293,658	0.56%
Az. Servizi Municipalizzata - Tione	14,622	0.00%
Consorzio Elettrico di Pozza di Fassa	930,232	0.23%
PRIVATE ENTITIES		
FT Energia	28,286,874	6.87%
Equitix Italia Holdco 1 srl	20,574,809	5.00%
I.S.A. - Ist. Atesino di 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	**26,369,875**	**6.41%**
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 01 January 2015 as transition date to IFRSs ("Transition Date"). Additionally, on 14 July 2017, the Parent Company Dolomiti Energia Holding SpA finalised the listing transactions on the Irish Stock Exchange of a previously existing bond loan for a residual nominal amount of 5 million euro, taking on the classification as a Public Interest Entity (PIE) and therefore with the obligation to draw up its own financial statements in accordance with the EU IFRS standards.

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

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

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

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

These Consolidated Financial Statements were approved by the Company's Board of Directors on 19 April 2022.

2.2 FORM AND CONTENT OF ACCOUNTS

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

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

ii) the consolidated Comprehensive Income Statement includes the profit or loss for the year, as well as changes in Shareholders' Equity related to financial items that, as expressly envisaged by the International Accounting Standards, are recognised in the Shareholders' Equity components; and

iii) the consolidated Cash Flow Statement is disclosed according to the indirect method.

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

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

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

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

2.3 CONSOLIDATION AREA AND CHANGES THEREIN

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

During 2021, the newcos Gasdotti Alpini srl, wholly owned by Dolomiti Energia Holding, and Dolomiti Transitions Asset srl, 66.67% owned by Dolomiti Energia Holding, entered the Group's consolidation area.

2.4 CONSOLIDATION PRINCIPLES

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

SUBSIDIARIES

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

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

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

i) the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair values of assets transferred and liabilities undertaken by the Group as at the acquisition date, as well as equity instruments issued in exchange of the control of the acquired company. Ancillary costs related to the transaction are recognised in the income statement, when incurred;

ii) as at the acquisition date, identifiable assets acquired and liabilities undertaken are recognised at fair value at the acquisition date. An exception to the above are deferred tax assets and liabilities, assets and liabilities related to employee benefits, liabilities or equity instruments related to share-based payments of the acquired company of share-based payments related to the Group and issued in replacement of previous contracts of the acquired company, as well as assets (or groups of assets and liabilities) held for sale, which are instead measured based on their reference standard;

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

iv) any payments subject to condition precedent in the business combination agreement are measured at fair value at the acquisition date and are considered in the value of the amounts transferred in the business combination to calculate goodwill.

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

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

JOINT ARRANGEMENTS

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

2.5 MEASUREMENT CRITERIA

RIGHTS OF USE (LEASES)

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

LEASED ASSETS (IFRIC 12)

Assets under concession represent the right of the Group to use assets under concession for the management of the electricity distribution service through the subsidiary SET Distribuzione S.p.A. and gas and water distribution services, through the subsidiary Novareti S.p.A., in the pertaining Municipalities in the Trentino Region. The method adopted is the so-called intangible asset method, taking account of the costs borne for the design and building of assets with mandatory return of the assets at expiration of the concession period. The amount corresponds to the fair value of design and building activities, added with financial charges that are capitalised during construction, in compliance with requirements set out by IAS 23. The fair value of building services is determined based on costs actually borne, added by a mark-up representing the best estimate on the remuneration of in-house costs for construction management and design activities carried out by the Group, equal to the mark-up that a general third-party constructor would ask to perform the same activity, as envisaged by IFRIC 12. The logics, underlying the way fair value is calculated, result from the fact that the concession-holder must apply provisions set out by IFRS 15 and therefore, if the fair value of services received (in this case the right to exploit the asset) cannot be reliably determined, the revenue is calculated based on the fair value of the construction services actually rendered. Assets related to construction services underway at the reporting date are measured based on the actual progress of works, pursuant to IFRS 15 and this measurement will be disclosed in the income statement, under item "Revenue from works on assets under concession".

As it is assumed that the future economic benefits of the asset will be used by the concession-holder, the assets under concessions will be amortised along the estimated concession or, in the event the concessions are expired, for the duration of the period estimated from the reporting date and the launch of a new tender for the granting of the concession. For the concession to distribute natural gas, the date by which the area tender had to be conducted was further extended by the contracting authority (Trento Autonomous Province) to the release date of related preliminary opinions and remarks by ARERA. 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.

INTANGIBLE ASSETS

Intangible assets include non-monetary elements and are identifiable assets lacking physical substance, controlled by the company and able to produce future economic benefits. Intangible assets are recognised at purchase and/or production cost, including directly attributable expenses incurred to prepare the asset for use, net of accumulated amortisation and possible impairment losses.

Intangible assets are amortised from the time at which the asset becomes available for use. Their amortisation is apportioned systematically in relation to the residual possible use, i.e. based on their estimated useful life.

The useful life estimated by the Group for intangible assets is as follows:

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

EQUITY INVESTMENTS

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

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

TRADE RECEIVABLES AND OTHER CURRENT AND NON-CURRENT ASSETS

Trade receivables and other current and non-current assets include financial instruments, mainly related to 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:

i) significant financial difficulties of the debtor;

ii) contract breaches, as non-payment of interest or principal;

iii) the creditor, for economic or legal reasons connected with the financial difficulties of the debtor, grants the debtor facilities that would not be considered in other cases;

iv) it is probable that the debtor be bankrupt or be subject to a composition procedure with creditors; or

v) the active market of financial assets no longer exists.

INVENTORIES

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

FINANCIAL DERIVATIVES

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

Derivative instruments can be accounted for using the hedge-accounting approach only when:

- at inception of the hedging, the hedging relationship is formally defined and documented;
- hedging is assumed to be highly effective;
- effectiveness can be reliably measured;

- the hedge itself can be highly effective during the various accounting periods for which it is designated.

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

i) *Fair value hedge* – If a financial derivative is designated as a hedge for exposure to the changes in the current value of a recognised asset or liability, the change in fair value of the hedging derivative is recognised in the income statement, consistently with the fair value measurement of hedged assets and liabilities.

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

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

DETERMINATION OF FAIR VALUE OF FINANCIAL INSTRUMENTS

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

SEGMENT DISCLOSURE

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

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

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

- Electricity production;
- Heat production, Steam and Cooling;
- Distribution and grids;
- Commercial and trading;

- Water cycle and Environment;
- Other minor services.

CASH AND CASH EQUIVALENTS

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

TREASURY SHARES

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

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

FINANCIAL LIABILITIES, TRADE AND OTHER PAYABLES

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

Financial liabilities are classified under current liabilities, except in the event the Group has an unconditional right to defer payment for at least 12 months from the reference date.

Financial liabilities are derecognised from the financial statements upon redemption and when the Group has transferred all related risks and charges to the instrument itself.

PROVISIONS FOR RISKS AND CHARGES

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

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

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

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

PERSONNEL-RELATED PROVISIONS

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

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

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

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

The cost components of defined benefits are recognised as follows:

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

PUBLIC GRANTS

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

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

ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current and current assets of disposal groups are classified as held for sale if the related book value is recovered mainly through the sale. This condition is deemed as fulfilled when the sale is highly probable and the asset, or disposal group, is available for immediate sale in its current conditions. Non-current assets held for sale, current and non-current assets related to disposal groups and liabilities directly attributable are recognised in the statement of financial position, separate from other assets and liabilities.

Non-current assets held for sale are not amortised and are measured at the lower of their book value and the related fair value, less the costs of sale.

Any difference between book value and fair value, less the costs of sale, is charged to the income statement as write-down. Any recoveries in value are recognised until recovery of the previously recorded write-downs, including those that were recognised before the classification of the asset as held for sale.

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

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

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

REVENUE RECOGNITION

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

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

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

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

- any amounts collected on behalf of third parties that must be left out of the consideration;
- variable price components (such as performance bonuses, penalties, discounts, refunds, incentives, etc.);
- financial component, if the terms of payment grant the customer a significant extension;

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

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

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

i. revenue from the sale and distribution of electricity, thermal energy, gas, heat and steam is recognised upon the transfer of ownership, which mainly occurs when the good is supplied or the service rendered, albeit still not invoiced, and is determined by supplementing the consumption read through meters with adequate estimates.

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

iii. revenue from services rendered is recorded upon supply, or according to contract clauses.

RECOGNITION OF COSTS

Costs are recognised upon acquisition of an asset or service.

TAXES

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

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 2021.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2" (issued on 27 August 2020), applicable from 1 January 2021. The IASB has divided its work on the reform of benchmark interest rates into two phases. The first phase (involving amendments to IFRS 9, IAS 39 and IFRS 7 applicable from the start of the 2020 financial year) addressed issues affecting financial reporting in the period prior to the replacement of an existing benchmark interest rate with an alternative rate; a second phase, the objective of which is to assist entities in providing useful information to users of financial statements and to support drafters in applying IFRS standards when changes are made to contractual cash flows or hedging relationships as a result of the move to alternative near-risk-free benchmark rates. In particular, in this second phase the intention was to stabilise cash flow measurement, avoiding impacts on the income statement from the exchange rate used for these measurements.
- Amendments to IFRS 16 Leases Covid-19-Related Rent Concessions (issued on 28 May 2020), applicable from 1 June 2020, with immediate application permitted. The amendment allows lessees, as a practical expedient, to disregard individual lease contracts in determining whether relief granted as a direct result of the Covid-19 pandemic should have been classified as contractual modifications. Therefore, if the conditions are met, lessees could recognise the amount of the condoned rent by 30 June 2021 in profit or loss in the year of concession; otherwise, that amount would have been recognised in profit or

loss over the term of the lease contract to which it relates. The amendment did not concern lessors. On 31 March 2021, the IASB further amended IFRS 16, extending the criterion for applying the practical expedient to concessions that reduce the lease payments originally due by 30 June 2022. This last amendment is in force for financial years starting on or after 1 April 2021, with early application permitted.

With reference to the application of these standards, amendments and new interpretations, it should be noted that there was no impact on the Group's 2021 consolidated financial statements.

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

The following accounting standards, amendments to accounting standards and interpretations issued by the IASB and incorporated by the European Union at the date of presentation of the 2021 financial statements must be applied for the financial years following 2021.

- Amendments to IFRS 3, IAS 16, IAS 37 and improvements to the 2018-2020 IFRS cycle (issued on 14 May 2020). The amendments, applicable as of 1 January 2022 with early application permitted, are as follows:
  - IFRS 3 "Business Combinations". The amendments update a reference to the financial reporting systematic framework, without changing the accounting requirements for business combinations;
  - IAS 16 "Property, Plant and Equipment". The amendments introduce the inability to reduce the cost of property, plant and equipment by the amount received from the sale of goods produced while preparing the asset for its intended use. These sales, on the other hand, must be recorded in the income statement as income, as must the related costs;
  - IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The amendment specifies which costs must be considered when assessing whether a contract will be onerous, i.e. if the non-discretionary costs necessary for fulfilment of the obligations assumed exceed the economic benefits that are expected to be obtained from the contract. It clarified that the costs necessary to fulfil the contract include incremental costs, such as labour and direct raw materials, and also other costs directly associated with fulfilment that the entity cannot avoid, such as the allocation of depreciation for an element of property, plant and equipment used in fulfilment of the contract;
  - Improvements to the annual 2018-2020 IFRS cycle. These are amendments that clarify, correct or remove redundant or conflicting wording or formulations in the text of the relevant standards. Minor changes were made to IFRS 1, IFRS 9, IAS 41 and the illustrative examples accompanying IFRS 16.

Its application is not expected to have any impact for the Group.

