DOLOMITI ENERGIA

Financial Statements 2019

Cover Page: **Dolomites Paganella - Lake Molveno**
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FINANCIAL STATEMENTS
2019

DOLOMITI ENERGIA SpA

Fully paid-up Share Capital 20,405,332 euro
Via Fersina No. 23 – Trento
www.dolomitienergia.it
Trento Register of Companies No. – Taxpayer ID and VAT No. 01812630224
Management and coordination by Dolomiti Energia Holding Spa

REPORT ON OPERATIONS AND FINANCIAL STATEMENTS
as at 31 December 2019

BOARD OF DIRECTORS*

Chairman
Oss Rudi

Deputy Chairwoman
Seraglio Forti Manuela

Chief Executive Officer
Merler Marco

Directors
Girardi Andrea
Pedrotti Laura
La Via Manuela
Stefani Romano

BOARD OF STATUTORY AUDITORS*

Chairman
Tomazzoni Stefano

Statutory Auditors
Postal Anna
Mora Andrea

INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

*Board of Directors and Board of Statutory Auditors appointed on 12 July 2018

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Report on operations

San Martino di Castrozza
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Board of directors’ report on operations

Dear Shareholders,

2019, as more fully illustrated further on, ended very positively for the Company, with economic results which broadly exceeded those of last year and also those of 2017.

In particular, sales activities were carried out in a positive manner, leading overall to an increase in the number of customers served, and the action taken to resolve some of the issues that had led to a reduction in profit in 2018, thanks in part to a better market context, also led to positive results.

It should also be recalled that, as a result of the listing on 27 February 2018 of a bond with the name “Dolomiti Energia SpA €5,000,000 1.05 percent Fixed Rate Notes due 2022” on the Irish regulated market (the Irish Stock Exchange), the Company is obliged, starting from 2018, to prepare the financial statements according to the International Financial Reporting Standards (IFRS).

The Company availed itself of the exemption from preparing the non-financial statement in accordance with Article 6, Paragraph 1, of Legislative Decree No. 254 of 30 December 2016, since this statement is drawn up by the Parent Company Dolomiti Energia Holding.

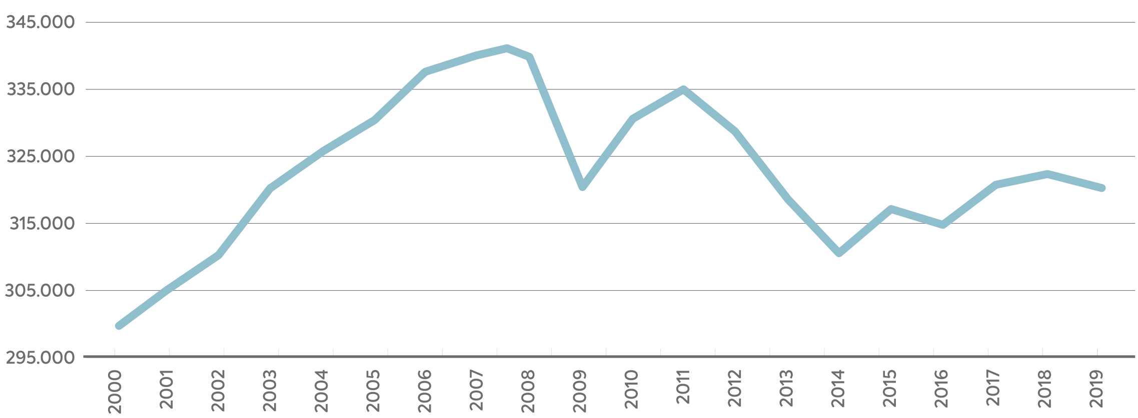
In conclusion, reference should be made to the section Business outlook for an analysis of the current situation associated with the very serious health emergency in Italy and elsewhere.

General performance of the energy markets

ELECTRICITY

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

Electricity consumption – Italy (GWh)



At regional level, the year-on-year change in 2019 was mixed: it ranged from +2.1% in the Southern Area to -3.2% in the Northwest.

[GWh]	Northwest	Lombardy	Triveneto	Tuscany Emilia Romagna	Centre	South	Sicily	Sardinia
2019	32.277	68.849	49.473	49.542	44.709	46.785	18.922	9.006
2018	33.345	70.276	49.855	49.946	44.041	45.813	19.051	9.104
DELTA %	-3,2%	-2,0%	-0,8%	-0,8%	1,5%	2,1%	-0,7%	-1,1%

Grouping by macro-zones, the change was negative in the North (-1.9%) and in the Islands (-0.8%), while it was positive in the South (+2.1%) and in the Centre (+0.3%):

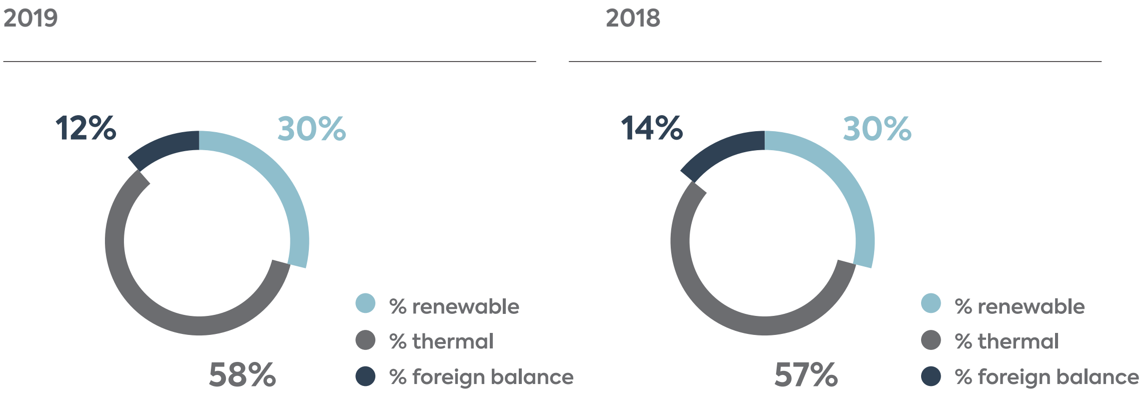
[GWh]	North	Centre	South	Islands
2019	150.599	94.251	46.785	27.928
2018	153.476	93.987	45.813	28.155
DELTA %	-1,9%	0,3%	2,1%	-0,8%

In 2019, 89% of electricity demand was met with domestically generated energy (283.8 billion kWh) and the remainder by the balance of energy traded abroad (38.1 kWh). The details below show that net domestic output (283.8 billion kWh) increased by nearly 1.4% compared to 2018 (279.8 billion kWh).

Million kWh	2019	2018	% Change
Hydroelectric	46.959	49.928	-5,9%
Thermal	186.811	184.338	1,3%
of which Biomasses	*17.546*	*17.601*	*-0,3%*
Geothermal	5.687	5.756	-1,2%
Wind	20.063	17.557	14,3%
Photovoltaic	24.326	22.266	9,3%
TOTAL NET OUTPUT	**283.846**	**279.845**	**1,4%**
Import	43.980	47.170	-6,8%
Export	5.817	3.271	77,8%
FOREIGN BALANCE	**38.163**	**43.899**	**-13,1%**
Pumping	2.412	2.313	4,3%
ELECTRICITY DEMAND (1)	**319.597**	**321.431**	**-0,6%**

(1) Electricity Demand = Output + Foreign Balance - Pumping Consumption.

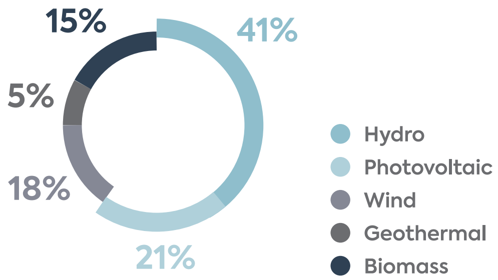
In 2019, 58% of Electricity Demand in Italy was met from thermal sources (57% in 2018), 30% from other sources (hydroelectric, wind, photovoltaic, geothermal), a figure equal to 2018, and 12% from the foreign balance (14% in 2018).



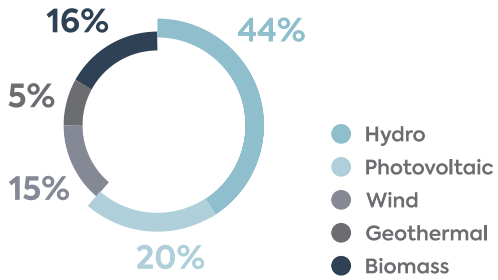
The electricity generated in 2019 from renewable sources (including thermal electricity produced from biomass) amounted to 114.6 TWh, accounting for 36% of Electricity Demand. In 2018, it had been 113.1 TWh, i.e. 35%.

Among renewable energy sources, in 2019 the largest contribution came from hydroelectric (41% versus 44% in 2018), followed by photovoltaic (21% versus 20% in 2018), by wind (18% versus 16% in 2018), by biomass (15% versus 16% in 2018) and by geothermal energy (5% in 2019 as in 2018).

Breakdown of Renewable sources 2019

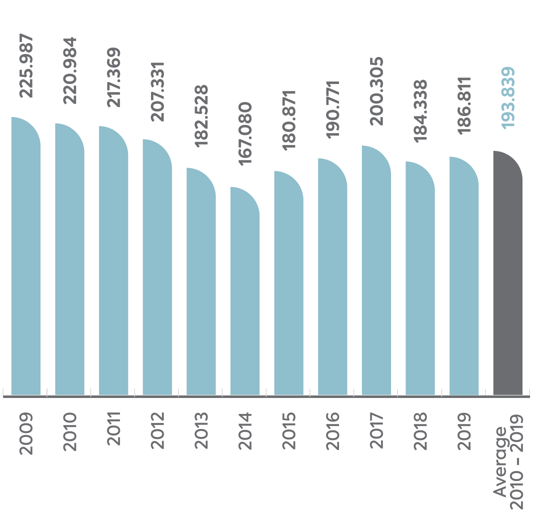


Breakdown of Renewable sources 2018

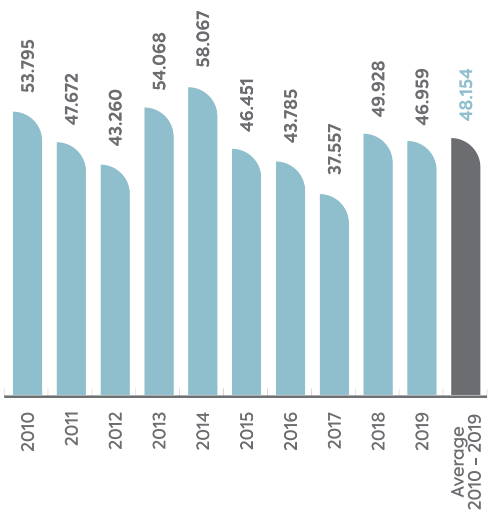


Electricity output from thermal sources was slightly higher than that in 2018, reaching 187 billion kWh generated, decisively lower than that in 2017 (more than 200 billion kWh generated in 2017) and lower than the average figures in the last ten years, amounting to around 194 billion kWh generated.

Historical performance of thermal output (GWh)



Historical performance of hydroelectric output (GWh)

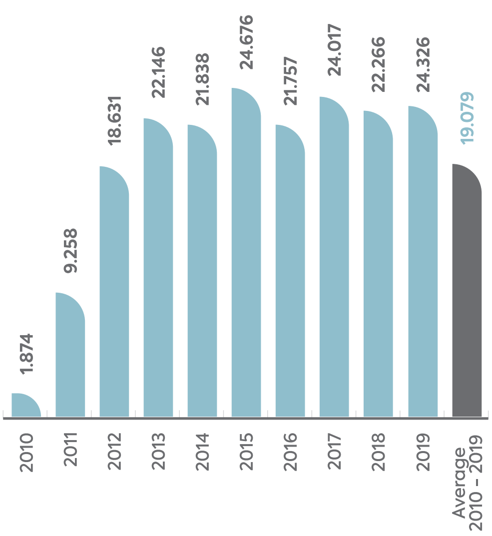


Hydroelectric output for 2019 (47 TWh) was lower than that in 2018 (-6%) due to the lower rainfall registered in 2019 compared with 2018, however emerging as higher than the output for the 2015-2017 three-year period but lower than the average for the last 10 years (48.1 TWh) and much lower than that for 2014 (58 TWh).

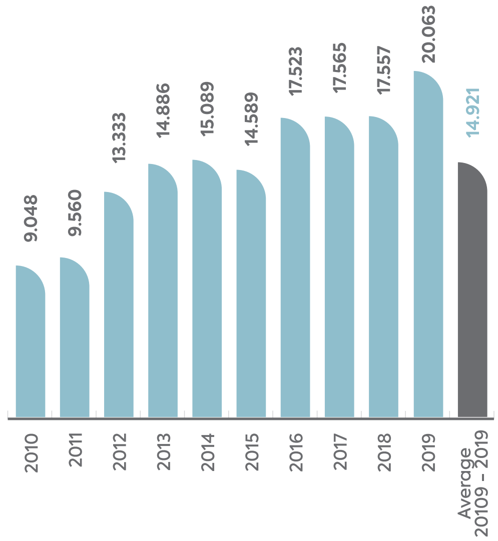
Photovoltaic output in 2019 reported the second best production figure in its history (24.3 billion kWh generated in 2019), just under the 2015 figures (24.7 billion kWh) which remain the record year for photovoltaic output.

In 2019 there was a record production from wind power, equal to over 20 billion kWh, a significant increase (+14.3%) compared to 2018 (17.6 billion kWh).
Geothermal output recorded a value of 5.7 billion kWh, in line with the figure for 2018.

Historical performance of photovoltaic output (GWh)



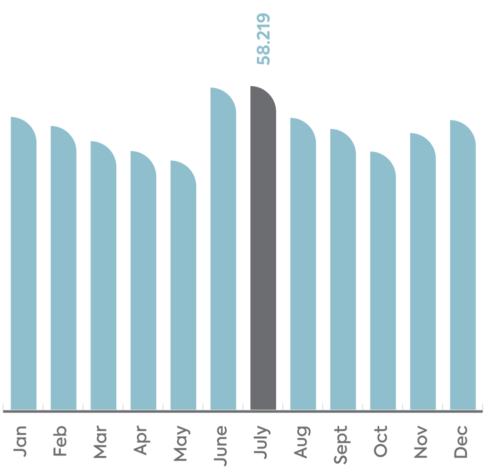
Historical performance of wind output (GWh)



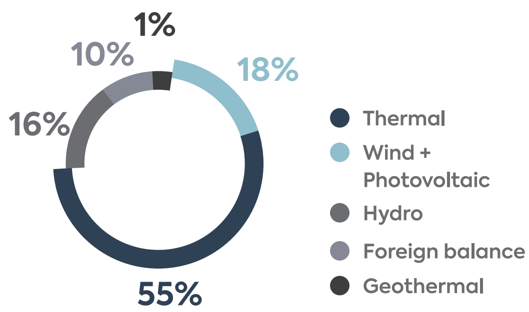
In 2019, peak power demand in Italy was recorded on Thursday, 25 July between 4 pm and 5 pm and it was equal to 58,219 MW. The all-time high in Italy remains the peak registered on 21 July 2015 between 4 pm and 5 pm, equal to 59,353 MW. The graph with the maximum outputs achieved during the months of 2019 follows.

In the hour of peak power demand, generation from renewable sources contributed 35%, heat production 55%, while the remaining 10% was provided by the foreign balance.

Maximum output (MW)



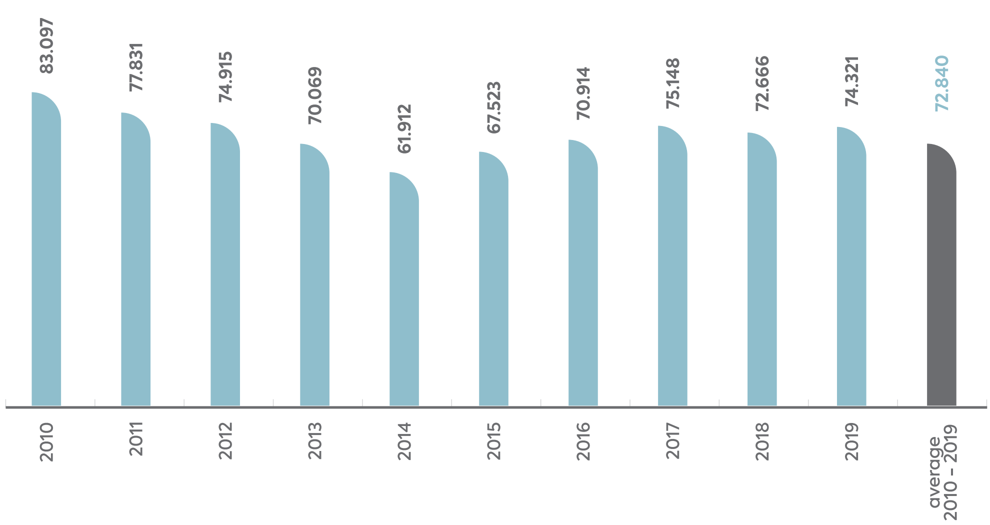
Contribution of the generation sources in the peak power demand in 2019



NATURAL GAS

Natural gas consumption in Italy in 2019 increased by 2.3% compared with 2018, reaching about 74.3 billion Smc, higher than the average for the last ten years (72.8 billion Smc) but well below the figure recorded in 2010, which was 83.1 billion Smc.

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

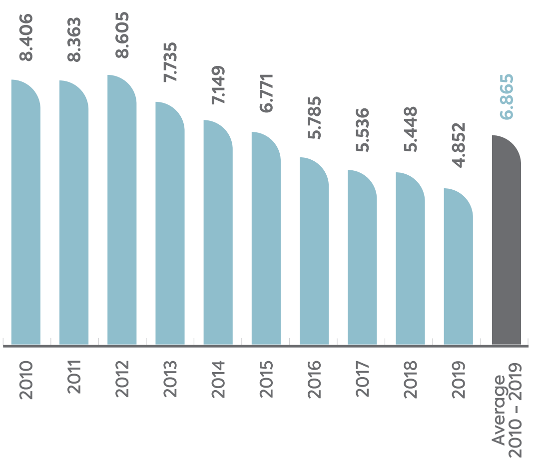


During 2019, in particular, consumption by thermoelectric power plants increased by more than 2.4 billion cubic meters (10.1% more than in 2018), reaching a total of more than 25.7 billion cubic meters consumed. There was a 2.3% decrease in large industry, directly connected to the distribution networks, with 321.6 million cubic meters less than in 2018, and a 2.1% decrease in residential consumption, which lost 675.7 million cubic meters and alone accounted for 43% of total demand.

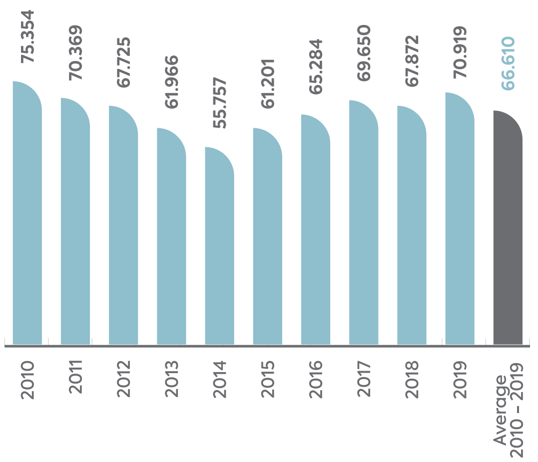
Concerning gas procurement sources, the decline in domestic production was confirmed, with a reduction by more than 40% from 2010 to 2019.

Imports of natural gas once again started to rise in 2019 (+4.5% compared with the 2018 figure) after the drop seen in 2018.