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

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

- Amendments to IAS 1 "Presentation of financial statements" (issued on 23 January 2020 and 15 July 2020). The amendments, which are effective 1 January 2023, clarify the requirements to be considered in determining whether, in the statement of financial position, payables and other liabilities with an uncertain settlement date should be classified as current or non-current (including payables extinguishable by conversion into equity instruments). The proposed amendments aim to clarify:
  - that the classification of a liability as current or non-current is based on the entity's rights at the end of the reporting period; and
  - the link between the extinguishment of the liability and the outflow of financial resources from the entity.
- Amendments to IAS 1 "Presentation of financial statements" and IFRS Practice Statement 2 (issued on 12 February 2021). The disclosure requirements regarding accounting policies are changed from "significant accounting policies" to "disclosure on material accounting policies". The amendments provide indications on when information on accounting policies is likely to be considered material. The amendments to IAS 1 are effective from financial years starting on or after 1 January 2023; early application is permitted. Since IFRS Practice Statements are non-binding guidelines, no compulsory effective date has been specified for the amendments to IFRS Practice Statement 2.
- Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors: definition of accounting estimates" (issued on 12 February 2021). The amendments, applicable from 1 January 2023, added the definition of "accounting estimates" to IAS 8 and also clarified that the effects of a change in an input or in a measurement approach are changes in accounting estimates, unless they derive from the correction of errors from the previous period.
- Amendments to IAS 12 "Income taxes: deferred tax related to assets and liabilities arising from a single transaction" (issued on 7 May 2021). The amendments, applicable from 1 January 2023, clarify whether the exemption from initial recognition applies to certain transactions that involve the simultaneous recognition of both an asset and a liability (for example, a lease within the scope of IFRS 16). The amendments introduce an additional criterion for the exemption from initial recognition envisaged by IAS 12.15, for which the exemption does not apply to the initial recognition of an asset or liability which, at the time of the transaction, gives rise to equal taxable and deductible temporary differences.
- Amendments to IFRS 17 "Insurance contracts: initial application of IFRS 17 and IFRS 9 - comparative information" (issued on 9 December 2021). The amendments allow for the application of a transitional option, relating to comparative information on financial assets presented on first-time adoption of IFRS 17. The amendment aims to help entities avoid temporary accounting mismatches between insurance contract financial assets and liabilities, and therefore improve the usefulness of the comparative information. IFRS 17, which incorporates the amendment, is applicable from financial years starting on or after 1 January 2023.

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 2021, 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 1,250 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 and at fixed rate.

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 2021 and 31 December 2020 are summarised as follows:

IRS

	AS AT 31 DECEMBER 2021	
Date of transaction	**25/05/2017**	**26/05/2017**
Company	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa
Counterparty	Unicredit	Intesa San Paolo
Effective date	01/01/2021	01/01/2021
Maturity	30/09/2032	30/09/2032
Notional in Euro	44.791.666	44.791.666
Floating interest rate	Euribors 3M (floor -0,80)	Euribors 3M (floor -0,80)
Fixed interest rate	1.3400%	1.3235%
Fair value	(2,935,960)	(2,897,426)

	AS AT 31 DECEMBER 2020	
Date of transaction	25/05/2017	26/05/2017
Company	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa
Counterparty	Unicredit	Intesa San Paolo
Effective date	01/01/2021	01/01/2021
Maturity	30/09/2032	30/09/2032
Notional in Euro	48,958,333	48,958,333
Floating interest rate	Euribors 3M (floor -0,80)	Euribors 3M (floor -0,80)
Fixed interest rate	1.3400%	1.3235%
Fair value	(4,843,793)	(4,805,366)

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 2021 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 2021	192	(1,994)	192	(1,994)
Year ended 31 December 2020	-	(719)	-	(719)

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 2021 and 31 December 2020 to hedge commodity price risk are summarised as follows:

Commodity

(in thousands of Euro)	AS AT 31 DECEMBER	
	2021	**2020**
Date of transaction	miscellaneous	miscellaneous
Company	DET	DET
Counterparty	miscellaneous	miscellaneous
Underlying	Power	Power
Maturity	miscellaneous	miscellaneous
Notional value	81,095	72,828
Fair value	(198,921)	(17,873)

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 2021 and 31 December 2020 is represented by the sum of financial assets recorded in the financial statements, summarised as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2021	**2020**
Accounts receivable - customers	518,697	313,439
Accounts receivable - associates	12	6
Accounts receivable - parent companies	34	139
Accounts receivable - sister companies	713	1,187
Provision for write-downs	(17,505)	(18,403)
TOTAL	**501,951**	**296,368**

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 2021	**Within 1 year**	**Between 1 and 5 years**	**Beyond 5 years**
Trade payables	342,372	-	-
Payables due to banks and other lenders	1,856,529	204,105	248,273
Liabilities for current taxes	5,075	-	-
Other accounts payable	28,654	109,457	-
TOTAL	**2,232,630**	**313,562**	**248,273**

(in thousands of Euro)	MATURITY		
As at 31 December 2020	**Within 1 year**	**Between 1 and 5 years**	**Beyond 5 years**
Trade payables	234,576	-	-
Payables due to banks and other lenders	291,333	56,537	178,084
Liabilities for current taxes	3,666	-	-
Other accounts payable	23,216	109,561	-
TOTAL	**552,791**	**166,098**	**178,084**

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 2021 and 31 December 2020:

(in thousands of Euro)	AS AT 31 DECEMBER 2021		
	Level 1	Level 2	Level 3
Derivative instruments (interest rate swap)	-	(5,833)*	-
Financial derivatives (commodities)	-	(204,868)*	-

[* this amount includes the fair value of all derivatives that, under an accounting viewpoint, are classified as both hedging and not hedging]. The negative fair value of the commodity derivatives is composed of those with positive fair value for 1,221,945 thousand euro and negative fair value for 1,426,813 thousand.

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

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

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 2021 and 31 December 2020 are broken down by category:

(in thousands of Euro)

	AS AT 31 DECEMBER 2021			
	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	88,216	-	-	88,216
Trade receivables	501,951	-	-	501,951
Other current assets	57,330	-	-	57,330
Current financial assets	298,492	95,193	1,126,752	1,520,437
NON-CURRENT ASSETS				
Other non-current assets	105,423	-	-	105,423
Non-current financial assets	4,085	-	-	4,085
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**-**	**-**	**-**	**-**
CURRENT LIABILITIES				
Trade payables	342,372	-	-	342,372
Current financial liabilities	572,957	122,734	1,160,838	1,856,529
Other current payables	28,654	-	-	28,654
NON-CURRENT LIABILITIES				
Non-current payables due to banks and other lenders	303,304	12,327	136,747	452,378
Other non-current payables	109,457	-	-	109,457

(in thousands of Euro)

	AS AT 31 DECEMBER 2020			
	Financial assets/ liabilities measured at amortised cost	Financial assets/ liabilities measured at fair value FVOCI	Financial assets/ liabilities measured at fair value FVTPL	Total
CURRENT ASSETS				
Cash and cash equivalents	82,990	-	-	82,990
Trade receivables	296,368	-	-	296,368
Other current assets	86,079	-	-	86,079
Current financial assets	20,418	7,476	60,331	88,225
NON-CURRENT ASSETS				
Other non-current assets	36,619	-	-	36,619
Non-current financial assets	407	-	-	407
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**6,014**	**-**	**-**	**6,014**
CURRENT LIABILITIES				
Trade payables	234,576	-	-	234,576
Current financial liabilities	214,683	13,991	62,659	291,333
Other current payables	23,216	-	-	23,216
NON-CURRENT LIABILITIES				
Non-current payables due to banks and other lenders	213,263	10,177	11,181	234,621
Other non-current payables	109,561	-	-	109,561

118,295 euro in current and non-current financial liabilities include the amount of the fixed-rate bonds (note 7.19) whose fair value as at 31 December 2021 is a negative 134,984 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)

2021	Electricity production	Heat production, Steam and Cooling	Distribution and grids	Commercial and trading	Water cycle and Environment	Other minor services	Total
EBITDA	144,031	4,893	67,069	(14,624)	7,529	(1,997)	**206,901**
EBIT	127,618	2,796	42,618	(18,569)	1,296	(11,075)	**144,684**

(in thousands of Euro)

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

7. NOTES TO THE STATEMENT OF FINANCIAL POSITION

7.1 RIGHTS OF USE

Changes in item "Rights of Use" are shown hereunder for the years ended 31 December 2021 and 2020:

(in thousands of Euro)

	Rights of use - buildings	Rights of use - other assets	Total
BALANCE AS AT 31 DECEMBER 2019	**6,018**	**4,043**	**10,061**
Of which:			
Historical cost	21,420	7,013	28,433
Accumulated depreciation	(15,402)	(2,970)	(18,372)
Increases	102	565	667
Depreciation	(1,165)	119	(1,046)
Disinvestments	(741)	(1,927)	(2,668)
Decreases (accumulated depreciation)	1,037	785	1,822
Change (accumulated depreciation)			-
BALANCE AT 31 DECEMBER 2020	**5,251**	**3,585**	**8,836**
Of which:			
Historical cost	20,781	5,651	26,432
Accumulated depreciation	(15,530)	(2,066)	(17,596)
Increases	286	1,229	1,515
Depreciation	(1,101)	(1,090)	(2,191)
Disinvestments	(269)	(607)	(876)
Decreases (accumulated depreciation)	73	584	657
Change (accumulated depreciation)			-
BALANCE AT 31 DECEMBER 2021	**4,240**	**3,701**	**7,941**
Of which:			
Historical cost	20,798	6,273	27,071
Accumulated depreciation	(16,558)	(2,572)	(19,130)

"Rights of use of buildings" amounting to 4.240 thousand euro refer to contracts on property complexes to be used as headquarters and offices all over the territory.

"Rights of use of other assets" amounting to 3,701 thousand euro refer to contracts for vehicles with an average duration of 5 years. For the company cars, the Group decided on long-term rentals and at the expiry of these contracts, they are replaced with new vehicles and new long-term contracts; sometimes, at the natural expiry of these contracts, they are extended for a further 12 months without a formal renewal.

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

(in thousands of Euro)

	Notes	As at 31 December 2021
Depreciation of rights of use	8.7	2,191
Interest expense on financial liabilities for leases	8.10	187
Short-term contract related costs	8.5	803
Costs related to contracts for low value goods	8.5	530
Costs related to variable lease payments not included in the measurement of the liability		-
Income from sub-leasing of substantial assets in the right of use		-
TOTAL OUTGOING FINANCIAL FLOW FOR LEASES		**4,527**
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 2021 and 2020:

(in thousands of Euro)

	Electric grid	Gas network	Water network	Total
BALANCE AS AT 31 DECEMBER 2019	**306,420**	**176,087**	**65,701**	**548,208**
Of which:				
Historical cost	742,063	347,420	133,729	1,223,212
Accumulated depreciation	(435,643)	(171,333)	(68,028)	(675,004)
Increases	27,136	23,142	7,994	58,272
Decreases (historical cost)	(222)	(1,692)		(1,914)
Decreases (accumulated depreciation)	189	876		1,065
Reclassifications (accumulated depreciation)		-		-
Depreciation	(17,363)	(7,912)	(3,562)	(28,837)
Change (accumulated depreciation)		-		-
BALANCE AS AT 31 DECEMBER 2020	**316,160**	**190,501**	**70,133**	**576,794**
Of which:				
Historical cost	768,977	368,870	141,723	1,279,570
Accumulated depreciation	(452,817)	(178,369)	(71,590)	(702,776)
Increases	33,375	29,184	8,381	70,940
Decreases (historical cost)	(230)	(978)	(356)	(1,564)
Decreases (accumulated depreciation)	167	526	355	1,048
Reclassifications (accumulated depreciation)		-		-
Depreciation	(18,237)	(4,673)	(3,904)	(26,814)
Change (accumulated depreciation)		-		-
BALANCE AS AT 31 DECEMBER 2021	**331,235**	**214,560**	**74,609**	**620,404**
Of which:				
Historical cost	802,122	397,076	149,748	1,348,946
Accumulated depreciation	(470,887)	(182,516)	(75,139)	(728,542)

The increases for the gas network include the purchase from STET of the gas distribution business of the Municipality of Pergine for a total of 7,360 thousand euro and the purchase from the Municipality of Isera of its gas distribution business for 1,474 thousand euro, of which 573 thousand euro already capitalised under work in progress and advance payments at the end of the previous year.

Both purchases became effective from 1 January 2021.

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 2022-2024 plan approved by the board of directors, and for the year 2025 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 3,8%.

The impairment test performed highlighted no impairment losses with respect to amounts accounted for under rights on assets under concession referring to the distribution of electricity and therefore, no write-downs were made on these assets.

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

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

In light of such provisions, no impairment indicators were identified as regards assets under concession for the distribution of gas and assets under concession for the distribution of water.