Domestic production of natural gas, MSmc

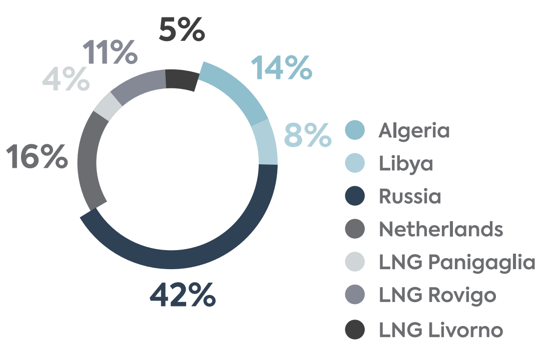


Natural gas imports, MSmc

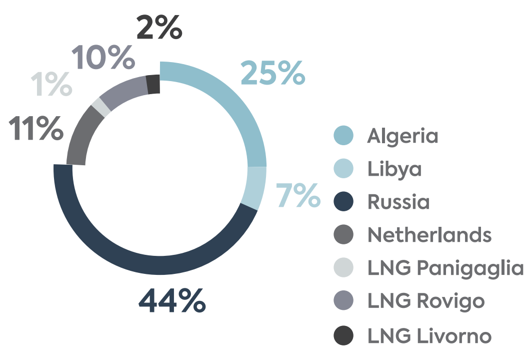


In country terms in 2019, Russia is still the largest supplier with 42%, followed by the Netherlands with 16% and by Algeria with 14%. Note the sharp drop in gas imports from Algeria (-40.3%) and the sharp jump in LNG imports.

Natural gas import mix 2019

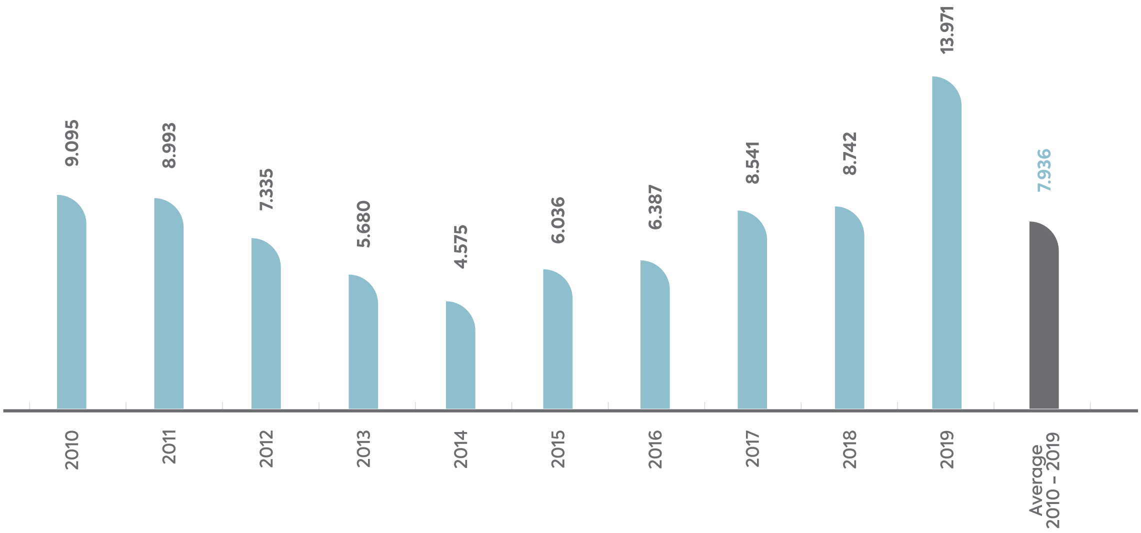


Natural gas import mix 2018



LNG imports through the Rovigo, Panigaglia and Livorno regasification terminals amounted to 13.9 billion Smc in 2019 (8.7 billion Smc in 2018). The LNG in 2019 contributed for 20% of the domestic import mix (13% in 2018).

LNG imports, MSmc



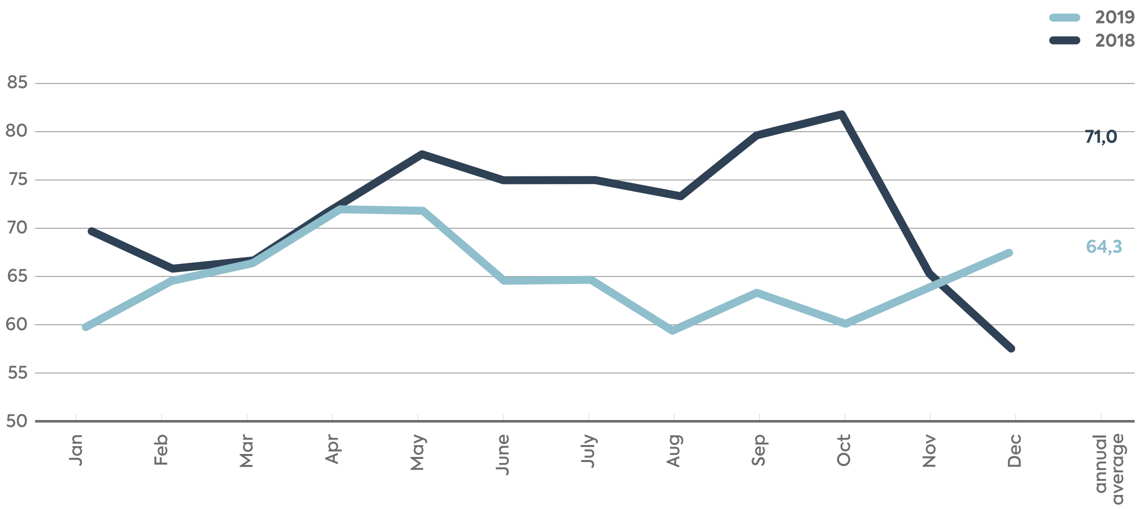
The details of the domestic production and of the imports of natural gas from 2010 to 2019 are provided below.

[MSmc]	Domestic Production	Imports	*Algeria*	*Libya*	*Russia*	*Nether-lands*	LNG Panigaglia	LNG Rovigo	LNG Livorno
2010	8.406	75.354	*25.945*	*9.410*	*22.492*	*7.828*	*2.012*	*7.083*	-
2011	8.363	70.369	*21.309*	*2.339*	*26.451*	*10.859*	*1.925*	*7.068*	-
2012	8.605	67.725	*20.632*	*6.470*	*23.851*	*9.034*	*1.131*	*6.204*	-
2013	7.735	61.966	*12.460*	*5.704*	*30.265*	*7.495*	*39*	*5.377*	*264*
2014	7.149	55.757	*6.774*	*6.512*	*26.154*	*11.433*	*70*	*4.447*	*57*
2015	6.771	61.201	*7.244*	*7.107*	*29.918*	*10.635*	*34*	*5.942*	*60*
2016	5.785	65.284	*18.873*	*4.807*	*28.267*	*6.697*	*207*	*5.670*	*510*
2017	5.536	69.650	*18.880*	*4.641*	*30.180*	*7.248*	*632*	*6.966*	*944*
2018	5.448	67.872	*17.095*	*4.467*	*29.688*	*7.760*	*895*	*6.743*	*1.105*
2019	4.852	70.919	*10.206*	*5.701*	*29.856*	*11.127*	*2.448*	*7.938*	*3.585*

OIL

In 2019, oil recorded an average price of 64.3 $/barrel on international markets, down by 9% compared to the previous year.

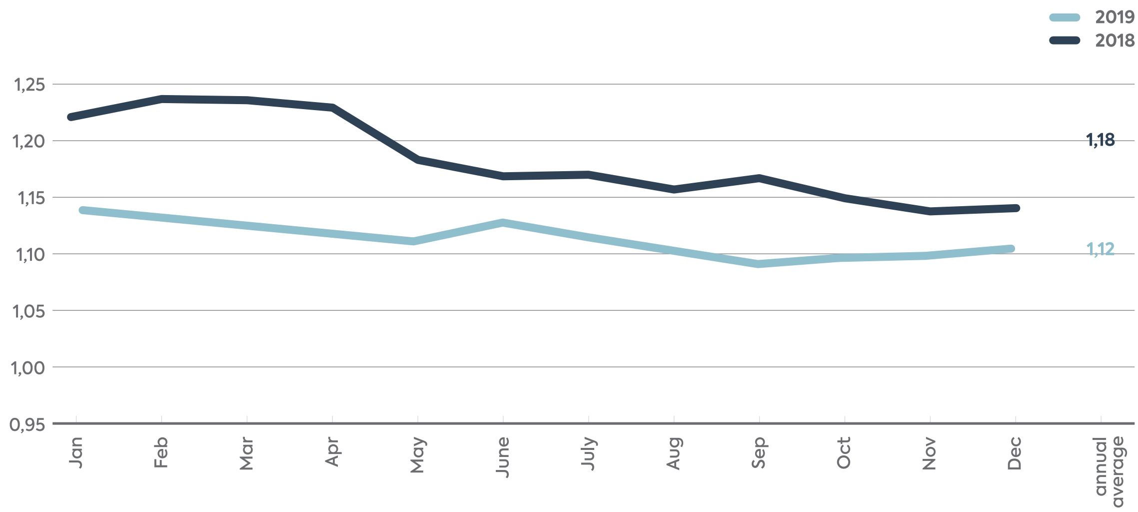
Dated Brent, $/bbl



EURO/US DOLLAR EXCHANGE RATE

The Euro/US Dollar exchange rate in 2019 averaged 1.12 (1.18 in 2018), the same as in 2017.

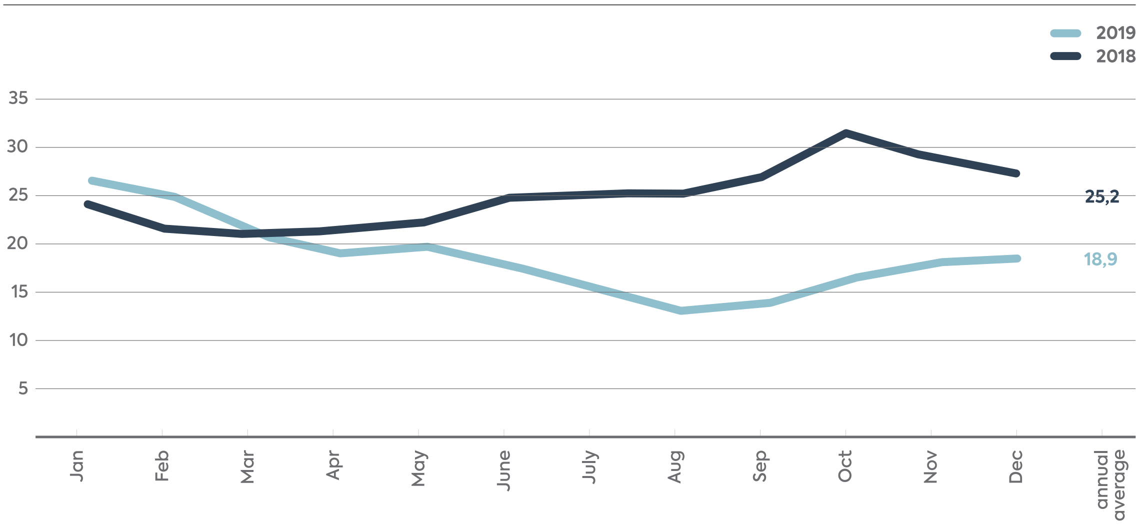
Exchange rate €/$



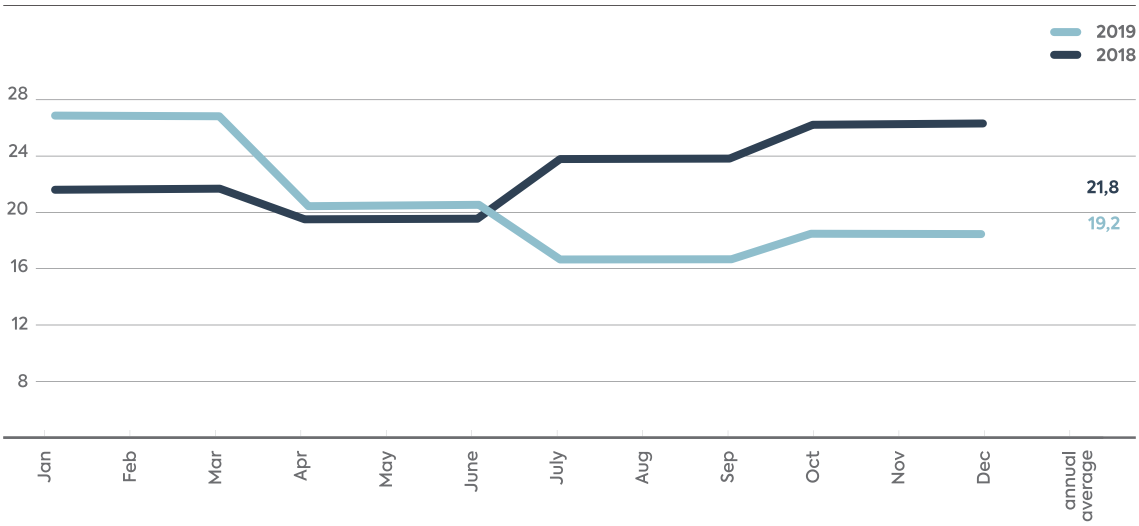
NATURAL GAS PRICES

Gas prices, mainly due to the mass arrival of LNG in Europe from both the United States and the Middle East, fell sharply, especially in the second half of 2019, a decline that continued in the first few months of 2020. In Italy, the average price of natural gas at the PSV in 2019 decreased 25% with respect to the figures relating to 2018, while the PFOR price (the benchmark price of the protected market) dropped by 12% compared to 2018. The decrease in natural gas prices, given the electricity generation mix in Italy, had, as we will see, a direct impact on electricity prices, causing a sharp decrease in the second half of 2019 and subsequently in the first few months of 2020.

PSV price €cent/Smc



PFOR price €cent/Smc

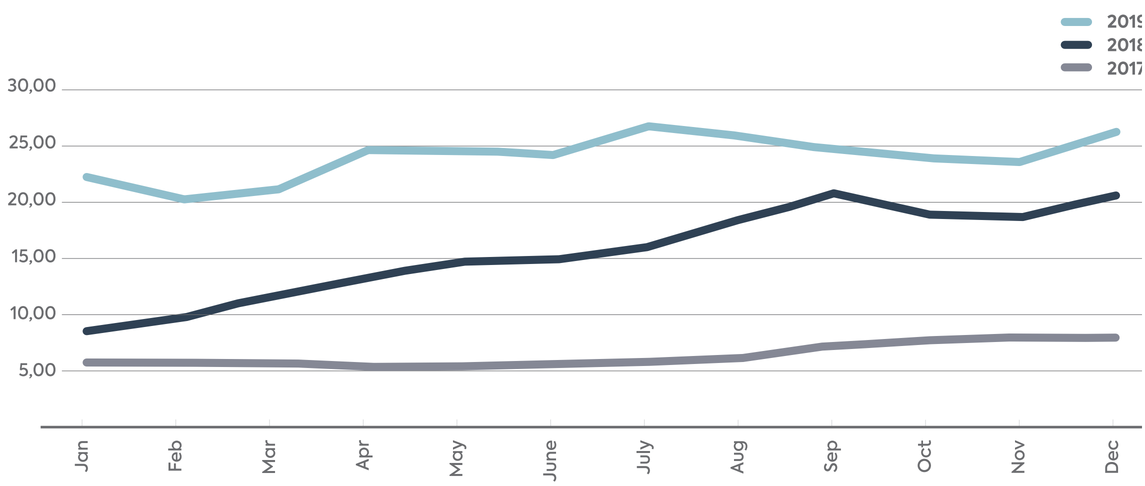


PRICES OF CO_2

The price of CO2 remained at very high levels throughout 2019 with a peak of almost 28 €/ton in July 2019.

High CO2 prices have helped to sustain electricity prices, despite low natural gas prices reported especially in the second half of 2019.

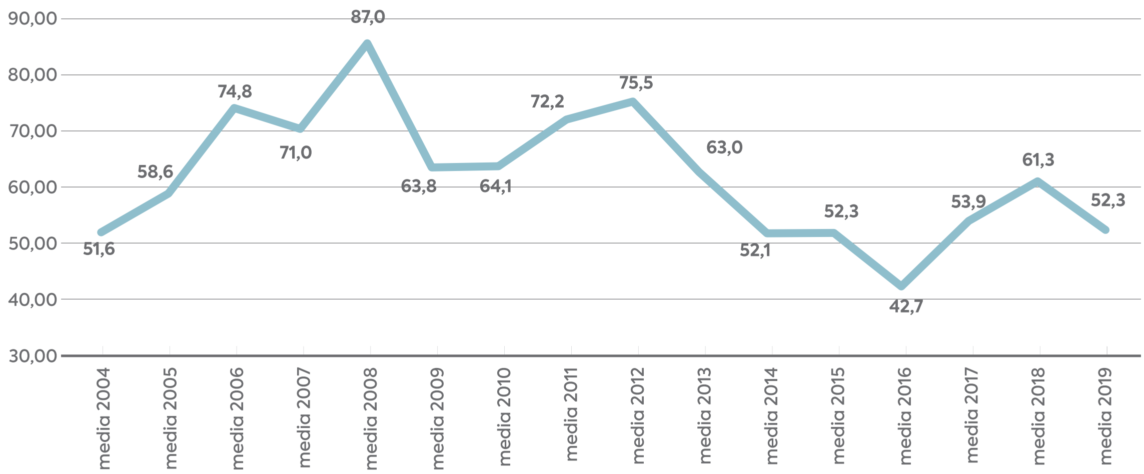
EUA €/ton



ELECTRICITY PRICES

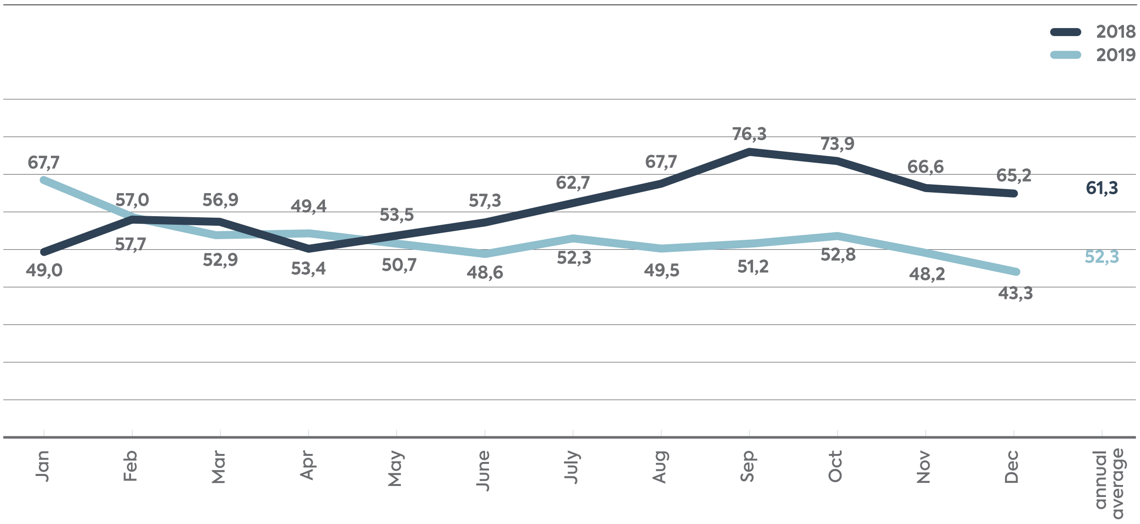
The average value of the PUN for 2019 reached 52.3 €/MWh, down by 15% compared to the average for 2018, i.e. 61.3 €/MWh (the 2017 value was 53.9 €/MWh).