7.3 GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in item "Goodwill and other intangible assets" are shown hereunder for the years ended 31 December 2021 and 2020:

(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 2019	**36,124**	**27,909**	**8,602**	**1,304**	**2,687**	**76,626**
Of which:						
Historical cost	36,143	58,053	45,760	8,259	2,687	150,902
Accumulated depreciation	(19)	(30,144)	(37,158)	(6,955)	-	(74,276)
Increases	860	26	6,661	804	3,864	12,215
Decreases (historical cost)	-	-	-	-	(14)	(14)
Decreases (accumulated depreciation)	-	-	-	-	-	-
Reclassifications (historical cost)	-	-	387	660	(1,047)	-
Reclassifications (accumulate)	-	-	-	-	-	-
Depreciation	(103)	(6,570)	(5,576)	(670)	-	(12,919)
Write-downs	-	-	-	-	-	-
Change in consolidation area	-	8,842	-	-	-	8,842
BALANCE AS AT 31 DECEMBER 2020	**36,881**	**30,207**	**10,074**	**2,098**	**5,490**	**84,750**
Of which:						
Historical cost	37,003	66,921	52,808	9,723	5,490	171,945
Accumulated depreciation	(122)	(36,714)	(42,734)	(7,625)	-	(87,195)
Increases	76	183	11,208	801	2,998	15,266
Decreases (historical cost)	-	-	(64)	-	(128)	(192)
Decreases (accumulated depreciation)	-	-	12	-	-	12
Reclassifications (historical cost)	-	-	-	-	-	-
Reclassifications (accumulate)	-	-	-	-	-	-
Depreciation	(104)	(8,541)	(6,505)	(517)	(148)	(15,815)
Write-downs	-	-	-	-	-	-
Change in consolidation area	-	-	-	-	-	-
BALANCE AS AT 31 DECEMBER 2021	**36,853**	**21,849**	**14,725**	**2,382**	**8,212**	**84,021**
Of which:						
Historical cost	37,079	67,104	63,952	10,524	8,360	187,019
Accumulated depreciation	(226)	(45,255)	(49,227)	(8,142)	(148)	(102,998)

IMPAIRMENT TESTING ON GOODWILL AS AT 31 DECEMBER 2021

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 30,415 thousand euro, the impairment test was based on the explicit cash flows set forth in the budget and the 2022-2024 plan approved by the board of directors of the Company, and for the year 2025 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 3,8%. The impairment test performed brought to light no impairment with reference to the CGU at 31 December 2021 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 5,369 thousand euro, the impairment test was based on the explicit cash flows set forth in the budget and the 2022-2024 plan approved by the board of directors of the Company, and for the year 2025 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. The impairment test performed brought to light no impairment with reference to the amounts recognised on goodwill at 31 December 2021 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 2021 and 2020:

(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 2019	**72,069**	**756,747**	**3,078**	**6,603**	**6,908**	**845,405**
Of which:						
Historical cost	110,658	1,352,303	19,563	26,705	6,908	1,516,137
Accumulated depreciation	(38,589)	(595,556)	(16,485)	(20,102)	-	(670,732)
Increases	3,078	8,877	490	2,813	6,750	22,008
Decreases (historical cost)	(85)	(2,621)	(5)	(864)	(201)	(3,776)
Decreases (accumulated depreciation)	-	992	7	799	-	1,798
Reclassifications (historical cost)	4,480	1,341	66	26	(6,004)	(91)
Reclassifications (accumulated depreciation)						-
Depreciation	(1,348)	(9,444)	(450)	(1,712)		(12,954)
Change in consolidation area						
historical cost	15,937	209,776	273	53	672	226,711
depreciation	(2,994)	(158,747)	(197)	(49)	-	(161,987)
BALANCE AS AT 31 DECEMBER 2020	**91,137**	**806,921**	**3,262**	**7,669**	**8,125**	**917,114**
Of which:						
Historical cost	134,732	1,522,290	20,387	28,733	8,125	1,714,267
Accumulated depreciation	(43,595)	(715,369)	(17,125)	(21,064)	-	(797,153)
Increases	3,085	15,659	6,395	1,431	(6,363)	20,207
Decreases (historical cost)	(5)	(7,379)	(1,353)	(236)	(1)	(8,974)
Decreases (accumulated depreciation)	3	8,343	881	207	-	9,434
Reclassifications (historical cost)	-	-	-	-	-	-
Reclassifications (accumulated depreciation)	-	-	-	-	-	-
Depreciation	(1,656)	(7,599)	(2,097)	(1,836)	-	(13,188)
Change in consolidation area	-	-	-	-	-	
historical cost	-	-	-	-	-	-
depreciation	-	-	-	-	-	-
BALANCE AS AT 31 DECEMBER 2021	**92,564**	**815,945**	**7,088**	**7,235**	**1,761**	**924,593**
Of which:						
Historical cost	138,476	1,483,184	25,429	29,928	1,761	1,678,778
Accumulated depreciation	(45,912)	(667,239)	(18,341)	(22,693)	-	(754,185)

Investments for the year are mainly referred to extraordinary maintenance, works for regulatory adjustments and enlargement of owned networks and grids, as well as of hydroelectric plants.

The other changes for the year are attributable to the ordinary performance of investments and depreciation.

With reference to the hydroelectric plants, the concessions on many of which are expiring in upcoming years, below is a summary of the reference regulatory framework for large diversion concessions.

REGULATORY AND TARIFF FRAMEWORK

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

Said law also provided as follows:

- the concessions of large diversions in the provinces of Trento and Bolzano, with expiration date prior to 31 December 2022, are extended de jure for the period useful to complete the public disclosure procedures and in any case not beyond the aforesaid date;
- to the concessionaire who, at its own expense, made investments on the "wet works" (penstocks, collection and regulation works, discharge channels) shall be recognise, at the expiry of the concession, an indemnity equal to the value of the part of asset that is not depreciated, according to criteria that shall be set forth in a provincial law.

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

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

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

In light of the above, the Group therefore confirmed the assumption, adopted in previous years, of setting the date of 31 December 2023 as the end date of the concession with regard to large diversion plants with expiry prior to that date, which had led to the consequent restructuring of the depreciation of the assets referred to in point b) above.

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

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

In consideration of the absence of investments with the characteristics referred to in point I. above and in light of the failure to define the method for calculating the indemnity, the assumption of zeroing the net book value of the so-called “wet works” at the end of the concession has been confirmed.

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

- with regard to the method used to evaluate so-called “dry” works (basically, hydroelectric power plants and their contents), the criterion set forth in paragraph 2 of Article 25 of Royal Decree No 1775 of 11 December 1933 is reiterated, contrary to what is established by the national legislation, “price equal to the estimated value of the material being worked, calculated at the time of entry into possession, not considering the income that can be made from it from any measurement”.
- the assets referred to in the preceding point may be acquired by the Autonomous Province of Trento; otherwise, the assets may be acquired by the incoming concession holder, if the latter provides for their use when submitting its bid; the provincial law therefore also establishes the concept of “cherry picking”, i.e. the right given to the incoming concession holder not to acquire all or part of the dry assets, without the consequent obligation to pay compensation to the transferor;
- in the context of verifying the existence of interests in the competing use of water, which is a preliminary act with respect to the tender procedures, special consideration will be given to initiatives involving “positive effects on the territory and the community generated also by the historical electric cooperatives” referring to the case of self-production;
- the subject of the call for tender (concession and its characteristics) will be defined through an Environmental Impact Assessment procedure that will have as its initial reference the current concessions, possibly aggregated or, in some cases, unbundled, pre-restricted following the assessment of the existence of competing use interests referred to in the previous point;
- in accordance with the provisions of national law, concessions may be awarded through the use of one of the following methods:
  - running of a public procurement procedure;
  - assignment to mixed public-private companies established in accordance with the provisions of the same law;

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

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

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

Against this challenge, Trento Autonomous Province, by means of two subsequent legislative measures, Provincial Law no. 6 of 23 April 2021 and Provincial Law no. 18 of 04 August 2021, amended the reference standard to incorporate the content of the aforementioned appeal which in any event is still pending at the reporting date.

The same legislative measures introduced important innovations also and above all with regard to the regulations governing concessions for small hydroelectric diversions, significantly modifying Provincial Law no. 18 of 8 July 1976 introducing ex novo the provision of a tender also for these concessions on their natural expiry, postponing the rules to a subsequent regulation that must be adopted by the end of spring 2022.

Additional future development of the regulatory framework relating to the reassignment of hydroelectric diversion concessions may be conditioned by the filing (in September 2021) of the 2011/2016 infringement proceedings relating to Italy, together with the similar proceedings against Germany, the United Kingdom, Poland, Austria and Switzerland.

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

- the adoption, by the Trento Autonomous Province (PAT), of the resolution of 5 October 2019, which implemented the provisions of Article 23 ter, paragraph 3 bis, of Provincial Law 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.

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

The Group performed a year-end impairment test also in relation to individual hydroelectric concessions attributable to Dolomiti Edison Energy Srl. The test did not indicate any impairment loss.

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	
	2021	2020
Equity investments in associates	56,840	46,238
Equity investments in other companies	23,754	23,754
TOTAL EQUITY INVESTMENTS	**80,594**	**69,992**

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 2021 and 2020 are shown hereunder:

(in thousands of Euro)

	% of share capital as at 31 December 2021	As at 1 January 2020	Acquisitions - Sales	Other changes	Revaluations	Write-downs	As at 31 December 2020	Acquisitions - Sales	Other changes	Write-downs, Revaluations, Adjustments	As at 31 December 2021
ASSOCIATES											
SF ENERGY	50.00%	27,269	-	-		(751)	26,518			(762)	25,756
IVI GNL	50.00%	30	500	-		(12)	518			(10)	508
NEOGY	50.00%	2,322	-	-		(907)	1,415	400		(1,359)	456
GIUDICARIE GAS	43.35%	1,391	-	-		-	1,391			26	1,417
EPQ	33.00%							12,843		(1,261)	11,582
RABBIES ENERGIA	31.02%	2,388	-	-		3	2,391			2	2,393
TECNODATA	25.00%							377			377
BIOENERGIA TRENTINO	24.90%	1,579	-	-		126	1,705			(92)	1,613
MASOENERGIA	26.25%	1,598	-	-		(34)	1,564			(28)	1,536
AGS RIVA DEL GARDA	20.00%	9,853	-	-		417	10,270			479	10,749
SG ELETRICA BRASIL	20.00%	7	-	-		-	7				7
VERMIGLIANA	20.00%	464	-	-		(7)	457			(13)	444
ENERGY_NET	20.00%	2	-	-		-	2				2
Lozen		-	-	-		-	-				-
TOTAL ASSOCIATES		**46,903**	**500**	**-**	**-**	**(1,165)**	**46,238**	**13,620**	**-**	**(3,018)**	**56,840**
OTHER COMPANIES											
PRIMIERO ENERGIA	19.94%	4,615	-	-		-	4,615				4,615
INIZIATIVE BRESCIANE	16.53%	-	17,660	-		-	17,660				17,660
BIO ENERGIA FIEMME	11.46%	785	-	-		-	785				785
CHERRYCHAIN	10.00%	300	-	-		-	300				300
C.LE TERMOEL. DEL MINCIO	5.00%	1	(1)	-		-	-				-
DISTR. TECNOL. TRENT. S. Cons.	2.49%	5	-	-		-	5				5
ISTITUTO ATESINO SVILUPPO	0.32%	387	-	-		-	387				387
COOPERATIVA ENERGY-LAND	-	1	-	-		-	1				1
CONS.ASSINDUSTRIA ENERGIA	-	1	-	-		-	1				1
TOTAL OTHER COMPANIES		**6,095**	**17,659**	**-**	**-**	**-**	**23,754**	**-**	**-**	**-**	**23,754**

The summary of economic and financial figures for joint ventures of the entity, as at 31 December 2021 and 2020, is shown hereunder:

(in thousands of Euro)	SUMMARY DATA AS AT 31.12.2021	
	SF Energy Srl 50%	Neogy srl 50%
Dividends received		
INCOME STATEMENT		
Revenue	13,800	3,857
GROSS OPERATING MARGIN	**1,314**	**(1,356)**
Amortisation, depreciation and write-downs	(1,057)	(487)
NET OPERATING RESULT	**257**	**(1,843)**
Interest income	37	
Interest expense	(112)	(32)
Income taxes	8	(21)
PROFIT/(LOSS) FOR THE YEAR	**190**	**(1,896)**
STATEMENT OF FINANCIAL POSITION		
Total assets	32,947	8,774
Shareholders' Equity	18,967	2,808
Cash and cash equivalents	14,421	754
Current financial liabilities		(4,500)
Non-current financial liabilities		

(in thousands of Euro)	SUMMARY DATA AS AT 31.12.2020	
	SF Energy Srl 50%	Neogy srl 50%
Dividends received		
INCOME STATEMENT		
Revenue	11,318	2,348
GROSS OPERATING MARGIN	**1,056**	**(1,178)**
Amortisation, depreciation and write-downs	(921)	(440)
NET OPERATING RESULT	**135**	**(1,618)**
Interest income	13	
Interest expense		(24)
Income taxes	63	(4)
PROFIT/(LOSS) FOR THE YEAR	**211**	**(1,646)**
STATEMENT OF FINANCIAL POSITION		
Total assets	22,856	5,647
Shareholders' Equity	18,777	1,654
Cash and cash equivalents	7,056	69
Current financial liabilities		(2,500)
Non-current financial liabilities		

ASSOCIATES AND JOINT VENTURES

Information on the main associates and joint ventures in which the Group owns equity investments is shown hereunder.

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

NEOGY Srl – Bolzano. Fully paid-up Share Capital of 750,000 euro, represented by 750,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 50.00% of the Share Capital, equal to 375,000 shares with a nominal value of 375,000 euro. The company was established from the joint venture between Dolomiti Energia and Alperia in order to jointly promote electrical mobility and with the aim of organising a widespread recharging infrastructure in the territory to serve both private customers and companies. In this operational start-up phase, during the year the company was recapitalised through a share capital increase of 1,400,000 euro, of which 1,000,000 from use of the provision allocated in the previous year. Analysing past losses and those of the current year, the equity investment was written down by a further 1,359 thousand euro, reducing its value to 456 thousand euro.

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

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

EPQ Srl - Trento. Share Capital of 100,000 euro fully paid-up, divided into 100,000 shares with a value of 1 each; Dolomiti Energia Holding holds 33% of the Share Capital, equal to 33,000 shares and a nominal value of 33,000 euro. The equity investment in this energy management company was acquired in 2021.

TECNODATA TRENTINA Srl - Trento. Fully paid-up Share Capital of 10,400 euro, represented by 10,400 shares with a value of 1 euro each; Dolomiti Energia Holding holds 25% of the Share Capital, equal to 2,600 shares with a nominal value of 2,600 euro. The company, operating in the IT field of interconnection services, was acquired in 2021.

RABBIES ENERGIA S.r.l. – Rabbi (TN). Fully paid-up Share Capital of 518,199.69 euro, divided up between the Shareholders Municipality of Malè, Municipality of Rabbi and Dolomiti Energia Hydro Power, which holds 31.02% of the Capital. The company produces hydroelectric energy.

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

ALTO GARDA SERVIZI S.p.A. – Riva del Garda. Fully paid-up Share Capital of 23,234,016 euro, represented by 446,808 shares with a value of 52 euro each; Dolomiti Energia Holding holds 20% of the Share

Capital, equal to 89,362 shares with a nominal value of 4,646,824 euro. The company is 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 S.r.l. – Telve (TN). Fully paid-up Share Capital of 1,350,000 euro, divided up between the Shareholders Municipality of Malè, Municipality of Scurelle, Municipality of Telve, ACSM SpA and Dolomiti Energia Hydro Power, which holds 26.25% of the Capital. The company produces hydroelectric energy.

VERMIGLIANA S.r.l. – Ossana (TN). Fully paid-up Share Capital of 273,580 euro, divided up between the Shareholders Municipality of Ossana, Municipality of Vermiglio, Municipality of Pellizzano, Municipality of Pejo and Dolomiti Energia Hydro Power, which holds 20.00% of the Capital. The company produces hydroelectric energy.

OTHER COMPANIES

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

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

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

BIO ENERGIA FIEMME S.p.A. – Cavalese. Fully paid-up Share Capital of 7,058,964 euro, represented by 1,176,494 shares with a value of 6 euro each; Dolomiti Energia Holding holds 11.46% of the Share Capital, equal to 134,800 shares with a nominal value of 808,800 euro. The company 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 S.p.A. – Trento. Fully paid-up Share Capital of 79,450,676 euro, represented by 79,450,676 shares with a unit value of 1 euro each; Dolomiti Energia Holding holds 0.32% of the Share capital equal to 252,653 shares with a nominal value of 252,653 euro. ISA is a holding company that participates in various companies in the environmental, insurance, banking, real estate and industrial energy segment.

7.6 NON-CURRENT FINANCIAL ASSETS

The item "Non-current financial assets" as at 31 December 2021 and 2020 is detailed as follows:

(in thousands of Euro)	AL 31 DICEMBRE	
	2021	2020
Other	4,085	407
NON-CURRENT FINANCIAL ASSETS	**4,085**	**407**

The item "Non-current financial assets" includes the real estate fund Clesio (net carrying amount of zero at 31 December 2021 and at the end of the previous year), with an original historical cost of 15,678 thousand euro, deriving from the subscription of 322 units of the Clesio real estate fund, of which 101 units received by way of dividend in kind from Urbin S.p.A. for 5,512 thousand euro in 2008 and 221 units purchased during 2011 for 10,166 thousand euro after the liquidation of the same company. In previous years, the Company decided to fully write down the residual amount of the units, on a prudential basis due to the very poor performance of the property market and the difficulty in liquidating the Fund units.

In 2021, the Group signed a long-term financing plan with the investee SF Energy for a maximum financing amount of 15,000 thousand euro, with interest at market rates and payable in multiple instalments by 31 December 2026. The shareholder loan must be repaid no later than 31 December 2040, with the option of early repayment. During the year, the Group disbursed tranches for a total of 4,000 thousand euro.

The item also includes guarantee deposits.

7.7 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities as at 31 December 2021 and 31 December 2020 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2021	2020
Fixed assets	39,439	12,868
Provision for write-downs	3,026	3,256
Production bonuses	1,124	1,102
Provisions for risks and charges	4,002	3,428
Fair value of derivatives	87,164	10,181
Non-deductible interest expense	937	1,137
Real estate fund write-down	3,763	3,763
Employee benefits	1,836	2,232
Other	515	557
TOTAL PREPAID TAXES	**141,806**	**38,524**

(in thousands of Euro)	AS AT 31 DECEMBER	
	2021	2020
Property, plant and equipment	126,069	128,439
Intangible assets	30,960	36,150
Goodwill	8,994	8,561
Provision for write-downs	57	57
Derivatives	30,968	2,693
Other	39	42
TOTAL DEFERRED TAXES	**197,087**	**175,942**

A number of Group companies (SET, Novareti and Dolomiti Energia) applied the option envisaged in Article 110 of Italian Law Decree 104/2020 to release assets under concession and goodwill. The release led to a substitute tax charge of 3,922 thousand euro, the recognition of deferred tax assets for 26,172 thousand euro, the release of deferred tax liabilities in relation to certain assets for 5,093 thousand euro, and the creation of a 117,870 thousand euro restriction on the distribution of equity reserves.

7.8 OTHER NON-CURRENT ASSETS

The item "Other non-current assets" as at 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2021	2020
Prepayments and accrued income	1,410	1,293
Guarantee deposits	102,879	34,393
Other	1,134	933
TOTAL OTHER NON-CURRENT ASSETS	**105,423**	**36,619**

The item other non-current assets mainly includes guarantee deposits and, in particular, interest-free deposits paid as guarantee to the Energy Market Operator (GME) in order to operate in netting on the Italian Power Exchange (IPEX) and gas (MGAS) markets, on the Conti Energia forward platform and on the Daily Energy Products Market (MPEG) for 62,004 thousand euro (8,004 thousand euro at 31 December 2020). During the year, the Group increased the deposit by a total of 54,000 thousand euro.

The balance also includes deposits to guarantee transactions carried out on international stock markets for 22,203 thousand euro (13,594 thousand euro at the end of the previous year). This item, subject to systematic adjustments in relation to the volumes traded on the markets, led to repayments during the year of 224,638 thousand euro and payments of 233,247 thousand euro.

The balance at year end also includes, among other things, interest-free deposits in favour of SNAM Rete Gas for 5,100 thousand euro (5,600 thousand euro at 31 December 2020), in favour of Terna Spa for a total of 5,967 thousand euro, paid in compliance with disciplinary provisions for the Capacity Market (4,671 thousand euro at 31 December 2020), in addition to 500 thousand euro paid to Stogit Spa as a security deposit for the gas storage service (1,200 thousand euro at the end of the previous year).

7.9 INVENTORIES

The item "Inventories" as at 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2021	2020
Raw materials and consumables	33,708	17,103
Other inventories	1,816	4,423
TOTAL	**35,524**	**21,526**

Inventories of raw materials, related primarily to materials used in the construction of networks and natural gas stocks, increased by 16.605 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, GO, CO2 units and VER certificates) traded on the market and not yet sold as at 31 December 2021. They decreased by 2,607 thousand euro compared to the inventory value at the end of the previous year.

7.10 TRADE RECEIVABLES

The item "Trade receivables" as at 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2021	**2020**
Accounts receivable - customers	518,697	313,439
Accounts receivable - associates	12	6
Accounts receivable - parent companies	34	139
Accounts receivable - sister companies	713	1,187
Provision for write-downs	(17,505)	(18,403)
TOTALE	**501,951**	**296,368**

The item trade receivables, shown net of the related provision for write-downs, mainly includes accounts receivable from customers and end users, relating to the sale price of goods and services offered by the Group. The balance shows strong growth compared to 31 December 2020, mainly due to the increase in the market prices of energy and gas, which affected the latter part of the year in particular.

The adjustment criteria of receivables at the estimated realisable value take account of different valuations based on the status of the dispute.

The provision for write-downs recorded the following changes during the year:

(in thousands of Euro)

	Provision for write-downs
AS AT 31 DECEMBER 2020	**18,403**
Allocations	1,938
Utilisations	(2,836)
AS AT 31 DECEMBER 2021	**17,505**

7.11 RECEIVABLES FOR CURRENT TAXES

The item "Receivables for current taxes" as at 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2021	2020
IRES	9,919	4,764
IRAP	1,628	346
TOTALE	11,547	5,110

The balance shown represents the excess of tax prepayments made by the Group with respect to the current tax payable accrued during the year.

7.12 CURRENT FINANCIAL ASSETS

The item "Current financial assets" as at 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2021	2020
Loans to associates	2,438	1,375
Loan to Fedaia Holding	-	1,209
Other financial receivables	295,811	16,647
Financial derivatives	1,221,945	67,807
Other receivables	243	1,186
CURRENT FINANCIAL ASSETS	1,520,437	88,225

During the year, the loan to Fedaia Holding (minority shareholder of Hydro Dolomiti Energia) was settled.

The item "Other financial receivables", amounting to 295,811 thousand euro, refers to the advance payment of the fair value of commodity derivative contracts entered into on regulated markets and with delivery in 2022/2023/2024; the significant increase compared to the previous year is due to the changes in volumes traded and especially due to the considerable market price increase.

The item Financial derivatives, equal to 1,221,945 thousand euro (67,807 thousand euro as at 31 December 2020) includes 95,193 thousand euro related to fair value as at 31 December 2021 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 1,126,752 thousand euro is related to the fair value, as at

31 December 2021, of positive derivative contracts on commodities that do not fulfil the eligibility requirements to be accounted for as hedging derivatives. Their fair value was recorded in the Income Statement for the year.

7.13 OTHER CURRENT ASSETS

The item "Other current assets" as at 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2021	2020
Elect./gas tax credits	690	851
Group VAT credit	186	4,235
Other tax credits	574	354
Prepayments and accrued income	13,793	13,446
Ecobonus credits	2,032	-
Other accounts receivable	1,499	4,547
Accounts receivable - CSEA	15,941	19,132
Renewable source certificates	12,544	36,096
Advances/Deposits	9,723	7,002
Accounts receivable - Social security institutions	125	97
Accounts receivable - Public authorities for contributions	18	114
Accounts receivable - Public authorities	205	205
TOTAL OTHER CURRENT ASSETS	**57,330**	**86,079**

The item receivables from CSEA (Cassa per i Servizi Energetici e Ambientali) mainly includes receivables for transport equalisation (distribution and measurement of electricity and gas) and network efficiency. Also included are credits for energy efficiency certificates (TEE), down sharply compared to 2020 mainly following the redetermination by ARERA of certificate quantities required for 2020 and the reduced 2021 obligation to acquire energy certificates decided by the Authority (ARERA Resolution no. 16 of 10 November 2021).