Andamento PUN dal 2004



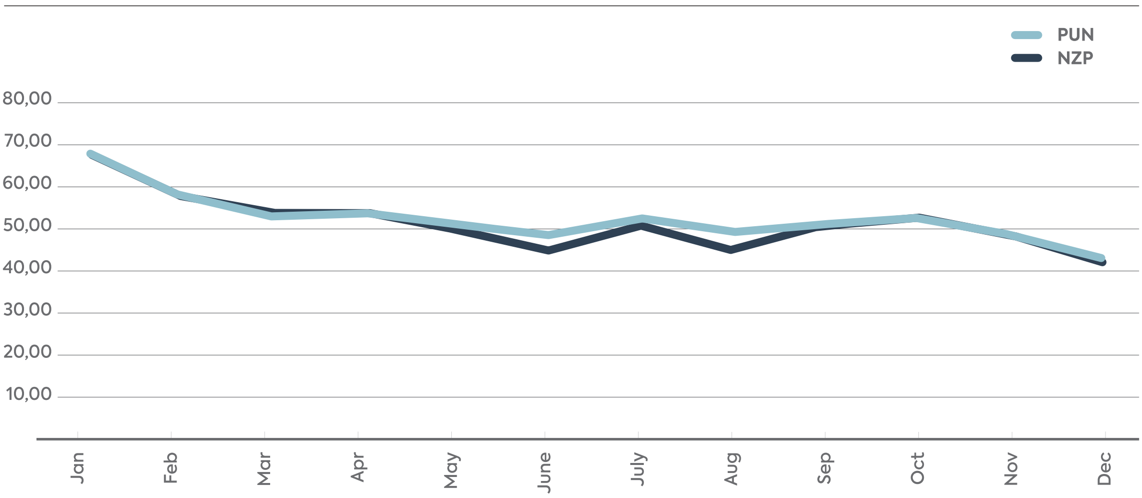
After January 2019, when the recorded PUN value (67.7 €/MWh) was in line with the end of 2018 values, the PUN values then gradually decreased, due mainly to a decrease in natural gas prices, reaching a minimum value of 43.3 €/MWh in December 2019.
In the first few months of 2020, the recorded PUN values were also quite low (47.5 €/MWh in January 2020, 39.3 €/MWh in February 2020, 35 €/MWh in the first few days of March 2020).

PUN €/MWh



It should be noted that the average sales price of the Northern Zone (51.3 €/MWh) was significantly lower than the average national price (52.3 €/MWh), especially in the months when hydroelectric production was higher (June, July and August).

Comparison between the PUN and the Northern Zone price, €/MWh



Significant operating events

The turnover recorded during the year, partly thanks to the growth in the number of customers served, increased significantly from 853.9 million euro to 944.0 million euro, an increase of 10.5%. The portion of turnover from end customers remained stable, realised in the provincial area and equating to 52% compared with the 48% realised throughout the rest of Italy.

The economic results for the year are very positive, considering both the absolute values and the comparison with the previous year. The main reason for the growth is linked to the recovery of margins in the electricity sector, which last year was heavily penalised by a significant increase in raw material prices, which is never easy to fully transfer on the sales price to the end customer. It is also worth mentioning the regulatory changes that, following a change in some tariff components related to sales activities (both for gas and electricity), further contributed towards improving the results for the year. The EBITDA determined by also considering the values attributable to the business segment subject to disposal amounted to 36.6 million euro (up by 84.5% from 2018), while the profit for the year was 22.9 million euro (+86.0% compared to 2018). In addition to the performance of the first trading margin, the very positive result for the year was also influenced by non-recurring items, mainly related to adjustments on the raw gas material, which this year had a positive sign unlike last year, while there were no particular weather events that in 2018 had led to an increase in the penalties paid to shippers for exceeding booked capacity. The result of the sales of goods and services connected with the energy efficiency market was again positive this year; in addition to assuring a contribution to the economic results of the Company, it provides an important instrument to boost customer loyalty.

On 10 December 2019 ARERA, which following the start of the investigation vis-à-vis the main market operators, challenged the charging of customers for the costs for sending bills in certain cases, formally accepted the commitment proposal submitted by the Company and therefore closed the investigation. The amount of this charge, which the company has undertaken to pay back to customers, had already been provided for in the previous year.

On 3-5 April 2019 ARERA carried out an audit care of the Company on the application of the "debranding" discipline, i.e. the separation of the brands used by the Company for the activities carried out on the free market, under the Dolomiti Energia brand, and the activities carried out on the market subject to additional safeguards, under the Trenta brand. The audit activities involved the reporting of certain problematic profiles. In this regard, the Company has proposed a number of changes to the physical layout of the branches or, for some minor branches, different operating activities, which have been positively assessed by ARERA. The activities necessary for the implementation of the proposed amendments are being finalised and, compatibly with the practical difficulties associated with the current health emergency, should be operational when the branches are reopened.

With regard to the sales activities of the Company, the year ended in a positive manner, despite the already mentioned level of competition in all market segments. Despite the ongoing activities for the selection of the customer portfolio in order to improve the composition of the same, the sales activities made it possible to increase the customers served, bringing their number (for just electricity and gas) to around 668,000, with a very positive net increase of about 41,000 supply points, also following the awarding of the tender launched by APAC for several thousand public administration delivery points in Trentino.

The year just ended saw an increase in sales revenues from sales of natural gas to end customers (about 7%), due mainly to higher average sales prices, particularly during the first half of the year, and an increase in sales revenues from electricity (around 14%) due both to higher volumes (about 5%) and average sales prices.

The series of activities carried out then made it possible to increase the total number of customers served (including the invoicing services for water and municipal waste) which reached around 908,000 at the end of 2019, with an increase by around 44,000 customers compared to the previous year. This number also includes customers relating to the business unit for the sale of natural gas and electricity which ASM Tione conferred during the year.

In this regard, it should be noted that, following some regulatory changes introduced and reorganisation choices within the Dolomiti Energia Group, as of 1 January 2020 the billing service for the municipal waste service will be carried out in-house by Dolomiti Ambiente, which will continue to avail itself of the support of the Company via a service contract. Therefore, the economic impact of this organisational change should be considered to be insignificant.

During the year, the activity of the Supervisory Body was regularly carried out in accordance with the control model approved by the Board of Directors.

In conclusion, we are pleased to point out that, as a result of the periodic tests performed in November 2019, IMQ-CSQ confirmed, for the Company, the certification of the corporate quality management system and of the environmental management system in accordance respectively with the international standards UNI EN ISO 9001:2015 and UNI EN ISO 14001:2015, in relation to all the activities carried out.

Operating context

METHANE GAS

Sale of natural gas		2019	2018
Civil and industrial	(mln/mc)	497,0	490,6
Number of customers	n.	213.689	196.472

The methane gas sector's performance was in line with the previous year. The increase in volumes is mainly due to the weather conditions.

ELECTRICITY

Sale of electricity		2019	2018
Market subject to additional safeguards	Gwh	273,2	286,3
End customers	Gwh	3.641,5	3.502,0
Sale on IPEX (power exchange)	Gwh	-	-
Other	Gwh	130,3	132,0
TOTAL	**Gwh**	**4.045,0**	**3.920,3**
NUMBER OF CUSTOMERS	**no.**	**454.765**	**430.819**

The values of the quantities sold in the electricity market and the number of customers increased compared with the previous year.

INTEGRATED WATER SERVICE

Water service		2019	2018
Domestic water supply	(mln/mc)	13,8	13,8
Other water supply uses	(mln/mc)	8,6	8,5
TOTAL	**(mln/mc)**	**22,3**	**22,3**
Sewerage	**(mln/mc)**	**20,4**	**20,5**
NUMBER OF CUSTOMERS - WATER SUPPLY	**n.**	**111.970**	**111.087**

The provision of the service did not show any particular changes in the volumes disbursed. The integrated water service tariffs and regulations are determined by the Municipal Councils of the reference areas and the Company duly applied the resolutions adopted.

COLLECTION OF SOLID URBAN WASTE

Municipal waste service		2019	2018
Number of customers	no.	127.264	125.403

The constant increase in customers continued in 2019. The waste collection tariffs and regulations are determined by the Municipal Councils based on a specific financial plan. The Company retrocedes to the service operator the amount billed and collected as set forth in the service agreements.

DISTRICT HEATING

District heating service		2019	2018
Steam	Gwh	30,7	65,6
Heat	Gwh	67,7	67,0
TOTAL	**Gwh**	**98,4**	**132,6**
NUMBER OF CUSTOMERS	**no.**	**209**	**210**

The quantities of steam supplied decreased compared to last year. Tariffs for the heat service are determined by matching the prices of heat with the gas tariffs for similar types of supplies.

PERSONNEL AND ORGANISATION

As at 31 December 2019, the Company had 185 employees. The table below shows the change in personnel during the year by category.

category	2018	Hires	Resignations	Changes of Role		2019
				+	-	
Executives	1	-	-	-	-	1
Managers	7	-	-	-	-	7
Employees	161	22	(6)	-	-	177
Manual workers	-	-	-	-	-	-
TOTAL	**169**	**22**	**(6)**	**-**	**-**	**185**

During 2019, there was 1 injury which occurred while commuting and without third party liability.

Financial position and management of trade receivables

Dolomiti Energia has a unique treasury relationship with the Parent Company through a cash pooling contract. This contract ensures financial resources and guarantees at low cost, with the utmost flexibility, and guarantees the remuneration of funds in line with the market. The result of financial management recorded a favourable trend, registering a positive net financial income of 0.1 million euro.

In view of the delicate economic situation in 2019 too, credit management activities were carefully monitored and, in this regard, it should be noted that the provision for write-downs amounted, after allocations in the year, to 12.1 million euro (of which 2.9 million euro attributable to the business segment subject to disposal to Dolomiti Ambiente).

KEY ECONOMIC AND FINANCIAL RESULT INDICATORS

Economic indicators

Ratio	Formula		2019	2018	difference
Total revenue and income	Total revenue and other income	euro migliaia	970,449	878,281	92,168
EBITDA(*)	Gross operating margin (thousands of Euro)	euro migliaia	36,552	19,807	16,745
EBIT(**)	Net operating margin (thousands of Euro)	euro migliaia	31,448	16,683	14,765
Profit (loss) for the year	Profit (loss) for the year	euro migliaia	22,857	12,293	10,564
ROE	Net profit/Equity	%	24,3%	13,2%	11,1%
ROI	EBIT/Invested capital	%	9,4%	5,7%	3,7%
ROS	EBIT/Production value	%	3,2%	1,9%	1,3%

(*) operating result + amortisation/depreciation + provisions + write-downs of fixed assets and of trade receivables (excluding losses on receivables)
(**) equal to the Operating result

The economic indicators improved with respect to the previous year, due to the positive economic performances in the period and were determined also considering the values attributable to the business segment subject to disposal.

Financial and capital ratios

Ratio	Formula	2019	2018	difference
Hedging of fixed net assets	Equity + medium/long-term liabilities/ fixed net assets	2,71	2,64	0,07
Debt ratio	Liabilities/Equity	1,85	1,77	0,08
Degree of amortisation and depreciation	Accumulated depreciation and amortisation/ gross fixed assets	0,76	0,81	(0,05)
Secondary liquidity ratio	Short-term assets/short-term liabilities	1,39	1,42	(0,03)

The financial and equity indicators are essentially in line with the values from the previous year and were determined also considering the values attributable to the business segment subject to disposal. With respect to the financial indicators, it should be noted that the energy product (gas and electricity) marketing activities carried out predominantly by the Company, which call for a significant amount of working capital in relation to technical fixed assets (virtually non-existent), means these indicators are of little significance. Therefore, attention is concentrated on the current ratio which recorded a slight improvement.

RISK ANALYSIS – CORPORATE OBJECTIVES AND POLICIES ON RISK MANAGEMENT

Credit risk

Credit is monitored constantly during the year to ensure that the total always expresses its estimated realisable value.

The Company operates in both the family market and the business market and is therefore sensitive to credit risk.

To limit this variable, the company carefully analyses the reliability of industrial customers and, when possible, requests sureties. For all customers, the reminder times and the times for the closure of contracts due to arrears were shortened, in order to minimise the related risks.

Liquidity risk

To ensure the Company has the necessary financial means for carrying out ordinary business, it has stipulated a service agreement for finance management with the Parent Company Dolomiti Energia Holding, which makes provision for treasury management under a "cash pooling" arrangement and surety management activities. The Company's financial position is constantly monitored and does not exhibit any particular critical issues.

Market risk

Dolomiti Energia's main risk factor is linked to price fluctuations of the commodities (electricity and gas), whose sale represents its core business. The adopted risk management policy, which entails a structure for the procurement of the commodities from Dolomiti Energia Trading (a company of the Dolomiti Energia Group) with indexing profiles coinciding with those formalised in sales to customers, has the objective of minimising the Company's exposure.

UNBUNDLING

The Company has implemented accounting and administrative unbundling for methane gas and electricity service activities, in compliance with AEEG resolution No. 231/14. The activities subject to accounting unbundling relate to the sale of electricity and methane gas and other residual activities and common services. All the necessary measures were also implemented for the full management independence of the Company from the other Group companies interested in said regulation.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Company did not carry out any research and development activities in 2019.

RELATIONS WITH PARENT COMPANIES, WITH OTHER SHAREHOLDERS AND WITH GROUP COMPANIES SUBJECT TO MANAGEMENT AND COORDINATION ACTIVITIES

Relations with the Parent Company and with the Group companies are governed by dedicated service agreements, which expressed, during the year, the fair remuneration of the mutually provided services. The Company's decision not to have its own operating structure for managing the different technical-administrative activities delivered significant operational savings.

The activities performed by shareholders and by the Group companies in favour of the Company can be divided into two different sectors: purely commercial, which refers to the supply of carrier services, and the administrative-management area, in relation to the Parent Company, which refers primarily to information systems, proper administration, HR administration and procurement of products and services, excluding raw materials.

The relations with the entity that exercises management and coordination activities, and with the other companies subject to the latter, are regulated by the following service agreements:

Service agreements stipulated between Dolomiti Energia and Dolomiti Energia Holding - agreement that defines and regulates the general services that the Parent Company provides, such as administrative assistance, administrative management of HR, finance management, planning and control and other minor services.

Service agreements stipulated between Dolomiti Energia and Dolomiti Ambiente - agreement that regulates the commercial management of activities regarding the municipal waste service.

The fees recognised are determined on an arm's length basis and proportionate to the costs for performing the services. The former contract makes provision for and regulates the leases of properties for office use granted by the Parent Company to Dolomiti Energia at its registered offices in Trento and Rovereto.

Service agreement stipulated between Dolomiti Energia and Novareti:

- agreement that regulates gas distribution activities, with tariffs regulated by ARERA (former AEEGSI) which Dolomiti Energia re-invoices to end customers;
- agreement that makes provision for the methods of thermal energy supply in the form of overheated water and steam, and the determination of the fees for integrated water service activities. For the latter services, a margin is reserved for Dolomiti Energia proportionate to the management cost and risk of the activity.

Service agreements stipulated between Dolomiti Energia and Set Distribuzione:

- agreement that regulates electricity distribution activities, with tariffs regulated by ARERA (former AEEGSI) which Dolomiti Energia re-invoices to end customers;
- rental contract between Dolomiti Energia and Set Distribuzione relating to the business unit concerning the sale of electricity. The fee is set at approximately 0.6 million euro.

As part of procurement contracts, Dolomiti Energia has also acquired, at market prices, the entire amount of electricity and natural gas needed from Dolomiti Energia Trading.

As regards financial management, a cash pooling agreement is also in place with the Parent Company, through which the centralised treasury service is implemented. Interest income and interest expense calculated on daily funds in said account, determined at market rates, are shown in the notes to the financial statements. Dolomiti Energia also applied the national tax consolidation regime with the Parent Company and the Group VAT arrangement.

Treasury shares

The Company does not hold any treasury shares nor shares or holdings in parent companies, including through trust companies or third parties, and did not carry out any transactions involving the same during the year under review.

Business outlook

The start of the year was characterised by a trend in line with the previous year. Unfortunately, as is known, since the second half of February, Italy has been progressively involved in a very serious health crisis of undoubtedly epoch-making proportions. The company is monitoring the development of this very complex situation caused by the spreading of the COVID-19 (Coronavirus) not only in Italy, but also worldwide, with consequent severe repercussions that may affect the macro-economic scenario.

With regard to the performance of activities, since the onset of the crisis and in particular after Italian Decrees dated 8, 9 and 11 March, operational activities, which previously had been carried out by implementing a series of measures to protect the health of the employees, have been limited to the activities necessary to ensure continuity of service and, where possible, activities are carried out in a manner that allows them to be performed remotely. As from 13 March all the branches are closed and operations with the customers are guaranteed via telephone and digital channels which operate regularly. Staff not involved in essential activities or who could not usefully work remotely were laid up using the available institutes. In any case, all the directives deriving from the various Decrees of the Prime Minister and the national and provincial health authorities have been adopted to limit personal contacts to a minimum.

As of today's date, it is impossible to quantify with sufficient reliability the economic and financial effects of the event, both because the duration of the restrictions in place is unknown and cannot be reasonably estimated, and because the short time which has elapsed between the start of the events and today's date has not yet made it possible to fully measure the effects that will inevitably occur essentially in the coming months.

There will certainly be negative economic effects for the Company, even very significant ones, deriving from the drastic drop in sales volumes (due to the reduction in customer withdrawals and/or the definitive cessation of activities) but also from the need to resell the volumes procured at a fixed price, if this was the purchase and sale formula, on the market at the significantly lower prices found in recent weeks. Also the impact of increased delays and insolvencies in the payment of invoices by end customers could be significant, in particular by the businesses most affected by the crisis.

Nevertheless, on the basis of the information available to-date and the stress scenarios prepared on the 2020 budget, it is not believed that the aforesaid negative impacts could compromise the Company's ability to continue to operate as a going-concern.

The Company undertakes in any case to inform the market of any information that may emerge after the approval of the draft financial statements.

Trento, 26 March 2020

on behalf of the Board of Directors

The Chairman
Rudi Oss

Financial statements as at 31 December 2019

Val di Fassa - Moena
Photo Library Trentino Sviluppo S.p.A. - Photo Carlo Baroni

Statement of financial position

(figures in Euro)	NOTE	AS AT 31 DECEMBER 2019	2018
Assets			
NON-CURRENT ASSETS			
Usage rights	9.1	729,162	-
Goodwill	9.2	5,054,092	3,489,772
Other intangible assets	9.2	469,252	641,662
Property, plant and equipment	9.3	155,426	139,976
Equity investments	9.4	2,850	2,850
Deferred tax assets	9.5	3,666,723	3,214,099
Other non-current assets	9.6	36,998,589	37,281,827
TOTAL NON-CURRENT ASSETS		**47,076,094**	**44,770,186**
CURRENT ASSETS			
Trade receivables	9.7	244,593,147	234,795,580
Current tax assets	9.8	-	262,735
Current financial assets	9.9	20,593,717	1,050,844
Other current assets	9.10	4,905,924	10,415,739
Cash and cash equivalents	9.11	4,954,900	1,566,854
TOTAL CURRENT ASSETS		**275,047,688**	**248,091,752**
Assets held for sale and Discontinued Operations	**9.18**	**11,555,941**	**-**
TOTAL ASSETS		**333,679,723**	**292,861,938**
Shareholders' equity			
Share capital	9.12	20,405,332	20,200,000
Reserves	9.12	73,738,139	73,265,821
IAS 19 Reserve	9.12	(71,954)	5,477
Profit or loss for the year	9.12	22,857,125	12,293,483
TOTAL SHAREHOLDERS' EQUITY		**116,928,642**	**105,764,781**
Liabilities			
NON-CURRENT LIABILITIES			
Provisions for non-current risks and charges	9.13	755,762	654,213
Employee benefits	9.14	1,113,158	1,101,449
Deferred tax liabilities	9.5	232,857	242,405
Non-current financial liabilities	9.15	3,098,226	3,750,000
Other non-current liabilities	9.17	5,222,313	5,408,475
TOTAL NON-CURRENT LIABILITIES		**10,422,316**	**11,156,542**
CURRENT LIABILITIES			
Provisions for current risks and charges	9.13	932,343	934,991
Trade payables	9.16	172,087,239	163,613,476
Current financial liabilities	9.15	1,900,017	1,708,233
Current tax liabilities	9.8	470,509	-
Other current liabilities	9.17	20,295,474	9,683,915
TOTAL CURRENT LIABILITIES		**195,685,582**	**175,940,615**
Liabilities linked to assets held for sale and Discontinued Operations	**9.18**	**10,643,183**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**333,679,723**	**292,861,938**

Statement of comprehensive income

(figures in Euro)

	Note	AS AT 31 DECEMBER 2019	2018
Revenues	10.1	933,580,047	839,607,221
Other revenue and income	10.2	10,409,102	14,314,785
TOTAL REVENUE AND OTHER INCOME		**943,989,149**	**853,922,006**
Costs for raw materials, consumables and merchandise	10.3	(397,191,738)	(391,454,854)
Costs for services	10.4	(500,692,067)	(432,048,722)
Personnel costs	10.5	(7,866,303)	(7,685,818)
Depreciation and amortisation, allocations and write-downs	10.6	(374,826)	(729,129)
Net write-backs (write-downs) on receivables	10.7	(4,029,656)	(1,945,115)
Other operating costs	10.8	(2,826,988)	(3,843,538)
TOTAL COSTS		**(912,981,578)**	**(837,707,176)**
OPERATING RESULT		**31,007,571**	**16,214,830**
Financial income	10.9	447,141	343,181
Financial expenses	10.9	(377,618)	(218,479)
PROFIT BEFORE TAX		**31,077,094**	**16,339,532**
Taxes	10.10	(8,686,084)	(4,520,888)
NET PROFIT OR LOSS FOR THE YEAR (A) FROM CONTINUING OPERATIONS		**22,391,010**	**11,818,644**
Discontinuing operation	9.18	466,115	474,839
NET PROFIT OR LOSS FOR THE YEAR (B) FROM DISCONTINUING OPERATION		**466,115**	**474,839**
PROFIT OR LOSS FOR THE YEAR		**22,857,125**	**12,293,483**
COMPONENTS OF COMPREHENSIVE INCOME STATEMENT THAT WILL NOT SUBSEQUENTLY BE RECLASSIFIED IN THE INCOME STATEMENT			
Actuarial gains/(losses) for employee benefits		(106,371)	38,428
Tax effect on actuarial gains/(losses) for employee benefits		28,940	(10,252)
TOTAL COMPONENTS OF COMPREHENSIVE INCOME STATEMENT THAT WILL NOT SUBSEQUENTLY BE RECLASSIFIED IN THE INCOME STATEMENT (C1)		**(77,431)**	**28,176**
COMPONENTS OF COMPREHENSIVE INCOME STATEMENT THAT MAY SUBSEQUENTLY BE RECLASSIFIED IN THE INCOME STATEMENT			
TOTAL COMPONENTS OF COMPREHENSIVE INCOME STATEMENT THAT MAY SUBSEQUENTLY BE RECLASSIFIED IN THE INCOME STATEMENT (C2)		**-**	**-**
TOTAL OTHER COMPREHENSIVE PROFIT (LOSS), NET OF THE TAX EFFECT (C) = (C1)+(C2)		**(77,431)**	**28,176**
TOTAL COMPREHENSIVE PROFIT OR LOSS OF THE YEAR (A)+(B)+(C)		**22,779,694**	**12,321,659**

Cash flow statement

(figures in Euro)

	Note	2019	2018
		FOR THE YEAR ENDED AS AT 31 DECEMBER	
PROFIT BEFORE TAX		**31,543,209**	**16,814,371**
ADJUSTMENTS FOR:			
Amortisation/depreciation of:			
– usage rights	10.6	184,108	–
– intangible assets	10.6	172,411	198,993
– property, plant and equipment	10.6	18,309	13,529
Allocations to and releases from provisions	9.13	459,711	1,168,606
Financial (Income)/Expenses	10.9	(95,354)	(131,626)
Other non-monetary elements		(14,806)	–
Cash flow from operations before changes in net working capital		*32,267,588*	*18,063,873*
(Increase)/Decrease in trade receivables	9.7	(21,353,228)	7,342,315
(Increase)/Decrease in other assets/liabilities and deferred tax assets/liabilities	9.6;9.10;9.17	12,949,080	304,341
Increase/(Decrease) in trade receivables	9.16	19,098,696	(10,186,228)
Interest income and other financial income collected	10.9	472,629	350,092
Interest income and other financial expenses paid	10.9	(348,436)	(299,155)
Use of provisions for risks and charges	9.13	(455,471)	(730,779)
Taxes paid		(5,103,946)	(5,764,401)
CASH FLOWS FROM OPERATIONS (A)		**37,526,912**	**9,080,058**
Net capital expenditure in intangible assets	9.2	–	(1,067,999)
Net capital expenditure in property, plant and equipment	9.3	(33,759)	(85,669)
(Increase)/Decrease in financial receivables	9.9	(19,542,530)	490,429
CASH FLOW FROM INVESTMENT/DIVESTMENT ACTIVITIES (B)		**(19.576.289)**	**(663,239)**
Financial payables (new issues of long-term borrowings)	9.15	–	5,000,000
Financial payables (repayments and other net changes)	9.15	(1.435.202)	–
Dividends paid		(13,130,000)	(13,130,000)
CASH FLOW FROM FINANCING ACTIVITIES (C)		**(14.565.202)**	**(8,130,000)**
Increase/(Decrease) in cash and cash equivalents (a+b+c)		*3,385,421*	*286,819*
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR		**1,549,354**	**1,262,535**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**4,934,775**	**1,549,354**
of which:			
bank and postal current accounts		4,954,640	1,566,729
current account overdrafts		(20,125)	(17,500)
cash on hand		260	125

Statement of changes in shareholders' equity

(in thousands of Euro)

	Share capital	Legal reserve	Share premium reserve	Other Reserves and earnings carried forward	Profit or loss for the year	Total Sharehol-ders' Equity
BALANCE AS AT 31 DECEMBER 2017	**20,200**	**4,040**	**11,025**	**52,335**	**18,973**	**106,573**
TRANSACTIONS WITH SHAREHOLDERS:						
Distribution of dividends	-	-	-	-	(13,130)	(13,130)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**-**	**-**	**-**	**(13,130)**	**(13,130)**
ALLOCATION OF THE PROFIT FOR THE YEAR TO RESERVE	**-**	**-**	**-**	**5,843**	**(5,843)**	**-**
COMPREHENSIVE PROFIT (LOSS) FOR THE YEAR:						
Profit or loss for the year	-	-	-	-	12,293	12,293
Actuarial gains/(losses) for employee benefits, net of tax effect	-	-	-	28	-	28
TOTAL COMPREHENSIVE PROFIT OR LOSS OF THE YEAR	**-**	**-**	**-**	**28**	**12,293**	**12,321**
BALANCE AS AT 31 DECEMBER 2018	**20,200**	**4,040**	**11,025**	**58,206**	**12,293**	**105,764**
Adoption of new accounting standards	**-**	**-**	**-**	**(50)**	**-**	**(50)**
BALANCE AS AT 1 JANUARY 2019	**20,200**	**4,040**	**11,025**	**58,156**	**12,293**	**105,714**
TRANSACTIONS WITH SHAREHOLDERS:						
Share capital increases	205	-	1,359	-	-	1,564
Distribution of dividends	-	-	-	(837)	(12,293)	(13,130)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**205**	**-**	**1,359**	**(837)**	**(12,293)**	**(11,566)**
ALLOCATION OF THE PROFIT FOR THE YEAR TO RESERVE	**-**	**-**	**-**	**-**	**-**	**-**
COMPREHENSIVE PROFIT (LOSS) FOR THE YEAR:						
Profit or loss for the year	-	-	-	-	22,857	22,857
Actuarial gains/(losses) for employee benefits, net of tax effect	-	-	-	(77)	-	(77)
TOTAL COMPREHENSIVE PROFIT OR LOSS OF THE YEAR	**-**	**-**	**-**	**(77)**	**22,857**	**22,780**
BALANCE AS AT 31 DECEMBER 2019	**20,405**	**4,040**	**12,384**	**57,242**	**22,857**	**116,928**

Explanatory notes

1. General information

Dolomiti Energia S.p.A. (the “Company” or “DE”) is a multiutility company that purchases and sells electricity, gas, heat, invoicing management and customer service for municipal waste and water services.

Dolomiti Energia S.p.A. is a company established and headquartered in Italy and organised according to the laws of the Republic of Italy, with its registered office in Via Fersina 23, Trento.
As at 31 December 2019, the share capital of the Company was held by:

Shareholder	No. of Shares owned	Shareholding %
Dolomiti Energia Holding Spa	16,942,700	83,03
Stet Spa	1,302,000	6,38
A.G.S. Spa	918,000	4,50
AIR Spa	750,000	3,68
Cles Municipal Authority	91,890	0,45
Avio Municipal Authority	66,000	0,32
Ossana Municipal Authority	46,000	0,23
Vermiglio Municipal Authority	40,410	0,20
Fai della Paganella Municipal Authority	26,000	0,13
Dimaro Folgarida Municipal Authority	17,000	0,08
ASM TIONE	198,614	0,97
Molveno Municipal Authority	6,718	0,03
TOTAL	**20.405.332**	**100,00**

2. Summary of the adopted accounting standards

The main accounting criteria and standards applied in the preparation and drafting of the financial statements of the Company (the “Financial Statements”) are described below. These accounting standards were applied consistently for all the years presented herein.

2.1 BASIS OF PREPARATION

European Regulation (EC) no. 1606/2002 of 19 July 2002 introduced the obligation, starting from 2005, of application of 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 the preparation of the financial statements having equity and/or debt instruments listed on one of the regulated markets of the European Community. As a result of the aforesaid European Regulation, on 28 February 2005 Legislative Decree no. 38 was promulgated; it was subsequently amended by Law Decree no. 91 of 24 June 2014, which regulated, inter alia, the option, for unlisted companies, to adopt the International Accounting Standards for the preparation of their financial statements.

During 2018, the Company issued and listed a bond with a nominal value of 5 million euro on the regulated Main Securities Market of the Irish Stock Exchange, taking on the status of Public Interest Entity and as such from the same year onwards Dolomiti Energia is obligated to prepare its financial statements in accordance with the EU IFRS standards and it identified 1 January 2017 as the IFRS transition date (the "Transition Date").

The Financial Statements were prepared in accordance with the EU IFRS in force at the date of their approval. It is specified that EU IFRS means all "International Financial Reporting Standards", all "International Accounting Standards" (IAS), all the interpretation of the "International Reporting Interpretations Committee" (IFRIC), previously called "Standing Interpretations Committee" (SIC) which, at the date of approval of the Financial Statements, were endorsed by the European Union according to the procedure prescribed by Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002.

The Financial Statements were prepared on a going concern basis and on the basis of the conventional criterion of historical cost, with the exception of some items that are measured at fair value, in accordance with the provisions contained in the International Accounting Standards

The present Financial Statements were prepared on the basis of the best knowledge of EU IFRS and taking into account the best doctrine on the material; any future interpretational orientations and revisions will be reflected in the following years, according to the procedures prescribed at the time by the reference accounting standards.

The present Financial Statements are subject to the approval of the Board of Directors of the Company on 26 March 2020.

2.2 FORM AND CONTENT OF THE FINANCIAL STATEMENTS

In relation to the form and to the content of the financial statements, the Company made the following choices:

- the statement of financial position exposes current and non-current assets separately and, similarly, it represents current and non-current liabilities;
- the statement of comprehensive income for the year includes, in addition to the profit or loss for the period, also the changes in shareholders' equity pertaining to economic items that, by express provision of the International Accounting Standards, are recognised among shareholders' equity components; and
- the cash flow statement for the year is represented according to the indirect method.

The layouts used, as specified above, are those that best represent the economic and financial situation of the Company.
These financial statements are stated in euro, functional currency of the Company.
The values stated in the financial statements are expressed in Euro, while the values of the detailed tables included in the explanatory note are expressed in thousands of Euro, unless otherwise indicated.
The Financial Statements are audited by the independent auditor PricewaterhouseCoopers S.p.A.

2.3 MEASUREMENT CRITERIA

Application of IFRS 16 - Leases

The new standard IFRS 16 - Leases (Regulation 2017/1986), in application since 1 January 2019, was published by the IASB on 13 January 2016, and replaces the standard IAS 17 - Leasing, as well as the interpretations IFRIC 4 - Determining whether an Arrangement Contains a Lease, SIC 15 - Operating leases - Incentives and SIC 27 - Evaluating the Substance of Transactions in the Legal Form of a Lease.

The standard provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset to distinguish between leasing agreements and service agreements, identifying as discriminating factors: the identification of the asset, the right to replace it, the right to obtain essentially all the economic benefits arising from the use of the asset and the right to direct the use of the asset underlying the agreement.

The standard establishes a single model for the recognition and measurement of leasing agreements for the lessee which envisages the recognition of the leased item as an asset, with a financial payable as matching entry, also providing the possibility of not applying the above model to agreements involving low-value assets and leases with a duration of 12 months or less (short-term leases). By contrast, the new standard does not include significant changes for the lessees.

The Company has availed itself of the practical expedient envisaged by section C3, which makes it possible to base oneself on the conclusions reached in the past on the basis of IFRIC 4 and IAS 17 regarding the qualification of operating lease for a specific agreement. This practical expedient has been applied to all the agreements, as envisaged by section C4.

In conclusion, the Company has chosen to apply the standard retroactively, however recognising the cumulative effect which arises under shareholders' equity as at 1 January 2019, in accordance with the matters envisaged by sections C7-C13.

In particular, the Company has recognised the following in the accounts with reference to the lease agreements previously classified as operating:

- a financial liability, equal to the current value of the residual future payments as of the transition date, discounted back using for each agreement the marginal lending rate applicable as of the transition date;
- a usage right equal to the net book value which the same would have had in the event that the Standard had been applied as from the start date of the agreement, using the discount rate defined as of the transition date.

The following table shows the effects of the adoption of IFRS 16 as at the transition date:

(figures in thousands of Euro)	EFFECT AS AT THE TRANSITION DATE 1 JANUARY 2019
NON-CURRENT ASSETS	
Building usage rights	700
Usage rights for other movable assets	191
TOTAL ASSETS	**891**
NON-CURRENT LIABILITIES	
Non-current financial liabilities	(765)
Current liabilities	
Current financial liabilities	(176)
TOTAL LIABILITIES	**(941)**
SHAREHOLDERS' EQUITY RESERVES	**(50)**

When adopting EU IFRS 16, the Company availed itself of the exemption granted by section 5 a) in relation to leases with a duration of less than 12 months, in particular for certain vehicle rental agreements and the exemption granted by section 5 b) with regard to lease agreements for which the underlying asset is a low value asset, i.e. when the assets underlying the agreement did not exceed the replacement value of 5,000 euro.

With regard to these agreements, the introduction of EU IFRS16 did not lead to the recognition of the financial liability and the related usage right. Lease payments will then be recognised in the income statement on a straight-line basis over the duration of the respective agreements.

Furthermore, with reference to the transition rules, the Company has availed itself of the following practical expedients:

- classification of the agreements which expire within 12 months from the transition date as short-term leases. The payments for these agreements will be recognised in the income statement on a straight-line basis;
- use of the information present as of the transition date to determine the duration of the agreement, with particular reference to the exercise of the extension and early closure options.

The impacts relating to the first-time application of the standard on the 2019 income statement are illustrated below.

(figures in thousands of Euro)	EFFECT OF APPLYING OF EU IFRS 16 FINANCIAL YEAR 2019
Costs for services (use of third party assets)	(206)
Amortisation/Depreciation	184
TOTAL COSTS	**(22)**
OPERATING RESULT	**(22)**
Financial expenses	20
PROFIT BEFORE TAX	**(2)**
TAXES	-
PROFIT OR LOSS FOR THE YEAR	**(2)**

Business combinations

The Company uses the acquisition method to account for business combinations. According to this method:

- the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair values of the assets transferred and of the liabilities assumed by the Company at the acquisition date and of the equity instruments issued in exchange for control over the acquired undertaking. The additional charges of the transaction are recognised in the income statement at the time they are incurred;
- at the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at fair value as at the acquisition date; exceptions are deferred tax assets and liabilities, assets and liabilities for benefits to employees, liabilities or equity instruments relating to payments based on shares of the acquired undertaking or payments based on shares related to the Company issued instead of contracts of the acquired undertaking, and the assets (or groups of assets and liabilities) held for sale, which are instead measured according to their reference standard;
- goodwill is determined as the excess amount between the sum of the considerations transferred in the business combination, of the value of the minority interest in shareholders' equity and of the fair value of any equity investment previously held in the acquired undertaking with respect to the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets acquired and liabilities assumed at the acquisition date exceeds the sum of the considerations transferred, of the value of the minority interest in shareholders' equity and of the fair value of any equity investment previously held in the acquired undertaking, this excess is recognised immediately in the income statement as income deriving from the completed transaction;
- any considerations subject to condition provided by the business combination agreement are measured at fair value at the acquisition date and included in the value of the considerations transferred in the business combination for the purposes of determining goodwill.

If the initial values of a business combination are incomplete at the closing date of the financial statements in which the business combination took place, the Company reports in its own financial statements the provisional values of the elements for which the recognition cannot be completed. These provisional values are adjusted in the measurement period to take into account the new information obtained on the facts and circumstances existing at the acquisition date which, if known, would have had effects on the value of the assets and liabilities recognised as at that date.

Goodwill

Goodwill is not amortised, but subjected to annual measurement directed at identifying any impairment losses ("impairment test"). Any impairment of goodwill is recognised if the recoverable value of goodwill is lower than its book value. No value restoration of goodwill is allowed in case of a previous impairment write-down.

The test is carried out at least annually, or otherwise if impairment indicators are identified.

Intangible assets

Intangible assets consist of non-monetary items, identifiable and lacking physical substance, controllable and able to generate future economic benefits. Intangible assets are recognised at the cost of acquisition and/or of production, including expenses directly attributable to ready the asset for its use, net of accumulated amortisation and of any impairment losses.

Amortisation of intangible assets starts when the asset is available for use and is allocated systematically in relation to its residual possibility of use, i.e. on the basis of the estimated useful life.
The useful life estimated by the Company for intangible assets is as follows:

Category	Rate %
Development costs	20,00%
Software	20,00%
Trademarks	20,00%

Property, plant and equipment

Tangible assets are measured at the cost of acquisition or production, net of accumulated amortisation and of any impairment losses. The cost include costs incurred directly to make their utilisation possible, as well as any charges for dismantling and removal that will be incurred as a result of contractual obligations that require bringing the asset back to the original conditions.
Financial expenses directly due to the acquisition, to the construction or to the production of an asset that justifies capitalisation in accordance with IAS 23 are capitalised on the asset itself as part of its cost.
Expenses incurred for ordinary and/or cyclic maintenance and repair work are directly recognised in the income statement when they are incurred. The capitalisation of the costs pertaining to the expansion, modernisation or improvement of the structural elements owned or used from third parties is carried out within the limits in which they meet the requirements to be separately classified as assets or parts of an asset.

Depreciation is applied on a straight line basis with rates that allow to depreciate the assets until expiration of the useful life.
The useful life estimated by the Company for individual categories of property, plant and equipment is as follows:

Category	Rate %
Plant and equipment	10,00%
Furniture and fittings	10,50%
Electronic office machines	16,70%

Impairment losses of non-financial assets

At each reference date of the financial statements, non-financial assets are analysed to verify the existence of indicators of any impairment. When events occur that lead to assume an impairment of non-financial assets, their recoverability is verified comparing the book value with the related recoverable value represented by the greater between fair value, net of disposal costs, and value in use. Value in use is determined discounting the expected cash flows deriving from use of the asset and, if significant and able to be reasonably determined, from its sale at the end of its useful life net of disposal costs. The expected cash flows are determined on the basis of reasonable and demonstrable assumptions representing the best estimate of the future economic conditions that will take place in the residual useful life of the asset, giving more significance to indications that come from abroad. The expected future cash flows used to determine value in use are based on the most recent business plan, approved by the management and containing the forecasts of revenue, operating costs and capital expenditure. For assets that do not generate broadly independent cash flows, the recoverable value is determined in relation to the cash generating unit (i.e. the smallest identifiable set of assets that generate autonomous incoming cash flows deriving from continuous utilisation) to which they belong. Discounting is carried out at a rate that reflects the current market valuations of the time value of money and of the specific risks of the asset not reflected in 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 because this method produces substantially equivalent values to those obtainable by discounting cash flows before taxes at a discount rate before tax derived, iteratively, from the result of the valuation after taxes. The valuation is carried out by individual asset or by cash generating unit. When the reasons for the write-downs made, the value of the assets is restored and the adjustment is made to the income statement as a revaluation (write-back). The write-back is carried out at the lesser value between the recoverable value and the book value before the write-downs carried out previously and reduced by the depreciation amounts that would have been allocated if the write-down had not been performed.