Contractual advances paid to suppliers for upcoming electricity purchases also increased significantly compared to the previous year.

7.14 CASH AND CASH EQUIVALENTS

The item "Cash and cash equivalents" as at 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2021	2020
Bank and postal current accounts	88,210	82,983
Cash on hand	6	7
TOTAL	88,216	82,990

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

7.15 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In 2020, this item identified the value of the investment in the company PVB POWER BULGARIA - Sofia (Bulgaria) equal to 23.23%. In February 2021, Dolomiti Energia Holding sold its entire share capital. In the previous year, therefore, the investment was reclassified to "Assets held for sale and discontinued operations", measured at cost, not exceeding the disposal value.

7.16 SHAREHOLDERS' EQUITY

Changes in equity reserves were shown in the tables of these consolidated financial statements.

As at 31 December 2021, the Group's share capital amounted to 411,496,169 euro, and comprised 411,496,169 ordinary shares with a nominal value of 1.00 euro each.

In 2021, the Dolomiti Energia Group disposed of 5,536,551 treasury shares as follows:

- 477,946 shares for a total of 1,028 thousand euro as part payment for the purchase of the gas business unit of the Municipality of Isera;
- 5,058,605 shares for a total of 10,876 thousand euro as part of a single transaction finalised with STET, which included the purchase of the gas business unit of the Municipality of Pergine by the subsidiary Novareti S.p.A. and the payment from STET of 3,500 thousand euro.

At 31 December 2021, the Dolomiti Energia Group held 26,369,875 treasury shares.

A number of Group companies released assets under concession and goodwill, applying the option envisaged in Italian Law Decree 104/2020, and the related equity reserves include 117,870 million euro which, if distributed, will qualify as taxable income pursuant to Article 13, paragraph 3 of Italian Law 323/2000.

7.17 PROVISIONS FOR RISKS AND CURRENT AND NON-CURRENT CHARGES

The item "Provisions for risks and current charges" amounted to 6,965 thousand euro as at 31 December 2021 and is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2021	2020
Provision for risks and charges	2,830	517
Provision for performance bonus	4,135	5,263
TOTAL PROVISION FOR RISKS AND CURRENT CHARGES	6,965	5,780

The provision for future risks and charges includes the estimated costs accrued for the year but which will become financially significant in 2022, of which the main costs relate to the increase in risk situations in fixed price electricity retail contracts. Provisions allocated amounted to 2,445 thousand euro.

The provision for performance bonuses estimates the liability for employee performance bonuses, to be paid in 2022 on the basis of the final results relating to 2021. At the end of the previous year, a provision of 5,263 thousand euro had been estimated, totally used in the year, and topped up through the allocation of 4,135 thousand euro.

The item "Provisions for risks and non-current charges" amounted to 23,075 thousand euro as at 31 December 2021 and is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2021	2020
Provision for risks and charges	21,078	22,286
Provision for coverage of waste disposal charges	1,148	1,235
Pension fund	849	700
TOTAL PROVISIONS FOR RISKS AND NON-CURRENT CHARGES	23,075	24,221

PROVISIONS FOR RISKS AND CHARGES

The **provision for risks - plants**, of 6,405 thousand euro includes provisions made in previous years to cover the risk of charges resulting from the management of plants and adjoining areas; 225 thousand euro was used during the year.

Provision for charges - Guardia di Finanza inspection amounted to 3.001 thousand euro and referred to the amount set aside for:

- a 2017 VAT claim from the Revenue Agency in relation to alleged improper recharges that were excluded from the taxable base and amounting to 186 thousand euro;

- a dispute on the IRAP (regional production tax) rate from the Revenue Agency in 2019 regarding the rate applied for 2014 of 2,856 thousand euro already settled for penalties with an outlay of 588 thousand euro;
- a dispute on the IRAP (regional production tax) rate from the Revenue Agency received in early 2021 regarding the rate applied for 2015 of 688 thousand euro;

The provision was used for 141 thousand euro during the year.

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

IMU (property tax) provision of 7,309 thousand euro - was established, in previous years, following subsequent reviews of how to calculate the property registry income of the property units used for special purposes, first by the Land Registry Service of the PAT and afterwards by the Territorial Agency (Circular 6/2012). Due to said changes, the Group received notices of assessment from the Land Registry Office concerning the calculation of the land registry income to attribute to the plants, and notices of assessment by the Municipalities concerning the higher tax (ICI/IMU) and relative sanctions and interest, determined on the income from said adjusted plants. The provision includes the estimate of the potential liabilities resulting from the above. In 2021, the IMU (property tax) provision changed for utilisations only (968 thousand euro).

Provision for facilitated energy - irrigation consortia, equal to 2,386 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 2021 of 2,386 thousand euro.

Other provisions for 43 thousand euro.

PROVISION FOR COVERAGE OF WASTE DISPOSAL CHARGES

Provision for coverage of waste disposal charges, equal to 1.148 thousand euro, was allocated in previous years to cover future expenses to be borne for the post-closure management of the landfill in Ischia Podetti, Municipality of Trento, which was then managed by the provider. Pursuant to Art. 102 quinquies of the Decree of the President of the Provincial Council No 1-41/Legisl. of 26 January 1987 (Consolidated provincial act on the safeguard of environment from pollution), as from 1 January 2014 the Trento Autonomous Province is entrusted with the management of landfills for urban waste, as well as their post-closure management. The Province has replaced the municipalities and the Municipality of Trento in all asset and liability transactions underway. Allocations made until this date by operators were left at the disposal of the same, to cover future charges related to the waste disposal service.

PENSION FUND

The **provision for agents' leaving indemnities**, equal to 849 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 2021 and 2020, are shown hereunder:

(in thousands of Euro)

	Provision for risks and charges	Provision for c overage of waste disposal charges	Pension fund
AS AT 31 DECEMBER 2019	**21,643**	**1,383**	**586**
Allocations	4,418	-	128
Utilisations	(3,775)	(148)	(14)
Releases	-	-	-
AS AT 31 DECEMBER 2020	**22,286**	**1,235**	**700**
Allocations	126	-	151
Utilisations	(1,334)	(87)	(2)
Releases	-	-	-
AS AT 31 DECEMBER 2021	**21,078**	**1,148**	**849**

Below is an update of the situation concerning the main outstanding disputes, against which no provisions for risks have been recognised, as they refer to cases lodged by the group or disputes for which the risk of an unfavourable outcome is deemed unlikely.

NOVARETI S.P.A. /ARERA) – LOMBARDY REGIONAL ADMINISTRATIVE COURT - MILAN GEN. REG. NO. 2468/2017 (Decision no. 384/2017 and finding no. 139/2017)

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

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

84/2017 (Decision no. 219/2016)
By notice of extraordinary appeal to the President of the Republic 26.11.2016 and filed with AEEGSI on 24.11.2016, a request was made for the partial overruling pursuant to Attachment A of decision No 219/2016/A of 29 July 2016 following the objection made by AEEGSI; the appeal was transferred to the Lombardy - Milan Regional Administrative Court.
As things stand, it is still pending and a public hearing has not yet been scheduled.

NOVARETI S.P.A. /ARERA) – LOMBARDY REGIONAL ADMINISTRATIVE COURT - MILAN GEN. REG. NO. 514/2020
On 24 February 2020, a notice of appeal was filed before the Lombardy Regional Administrative Court to overrule, not fully, but limited to certain profiles, the decision of 27 December 2019 570/2019/R/gas adopted by ARERA. As part of the same judgment, with an initial appeal on additional grounds, the Novareti Company requested the annulment of the two ARERA resolutions, No. 106/2020/r/gas and 107/2020/r/gas in which the reference tariffs for gas distribution and measurement services for the years 2018 and 2019 are determined. With a second appeal for additional reasons, Novareti challenged ARERA resolution no. 117/2021/R/gas with which ARERA approved the final reference tariffs for gas distribution and metering services for 2020. With a third appeal for additional reasons, Novareti recently challenged resolution ARERA no. 350/2021/R/gas which, among other things, approved the final reference tariff for 2020 also for the town of Lavis managed by Novareti. 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 first court hearing, the Judge granted the terms pursuant to Article 183, paragraph 6, no. 1, 2 and 3. The hearing for the definition of conclusions was held on 16 February 2022. The judgement is therefore still pending.

NOVARETI S.P.A. /ARERA - CLARIFICATION OF 11.12.2020 - LOMBARDY - MILAN REGIONAL ADMINISTRATIVE COURT GEN. REG. NO. 298/2021
Proceedings brought by Novareti S.p.A. before the Regional Administrative Court for Lombardy to challenge the document entitled "Clarifications by the Authority on the subject of recognition of investments relating to the distribution service in area management" published on the institutional website - www.arera.it on 11.12.2020, as well as all connected, preliminary and consequent acts. The hearing is still pending on the merits and the hearing has not yet been scheduled.

NOVARETI S.P.A. / Ministry of Economic Development - LAZIO REGIONAL ADMINISTRATIVE COURT - ROME GEN. REG. NO. 10742/2014 (MISE Guidelines)
The initial appeal before the Regional Administrative Court of Lazio against the Ministerial Guidelines and the subsequent appeal on additional grounds against Ministerial Decree No 106/2015 are still pending and no public hearing has yet been set for the same. However, in view of several negative precedents that had arisen in the meantime, the company decided to abandon the dispute. We are awaiting a decision on the lack of interest.

LAZIO REGIONAL ADMINISTRATIVE COURT COGENERATION
The status of the appeals filed with the Regional Administrative Court of Lazio by the Company against

decisions by G.S.E. in relation to incentives connected with the production of energy from renewable or similar sources (green/white certificates) is currently as follows:

- Green certificates Rovereto "Tecnofin Area" cogeneration power plant - The appeal was upheld with a ruling by the Regional Administrative Court of Lazio, Extra Sect. III, 9 June 2020, No. 6259. The judgment has become res judicata, no appeal having been lodged with the Council of State within six months of publication.
- White certificates Rovereto Industrial Area cogeneration power plant - Following GSE's rejection of the support scheme pursuant to the Ministerial Decree of 5 September 2011, in a note dated 29 November 2013, GSE also rejected the incentive applications submitted by the Company in subsequent production years, prompting Novareti to appeal and file an appeal for additional grounds each year. The appeal and subsequent additional reasons presented by Novareti were accepted by judgment no. 12912 of the Lazio Regional Administrative Court, Extra Section III, of 14 December 2021.
- "Trentofrutta" cogeneration - In 2007, Novareti built a cogeneration unit at the Trentofrutta facility in Via De Gasperi 130, Trento, and managed it until 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. Novareti is in the process of filing a new motion to set a hearing to avoid defeat of the appeal due to the case being pending for over five years. A hearing date is pending.

With regard to the dispute that certain customers brought against the subsidiary Dolomiti Energia S.p.A., related to the request for reimbursement of provincial excise duties paid in the 2010-2011 period, abrogated by the Government in 2012 because not compliant with Directive 2008/118/EC, given that the Company has taken legal action against the claims; in the event of a negative outcome, the Company will request reimbursement from the Tax Authority of any amounts to be returned to customers, as these are indirect taxes levied on them and paid in full to the Tax Authority, it was decided not to allocate any provision during the year.

In 2020, Dolomiti Energia S.p.A. also received a request for documentation from the Italian Antitrust Authority (Autorità Garante per la Concorrenza e il Mercato - AGCM) as part of periodic audit activities conducted on the application of regulations relating to the Consumer Code. Following analysis of the documentation, on 8 October 2020 AGCM announced the launch of a preliminary investigation procedure (at the same time as 12 other operators in the sector) and requested further information. Dolomiti Energia S.p.A. considered a negative outcome to be remote and therefore no liability provision was allocated in this respect. These proceedings later closed without any infringement being ascertained, notified on 3 August 2021, as the AGCM considered that the commitments presented by Dolomiti Energia S.p.A. suitably removed any profile of unfair trading practices.