Trade receivables and other current and non-current assets

Trade receivables and other current and non-current assets are financial instruments, mainly relating to receivables from customers, non-derivative and not listed on an active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified in the balance sheet under current asset, with the exception of those whose contractual maturity is more than twelve months after the financial statements, which are classified under non-current assets.
These financial assets are recorded as assets when the company becomes a party of the contracts connected with them and they are eliminated from the assets in the balance sheet when the right to receive the cash flows is transferred together with all the risks and benefits associated with the sold asset.
Trade receivables and other current and non-current assets are originally recognised at their fair value and, thereafter, at the amortised cost, using the effective interest rate, reduced for impairment losses.
The impairment losses of the receivables are recognised in the income statement when there is objective evidence that the Company will not be able to collect the receivable on the basis of the contractual terms.
The value of trade receivables is recognised net of the related impairment provision, determined applying the simplified method and, more specifically, the model of the provision matrix, which is based on the identification of the default rates by overdue ranges, applied throughout the expected life of the receivable and updated according to significant elements of future scenario.

Cash and cash equivalents

Cash and cash equivalents include cash, bank current accounts, deposits reimbursable on demand and other short-term, highly liquid financial investments, which can be readily converted into cash, i.e. transformed into cash within 90 days from the date of original acquisition and are subject to a non-significant risk of value change.

Financial liabilities, trade payables and other payables

Financial liabilities (with the exclusion of derivative financial instruments), trade payables and other payables are initially recognised at fair value, net of directly applied ancillary costs, and they are subsequently measured at amortised cost, applying the criterion of the effective interest rate. If there is an estimable change in the expected cash flows, the value of the liabilities is recalculated to reflect this

change on the basis of the current value of the new expected cash flows and of the internal rate of return determined initially.
Financial liabilities are classified among current liabilities, unless the Company has an unconditional right to defer their payment for at least 12 months after the reference date.
Financial liabilities are removed from the financial statements at the time of their extinction and when the Company has transferred all risks and charges relating to the instrument.

Provisions for risks and charges

Provisions for risks and charges are recognised in view of losses and costs of a determined nature, of certain or probable existence, but whose amount and/or date of occurrence cannot be determined.
Provisions are recognised only when there is a current obligation (legal or implied) for a future outlay of economic resources as a result of past events and it is probable that the outlay is required for compliance with the obligation. This amount represents the best estimate of the cost to extinguish the obligation. The rate used in the determination of the current value of the liability reflects current market values and takes into account the specific risk that can be associated with each liability.
When the financial effect of time is significant and the payment date of the bonds can be reliably estimated, provisions are measured at the current value of the expected outlay using a rate that reflects the conditions of the market, the change in the cost of money over time and the specific risk tied to the obligation. The increase in the value of the provision determined by changes in the cost of money over time is recognised as a financial expense.
The risks for which the manifestation of a liability is only possible may be indicated in the dedicated information section on contingent liabilities and no allocation is made for them.

Employee provisions

Employee provisions include: i) defined contribution plans and ii) defined benefit plans

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

With reference to defined benefit plans, the net liabilities of the Company are determined separately for each plan, estimating the current value of the future benefits accrued by employees in the current year and in previous ones and deducting the fair value of any assets in the service of the plan. The current value of the obligations is based on the use of actuarial techniques that attribute the benefit deriving from the plan to periods in which the obligation to disburse it arises (Projected Unit Credit Method) and it is based on actuarial assumptions that are objective and mutually compatible. The assets in the service of the plan are recognised and measured at fair value.

If a potential asset results from this calculation, the amount to be recognised is limited to the present value of each economic benefit available in the form of future repayments or of reductions of future contributions to the plan (limit of the asset).

The components of the cost of the defined benefits are recognised as follows:

- the costs relating to services rendered are recognised in the income statement under “personnel costs” while
- the net financial expenses on defined benefit liabilities or assets are recognised in the income statement as “Financial income/(expenses)”, and they are determined by multiplying the value of the net liability/(asset) for the rate used to discount the obligations, taking into account the payments of the contributions and of the benefits that took place during the period;

- the re-measurement components of the net liabilities, which include actuarial gains and losses, the return of the assets (excluding interest income recognised in the Income statement) and any change in the limit of the asset, are recognised immediately in the statement of comprehensive income, under the changes in shareholders' equity pertaining to income statement items. These components must not be reclassified among income statement items in a subsequent year.

Public funding

Public funding is recognised at its fair value when there is reasonable certainty that all conditions necessary for their obtainment are met and that they will be received. Funding received in view of specific expenditures are recognised as liabilities and recognised in the income statement with a systematic criterion in the years necessary to oppose them to the related expenses.
Public funding as capital grants, including non-monetary contributions measured at fair value, are recognised as deferred revenue, allocated as income with a systematic and rational criterion during the useful life of the asset.

Assets and liabilities held for sale and Discontinued Operations

Non-current assets and current and non-current assets of a disposal group are classified as held for sale if the related recognition value will be recovered mainly by means of sale. This condition is considered to be met when the sale is highly probable and the asset or disposal group is available for immediate sale in its current condition. The non-current assets held for sale, the current and non-current assets pertaining to disposal groups and the directly associable liabilities are recognised in the statement of financial position separately from the other assets and liabilities.

The non-current assets held for sale are not subject to amortisation/depreciation and are measured at book value or the related fair value, whichever is the lower, net of the sales costs.

Any difference between the book value and the fair value net of sales costs is recognised in the income statement as a write-down; any subsequent write-backs are recognised up to the amount of the write-downs previously recognised, including those recognised before the asset was classified as held for sale.

Non-current assets and current and non-current assets of a disposal group, classified as held for sale, represent a discontinued operation if, alternatively:

- they represent an autonomous segment of significant activities or a geographic area of significant activities; or
- they form part of a disposal programme for an autonomous segment of significant activities or a geographic area of significant activities; or
- they are a subsidiary acquired exclusively for the purpose of sale.

The results of discontinued operations, as well as any capital gain/loss realised following disposal, are shown separately in the income statement under a specific item, net of the related tax effects; the economic values of discontinued operations are also shown for the years under comparison.
If there is a plan to sell a subsidiary that results in the loss of control, all the assets and liabilities of that investee company are classified as held for sale.

Revenue recognition

Revenue is recognised based on the recognition model prescribed by IFRS 15 based on 5 steps:

- identification of the agreement with the customer. "Agreement" means the commercial agreement approved between two or more parties, which creates rights and collectible obligations. The principle contains specific provisions to assess whether two or more agreements are to be combined and to identify the accounting implications of a contractual amendment;
- identification of the "Performance obligations" contained in the agreement;
- determination of the "Transaction price". To determine the price of the transaction, the following elements must be considered, inter alia:
  - i. any amounts collected on behalf of third parties, which have to be excluded from the consideration;
  - ii. variable components of the price (such as performance bonus, penalties, discounts, repayments, incentives, etc.);
  - iii. financial component, if the payment terms grant a significant delay to the customer;
- allocation of the price to the Performance obligations on the basis of the "Relative Stand Alone Selling Price";
- recognition of the revenue when the Performance obligation is met. The good or service is transferred when the customer obtains control of the good or service, i.e. when it has the ability to decide and/or direct its use and to obtain substantially all of its benefits. The principle expressed by IAS 18 is replaced, whereby the revenue is recognised looking at the benefits obtainable from the asset and at the assessment of the probability that the related receivable will be collected. Control can be transferred at a certain point in time or over time.

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

- revenue for sales of electricity, thermal energy, gas, heat and steam are recognised upon transfer of ownership, which takes place essentially when the performance or service is provided, even though they are not invoiced, and they are determined supplementing those measured by reading consumption with appropriate estimates.
- revenues for services rendered are recorded upon performance of the service or according to the contractual clauses.

Cost recognition

Costs are recognised at the time of acquisition of the good or service.

Taxes

Current taxes are calculated on the basis of the taxable income of the year, applying the tax rates in force at the reporting date.

Deferred tax assets and liabilities are calculated in view of all differences that emerge between the tax value of an asset or liability and the related carrying amount. Deferred tax assets, including those relating to previous tax losses, for the portion not offset by deferred tax liabilities, are recognised to the extent to which it is probable that a future taxable income is available, in view of which they can be recovered. Deferred tax liabilities and assets are determined using the tax rates expected to be applicable in the years in which the differences will be realised or extinguished, on the basis of the tax rates in force or substantially in force at the reporting date.

Current, deferred and prepaid taxes are recognised in the income statement, with the exception of those relating to items directly debited or credited in the shareholders' equity in which cases the related tax effect is also recognised directly in the shareholders' equity. Taxes are offset when they are applied by the same tax authority and there is a legal offset right.

2.4 SEGMENT REPORTING

In accordance with IFRS 8, it is specified that the Company has identified a single operating segment represented by electricity and gas trading.

3. Estimates and assumptions

The preparation of the financial statements requires, for directors, the application of accounting principles and methods that, in some circumstances, are based on assessments and estimates based on historical experience and on assumptions that are considered reasonable and realistic at the time in view of the related circumstances. The application of these estimates and assumptions influences the amounts recognised in the financial statements, as well as the information provided. The final results of the items for which the aforesaid estimates and assumptions were used may differ from those posted in the financial statements that record the effects of the emergence of the estimated event, because of the uncertainty that characterises the assumptions and the conditions on which the estimates are based.

A brief list follows of the items that, in relation to the Company, required greater subjectivity by the directors in the calculation of the estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the financial results of the Company.

- **Impairment Test**: the carrying amount of tangible and intangible assets is tested periodically and every time the circumstances or the events require more frequent testing; the impairment test for goodwill is carried out at least on every reporting date. If the carrying amount of a group of non-current assets is deemed to have undergone impairment, it is written down to the related recoverable value, estimated with reference to its use or future sale, in relation to what is specified in the most recent business plans. The estimates of these recoverable values are deemed to be reasonable, however possible changes in the estimate factor on which the calculation of the aforesaid recoverable values could lead to different assessments.
- **Provision for write-downs of trade receivables**: the provision for write-downs of receivables reflects the directors' best estimate of losses relating to the portfolio of receivables from customers. This estimate is based on the losses expected by the Company, determined according to past experience for similar receivables, of current and historical overdue receivables, to careful monitoring of credit quality and of projections about economic and market conditions.
- **Deferred tax assets**: deferred tax assets are recognised on the basis of the expectations of a taxable income in future years, for their recovery. The measurement of the taxable incomes expected for the purposes of deferred tax asset accounting depends on factors that may change over time and determine significant effects on the recoverability of deferred tax assets.
- **Provisions for risks and charges**: in view of the legal risks, allocations representative of the risk of a negative outcome are recognised. The value of the provisions recognised in the financial statements

relating to these risks represents the best estimate made by the directors at that date. This estimate entails the adoption of assumptions that depend on factors that may change over time and that therefore could have significant effects with respect to the current estimates made by directors for the preparation of the financial statements of the Company.

4.4. Accounting standards, amendments and interpretations applicable from the current year

Starting from 1 January 2019, the following accounting standards and amendments to accounting standards, issued by the IASB and endorsed, when provided, by the European Union, are mandatorily applied.

- IFRS 16 Leases (issued on 13 January 2016). The new standard replaces the previous standard on leases, IAS 17 and the related interpretation, identifies the criteria for recognition, measurement and presentation and the disclosure to be provided with reference to lease agreements for both parties, the lessor and the lessee. Although IFRS 16 does not change the definition of lease agreement provided by IAS 17, the main change is represented by the introduction of the concept of control within the definition. In particular, to determine whether an agreement represents a lease or not, IFRS 16 requires verifying whether the lessee is entitled to control use of a determined asset for a determined period of time. IFRS 16 eliminates the classification of leases as operating or financial, as required by IAS 17, introducing a single accounting recognition method for all lease agreements. Based on this new model, the lessee shall recognise in the balance sheet, the assets and liabilities for all lease agreements with more than 12 months duration, unless the underlying asset has a low value, and in the income statement, the depreciation of the assets relating to leases separately from the interest relating to the connected liabilities. With reference to the lessor, IFRS 16 reproduces, substantially, the accounting recognition requirements prescribed by IAS 17.
- IFRIC 23 Uncertainty on treatments for income tax purposes (issued on 7 June 2017). The interpretation clarifies how to apply the requirements for the recognition and measurement of IAS 12 in case of uncertainty on tax treatments relating to income taxes (current and deferred). If there are uncertainties on the application of the tax regulations to a specific transaction or group of transactions, IFRIC 23 requires the assessment of the probability that the Tax Authority will accept the choice made by the company with regard to the tax treatment of the transaction. The interpretation also requires the company to review opinions and estimates made in the presence of a change in facts and circumstances that would change its forecasts with regard to the acceptability of a given tax treatment or estimates made on the effects of uncertainty or both.
- • Amendments to IFRS 9 Prepayment Features with Negative Compensation (issued on 12 October 2017). The amendments, endorsed with Regulation No. EU 2018/498, introduce an exception for particular financial assets that would provide contractual cash flows represented exclusively by payments of principal and interest (IFRS 9, Par. 4.1.2), but do not meet this condition only for the presence of a contractual early redemption clause. In particular, the amendments provide that financial assets with contractual clause that allows (or obligates) the issuer to repay a debt instrument or allows (or obligates) the possessor to repay a debt instrument to the issuer before maturity can be measured at amortised cost or at fair value with the balancing entry in Other comprehensive income, subject to the assessment of the business model in which they are held, if the following conditions are met:

- the company acquires or issues the financial asset with a premium or at a discount with respect to the nominal amount of the agreement;
- the amount of the early redemption represents substantially the nominal contractual amount and the accrued (but not paid) contractual interest, which may include a reasonable additional compensation for the early termination of the agreement; and
- upon initial recognition by the company, the fair value of the early payment option is not significant.

- Amendments to IAS 28 Investments in Associates and Joint Ventures (issued on 12 October 2017). The amendment clarifies that the company has to apply the provisions of IFRS 9 Financial Instruments to any other long-term interest, which substantially represents an additional component of the shareholding in the associated company or in the joint venture, to which the equity method is not applied (e.g. preferred shares, loans and non-trade receivables). Any losses recognised at equity, in excess with respect to the equity investment of the entity in ordinary shares of the associate or of the joint venture, are attributed to the other components of the equity investment in reverse order with respect to their degree of subordination (i.e. liquidation priority) after applying IFRS 9.
- Amendments to IAS 19 Employee Benefits (issued on 7 February 2018). The "Plan Amendment, Curtailment or Settlement" interpretation obligates the company to use updated actuarial hypotheses to determine pension expenses as a result of changes made to defined benefits to employees.
- Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017). The document introduces amendments to the following standards:
  - IFRS 3 Business Combinations. The IASB clarifies that when an entity obtains control of an asset that is a joint operation, it shall redetermine the value of that asset, because this transaction would be considered a business combination carried out in stages and therefore to be recorded for accounting purposes on that basis;
  - IFRS 11 Joint Arrangements. It is clarified that if a party that participates in a joint operation, but does not have joint control, and subsequently obtains joint control on the joint operation (which constitutes an asset as defined in IFRS 3), is not obliged to redetermine the value of that asset.
  - IAS 12 Income Taxes. The present amendment clarifies that the tax effects of income taxes deriving from distribution of the earnings (i.e. dividends), including payments on financial instruments classified as shareholders' equity, shall be recognised when a liability for the payment of a dividend is recognised. The consequences of income taxes shall be recognised in the income statement, in the statement of comprehensive income or in the shareholders' equity in consideration of the nature of the transactions or of the past events that generated the distributable earnings or of how they were initially recognised.
  - IAS 23 Borrowing Costs. The amendment clarifies that in calculating the capitalization rate for the loans, an entity should exclude the financial expenses applicable to the loans made specifically to obtain an asset, only until the asset is ready and available for its expected use or sale. The financial expenses relating to specific loans that remain extant after the related asset is ready for the expected use or for sale shall subsequently be considered as a part of the general borrowing costs of the entity.

With reference to the application of these standards, amendments and new interpretations, it should be noted that no effects have been recognised on the Company's 2019 financial statements, with the exception of EU IFRS 16, for the effects of which reference should be made to note 2.3 'Application of IFRS 16 – Leases'.

5. Accounting standards endorsed by the European Union, but applicable in subsequent years

The following accounting standards, amendments of accounting standards and interpretations issued by the IASB and acknowledged by the European Union as of the date of presentation of the 2019 financial statements, emerge as applicable on a mandatory basis from the accounting periods subsequent to 2019.

- Conceptual Framework (issued on 29 March 2018) applicable as from 1 January 2020. The goal of the project on the Conceptual Framework is to improve financial disclosure, providing a more complete, clear and up to date series of the conceptual elements. The purpose of the framework is to:
  - assist the Board in the development of IFRS based on consistent concepts;
  - assist those who prepare the financial statements in the development of consistent accounting policies when no IFRS standard applies to a particular transaction or to an event, or when a standard allows a choice of accounting policy;
  - assist other parties in the comprehension and interpretation of the standards.
- Amendments to IAS 1 and IAS 8 Definition of "material" (issued on 31 October 2018), applicable as from 1 January 2020. The IASB clarifies that information is to be deemed "material" if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Hence, the amendment has the purpose of assisting the entity in assessing the significance of the information to be included in its own financial statements.
- Amendments to IFRS9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform" (issued on 26 September 2019), applicable as from 1 January 2020. The amendments concern the companies which apply hedge accounting according to the provisions of IFRS 9 and IAS 39 to hedging relationships directly affected by the reference interest rates. The adoption does not bring about any effects for the Company.

6. Accounting standards application in following years, but not yet endorsed by the European Union as at 31 December 2019

- • IFRS 17 Insurance Contracts (issued on 18 May 2017). The new accounting standard identifies the criteria for recognition, measurement and presentation and the disclosure to be provided with reference to insurance contract. Following its endorsement, it will fully replace IFRS 4 Insurance Contracts issued in 2005. IFRS 17 will be applied to all types of insurance contracts, with reference to the issuing entities. The purpose of the new standard is to provide a model for the accounting recognition of insurance contracts, more useful and consistent for all insurance entities. The new standard will be applicable from the years beginning on 1 January 2021 and the presentation of comparative data will be required; in November 2018, the IASB decided to propose the deferral of the entry into force of IFRS 17 by one year, i.e. in 2022. The adoption does not bring about any effects for the Company.

- Amendments to IFRS 3 Business Combinations (issued on 22 October 2018). The IASB published the definition of Business, with the goal of clarifying the difference between an acquisition that represents a business or a group of assets. For a business to be identifiable, the acquisition of a set of assets and means shall also include a set of organised processes, which as a whole are able to produce goods and services. The amendments shall be prospectively applicable to the transactions whose acquisition date is equal or subsequent to the year starting 1 January 2020. Early adoption is allowed. The adoption does not bring about any effects for the Company.

7. Information about financial risks

Within the field of business risks, the main risks identified, monitored and, insofar as it is specified below, actively managed by the Company are as follows:

- market risk (defined as risk of fluctuations in the price of commodities);
- credit risk (both in relation to normal commercial dealings with customers and to financing activities);
- liquidity risk (with reference to the availability of financial resources and to access to the credit market and of financial instruments in general); and
- rate risk (defined as interest rate risk).

The goal of the Company is to maintain over time a balanced management of its financial exposure, able to ensure a structure of liabilities that is balanced with the composition of the assets and able to ensure the necessary operating flexibility through the use of the cash generated by current operating assets and the use of bank loans.

The management of the related financial risks is guided and monitored centrally. In particular, the assigned function has the task of assessing and approving the forecast financial requirements, it monitors their variations and, if necessary, it takes the appropriate corrective actions.

The following section provides qualitative and quantitative reference indications on the incidence of these risks on the Company

7.1 MARKET RISK

Dolomiti Energia's main risk factor is linked to price fluctuations of the commodities (electricity and gas), whose sale represents its core business. The adopted risk management policy, which entails a structure for the procurement of the commodities from Dolomiti Energia Trading (a company of the Dolomiti Energia Group) with indexing profiles coinciding with those formalised in sales to customers, has the objective of minimising the Company's exposure.

7.2 CREDIT RISK

Credit risk represents the exposure of the Company to potential losses deriving from failure to comply with the obligations assumed by the counterparties.

Credit is monitored constantly during the year to ensure that the total always expresses its estimated realisable value.

The Company operates in both the retail market and the business market and is therefore sensitive to credit risk.

To limit this variable, the company carefully analyses the reliability of industrial customers and, when possible, requests sureties. For all customers, the reminder times and the times for the closure of contracts due to arrears were shortened, in order to minimise the related risks.