7.18 EMPLOYEE BENEFITS

The item "Employee benefits", as at 31 December 2021, included 11,552 thousand euro related to the Provision for employee termination benefits and 5,074 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 2021 and 31 December 2020, are broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER 2021					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Energy discounts	Medals	Total
LIABILITIES AT BEGINNING OF THE YEAR	**12,628**	**1,998**	**1,597**	**1,334**	**650**	**18,207**
Current cost of service	-	86	48	-	29	163
Interest to be discounted	90	78	36	-	27	231
Benefits paid	(773)	(113)	(149)	(350)	(36)	(1,421)
Actuarial losses/(profits)	115	(40)	(12)	-	19	82
Losses (profits) at the time of repayment	-	(3)	-	-	-	(3)
Other changes	(508)	3	14	(113)	(29)	(633)
Change in consolidation area	-	-	-	-	-	-
LIABILITIES AT YEAR END	**11,552**	**2,009**	**1,534**	**871**	**660**	**16,626**

(in thousands of Euro)

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

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

	2021
Technical annual discount rate	0.45%
Annual inflation rate	1.50%
Rate of increase in post-employment benefits (TFR)	2.63%

A sensitivity analysis, as at 31 December 2021, related to the main actuarial assumptions included in the calculation model is shown hereunder, considering the base line scenario described above and increasing and decreasing the annual average discount rate, the average inflation rate and the turnover rate. The results obtained can be summarised in the following table:

Sensitivitivity

(in thousands of Euro)

	AS AT 31 DECEMBER 2021					
	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	10,792	11,775	11,408	11,130	11,138	11,309

7.19 FINANCIAL LIABILITIES (CURRENT AND NON-CURRENT)

The table hereunder shows current and non-current financial liabilities as at 31 December 2021 and 2020:

(in thousands of Euro)

	AS AT 31 DECEMBER			
	2021		2020	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Payables due to banks	564,353	181,250	209,074	86,383
Bond loans	3,357	114,938	3,352	116,178
Shareholder loans	3,200	-	1	3,200
Payables for derivative liabilities	1,283,572	149,074	76,650	21,358
Payables due to other lenders	2,046	7,115	2,256	7,502
TOTAL	**1,856,529**	**452,378**	**291,333**	**234,621**

Payables due to banks include two loans taken out with the European Investment Bank (EIB), with maturities of 2032 and 2037, respectively, for a residual carrying amount of 189,583 thousand euro (97,917 thousand euro at 31 December 2020); the increase derives from the stipulation in 2021 of a new loan for a nominal amount of 100,000 thousand euro maturing in 2037. These loans are subject to the usual financial covenants required by the financial system, determined on economic and equity values; based on the last verification conducted by the Group, all covenants had been respected. Payables due to banks also include short-term "hot money" loans agreed with various banks, for 556,000 thousand euro (185,000 thousand euro at 31 December 2020).

BOND LOANS

On 1 February 2017, the Regulation for the Bond Loan, named "Dolomiti Energia – Subordinato – tasso fisso 2010 – 2017" was amended in relation of the change in name (Dolomiti Energia Holding Spa – Subordinato – tasso fisso 2010 – 2018), the extension of the expiry date of the Regulation from February 2017 to 31 December 2018, the change in the amount, reduced to 7,540 thousand euro. On 30 June 2017, the regulation of the loan was modified again and included the change in the name (Dolomiti Energia Holding Spa– Subordinato – tasso variabile 2010 – 2022), the extension of the expiry date to 10 August 2022, the change in the amount, reduced as from 10 August 2018 to 5,052 thousand euro. Lastly, on 27 July 2021 the amendment to the loan regulation was decided, envisaging the name change (Dolomiti Energia Holding Spa– Subordinato – tasso variabile 2010 – 2029) and determination of the new maturity date as 1 August 2029. This Bond Loan was listed on the regulated market of the Irish Stock Exchange (ISE).

On 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). The bond loan has a 4-year duration starting 27 February 2018 until 10 August 2022, and is repayable in 4 equal annual instalments; in 2021, the Company repaid 1,250 thousand euro and in the next financial year the loan will be settled in full with payment of the residual 1,250 thousand euro.

On 14 February 2018 the subsidiary SET listed a bond loan named "SET Distribuzione Tasso fisso 4.6 2006/2029" on the Irish regulated market (Irish Stock Exchange) for 110,000 thousand euro. The loan is backed by irrevocable first demand guarantee issued by the Trento Autonomous Province. The bond has a duration of 23 years as from 1 August 2006 and therefore until 1 August 2029, and shall be repaid at par in a single solution on the maturity date.

As at 31 December 2021 and 31 December 2020 the Group had the following bond loans in place, and the balance shown hereunder is the capital debt at year end:

(in thousands of Euro)

	AS AT 31 DECEMBER 2021							
					Accounting balance			
	COMPANY	TAKING OUT	MATURITY	OPENING BALANCE (ORIGINAL CURRENCY)	TOTAL	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Dolomiti Energia Holding SpA – Subordinato – tasso variabile 2010 /2029	Dolomiti Energia Holding SpA	10-Feb-10	01-Aug-29	€ 5,051,800	5,052	-	-	5,052
Dolomiti Energia tasso fisso 2018/2022	Dolomiti Energia SpA	27-Feb-18	10-Aug-22	€ 5,000,000	1,250	1,250	-	-
SET distribuzione Tasso fisso 4,6 2006/2029	Set Distribuzione SpA	01-Aug-06	01-Aug-29	€ 110,000,000	110,000	-	-	110,000
					116,302	1,250	-	115,052

(in thousands of Euro)

				AS AT 31 DECEMBER 2020				
					Accounting balance			
	COMPANY	TAKING OUT	MATURITY	OPENING BALANCE (ORIGINAL CURRENCY)	TOTAL	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Dolomiti Energia Holding SpA – Subordinato – tasso variabile 2010 /2022	Dolomiti Energia Holding SpA	10-Feb-10	10-Aug-22	€ 5,051,800	5,052		5,052	-
Dolomiti Energia tasso fisso 2018/2022	Dolomiti Energia SpA	27-Feb-18	10-Aug-22	€ 5,000,000	2,500	1,250	1,250	
SET distribuzione Tasso fisso 4,6 2006/2029	Set Distribuzione SpA	01-Aug-06	01-Aug-29	€ 110,000,000	110,000	-	-	110,000
TOTALE					**117,552**	**1,250**	**6,302**	**110,000**

Shareholder loans refer to an interest bearing loan granted in 2016 by Findolomiti Energia Srl to the parent company originally for 3,400 thousand euro, 200 thousand euro of which was repaid in 2017. The residual debt of 3,200 thousand euro will be repaid in 2022.

The item derivative liabilities includes derivatives on commodities, equal to 1,426,811 thousand euro (88,362 thousand euro as at 31 December 2020), representing 129,228 thousand euro related to fair value as at 31 December 2021 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 1,297,584 thousand euro is related to the fair value, as at 31 December 2021, 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. Also note two IRS on EIB loans with a negative fair value at 31 December 2021 of 5,833 thousand euro.

The following table shows the breakdown and changes during the year in liabilities for rental and lease agreements, determined in accordance with EU IFRS 16.

(in thousands of Euro)

	as at 31.12.2020	New contracts	Refunds	as at 31.12.2021	of which current quota
Financial payables for buildings	6,370	286	(1,562)	5,094	1,166
Financial payables for other moveable assets	3,622	1,229	(1,024)	3,827	640
PAYABLES DUE TO OTHER LENDERS FOR LEASES AND RENTS	**9,992**	**1,515**	**(2,586)**	**8,921**	**1,806**

Below is a breakdown of the Group's net financial indebtedness at 31 December 2021 and 2020, determined in accordance with the document published by ESMA on 4 March 2021 "Guidelines on disclosure obligations" pursuant to Regulation (EU) 2017/1129 (the Prospectus Regulation), the adoption of which was also recommended by CONSOB through Warning Notice no. 5/21 of 29 April 2021.

(in thousands of Euro)	AS AT 31 DECEMBER	
	2021	2020
A. Cash and cash equivalents	88,216	82,990
B. Cash equivalents	-	-
C. Other current financial assets	298,492	20,418
D. Cash and cash equivalents (A+B+C)	**386,708**	**103,408**
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(562,578)	(200,894)
F. Current portion of non-current financial debt	(10,379)	(13,789)
G. Current financial indebtedness (E+F)	**(572,957)**	**(214,683)**
H. Current net financial indebtedness (D+G)	**(186,249)**	**(111,275)**
I. Non-current financial debt (excluding the current portion and debt instruments)	(188,365)	(97,085)
J. Debt instruments	(114,938)	(116,178)
K. Trade payables and other non-current payables	-	-
L. Non-current financial indebtedness (I+J+K)	**(303,303)**	**(213,263)**
M. Total financial indebtedness (H+L)	**(489,552)**	**(324,538)**

In line with practices adopted by other sector operators, the net financial indebtedness recorded in the above table does not include the fair value of derivatives.

7.20 OTHER LIABILITIES (CURRENT AND NON-CURRENT)

The items "Other non-current liabilities" and "Other current liabilities" as at 31 December 2021 and 2020 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2021	2020
Accrued liabilities and deferred income	103,145	103,097
Guarantee deposits	6,311	6,464
TOTAL OTHER NON-CURRENT LIABILITIES	**109,457**	**109,561**

The accrued liabilities and deferred income are mainly due to grants for connections for natural gas (13,549 thousand euro) and for electricity connections (60,958 thousand euro) and for water service connections (8,496 thousand euro); grants for plants related to natural gas (4,359 thousand euro) and grants for plants related to the water service (8,323 thousand euro).

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2021	2020
Social security and welfare payables	4,737	4,788
Accrued liabilities and deferred income	355	345
Tax on electricity/gas	6,502	2,753
Other taxes	65	42
IRPEF and VAT	2,480	2,161
Substitute tax	774	830
Other accounts payable	4,834	3,370
RAI television fee	1,492	1,417
Accounts payable - employees	2,872	2,860
Accounts payable - PAT	455	361
Sewerage charge	4,087	4,288
TOTAL OTHER CURRENT LIABILITIES	**28,654**	**23,216**

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

7.21 TRADE PAYABLES

The item "Trade payables" includes amounts due for the supply of goods and services, and amounts to 342,372 thousand euro as at 31 December 2021 (234,576 thousand euro as at 31 December 2020). The significant increase in payables compared to the end of the previous year is due to the sharp increase in the prices of energy commodities that characterised the last part of the year in particular.

7.22 LIABILITIES FOR CURRENT TAXES

The item "Liabilities for current taxes", equal to 5,075 thousand euro as at 31 December 2021, refers to the debt position to Tax Authorities for current IRES and IRAP taxes, broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2021	2020
IRES	3,300	3,314
IRAP	1,775	352
TOTAL	**5,075**	**3,666**

8. NOTES TO THE INCOME STATEMENT.

8.1 REVENUE

The item "Revenue" for the years ended 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2021	2020
Electricity revenue	1,644,572	963,302
Water resource revenue	21,409	21,425
Natural gas revenue	311,451	218,625
Heating revenue	7,645	6,507
Revenue from municipal waste services	28,463	27,725
Other revenue	47,934	30,228
Revenue from water treatment	646	2,265
TOTAL	**2,062,118**	**1,270,076**

The trend in revenues highlights the major increase in items relating to electricity and gas, largely due to price dynamics.

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 2021 and 2020 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER			
	2021		2020	
	REVENUE	COSTS	REVENUE	COSTS
Electric grid	33,375	(32,599)	27,136	(26,501)
Gas network	21,388	(20,866)	23,141	(22,577)
Water network	8,686	(8,686)	7,994	(7,994)
TOTAL	**63,449**	**(62,151)**	**58,271**	**(57,072)**

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.

Contingencies on core assets derive for 10,437 thousand euro from ARERA's recalculation of the quantities of energy efficiency certificates required for 2020. This income component was not present in the previous year. The item "other revenue" for 2020 included 3,051 thousand euro for an insurance indemnity received following the Vaia storms of 2019.

8.3 OTHER REVENUE AND INCOME

The item "Other revenue and income" for the years ended 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2021	2020
Standard contingent assets	30,224	22,911
Energy efficiency	2,329	17,426
Operating grants	6,899	9,076
Services to third parties	916	1,228
Purification management	-	3,009
Gains from standard operations	769	149
Grants - plants	882	988
Revenue from plant management	920	700
Real estate income	1,101	943
Cesspit treatment	-	671
Other revenue	7,107	11,965
TOTAL	**51,148**	**69,066**

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, as well as adjustments of 2020 positive components attributable to the electricity commodity.