Total exposure to credit risk as at 31 December 2019 and as at 31 December 2018 is represented by the summation of the financial assets recorded in the financial statements, summarised below:

(in thousands of Euro)

	As at 31 December 2019	As at 31 December 2018
Trade receivables (net of provision for write-downs)	239,562	227,310
Other trade receivables	5,031	7,486
Trade receivables held for sale	11,556	-
Financial assets (current and non-current)	20,594	1,051
Other assets (current and non-current)	41,905	47,698
TOTAL	**307,092**	**283,545**

The following table shows the amounts of trade receivables as at 31 December 2019 by overdue date.

(in thousands of Euro)

	To be overdue	Overdue 0-30 days	Overdue 31-60 days	Overdue 61-90 days	Overdue 91-180 days	Overdue after 180 days	Total
Trade receivables	217,679	8,108	2,751	2,023	2,301	16,106	248,968
Provision for write-downs							(9,406)
TOTAL	**217,679**	**8,108**	**2,751**	**2,023**	**2,301**	**16,106**	**239,562**

7.3 LIQUIDITY RISK

Liquidity risk can be manifested with the inability to obtain, at economic conditions, the financial resources necessary for the operations of the Company. The two main factors that influence the liquidity of the Company are:

- the financial resources generated or absorbed by operating and investment activities;
- the characteristics of maturity or renewal of the financial debt.

To ensure the Company has the necessary financial means for carrying out ordinary business, it has stipulated a service agreement for finance management with the parent company Dolomiti Energia Holding, which makes provision for treasury management under a "cash pooling" arrangement and surety management activities. The Company's financial position is constantly monitored and does not exhibit any particular critical issues. The financial position includes a bond of nominal 5 million euro bullet fixed rate, issued on 27 February 2018 and with maturity on 10 August 2022, repaid during 2019 for 1,250 thousand euro.

The following table analyses the financial liabilities (including trade receivables and other payables), expected to be repaid within the year, in the period between one and five years and beyond 5 years:

(in thousands of Euro)	MATURITY		
As at 31 December 2019	**Within 1 year**	**Between 1 and 5 years**	**Beyond 5 years**
Trade payables	172,087	-	-
Financial liabilities (current and non-current)	1,900	3,098	-
Other liabilities (current and non-current)	20,925	5,222	-
TOTAL	**194,912**	**8,320**	**-**

(in thousands of Euro)	MATURITY		
As at 31 December 2018	**Within 1 year**	**Between 1 and 5 years**	**Beyond 5 years**
Trade payables	163,613	-	-
Financial liabilities (current and non-current)	1,708	3,750	-
Other liabilities (current and non-current)	9,684	5,408	-
TOTAL	**175,005**	**9,158**	**-**

7.4 RATE RISK

The risk of interest rate fluctuations is limited, because financial exposure is represented by a fixed rate bond, with duration until 2022.

8. Fair value estimate

The Company has no financial instruments measured at fair value; all financial assets and liabilities of the Company are fully included in the category of financial instruments measured at equity..

9. Notes to the statement of financial position

9.1 USAGE RIGHTS

The retrospective application of international accounting standard IFRS 16 led to the recognition as at 1 January 2019 of non-current assets (usage rights) and current and non-current financial liabilities (note 9.15); the usage rights were calculated as the net book values of the assets covered by the rental and lease agreements, determined as if the standard had been applied as from the date of their activation and using the discount rate defined as at the transition date.

The following table shows the change in "Usage rights" as of the transition date as at 31 December 2019.

(in thousands of Euro)

	Building usage rights	Usage rights for other assets	Total
BALANCE AS AT 1 JANUARY 2019	**700**	**191**	**891**
of which:			
Historical cost	*1.373*	*334*	*1.707*
Accumulated depreciation	*(673)*	*(143)*	*(816)*
Increases	-	36	36
Net divestments	-	(14)	(14)
Amortisation/Depreciation	(120)	(64)	(184)
BALANCE AS AT 31 DECEMBER 2019	**580**	**149**	**729**
of which:			
Historical cost	*1.373*	*306*	*1.679*
Accumulated depreciation	*(793)*	*(157)*	*(950)*

"Building usage rights", amounting to 580 thousand euro, refer to agreements covering real estate complexes intended for use as operating headquarters and offices located throughout the area.
"Usage rights for other assets", amounting to 149 thousand euro, refer to agreements covering vehicles, with an average duration of 5 years. For company vehicles the Company has opted for long-term rental and when the agreements expire these are replaced with new vehicles and new long-term agreements; sometimes on the natural expiry of the agreement this is extended for a further 12 months, without formal envisaging renewal.
The information required by EU IFRS 16, section 53 is presented below.

(in thousands of Euro)

	Note	As at 31 December 2019
Amortisation of usage rights	10.6	184
Interest expense on financial liabilities for leases	10.9	20
Costs relating to short-term agreements	10.4	4
Costs relating to agreements for assets of a modest value	10.4	75
Costs relating to variable payments for leasing not included in the measurement of the liabilities		-
Income from sub-letting of assets consisting of the usage right		-
Total outgoing cash flow for leases		285
Gains/(losses) from sales and leaseback transactions		-

9.2 GOODWILL AND INTANGIBLE ASSETS

The changes in items "Goodwill" and "Intangible assets", for the financial years ended 31 December 2019 and 2018, are shown hereunder:

	Goodwill	Development costs	Industrial patents and intellectual property rights	Franchise, licenses, trademarks and similar	Work in progress and advance payments	Total
BALANCE AS AT 31 DECEMBER 2017	**2,716**	**-**	**53**	**47**	**446**	**3,262**
of which:						
Historical cost	*2,716*	*-*	*290*	*277*	*446*	*3,729*
Accumulated amortisation	*-*	*-*	*(237)*	*(230)*	*-*	*(467)*
Increases	674	394	-	-	-	1,068
Reclassifications	100	346	-	-	(446)	-
Amortisation	-	(148)	(36)	(15)	-	(199)
BALANCE AS AT 31 DECEMBER 2018	**3,490**	**592**	**17**	**32**	**-**	**4,131**
of which:						
Historical cost	*3,490*	*740*	*291*	*277*	*-*	*4,798*
Accumulated amortisation	*-*	*(148)*	*(273)*	*(245)*	*-*	*(666)*
Increases	1,564	-	-	-	-	1,564
Amortisation	-	(148)	(15)	(9)	-	(172)
BALANCE AS AT 31 DECEMBER 2019	**5,054**	**444**	**2**	**23**	**-**	**5,523**
of which:						
Historical cost	*5,054*	*740*	*290*	*277*	*-*	*6,361*
Accumulated amortisation	*-*	*(296)*	*(288)*	*(254)*	*-*	*(838)*

Goodwill was recognised as a result of transfer operations. In particular, the increase for 2019 derives from the conferrals by the Molveno (TN) Municipal Authority and the entity ASM Tione of the business segments intended for the exercise of the electricity and gas sales activities in the Municipalities of Molveno, Tione di Trento, Borgo Lares (TN), Tre Ville (TN) and Sella Giudicarie (TN); the Company acquired the contractual dealings underway with the end users, against a share capital increase for a total of 205,332 shares with a par value of 1 euro each, and a total share premium of 1,359 thousand euro.

The development costs mainly include the costs incurred up until the previous year for carrying out the analysis and verification of the main operating processes of the Company and of the corporate climate, followed by organisational revision and investment activities on the information systems available to the company.

Industrial patents and intellectual property rights include commercial software (2 thousand euro), while the item Franchise, licenses, trademarks and similar rights includes the value of the pre-emption agreements for the supply of gas, which are amortised on the basis of the duration of the commercial agreement (23 thousand euro).

Impairment test on goodwill as at 31 December 2019

The Company performed an impairment test at year end, in order to assess any possible impairment in goodwill, recorded for an amount of 5,054 thousand euro as at 31 December 2019.

The test is performed by comparing the carrying value of assets, or group of assets, included in the Cash Generating Unit, with the recoverable value of the asset itself, generated by the higher value between fair value (net of any possible sales costs) and discounted net cash flows that are expected for the asset of group of assets within the CGU (value in use). For the purpose of impairment testing, explicit cash flows were used, as provided for in the 2020-2022 budget and plan approved by the Company's Board of Directors and related to 2023-2024 financial years, as extracted from the economic-financial plan prepared by the Management in continuity with the last year of the plan.

One single C.G.U., reflecting the entire Company, was identified for impairment testing.

The WACC, which reflects market evaluations of money cost e specific risks for the business sector, net of taxes, was equal to 8%, while the assumed growth rate was 0.

The impairment test performed highlighted no impairment, with reference to the amounts recorded on the goodwill as at 31 December 2019. Therefore, these assets were not written down.

Even increasing the WACC used by 25%, the impairment test highlighted no impairment as regards the CGU.

9.3 PROPERTY, PLANT AND EQUIPMENT

The changes in item "Property, plant and equipment" for the financial years ended 31 December 2019 and 2018, are shown hereunder:

(in thousands of Euro)

	Plant and equipment	Other assets	Total
BALANCE AS AT 31 DECEMBER 2017	**63**	**5**	**68**
of which:			
Historical cost	*70*	*57*	*127*
Accumulated depreciation	*(7)*	*(52)*	*(59)*
Increases	86	4	90
Net decreases	(4)	-	(4)
Depreciation	(11)	(3)	(14)
BALANCE AS AT 31 DECEMBER 2018	**134**	**6**	**140**
of which:			
Historical cost	*152*	*60*	*212*
Accumulated depreciation	*(18)*	*(54)*	*(72)*
Increases	33	-	33
Depreciation	(17)	(1)	(18)
BALANCE AS AT 31 DECEMBER 2019	**150**	**5**	**155**
of which:			
Historical cost	*185*	*61*	*246*
Accumulated depreciation	*(35)*	*(56)*	*(91)*

Changes over the year relate mainly to the purchase of recharge plants for electric vehicles in the Province of Trento, for an amount of 33 thousand euro, recorded under the item Plant and equipment. The item Other assets include furniture and office machines.

9.4 EQUITY INVESTMENTS

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

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2019	2018
Equity investments in other companies	3	3
TOTAL	**3**	**3**

The item refers to the subscription of shares in cooperatives of manufacturers and users of renewable energy sources, unchanged compared to the previous year.

9.5 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities as at 31 December 2019 and 31 December 2018 are broken down as follows:

(in thousands of Euro)

	As at 31 December 2019	As at 31 December 2018
Goodwill		
Provision for write-downs	2,429	2,045
Production bonuses	111	112
Provisions for risks and charges	176	179
Charitable donations	157	-
Other minor	6	3
Employee severance indemnity and other benefits	112	87
TOTAL PREPAID TAXES	**3,667**	**3,214**

(in thousands of Euro)

	As at 31 December 2019	As at 31 December 2018
Goodwill	183	141
Capital gains instalment spread	50	101
TOTAL DEFERRED TAXES	**233**	**242**

The following table shows the changes in assets for deferred tax assets and deferred tax liabilities, apportioned by temporary differences, determined based on tax rates envisaged by regulations in force.

(in thousands of Euro)

	as at 31.12.2018	Increases/ (Decreases) in Income Statement	Increases/ (Decreases) in Shareholders' Equity	Other changes in Income Statement	Other changes in Shareholders' Equity	as at 31.12.2019
DEFERRED TAX ASSETS:						
Goodwill	**788**	(112)	-	-	-	676
Provision for write-downs	**2,045**	384	-	-	-	2,429
Production bonuses	**112**	(1)	-	-	-	111
Provisions for risks and charges	**179**	(3)	-	-	-	176
Charitable donations	**-**	157	-	-	-	157
Other minor	**3**	3	-	-	-	6
Employee severance indemnity and other benefits	**87**	(4)	29	-	-	112
TOTAL PREPAID TAXES	**3,214**	**424**	**29**	**-**	**-**	**3,667**
Goodwill	**141**	42	-	-	-	183
Capital gains instalment spread	**101**	(51)	-	-		50
TOTAL DEFERRED TAXES	**242**	**(9)**	**-**	**-**	**-**	**233**

9.6 OTHER NON-CURRENT ASSETS

Si riporta di seguito il dettaglio della voce "Altre attività non correnti" al 31 dicembre 2019 e al 31 dicembre 2018:

(in thousands of Euro)	As at 31 December	
	2019	**2018**
Non-current accounts receivable - companies subject to control by parent companies	36,902	36,902
Non-current accounts receivable - other	94	93
Multi-year prepayments	3	287
TOTAL	**36,999**	**37,282**

This item mainly includes guarantee deposits to guarantee contracts for the electricity and gas transport service, paid to the affiliates SET Distribuzione SpA for 29,180 thousand euro and Novareti Spa for 7,722 thousand euro, unchanged from the previous year.

Non-current accounts receivable to others include the amounts of guarantee deposits paid to Public Entities to guarantee the regular payment of excise duties, while multi-year prepayments include advertising investments borne in 2018, but pertaining to 2020.

9.7 TRADE RECEIVABLES

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

(in thousands of Euro)	AS AT 31 DECEMBER	
	2019	**2018**
Accounts receivable - customers	246,014	236,116
Accounts receivable - parent companies	431	201
Accounts receivable - companies subject to control by parent companies	7,554	9,618
Provision for write-downs	(9,406)	(11,139)
TOTAL	**244,593**	**234,796**

The item "Trade receivables", disclosed net of the related provision for write-downs, includes mainly accounts receivable from customers and allocations for invoices and credit notes to be issued for the sale of electricity and gas.

Accounts receivable from subsidiaries of Dolomiti Energia Holding result from service

contracts, mainly related to the sale of electricity (consumption unit imbalances), manufacturers' refunds and expenses for the free supply of electricity to the Province of Trento

(pursuant to article 13 Pres. Decree 670/1972) vis-a-vis the producer Hydro Dolomiti Energia Srl.

Trade receivables as at 31 December 2019 have been separated from the value attributable to the business segment Igiene Urbana (municipal waste), subject to transfer as from 1 January 2020 to the affiliate Dolomiti Ambiente; the value of the receivables pertaining to this business segment at year end amounted to 11,556 thousand euro, net of the related provision for write-downs amounting to 2,863 thousand euro.

The adjustment criteria of receivables at the expected realisable value take into account different measurements based on the status of the dispute.

The provision for write-downs showed the following changes during 2019 and 2018:

(in thousands of Euro)

	Provision for write-downs
AS AT 1 JANUARY 2018	**11,947**
Provisions	2,395
Usage	(3,203)
AS AT 31 DECEMBER 2018	**11,139**
Provisions	4,288
Usage	(3,158)
Igiene Urbana (municipal waste) segment provision	(2,863)
AS AT 31 DECEMBER 2019	**9,406**

The allocation of the period amounted to 4,288 thousand euro, while usage amounted to 3,158 thousand euro, mainly resulting from the removal of trade receivables in bankruptcy proceedings.

9.8 CURRENT TAX ASSETS AND LIABILITIES

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

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2019	2018
IRAP	-	263
TOTALE	**-**	**263**

The IRAP (productivity tax) credit as at 31 December 2018 was fully offset by the payment on account in 2019. At 31 December 2019, the Company had a liability vis-à-vis the Tax Authorities for IRAP of 471 thousand euro, equal to the taxation pertaining to the year net of the advances paid over.

9.9 CURRENT FINANCIAL ASSETSI

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

(in thousands of Euro)	AS AT 31 DECEMBER	
	2019	2018
Financial receivables for cash pooling	20,562	1,018
Other financial receivables	32	33
TOTALE	**20.594**	**1.051**

The item mainly includes the accounts receivable from the Parent Company for cash pooling, in the amount of 20,546 thousand euro, in addition to receivables for interest accrued in relation to the same amounting to 16 thousand euro, up considerably with respect to 31 December 2018 further to the improvement in the net financial position of the Company.

9.10 OTHER CURRENT ASSETS

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

in migliaia di Euro	AS AT 31 DECEMBER	
	2019	2018
ELECTR./GAS Tax credits	948	6,798
Other tax credits	-	112
Other credits	188	448
Account receivable from CSEA	2,333	2,270
Advances/Deposits	204	204
Annual prepayments	452	494
Other accounts receivables - parent companies	781	90
TOTAL	**4,906**	**10,416**

Receivables relating to electricity and gas taxes mainly derive from the lower payments on account with respect to the final invoiced amount and to the payable for electricity excise duties of the current year. Receivables from the Energy and Environmental Services Fund are due to the application of the ARERA Resolution No. 32/2019/R/GAS, which regulates the refund modalities of sellers following the redetermination of k coefficient (applied with Resolution No. 737/2017/R/GAS), instrumental to price determination of gas commodity for the protection service related to the two years from 1 October 2010 to 30 September 2012 (the collection is envisaged by way of advance during 2020).

9.11 CASH AND CASH EQUIVALENTS

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

(in thousands of Euro)	AS AT 31 DECEMBER	
	2019	2018
Bank and postal current accounts	4,955	1,567
TOTAL	**4,955**	**1,567**

Cash and cash equivalents as at 31 December 2019 related to the balance of bank and postal current accounts not falling under centralised liquidity management.

9.12 SHAREHOLDERS' EQUITY

Movements of Equity reserves are shown in these financial statements.

As at 31 December 2019, the Company's share capital amounted to 20,405 thousand euro, made up by 20,405,332 ordinary shares, with a nominal value of 1.00 euro each.

The Shareholders' Equity is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
Shareholders' Equity	2019	2018
Share capital	20,405	20,200
Legal reserve	4,040	4,040
Share premium reserve	12,384	11,025
OTHER RESERVES AND RETAINED EARNINGS		
Extraordinary reserve	56,379	57,216
FTA reserve	582	582
IAS 19 Reserve	(72)	5
Retained earnings	353	403
OTHER RESERVES	57,242	58,206
PROFIT OR LOSS FOR THE YEAR	**22,857**	**12,293**
TOTAL SHAREHOLDERS' EQUITY	**116,928**	**105,764**

During 2019, by means of two separate transactions, the Shareholders' Meeting approved a share capital increase from 20,200 thousand euro to 20,405 thousand euro, therefore for a nominal value of 205 thousand euro, through the issue of 205,332 name-registered ordinary shares with a par value of 1 euro each, with a total share premium of 1,359 thousand euro. The increase was offered in full to the Molveno Municipal Authority and the entity Azienda Servizi Municipalizzati (ASM) of Tione di Trento, with means of the freeing up of the same via conferral of the ownership of the respective business segments intended for the commercialisation of electricity and gas in the Municipalities of Molveno, Tione di Trento, Borgo Lares (TN), Tre Ville (TN) and Sella Giudicarie (TN).

The FTA reserve includes the capital effect of the transition to IFRS standards, determined at the transition date of 1 January 2017.

The table below analyses Shareholders' Equity in terms of availability and distribution options related to reserves:

(in thousands of Euro)

	31/12/2019	Possible use	Available portion	Usage summary for past three years	
				TO COVER LOSSES	FOR OTHER REASONS
I) SHARE CAPITAL	20,405				
EQUITY RESERVES					
Share premium reserve	12,384	A,B,C	12,384	-	-
PROFIT RESERVES					
Legal reserve	4,040	B	-	-	-
Extraordinary reserve	56,379	A,B,C	56,379	-	-
Fta reserve	582		-		
Retained earnings/(loss) carried forward	353		353		
IAS 19 reserve	(72)				
TOTALE	94,071		69,116	-	-
NON-DISTRIBUTABLE PORTION			(444)		
NON-DISTRIBUTABLE PORTION			68,672		

Pursuant to Article 2431 of the Italian Civil Code, the "Share Premium Reserve" can be distributed only if the Legal Reserve has achieved the threshold set out by Article 2430 of the Italian Civil Code.
These costs limit the distribution of the extraordinary reserve, in application of Article 2426/5 of the Italian Civil Code.

9.13 PROVISIONS FOR NON-CURRANT AND CURRENT RISKS AND CHARGES

The item "Provisions for risks and charges" totalled 1,688 thousand euro as at 31 December 2019 and it is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2019	2018
Provisions for non-current risks and charges	756	654
Provisions for current risks and charges	932	935
TOTAL	1.688	1.589

The item "Provisions for non-current risks and charges" includes, in the amount of 586 thousand euro, the provision for agents' leaving indemnities, allocated vis-à-vis agency relationships in place between the Company and its agents; during the year the provision was increased due to the allocations for 102 thousand euro and was not used. Moreover, following a tax assessment made by the Italian Revenue Agency as regards VAT, in 2017 the Company deemed it appropriate to allocate a special provision for risks, in the amount of 170 thousand euro in the two following years; the proceedings are still pending before the 1st level Tax Commission of Trento and the fixing of the related discussion hearing is awaited.

The provisions for current risks and charges included 416 thousand euro related to the estimated liabilities for employees' bonuses, to be paid in 2020 based on the results achieved in 2019 to be finalised. At the end of the previous year, a provision of 418 thousand euro was estimated, with the following disbursement of bonuses amounting to 337 thousand euro in 2019, while 81 thousand euro were released to Income Statement. Lastly, the Company had deemed it appropriate to allocate, for 2018, a provision of 516 thousand euro for the refunding of unduly withheld charges for the sending of paper copies of invoices to end users. On 10 December 2019, ARERA formally accepted the commitment proposal submitted by the Company and therefore closed the investigation; Dolomiti Energia will take steps to pay the indemnities to the customers during 2020.

The changes in these provisions, for the financial years ended 31 December 2019 and 2018, are broken down as follows:

(in thousands of Euro)

	Provisions for non-current risks and charges	Provisions for current risks and charges
AS AT 31 DECEMBER 2017	**560**	**454**
Provisions	94	935
Usage	-	(261)
Releases	-	(70)
AS AT 31 DECEMBER 2018	**654**	**935**
Provisions	102	416
Usage	-	(337)
Releases	-	(82)
AS AT 31 DECEMBER 2019	**756**	**932**

9.14 EMPLOYEE BENEFITS

The item "Employee benefits" as at 31 December 2019 includes, in the amount of 821 thousand euro, the Employee Termination Benefits and, in the amount of 292 thousand euro, other employee benefits.

Other benefits included age- and pension-related additional months of salary, loyalty bonuses and gold medals after a certain number of years of employment, discounts on the supply price of electricity used for household purposes.

The changes in the Employee Termination Benefits and other employee benefits for the years ended 31 December 2019 and 31 December 2018 are shown hereunder:

(in thousands of Euro)

	AS AT 31 DECEMBER 2018					
	Employee Termination Benefits (TFR)	Loyalty bonuses	Additional months of salary	Discounts on electricity	Medals	Total
LIABILITIES AT THE BEGINNING OF THE YEAR	**936**	**70**	**96**	**144**	**21**	**1.267**
Current cost for the service	-	4	5	(24)	1	(14)
Interest to be discounted	14	1	1	2	-	18
Benefits paid	(49)	(1)	-	(5)	(1)	(56)
Actuarial (gains)/losses	(6)	(8)	(8)	(14)	(2)	(38)
Transfers	(74)	-	(2)	-	-	(76)
LIABILITIES AT THE END OF THE YEAR	**821**	**66**	**92**	**103**	**19**	**1.101**

(in thousands of Euro)

	AS AT 31 DECEMBER 2019					
	Employee Termination Benefits (TFR)	Loyalty bonuses	Additional months of salary	Discounts on electricity	Medals	Total
LIABILITIES AT THE BEGINNING OF THE YEAR	**821**	**66**	**92**	**103**	**19**	**1.101**
Current cost for the service	-	3	5	-	1	9
Interest to be discounted	12	1	1	-	-	14
Benefits paid	(93)	-	(7)	(17)	-	(117)
Actuarial (gains)/losses	81	10	8	-	7	106
Transfers	-	-	-	-	-	-
LIABILITIES AT THE END OF THE YEAR	**821**	**80**	**99**	**86**	**27**	**1.113**

In October 2018, the Company reached an agreement with Trade Unions that envisages, as from 1 January 2019, the payment of one-off annual amount in replacement of electricity tariff benefits for former employees and spouses during their retirement effective as at 31 December 2018, and charges paid by Dolomiti Energia. This amendment to the Electricity Discount plan led in the previous year to a reduction of the provision for 48 thousand euro and an allocation for the estimated one-off payment totalling 24 thousand euro, subsequently paid in 2019 for 17 thousand euro. In addition, in November 2019, the Company entered into an agreement with the workers' representatives that disciplines the tariff concession also for employees still on the workforce. The agreement provides for the maintenance of the economic benefit consisting in the supply of electricity at preferential conditions to its employees until the date of retirement, in the presence of their permanence in one of the Group companies. An ad personam amount will be paid when the discount ceases to be granted on retirement. Accordingly, the Electricity Discount provision is no longer subject to actuarial measurement.

Assumptions used for the purpose of the actuarial measurements are shown hereunder:

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

A sensitivity analysis as at 31 December 2019 is shown hereunder in relation to the main actuarial assumptions included in the calculation model used for the analysis. The latter also took account of the aforesaid basic scenario, while increasing and decreasing the annual discounting average rate, the average inflation rate and the turnover rate. The results obtained can be summarised in the following table:

(in thousands of Euro)

	AS AT 31 DECEMBER 2019					
	Discount rate +0,50%	Discount rate -0,50%	Inflation rate +0,25%	Inflation rate -0,25%	Turnover rate +2%	Turnover rate -2%
Employee Termination Benefits (TFR)	777	867	834	808	806	824

9.15 FINANCIAL LIABILITIES (CURRENT AND NON-CURRENT)

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

(in thousands of Euro)

	AS AT 31 DECEMBER			
	2019		2018	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Due to banks	20	-	17	-
Accounts payable - interest expense and financial expenses	450	-	441	-
Accounts payable - others	180	598	-	-
Bond loan	1,250	2,500	1,250	3,750
TOTAL	**1,900**	**3,098**	**1,708**	**3,750**

Accounts payable to banks represent the debt balance of current accounts not falling under centralised treasury management.

The item "Accounts payable - interest expense and financial expenses" includes amounts due to the parent company as at 31 December 2019, in the amount to 167 thousand euro (160 thousand euro as at 31 December 2018), related to charges for commission on sureties and funds.

The bond loan was issued by Dolomiti Energia for the resolution of the Board of Directors of 12 February 2018, pursuant to Article 2412, paragraph 1 of the Italian Civil Code, for a nominal value of 5 million euro, at 1.05% annual fixed rate, with six-month coupon, not supported by collaterals and personal guarantees. The amount disclosed results from the evaluation of the debt at amortised cost, which, in this case, is equal to the nominal value. This is a 4-year Bond Loan as from 27 February 2018 to 10 August 2022, which will be redeemed in 4 annual instalments, on a straight-line basis; the company repaid the first tranche of 1,250 thousand euro in 2019. The loan is listed on the regulated Main Securities Market of the Irish Stock Exchange.

The Bond Loan as at 31 December 2019 is broken down as follows:

(in thousands of Euro)

AS AT 31 DECEMBER 2019

					Book balance			
COMPANY	TAKE-OUT DATE	MATURITY	INTEREST RATE	INITIAL AMOUNT (IN ORIGINAL CURRENCY UNITS)	TOTAL	OF WHICH WITHIN 1 YEAR	OF WHICH BETWEEN 1 AND 5 YEARS	OF WHICH AFTER 5 YEARS
Dolomiti Energia SpA	27/02/2018	10/08/2022	1,05%	5,000,000	3,750	1,250	2,500	-
TOTAL					**3,750**	**1,250**	**2,500**	**-**

AS AT 31 DECEMBER 2018

					Book balance			
Dolomiti Energia SpA	27/02/2018	10/08/2022	1,05%	5,000,000	3,750	1,250	2,500	-
					5,000	**1,250**	**3,750**	**-**

The retrospective application of international accounting standard IFRS 16 led to the recognition of non-current assets (note 9.1) and current and non-current financial liabilities at 1 January 2019; liabilities for rental and lease agreements were determined as the present value of future payments remaining at the transition date, discounted using the marginal lending rate applicable over the maturity period. The following table illustrates the composition and change during the year.

(in thousands of Euro)

	as at 01.01.2019	New agreements	Repayments	as at 31.12.2019	of which current portion
Financial payables for buildings	747	-	(121)	626	124
Financial payables for other movable assets	194	36	(78)	152	56
ACCOUNTS PAYABLE - OTHERS FOR LEASES AND RENTALS	**941**	**36**	**(199)**	**778**	**180**

Net Financial Indebtedness for the year of the Company Dolomiti Energia as at 31 December 2019 and 2018 is broken down hereunder. This indebtedness was calculated pursuant to provisions set out by the Consob Communication of 28 July 2006 and the ESMA/2013/319 Recommendations:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2019	2018
A. Cash in hand	-	-
B. Other cash and cash equivalents	4,955	1,567
C. Securities held for trading	-	-
D. Liquidity (A+B+C)	**4,955**	**1,567**
E. Current financial receivables	**20,594**	**1,051**
F. Payables to banks and other current lenders	(20)	(17)
G. Current portion of non-current indebtedness	(1,250)	(1,250)
H. Other current financial payables	(630)	(441)
I. Current financial indebtedness (F+G+H)	**(1,900)**	**(1,708)**
J. Current net financial indebtedness (I+E+D)	**23,649**	**910**
K. Payables to banks and other non-current lenders	-	-
L. Bonds issued	(2,500)	(3,750)
M. Other non-current financial payables	(598)	-
N. Non-current net financial indebtedness (K+L+M)	**(3,098)**	**(3,750)**
O. Net financial position (J+N)	**20,551**	**(2,840)**
Non-current financial assets	-	-
NET FINANCIAL POSITION OF THE COMPANY	**20,551**	**(2,840)**

9.16 TRADE PAYABLES

The item "Trade payables" includes payables for the supply of goods and services and amounted to 172,087 thousand euro as at 31 December 2019, compared with 163,613 thousand euro as at 31 December 2018.

The item includes accounts payable to the parent company Dolomiti Energia Holding amounting to 886 thousand euro (740 thousand euro as at 31 December 2018), related primarily to administrative and logistics services rendered based on special service agreements.

This item also includes accounts payable to other Group companies, amounting to 100,604 thousand euro and resulting mainly from service agreements and the supply of electricity and gas. The only supplier of the Company of raw materials for the production of electricity and gas is, in fact, the associated company Dolomiti Energia Trading. Payables to other Group companies did not increase significantly from the previous year.

Trade payables due to other Group companies as at 31 December 2019 have been separated from the value attributable to the business segment Igiene Urbana (municipal waste), subject to transfer as from 1 January 2020 to the affiliate Dolomiti Ambiente; the value of the payables pertaining to this business segment at year end amounted to 10,625 thousand euro.

9.17 OTHER LIABILITIES (CURRENT AND NON-CURRENT)

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

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2019	2018
Other payables for guarantee deposits	5,222	5,408
TOTAL OTHER NON-CURRENT LIABILITIES	**5,222**	**5,408**

"Guarantee deposits" refer to the security payments required from end users who did not opt to pay the prices with preauthorised payments.

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2019	2018
Tax on ELECTRICITY/GAS	7,043	1,559
IRPEF	229	216
Other tax payables	47	39
Social security payables	507	459
Other accounts payable	2,513	1,844
Sewerage charge	3,849	3,939
Accrued liabilities	16	21
Accounts payable to parent companies for taxes	4,131	1,607
Accounts payable - companies subject to control by the parent company	1,960	-
TOTAL OTHER CURRENT LIABILITIES	**20,295**	**9,684**

The accounts payable for taxes on electricity and gas include electricity and gas taxes and excise duties to be paid to the competent offices together with the related declarations.

The IRPEF payable instead refers to the withholding taxes on employee and contractor income which the Company, as withholding agent, pays in January 2020.

Payables for the "sewerage charge" also include the amounts due to the Municipal Authorities of Trento and Rovereto for a total of 2,689 thousand euro, whereas the payable to the other neighbouring Municipalities is 1,160 thousand euro.

Accounts payable to the parent company Dolomiti Energia Holding, in the amount of 4,131 thousand euro, are related to the payable for IRES tax for the year, (967 thousand euro as at 31 December 2018), due to compliance with the national tax consolidation scheme; the payable at the end of the previous year also included the payables for Group VAT, in the amount of 640 thousand euro.

Payables to companies subject to the control of the parent company refer entirely to the amount paid by Dolomiti Ambiente by way of the provisional price for the purchase of the Igiene Urbana (municipal waste) business segment, which will take effect from 1 January 2020. This amount will be subject to adjustment in 2020 further to the accurate definition of the value of the assets and liabilities subject to transfer, finalised as at 31 December 2019.

9.18 ASSETS AND LIABILITIES HELD FOR SALE

During 2019, the Company entered into an agreement with the affiliate Dolomiti Ambiente Srl concerning the transfer, effective as from 1 January 2020, of the business segment organised for the charging and collection of the tariff fee due for the municipal waste services in the Municipalities of Trento and Rovereto (TN). The value of the business segment is determined to an extent equal to the positive difference between receivables and payables existing as of 31 December 2019 as detailed below.

(in thousands of Euro)

	31 December 2019
CURRENT ASSETS	
Trade receivables	14,419
(Provision for write-downs)	(2,863)
TOTAL ASSETS HELD FOR SALE	**11,556**
Current liabilities	
Trade payables	10,625
Other current liabilities	18
TOTAL LIABILITIES HELD FOR SALE	**10,643**

As of the date of signing the business segment transfer agreement, the purchaser Dolomiti Ambiente paid the Company a provisional amount of 1,960 thousand euro, established on the values of the assets subject to transfer as at 30 September 2019. In 2020 Dolomiti Energia will take steps to adjust the greater price paid up front by Dolomiti Ambiente. This transaction did not therefore give rise to any capital gain or loss.

The positive economic result attributable to the business segment subject to transfer, finalised for 2019, amounts to 466 thousand euro as detailed for the years 2019 and 2018.

(figures in thousands of Euro)

	AS AT 31 DECEMBER	
	2019	2018
Revenues	26,239	24,201
Other revenue and income	221	158
TOTAL REVENUE AND OTHER INCOME	**26,460**	**24,359**
Costs for services	(25,318)	(23,191)
Net write-backs (write-downs) on receivables	(700)	(599)
Other operating costs	(2)	(100)
TOTAL COSTS	**(26,020)**	**(23,890)**
OPERATING RESULT	**440**	**469**
Financial income/(expenses)	26	7
PROFIT BEFORE TAX	**466**	**476**

9.19 FINANCIAL DERIVATIVES

Information required to evaluate the impact of financial derivatives on the Company's economic position and performance is supplied in this Note. In the following table, financial assets and liabilities are apportioned by category as at 31 December 2019 and 31 December 2018, as determined by the EU IFRS 9 standard, in other words:

- financial assets and liabilities measured at amortised cost;
- financial assets and liabilities measured at FVOCI – fair value through other comprehensive income;
- financial assets and liabilities measured at FVTPL – fair value through profit and loss.

(in thousands of Euro)	AS AT 31 DECEMBER 2019			
	Financial assets and liabilities measured at amortised cost	Financial assets and liabilities measured at FVOCI	Financial assets and liabilities measured at FVTPL	Total
CURRENT ASSETS				
Trade receivables	244,593	-	-	244,593
Current financial assets	20,594	-	-	20,594
Other current assets	4,906	-	-	4,906
Cash and cash equivalents	4,955	-	-	4,955
NON-CURRENT ASSETS		-	-	
Other non-current assets	36,999	-	-	36,999
ASSETS HELD FOR SALE	11,556	-	-	11,556
CURRENT LIABILITIES		-	-	
Trade payables	172,087	-	-	172,087
Current financial liabilities	1,900	-	-	1,900
Other current liabilities	20,295	-	-	20,295
NON-CURRENT LIABILITIES		-	-	
Non-current financial liabilities	3,098	-	-	3,098
Other non-current liabilities	5,222	-	-	5,222
LIABILITIES HELD FOR SALE	10,643	-	-	10,643

(in thousands of Euro)	AS AT 31 DECEMBER 2018			
	Financial assets and liabilities measured at amortised cost	Financial assets and liabilities measured at FVOCI	Financial assets and liabilities measured at FVTPL	Total
CURRENT ASSETS				
Trade receivables	234.796	-	-	234.796
Current financial assets	1.051	-	-	1.051
Other current assets	10.416	-	-	10.416
Cash and cash equivalents	1.567	-	-	1.567
NON-CURRENT ASSETS		-	-	
Other non-current assets	37.282	-	-	37.282
CURRENT LIABILITIES		-	-	
Trade payables	163.613	-	-	163.613
Current financial liabilities	1.708	-	-	1.708
Other current liabilities	9.684	-	-	9.684
NON-CURRENT LIABILITIES		-	-	
Non-current financial liabilities	3.750	-	-	3.750
Other non-current liabilities	5.408	-	-	5.408

Current and non-current financial liabilities include 3,750 thousand euro related to the bond loan (Note 9.15), with a negative fair value as at 31 December 2019 of 3,740 thousand euro. This value was determined by applying measurement techniques referring to non-observable market variables (Level 3 classification and fair value equal to the current value of future cash flows, as envisaged by the instrument being measured).

10. Notes to the Income Statement

10.1 REVENUES

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

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2019	2018
Electricity	679,759	601,536
Water resources	21,451	20,684
Gas	215,384	200,582
Heat	7,726	8,383
Other revenue	9,260	8,422
TOTAL	**933,580**	**839,607**

The overall increase in revenues is mainly attributable to the electricity commodity, consequent to the rise in volumes sold with respect to 2018 and the average sales price. The increase in gas sales revenue was mainly due to the increase in the average sales prices.

Other revenue mainly includes contributions invoiced to the end users to cover the technical measures carried out by the operators of the distribution networks, other services related to the main services and revenues deriving from the sale of goods and services associated with the energy efficiency market.

For a greater understanding of the results achieved during the year by business line, please see the Report on Operations.

10.2 OTHER REVENUE AND INCOME

The item "Other revenue and income" for the financial years ended 31 December 2019 and 2018, is broken down as follows:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2019	2018
Other revenue	10,269	13,906
Other income	5	25
DE Group revenues	135	153
Operating grants	–	231
TOTAL	10,409	14,315

The item "Other revenue" (10,269 thousand euro) includes non-recurring income amounting to 10,227 thousand euro, mainly attributable to the gas commodity, in the amount of 7,156 thousand euro, and due to the application of recent resolutions issued by the competent Authorities, as well as previous years' adjustments from Terna for 745 thousand euro relating to the dispatch and safeguard charges and 751 thousand euro of adjustments for electricity supplies.

10.3 COSTS FOR RAW MATERIALS, CONSUMABLES AND MERCHANDISE

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

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2019	2018
Purchases of elect. raw materials	252,375	245,771
Purchases of gas raw materials	141,274	137,708
Purchases of fuels	53	59
Purchase of miscellaneous materials	2,071	2,253
Non-recurring expenses – purchases of raw materials	1,419	5,664
TOTALE	397,192	391,455

The change in purchase costs of electricity and gas commodities is consistent with the trend of the related revenues from sales and they are therefore affected by increasing prices and a rise in volumes acquired for the both the electricity and gas commodity.

The item "Purchase of miscellaneous materials" refers primarily to the purchase of assets used in plant upgrading activities.

Non-recurring expenses include the aforesaid amounts related to the gas commodity (219 thousand euro) and the electricity commodity (1,200 thousand euro) for a total of 1,419 thousand euro.

10.4 COSTS FOR SERVICES

The item "Costs for services" for the financial years ended 31 December 2019 and 2018, is broken down as follows:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2019	2018
External maintenance services	42	71
Insurance, banking and financial services	1,013	1,110
Other services	6,397	4,315
Commercial services	491,107	423,146
General services	284	475
Financial statements certification	59	60
Board of Statutory Auditors	36	42
Directors	155	161
Non-recurring income - services	633	1,432
Rental expense	280	449
Rental fees	79	185
Business unit rental	607	603
TOTAL	**500,692**	**432,049**

The overall increase is mainly due to the commercial services item, which includes service agreements with Group companies and external companies as well as to electricity and gas transport costs, which increased considerably compared with the previous year by 60,312 thousand euro attributable to greater volumes, and to the increase in the distribution tariff for just the electricity sector; the distribution volume for natural gas was also up. Dispatching costs also increased by 4,898 thousand euro and said rise was attributable to the electricity commodity which reflects an already recorded trend related to sales revenues and purchase costs for raw materials.