The item "energy efficiency", for 2,329 thousand euro, represents the value of the tariff contribution for energy efficiency projects or the market purchase of securities necessary to fulfil the mandatory primary energy saving scheme to which energy distributors are subject. The difference of 15,097 thousand euro compared to the previous year is related to the reduced quantity of Energy Certificates required by ARERA for 2021 (Resolution No. 16 of 10 November 2021 - 2021 obligation of 3,621 Certificates; 2020 obligation of 28,225 Certificates).

The core non-recurring income derives for 10,437 thousand euro from ARERA's recalculation of the quantities of energy efficiency bonds required for 2020. This income component was not present in the previous year.

The item "other revenue" for 2020 included 3,051 thousand euro for an insurance indemnity received following the Vaia storms of 2019.

8.4 RAW MATERIALS, CONSUMABLES AND MERCHANDISE

The item "Raw materials, consumables and merchandise" for the years ended 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2021	2020
Purchases of elect. raw materials	1,059,958	359,814
Purchases of gas raw materials	220,359	110,960
Purchases of inventories	4,933	4,309
Purchase of fuels and vehicle spare parts	1,247	1,032
Purchases of laboratory and chemicals	392	903
Changes in inventories of raw materials, consumables and merchandise	(7,382)	943
Energy certificates	18,251	11,884
Other purchases	5,363	5,265
Contingencies	1,328	360
TOTAL	**1,304,448**	**495,471**

The increase is mainly attributable to the significant increase in commodity prices in the last quarter of the year.

8.5 SERVICE COSTS

The item "Service costs" for the years ended 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2021	2020
External maintenance services	32,172	31,554
Insurance, banking and financial services	5,513	4,654
Other services	16,940	14,872
Commercial services	345,948	384,835
General services	3,843	3,176
Financial statement certification	324	326
Board of Statutory Auditors	327	344
Directors	1,178	1,036
Miscellaneous costs	112	209
Rental expense	279	258
Rental fees	1,054	598
Easements	13	15
Service agreement charges	1,266	1,297
Business unit rental	562	546
Water diversion charges	91,739	77,327
Contingencies	2,121	1,943
TOTAL	**503,393**	**522,990**

The decrease in service costs is mainly attributable to the item "commercial services", which primarily includes electricity and gas transportation costs, which saw a further decrease compared to the previous year. The values are in line with those of the previous year; there is an increase in costs for "Water diversion fees" mainly due to costs relating to free energy pursuant to art. 13, Italian Presidential Decree 670/1972, and also deriving from electricity price dynamics.

8.6 PERSONNEL COSTS

The item "Personnel costs" for the years ended 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2021	2020
Wages and salaries	42,861	43,663
Social security costs	17,323	17,272
Employee termination benefits	3,506	3,492
Other costs	1,620	1,581
TOTAL	65,310	66,007

As at 31 December 2021, the Group had 1,418 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 2021 and 2020 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2021	2020
Amortisation of intangible assets	15,815	12,919
Depreciation of property, plant and equipment	13,188	12,954
Depreciation of assets under concession	26,814	28,837
Depreciation of rights of use	2,191	1,046
Provisions for risks	1,956	2,440
TOTAL	59,964	58,196

Depreciation and amortisation in 2021 was slightly higher than in the previous year.

The item provisions for risks for the year of 1,956 thousand euro includes a provision of 1,830 thousand euro for estimated costs relating to the increase in risk situations in fixed price electricity retail contracts and 126 thousand euro in relation to the provision for facilitated energy to the irrigation consortia.

The item "Net write-backs (write-downs) of receivables" for the years ended 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER	
	2021	2020
Write-down of accounts receivable recognised to current assets	1,938	4,636
Credit losses	315	119
TOTAL	2,253	4,755

8.8 OTHER OPERATING COSTS

The item "Other operating costs" for the years ended 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER	
	2021	2020
Energy efficiency charges	1,942	17,191
Standard contingent liabilities	16,942	6,127
ICI (local property tax)	5,181	4,680
Miscellaneous costs	2,865	2,103
Municipal charges and agreements	1,821	1,675
Cts/social security fee	980	990
Other taxes	718	824
TOSAP/COSAP	9	160
Losses from standard operations	653	1,989
Other costs	3,951	997
TOTAL	35,063	36,736

The item "Energy efficiency charges", equal to 1,942 thousand euro, represents the value for the purchase of energy efficiency certificates necessary to satisfy the primary energy saving obligation of electricity distributors; the significant difference compared to the previous year, amounting to 15,249 thousand euro, refers to the reduced quantity of Energy Certificates required by ARERA for 2021 (Resolution No. 16 of 10 November 2021 - 2021 obligation of 3,621 Certificates - 2020 obligation of 28,225 Certificates).

Overall, the item is down slightly compared to 2020, despite the contingent liabilities in 2021 relating to adjustments to estimates from previous years, which increased, as well as the contingent assets recorded under Other revenue and income.

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 2021 and 2020 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2021	2020
Dividends and other income from other companies	1,827	4,987
Revaluations of equity investments	3,665	17,626
Write-downs of equity investments and securities	(4,940)	(4,073)
TOTAL	**552**	**18,540**

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

The items revaluations and write-downs of equity investments and securities include primarily the valuation for the year of equity investments measured at equity.

In 2020, revaluations of equity investments mainly included the positive result arising from the application of the acquisition method for the accounting for business combinations (15,477 thousand euro) in relation to the acquisition of control of Dolomiti Edison Energy from 1 July 2020. According to this method, the equity investment previously owned in the company is revalued at fair value at the acquisition date of the control and any consequent gains or losses is recognised in the income statement.

8.10 FINANCIAL INCOME AND CHARGES

The item "Financial income and charges" for the years ended 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
Financial income	2021	2020
Financial income from associates	72	55
Financial income from other companies	615	819
Financial derivatives	455	1,032
TOTAL	**1,142**	**1,906**

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER	
Financial charges	2021	2020
Financial charges due to parent companies	-	(2)
Financial charges due to other companies	(7,696)	(6,151)
Right of use interest expense	(187)	(206)
Financial charges from discounting	(98)	(147)
Other	(6)	(29)
TOTAL	**(7,987)**	**(6,535)**

From this year, income and expenses for derivative financial instruments have been recognised by offsetting the positive items (2,015,572 thousand euro) and negative items (2,015,117 thousand euro) to highlight the asset contribution margin (values for the previous year shown for comparative purposes have been reclassified accordingly and refer to income of 187,271 thousand euro and expenses of 186,239 thousand euro). The item Financial income for derivatives therefore includes the change in fair value, as at 31 December 2021, of derivative contracts on commodities that do not fulfil the requirements to be accounted for as hedging derivatives, in addition to differentials accrued and adjusted over the year for derivatives on commodities that are not eligible to be accounted for as hedging derivatives.

8.11 TAXES

The item "Taxes" for the years ended 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER	
	2021	2020
Current taxes	46,383	43,919
Deferred taxes	(7,129)	(346)
Prepaid taxes	(27,989)	(2,226)
Tax consolidation income/charges	(3,276)	(161)
Taxes from prior years	975	568
Contingent assets	-	(107)
TOTAL	**8,964**	**41,647**

The reconciliation between tax charge as per financial statements and theoretical tax charge is shown hereunder for the years ended 31 December 2021 and 2020:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER			
	2021	**%**	**2020**	**%**
PROFIT BEFORE TAX	**137,840**		**170,097**	
Theoretical income taxes	33,082	24,0%	40,823,28	24,0%
IRES	41,076	29,8%	39,908	23,5%
IRAP	5,307	3,9%	4,011	2,4%
Tax effect of permanent and other differences	(37,419)	-27,1%	(2,272)	-1,3%
TOTAL	**8,964**	**6,5%**	**41,647**	**24,5%**

A number of Group companies (SET, Novareti and Dolomiti Energia) applied the option envisaged in Article 110 of Italian Law Decree 104/2020 to release assets under concession and goodwill. The release led to a substitute tax charge of 3,922 thousand euro, the recognition of deferred tax assets for 26,172 thousand euro, the release of deferred tax liabilities for 5,093 thousand euro in relation to certain assets, overall resulting in a positive net effect of 27,343 thousand euro on profit for the year.

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 2021 and 2020, the main transactions with related parties concerned the following:

(in thousands of Euro)	AS AT 31 DECEMBER									
	2021					**2020**				
	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	DIVIDENDS RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	DIVIDENDS RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES
SF Energy	702	48	-	680	-	570	-	-	517	-
TOTALE	**702**	**48**	**-**	**680**	**-**	**570**	**-**	**-**	**517**	**-**

(in thousands of Euro)	AS AT 31 DECEMBER															
	2021								**2020**							
	REVENUE			PURCHASES			FINANCIAL INCOME	FINANCIAL CHARGES	REVENUE			PURCHASES			FINANCIAL INCOME	FINANCIAL CHARGES
	Goods	Services	Other	Goods	Services	Other				Services	Other	Goods	Services	Other		
SF Energy	-	1.985	-	6.568	-	-	56	-	-	1.953	-	5.609	-	-	-	-
TOTAL	**-**	**1,985**	**-**	**6,568**	**-**	**-**	**56**	**-**	**-**	**1,953**	**-**	**5,609**	**-**	**-**	**-**	**-**

10. GUARANTEES AND COMMITMENTS

The Guarantees and commitments in favour and undertaken by the Group as at 31 December 2021 and 2020 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
Guarantees and commitments in favour of third parties	2021	2020
Guarantees given to third parties	3,329	3,196
Pledges on shares provided by the company to third parties	3,302	3,329
Financial commitments in favour of third parties	1,598	1,599
TOTAL	8,229	8,124

(in thousands of Euro)	AS AT 31 DECEMBER	
Guarantees received by third parties	2021	2020
Guarantees received by third parties in favour of banks for loans	115,500	115,500
Usage of signature facilities to issue bank/insurance guarantee	102,086	108,159
TOTAL	217,586	223,659

Please note that against the Bond Loan issued by SET Distribuzione for a nominal amount of 110 million euro, the Autonomous Province of Trento issued a guarantee in favour of the bondholders for 115 million euro, unchanged compared to the previous year.

The unsecured facilities for the issue bank and insurance sureties refer to sureties issued by the banking/insurance system in favour of third parties and in the interest of the Dolomiti Energia Group.

11. FEES TO DIRECTORS AND STATUTORY AUDITORS

The fees to directors and statutory auditors of the Group, for the years ended 31 December 2021 and 2020 are broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2021	2020
Board of Statutory Auditors	327	344
Directors	1,178	1,036
TOTAL	1,505	1,380

12. INDEPENDENT AUDITORS' FEES

The following table shows the remuneration received by the independent auditors Pricewaterhouse-Coopers S.p.A. for the auditing services of the financial statements for the Group companies and the consolidated financial statements for the years ended 31 December 2021 and 2020, as well as remuneration for other services rendered to companies:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2021	2020
Statutory audit	253	251
Other audit services	96	44
Remuneration for tax advisory services	-	-
Other services besides auditing	-	-
TOTAL	**349**	**295**

13. TRANSPARENCY IN THE PUBLIC FUNDING SYSTEM

In application of Article 1, paragraphs 125 et seq. of law 124/2017 (annual market and competition law) as reformulated by Article 35 of decree law No 34/2019 (growth decree), published on the Official Gazette No 100 of 30 April 2019, please refer to the National Registry of State aid, section "Transparency" in order to view any funding, subsidies, benefits, contributions or aid, in money or in kind, that are not general and that are not of a payment or remuneration nature or for damages, actually disbursed by the public administrations and the parties described under Article 2-bis of legislative decree No 33/2013 in 2020.

14. MANAGEMENT AND COORDINATION ACTIVITIES

The Company is not subject to management and coordination by any Shareholder or any other legal entity.

15. SIGNIFICANT EVENTS OCCURRED AFTER YEAR END

No significant events after the reporting date of these financial statements are to be reported that have not been recognised and that would significantly change the equity, financial and economic representation of the 2021 financial statements.

In February 2022, the IT systems of the Group were hacked by external parties which resulted in the unavailability of a number of IT platforms used by the Group. In any event, the provision of services by the Group and the safety of the plants were never affected.

The Group immediately adopted all measures to limit the effects and spread of the attack by taking the necessary actions to protect all counterparties potentially involved, with the support of a team of IT security experts. The situation was reported promptly to the Postal and Telecommunications Police and the competent data protection authorities. Maximum effort was made to restore full operations as quickly as possible, compatible with the need to ensure maximum process safety.

The geopolitical turmoil that developed in Ukraine and more generally at European level in the early months of 2022 has had major repercussions on the recovery of the global economy, and obviously also on the entire energy supply chain. A further complexity added to a scenario already made difficult by the performance of the energy markets in the second half of 2021. An asset that has become particularly complex to manage due to the continuous fluctuation and fluidity of the situation: the steep rise in prices from the end of February 2022 represents a real risk to households and companies, and the extraordinary regulatory measures to try to manage and mitigate the impact of the crisis calls upon companies in our sector to plan - despite a panorama of great uncertainty - future energy accessibility and security for the communities we serve.

Attachment A to the Consolidated Financial Statements

Consolidation area

(in Euro)

DOLOMITI ENERGIA HOLDING	type	Share capital euro	2021	consolidation method
DOLOMITI AMBIENTE	srl	2,000,000	100,00%	line-by-line
DOLOMITI ENERGIA HYDRO POWER	srl	100,000	100,00%	line-by-line
DOLOMITI ENERGIA SOLUTIONS	srl	120,000	100,00%	line-by-line
DOLOMITI GNL	srl	600,000	100,00%	line-by-line
GASDOTTI ALPINI	srl	10,000	100,00%	line-by-line
NOVARETI	spa	28,500,000	100,00%	line-by-line
DOLOMITI ENERGIA TRADING	spa	2,478,429	98,72%	line-by-line
DOLOMITI ENERGIA	spa	20,405,332	82,99%	line-by-line
SET DISTRIBUZIONE	spa	120,175,728	69,60%	line-by-line
DOLOMITI TRANSITION ASSET	srl	1,000,000	66,67%	line-by-line
HYDRO DOLOMITI ENERGIA	srl	3,000,000	60,00%	line-by-line
DEPURAZIONE TRENTINO CENTRALE	scarl	10,000	57,00%	line-by-line
DOLOMITI EDISON ENERGY	srl	5,000,000	51,00%	line-by-line
IVI GNL	srl	1,100,000	50,00%	equity
NEOGY	srl	750,000	50,00%	equity
SF ENERGY	srl	7,500,000	50,00%	equity
GIUDICARIE GAS	spa	1,780,023	43,35%	equity
EPQ	srl	100,000	33,00%	equity
RABBIES ENERGIA	srl	518,120	31,02%	equity
MASOENERGIA	srl	1,350,000	26,25%	equity
BIO ENERGIA TRENTINO	srl	3,000,000	24,90%	equity
AGS RIVA DEL GARDA	spa	23,234,016	20,00%	equity
VERMIGLIANA	spa	273,580	20,00%	equity

Rovereto, 19 April 2022

The Chairman of the Board of Directors

Massimo De Alessandri

Certification of the Consolidated Financial Statements

The undersigned Massimo De Alessandri, Chairman of the Board of Directors and Michele Pedrini, Head of the Administration Department of Dolomiti Energia Holding SpA, taking account of provisions set out by regulations in force, hereby certify the following:

- 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 2021 to 31 December 2021.

No significant aspects emerged to this regard during the actual application of procedures or concerning any reference to the general standards used in drawing up the certification.

It is also certified that:

- the consolidated financial statements as at 31 December 2021:
    a) have been prepared under the applicable international accounting standards endorsed by the European Union, pursuant to EC Regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
    b) agree with the balances shown in the books and accounting entries;
    c) give a true and fair view of the equity, economic and financial position of the Issuer and all companies included in the consolidation.
- the Report on Operations includes a reliable analysis of performance and the results of operations, and of the general situation of the Issuer and all companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Rovereto, 19 April 2022

The Chairman
Massimo De Alessandri

The Head of the Administration Department
Michele Pedrini

Report on the Consolidated Financial Statement

View on Monte Vioz from Lake Careser, Valley of Pejo
Dolomiti Energia Group Archive, Photo by Tommaso Prugnola

Board of Statutory Auditors' Report on the consolidated financial statements as at 31 December 2021

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

Dear Shareholders,

The consolidated financial statements as at 31 December 2021 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 2021 were drafted according to the International Accounting Standards – IAS and the International Financial Reporting Standards – IFRS, issued by the International Accounting Standards Board (IASB), as well as to IFRIC and SIC interpretations, endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 in force at the reporting date.

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

In summary, in thousands of euro, the consolidated financial statements as at 31 December 2021 report profit for the year of 128,876 euro (including 89,993 euro pertaining to the Group), total assets of 4,183,872 euro and shareholders' equity of 1,145,654 euro (including 787,633 euro pertaining to the Group).

The measurements specifically concern:

- the scope of consolidation;
- the consolidation method;
- the reference date of the consolidated financial statements.

SCOPE OF CONSOLIDATION

This includes the financial statements of the parent company Dolomiti Energia Holding S.p.A. and those of its Subsidiaries:

- Dolomiti Ambiente S.r.l.
- Dolomiti Energia Hydro Power S.r.l.
- Dolomiti Energia Solution S.r.l.
- Dolomiti GNL S.r.l.
- Gasdotti Alpini S.r.l.
- Novareti S.p.A.
- Dolomiti Energia Trading S.p.A.
- Dolomiti Energia S.p.A.
- SET Distribuzione S.p.A.
- Dolomiti Transition Assets S.r.l.
- Hydro Dolomiti Energia S.r.l.
- Depurazione Trentino Centrale S.c.a.r.l.
- Dolomiti Edison Energy S.r.l.
- IVI GNL S.r.l.
- Neogy S.r.l.
- SF Energy S.r.l.
- Giudicarie Gas S.p.A.
- EPQ S.r.l.
- Bio Energia Trentino S.r.l.
- Ags Riva del Garda S.p.A.

CONSOLIDATION METHOD

The consolidation criteria adopted are those indicated in the Notes to the Financial Statements, to which reference should be made.

Consolidation was performed using the full consolidation method for the following subsidiaries: Dolomiti Ambiente S.r.l., Dolomiti Energia Hydro Power S.r.l., Dolomiti Energia Solutions S.r.l., Dolomiti GNL S.r.l., Gasdotti Alpini S.r.l., Novareti S.p.A., Dolomiti Energia Trading S.p.A., Dolomiti Energia S.p.A., SET Distribuzione S.p.A., Dolomiti Transition Assets S.r.l., Hydro Dolomiti Energia S.r.l., Depurazione Trentino Centrale S.c.a.r.l. and Dolomiti Edison Energy S.r.l.

Consolidation instead took place with the equity method for the associates: IVI GNL S.r.l., Neogy S.r.l., SF Energy S.r.l., Giudicarie Gas S.p.A., EPQ S.r.l., Bio Energia Trentino S.r.l. and 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 2021 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 to take the consolidated financial statements and accompanying documents into consideration only for information purposes since they are not subject to approval.

Trento, 5 May 2022

The Board of Statutory Auditors

Michele Iori
William Bonomi
Maura Dalbosco

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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 2021, 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 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

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

Key Audit Matters

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

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Recoverability of the book value of property, plant and equipment related to hydroelectric concessions nearing expiry	
Note 7.4 "Property, plant and equipment" of the explanatory notes to the consolidated financial statements as of 31 December 2021 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 2021 includes Euro 828,7 million related to plants for the use of hydroelectric concessions, mainly located in the Autonomous Province of Trento. Law 205 of 27 December 2017 ("2018 Budget Law") and the subsequent Law 160 of 27 December 2019 amended Article 13 of the Consolidated Law introduced by Presidential Decree no. 670 of 31 August 1972, prescribing that: • the concessions of large diversions in the provinces of Trento and Bolzano, with expiration date prior to 31 December 2023, are extended *de jure* for the period useful to complete the public tendering procedures and in any case not beyond the aforesaid date; • the concession-holder who, at its own expense, made investments related to "assets transferable for free", shall be entitled to receive, at the expiry of the concession, an indemnity equal to the value of the part of the asset that has not been depreciated, determined according to criteria that have to be set forth in a provincial law. Law 9 of 21 October 2020 of the Autonomous Province of Trento confirmed the extention of the expiring date to 31 December 2023 for the above concessions, and defined the indemnification criteria for "assets transferable for free". The Group depreciates its "assets transferable for free" in order to complete the related depreciation	Our audit procedures performed concerned the analysis and comprehension of the design and efficacy of relevant controls set up by management in order to guarantee the complete and accurate recognition of the non-current assets held. We selected a sample of increases in property, plant and equipment related to hydroelectric plants during the year; we obtained the supporting documentation and verified their accurate recognition as well as their correct allocation to assets transferable for free or not for free. We verified depreciation cost recognised in the year through recalculation. We examined the Company's management estimates of the cash flows expected in the period 2022-2023 from the cash generating units relating to the hydroelectric business. We examined the appraisals commissioned by the Company's management in 2019 and 2020 to a third party expert for the estimate of the presumed repayment value of assets that are not transferable for free, and verified the correspondence of the terminal values of the cash generating units with the values as per the appraisals. We examined the impairment test, analysing the relating methodological correctness, the mathematical accuracy and, with the support of PwC network's experts, the discount rate used; in addition, we verified the sensitivity analysis carried out by the directors in

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
process within 31 December 2023, considering the necessary time reasonably expected to complete the public tendering procedures by the grantor. With reference to the assets related to the hydroelectric plants that are not transferable for free, the Group, already in the prior years, interrupted the depreciation whenever the book value of these assets was lower than the reimbursement value estimated by the directors for the outgoing concession-holder. Even in the absence of impairment indicators, as of 31 December 2021 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.	relation to the assumptions relevant to in order to identify the existance of any impairment of the hydroelectric plants. Finally, we verified the adequacy and the completeness of the information included in the explanatory notes.
Capital expenditure for the development and operation of the grids *Note 2.5 "Measurement criteria" item "Assets in concession" to the consolidated financial statements as of 31 December 2021.* Capital expenditure for the year relating to the Assets in concession related to the development and operation of the distribution grids for electricity and gas amounts to Euro 62,6 million. Revenue from distribution activities of electricity and gas is determined each year on the basis of specific tariff and regulatory measures set down by Italian Regulatory Authority for Energy, Networks and Environment (*Autorità di Regolazione per l'Energia Reti e Ambiente - ARERA*), which are based on a pre-established return on capital invested, plus amortisation and depreciation and operating costs recognised.	We analysed, understood and evaluated the internal control system concerning the capital expenditure. We identified and validated the operation and efficacy of the relevant manual and automated controls of such process. We assessed that the capitalisation of costs complied with the international accounting standards. We also performed substantive procedures analysing, on a sample basis, the supporting

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Considering the magnitude and the high number of transactions, the capitalization of costs for the operation and development of the distribution grids for electricity and gas represented a key audit matter.	documentation of capitalised costs in order to verify that these costs were accurate, complete and pertaining to the reporting period.
Accuracy of revenue from the sale of electricity and gas to end-users *Note 2.5 "Measurement criteria" item "Revenue recognition" of the explanatory notes to the consolidated financial statements at 31 December 2021.* Revenue from the sale of electricity and gas realised by the Group in the year ended 31 December 2021 derives for 50,3% from end-users. The value of these revenues is calculated on the basis of the contract conditions set down with end customers and according to the specific tariff and regulatory provisions established by the ARERA. The recognition of revenue from the sale of electricity and gas to end-users is considered as a key audit matter given the complexity of the billing system marked by a high number of end customers and a high volume of data to be processed, with a combination of diversified tariffs and price components.	We analysed, obtained an understanding and assessed the Group's internal control system related to the recognition of revenues from the sale of electricity and gas, also through the support of our PwC network IT and system assurance process experts. We identified and validated the operation and efficacy of relevant controls by performing compliance testing on the relevant controls put in place by the Group. Furthermore, for a sample of bills to end customers, we carried out validity procedures in order to ascertain consumption data included in these bills, the correct application of the contract conditions with customers and the collection of the amounts billed.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

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

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Dolomiti Energia Holding SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Compliance with other Laws and Regulations

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

The directors of Dolomiti Energia Holding SpA are responsible for preparing a report on operations of Dolomiti Energia Group as of 31 December 202a, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of Dolomiti Energia Group as of 31 December 2021 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 2021 and is prepared in compliance with the law.

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

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Dolomiti Energia Holding SpA is responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that management approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by another auditor.

Verona, 3 May 2022

PricewaterhouseCoopers SpA

Signed by

Paolo Vesentini
(Partner)

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

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