Costs related to insurance, banking and financial services, essentially in line with the previous year, mainly include charges related to fees on guarantees for the prompt execution of electricity and gas transport contracts and other charges for financial services, totalling 889 thousand, including 530 thousand, paid to the parent company Dolomiti Energia Holding S.p.A.. This item also includes insurance expenses amounting to 124 thousand euro.

The increase in costs for other services mainly refers to higher costs borne for compensation to the sales network, amounting to 5,250 thousand euro in the year (3,234 thousand euro in 2018).

The item rental expense, which refers to the cost for the non-exclusive use of company spaces care of the headquarters of the parent company Dolomiti Energia Holding, and the rental fees, related to rentals of movable assets which are short-term or those with a replacement value less than 5 thousand euro, was down significantly compared with 2018 further to the application of EU IFRS 16 standard as from 1 January 2019.

The Company pays the affiliate SET Distribuzione an annual fee for the rental of the business unit relating to the marketing of electricity (607 thousand euro).

10.5 PERSONNEL COSTS

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

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2019	**2018**
Wages and salaries	5.704	5.740
Social security costs	1.710	1.507
Employee termination benefits	358	352
Other costs	94	87
TOTAL	**7.866**	**7.686**

In October 2018, the Company reached an agreement with Trade Unions that envisages, as from 1 January 2019, the payment of one-off annual amount in replacement of electricity tariff benefits for former employees and spouses during their retirement effective as at 31 December 2018, and charges paid by Dolomiti Energia. This amendment to the Electricity Discount plan led to a reduction of the provision for 48 thousand euro and an allocation for the estimated one-off payment totalling 24 thousand euro. These amounts in 2018 were recorded to adjustment of the current costs for services and were classified under the item "Other costs". In 2019 this item was not influenced by this dynamic and mainly contains contributions in favour of staff associations and supplementary welfare.

The Company has 185 employees as at 31 December 2019 (169 at end of the previous year), including 1 manager, 7 middle managers and 177 office workers. For changes in employees during the year, reference should be made to the Report on Operations.

10.6 AMORTISATION, DEPRECIATION, ALLOCATIONS AND WRITE-DOWNS

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

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2019	2018
Amortisation of usage rights	184	-
Amortisation of intangible assets	173	199
Depreciation of property, plant and equipment	18	14
Allocation to provisions for risks	-	516
TOTAL	375	729

The amortisation/depreciation for the year increased compared with 2018 following the adoption of the accounting standard EU IFRS 16 (184 thousand euro).

In the previous year, the item "Allocations to provisions for risks" entirely referred to the amount that the Company undertook to refund to end customers following the survey by ARERA with respect to the main market operators. This Authority had objected to the charging of costs for the sending of invoices to customers, despite the fact that Dolomiti Energia had charged the amount of postal costs for the hard copy of invoices only to customers that subscribed to the option to receive invoices by mail.

10.7 NET WRITE-BACKS (WRITE-DOWNS) OF RECEIVABLES

The item "Net write-ups (write-downs) of receivables" for the financial years ended 31 December 2019 and 2018, is broken down as follows:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2019	2018
Write-down of receivables included in current assets	3,605	1,823
Credit losses	425	122
TOTAL	4,030	1,945

The allocation to the provision for write-downs of receivables amounted to 3,605 thousand euro, up compared to 2018 due to the increase in doubtful collectability cases, as also demonstrated by the rise in losses on receivables.

10.8 OTHER OPERATING COSTS

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

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2019	2018
Miscellaneous costs	914	734
CTS/Social security fee	779	709
Non-recurring expenses	796	2,035
Postal charges	26	31
Other taxes	312	335
TOTAL	**2,827**	**3,844**

Overall, this item is down compared to the previous year, essentially due to the decrease in non-recurring expenses, due to lower negative adjustments to estimates referring to revenues from previous years.

10.9 FINANCIAL INCOME AND CHARGES

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

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
Financial income	2019	2018
Financial income from parent companies	50	62
Financial income from other companies	397	281
TOTAL OTHER FINANCIAL INCOME	**447**	**343**

Financial income is composed of interest income from the parent company Dolomiti Energia Holding SpA accrued on positive cash pooling balances of 50 thousand euro; the financial income from other companies mainly includes interest on arrears on commercial transactions, up compared to the previous year.

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
Financial expenses	2019	2018
Financial expenses to parent companies	(140)	(140)
Financial expenses to other companies	(223)	(60)
Interest to be discounted	(15)	(18)
TOTAL OTHER FINANCIAL EXPENSES	**(378)**	**(218)**

Interest and financial expenses are due primarily to financial expenses due to the parent company for the provision of funds for 140 thousand euro. Financial expenses to other companies include interest expense accrued on the bond loan, in the amount of 48 thousand euro (44 thousand euro in 2018), interest expense deriving from the application of EU IFRS 16 standard for 20 thousand euro and non-recurring expenses for 112 thousand euro, relating to the reversal of interest expense charged in previous years.

10.10 TAXES

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

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2019	**2018**
Current taxes	8,973	4,299
Deferred taxes	(9)	73
Prepaid taxes	(424)	149
Previous years' taxes	146	-
TOTAL	**8,686**	**4,521**

Current taxes, assessed on the basis of a realistic forecast of taxable income pertaining to the year, refer to IRES (7,972 thousand euro) and IRAP (1,001 thousand euro).
Deferred taxes are calculated on temporary differences between the economic result before taxes and the taxable income.
The following table shows the reconciliation between effective and theoretical tax charges, determined by applying the applicable tax rate to the profit before tax.

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER			
	2019	**%**	**2018**	**%**
PROFIT BEFORE TAX	**31,077**		**16,814**	
PROFIT BEFORE TAX FROM DISCONTINUING OPERATIONS	**466**		**-**	
TOTAL PROFIT BEFORE TAXES	**31,543**		**16,814**	
Theoretical IRES tax	7,570	24,00%	4,035	24,00%
Permanent differences	623		483	
Temporary differences	1,741		(814)	
ACE (aid for economic growth)	(690)		(809)	
IRES taxable amount	33,217		15,674	
EFFECTIVE IRES	**7,972**	**25,27%**	**3,762**	**22,37%**
OPERATING RESULT	**31,448**		**16,683**	
Costs that are irrelevant for IRAP tax purposes	12,595		10,597	
TOTAL	**44,043**		**27,280**	
Theoretical IRAP tax	1,242	2,82%	769	2,82%
Permanent differences	(7,782)		(7,760)	
Temporary differences	(747)		(433)	
Effective IRAP	**1,001**	**2,27%**	**537**	**1,97%**
CURRENT TAXES FOR THE YEAR	**8,973**		**4,299**	

11. Related party transactions

Related parties are those companies who share the same controlling entity with the Company, the companies that control the Company, either directly or indirectly, that are controlled or are subject to a joint control, as well as the parties in which the Company holds an equity investment which is able to exercise a remarkable influence.
As regards the financial years ended 31 December 2019 and 2018, the main transactions with related parties involved the following:

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

	2019				2018			
	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	LOANS PAYABLE	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	LOANS PAYABLE
Dolomiti Energia Holding	431	21,343	886	4,298	201	1,107	740	1,767
DTC	16	–	–	–	24	–	–	–
Dolomiti Energia Solutions	493	–	747	–	527	–	235	–
Set Distribuzione	29,221	–	29,716	–	29,210	–	23,882	–
Novareti	10,036	–	12,878	–	11,920	–	12,341	–
Hydro Dolomiti Energia	1,295	–	–	–	2,857	–	–	–
Dolomiti Energia Trading	2,764	–	57,202	–	1,420	–	60,481	–
Dolomiti GNL	5	–	61	–	1	–	21	–
Dolomiti Ambiente	625	–	10,625	1,960	560	–	9,927	–

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

	2019								2018							
	REVENUES			PURCHASES			FINANCIAL INCOME	FINANCIAL EXPENSES	REVENUES			PURCHASES			FINANCIAL INCOME	FINANCIAL EXPENSES
	Goods	Services	Other	Goods	Services	Other			Goods	Services	Other	Goods	Services	Other		
Dolomiti Energia Holding	344	68	–	–	4,142	223	50	670	352	34	–	–	3,150	253	62	634
DTC	3	–	–	–	–	–	–	–	3	–	–	–	–	–	–	–
Dolomiti Energia Solution	1,497	44	–	–	352	–	–	–	1,159	11	–	141	–	–	–	–
Set Distribuzione	157	3	–	–	152,239	607	–	–	190	8	–	–	124,915	603	–	–
Novareti	8,058	227	–	–	50,378	25	–	–	7,888	71	1,253	1,414	50,068	445	–	–
Hydro Dolomiti Energia	1,017	–	–	–	–	–	–	–	1,435	–	–	–	–	–	–	–
Dolomiti Energia Trading	6,339	234	728	367,440	30	84	–	–	2,844	4,101	–	356,261	40	–	–	–
Dolomiti GNL	3	5	–	158	–	–	–	–	–	2	3	60	–	–	–	–
Dolomiti Ambiente	119	1,147	–	–	25,194	127	–	–	118	1,063	77	–	23,194	22	–	–

For further details on transactions with related parties, reference is made to information already given in the Directors' Report.

12. Guarantees and commitments

The following off-balance sheet commitments, guarantees given and contingent liabilities are highlighted hereunder.

SURETIES AND COLLATERAL

The Company has no collateral in place that was not recognised in the financial statements. However, bank/insurance guarantees amounting to 77,556 thousand euro were issued in the interest of Dolomiti Energia and in favour of third parties (73,785 thousand euro as at 31 December 2018); the parent company Dolomiti Energia Holding undertook financial commitments in third parties' favour and in the interest of the Company totalling 93,421 thousand euro (89,650 thousand euro as at 31 December 2018), part of these to guarantee the release of the bank guarantees.

COMMITMENTS

The Company did not assume any commitments that were not recognised in the financial statements.

CONTINGENT LIABILITIES

The Company did not assume any contingent liabilities that were not recognised in the financial statements.

13. Remuneration to Directors and Auditors

The item "Remuneration to Directors and Auditors" for the financial years ended 31 December 2019 and 2018, is broken down as follows:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2019	2018
Directors	135	146
Board of Statutory Auditors	36	41

It should be noted that the Company did not grant any advances or loans to directors and auditors.

14. Independent Auditors' Report

The following table shows the considerations received by the auditing company PricewaterhouseCoopers S.p.A. for the audit services of the financial statements for the years ended 31 December 2019 and 31 December 2018:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2019	**2018**
Audit	41	41
Other verification services	15	15
Tax advisory services	-	-
Other non-audit services	-	7

15. Off-balance sheet agreements

There are no off-balance sheet agreements, which may significantly impact the Company's equity and financial position and economic result.

16. Management and coordination activities

The Company which exercises management and coordination activities over Dolomiti Energia S.p.A. is the parent company Dolomiti Energia Holding S.p.A., with registered office in Via Manzoni 24 Rovereto (TN). The main figures of the last financial statements of the parent company Dolomiti Energia Holding S.p.A. are reported hereunder:

Balance sheet

(figures in Euro)

Assets	31.12.2018
NON-CURRENT ASSETS	
Intangible assets	13,045,544
Property, plant and equipment	45,701,941
Equity investments	782,316,169
Non-current financial assets	7,187,397
Deferred tax assets	5,718,349
Other non-current assets	77,613
TOTAL NON-CURRENT ASSETS	**854,047,013**
CURRENT ASSETS	
Inventories	92,027
Trade receivables	11,625,258
Income tax receivables	1,913,088
Current financial assets	57,232,410
Other current assets	31,552,396
Cash and cash equivalents	28,358,232
TOTAL CURRENT ASSETS	**130,773,411**
TOTAL ASSETS	**984,820,424**

Liabilities	31.12.2018
SHAREHOLDERS' EQUITY	
Share capital	411,496,169
Reserves	87,056,209
Profit or loss for the year	40,623,148
TOTAL SHAREHOLDERS' EQUITY	**539,175,526**
LIABILITIES	
NON-CURRENT LIABILITIES	
Provisions for non-current risks and charges	1,458,821
Employee benefits	3,670,465
Deferred tax liabilities	193,230
Non-current financial liabilities	127,927,554
Other non-current liabilities	1,662,199
TOTAL NON-CURRENT LIABILITIES	**134,912,269**
CURRENT LIABILITIES	
Provisions for current risks and charges	732,704
Trade payables	10,727,686
Current financial liabilities	273,572,517
Income tax payables	18,281,931
Other current liabilities	7,417,791
OTHER CURRENT LIABILITIES	**310,732,629**
TOT, SHAREHOLDERS' EQUITY AND LIABILITIES	**984,820,424**

Reclassified income statement

(figures in Euro)

	Financial year 2018
Revenue and other income	36,829,802
Costs	(43,730,926)
Income and expenses from equity investments	45,004,447
Operating result	**38,103,323**
Financial income and charges	1,190,252
Profit before tax	**39,293,575**
Taxes	1,329,573
PROFIT OR LOSS FOR THE YEAR	**40,623,148**
Components of comprehensive income statement that will not subsequently be reclassified in the income statement	68,885
Components of comprehensive income statement that may subsequently be reclassified in the income statement	(1,144,470)
TOTAL COMPREHENSIVE PROFIT OR LOSS OF THE YEAR	**39,547,563**

The key data of the parent company Dolomiti Energia Holding SpA shown in the summary table were extracted from the relevant financial statements for the year ended as at 31 December 2018. For an adequate and complete understanding of Dolomiti Energia Holding SpA's equity and financial position as at 31 December 2018, as well as the economic result achieved by the Company in the year ended as at said date, please read the financial statements which, accompanied by the independent auditors' report, are available in accordance with the forms and methods set forth by law.

17. Name and registered office of the company that drafts the consolidated financial statements

It should be noted that the company Dolomiti Energia Holding SpA, with registered office in Via Manzoni 24 Rovereto (TN), drafts the consolidated financial statements of the smaller Group to which the Company belongs as subsidiary and that said consolidated financial statements are available from the company's registered office, on the company website (www.gruppodolomitienergia.it) and through the usual company channels. In addition, note that the company Findolomiti Energia S.r.l., with registered office in Via Vannetti 18/A Trento, drafts the consolidated financial statements of the larger Group to which the Company belongs and said consolidated financial statements are available through the usual company channels.

18. Significant events occurred after year-end

With reference to the information required by Article 2427.22 quater of the Italian Civil Code, it should be noted that the beginning of this year was characterised by the COVID 19 emergency, which is having a heavy impact on the daily and working life of companies and people.

The Company immediately adapted to the state of crisis, complying with the prohibitions, obligations and recommendations issued by the Authorities to safeguard the health and safety of its employees and customers, as well as the measures and steps implemented by the Dolomiti Energia Group, aimed at mitigating the spread of the virus, adapting them to the Company's operational needs and with the precise intention of maintaining continuity and availability of services under safe conditions.

As of today's date, it is impossible to quantify with sufficient reliability the economic and financial effects of this event, both because the duration of the restrictions in place is unknown and cannot be reasonably estimated, and because the short time which has elapsed between the start of the events and today's date has not yet made it possible to fully measure the effects that will inevitably occur essentially in the coming months.

Negative economic effects are in any event expected, even very significant ones, deriving from the drastic drop in sales volumes (due to the reduction in customer withdrawals and/or the definitive cessation of activities) but also from the need to resell the volumes procured at a fixed price, if this was the purchase and sale formula, on the market at the significantly lower prices found in recent weeks. Also the impact of increased delays and insolvencies in the payment of invoices by end customers could be significant, in particular by the businesses most affected by the crisis.

Nevertheless, on the basis of the information available to-date and the stress scenarios prepared on the 2020 budget, it is not believed that the aforesaid negative impacts could compromise the Company's ability to continue to operate as a going-concern.

19. Revenue or cost items of exceptional size or incidence

Pursuant to Art. 2427, point 13 of the Italian Civil Code, it should be noted that no revenue or cost items of exceptional size or incidence were registered.

20. Transparency in the system of public grants

In accordance with Article 1, sections 125 et seq. of Italian Law No. 124/2017 (the so-called annual law for the market and competition), as reformulated by Article 35 of Italian Decree Law No. 34/2019 (growth decree), published in the Italian Official Gazette No. 100 of 30 April 2019, reference should be made to the "Transparency" section of the National Register of State aid, in order to view any subsidies, grants, benefits, contributions or aid, in cash or in kind, not of a general nature and not of a fee-related, remunerative or compensatory nature, effectively paid by public administration authorities as well as by the parties referred to in Article 2 bis of Italian Legislative Decree No. 33/2013 in the 2019 financial year.

21. Proposed allocation of profits or loss coverage

With reference to the information required by Article 2427.22 septies of the Italian Civil Code, it is proposed that the Shareholders' Meeting decide on the allocation of the profit.

Trento, 26 March 2020

The Chairman of the Board of Directors
The Chairman
Rudi Oss

Financial statements certification

1. The undersigned Rudi Oss and Michele Pedrini hereby certify, taking into account the provisions of current regulations:

- the adequacy in relation to the characteristics of the company and
- the actual application of the administrative and accounting procedures for the formation of the financial statements in the 2019 period.

2. In this regard, no particular relevant aspects emerged within the actual application of the procedures and in reference to the body of the general principles used in the preparation of the certification.

3. It is further certified that:

3.1 the annual financial statements:

a) have been drawn up in accordance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council dated 19 July 2002;

b) match the results of the accounting books and records;

c) provide a truthful and fair representation of the financial and economic position of the issuer.

3.2 The Report on Operations includes a reliable analysis of the performance and of the results of operations, as well as of the situation of the issuer, together with the description of the main risks and uncertainties to which they are exposed.

Trento, Italy, 26 March 2020

Chairman
Rudi Oss

Head of Administration
Michele Pedrini

Reports

Dolomites Paganella - Andalo
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Board of statutory auditors' report to the shareholders' meeting

ISSUED IN ACCORDANCE WITH ARTICLE 2429, PARAGRAPH 2 OF THE ITALIAN CIVIL CODE

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

Dear Shareholders,

the Board of Statutory Auditors is tasked with the general functions of management control set out in Article 2403of the Italian Civil Code and all other duties assigned to the Board by the Italian Civil Code and by the other laws and regulations, excluding the independent audit, which is assigned to the independent auditors PriceWaterhouseCoopers S.p.A.

In consideration of the above, the report relating to the judgment on the financial statements expressed pursuant to Article 14 of Italian Legislative Decree no. 39 of 27 January 2010, is issued by the independent auditors PriceWaterhouseCoopers S.p.A., whereas this report, approved unanimously, relates to the general functions of management control assigned to the Board of Statutory Auditors by Article 2403 of the Italian Civil Code, and is provided for in Article 2429, paragraph 2 of the Italian Civil Code.

In addition, we should point out that, from 27 February 2018 onwards, as a result of the conclusion of the listing of the bond called "Dolomiti Energia S.p.A. € 5,000,000 1.05 percent. Fixed Rate Notes due 2022" on the Irish regulated market and of the consequent acquisition of the qualification of Public Interest Entity (hereafter also "PIE") by Dolomiti Energia S.p.A., the Board of Statutory Auditors also assumed the role of Internal Control and Audit Committee, prescribed by Article 19 of Italian Legislative Decree no. 39 of 27 January 2010.

Supervisory activities under Article 2403 et seq. of the Italian Civil Code

During the year ending 31 December 2019, our activities were governed by legal provisions and by the Code of Conduct of the Board of Statutory Auditors recommended by the Italian Accounting Profession, and consisted of the activities reported hereunder.

We monitored compliance with the law, with the articles of association and respect for the principles of sound administration.

We attended Shareholders' Meetings and the meetings of the Board of Directors, in relation to which, based on the information obtained, we did not note any violations of the law and of the articles of association or transactions that were manifestly imprudent, foolhardy, involving a potential conflict of interests or such as to compromise the integrity of company assets.

We periodically obtained information from the Directors, during the meetings that were held, about the general performance of operations and on the business outlook, as well as details of the more significant transactions in terms of size or characteristics performed by the company including any related party transactions. Based on the information acquired, we have no particular observations to report apart from drawing attention - with reference to the business outlook - to the negative economic effects, including extremely significant, highlighted by the directors in the report on operations with reference to the impact on 2020 of the ongoing crisis linked to the COVID-19 health emergency, and deriving from the drastic slump in sales volumes, from the need to resell the volumes sourced at a fixed price, where this is the purchase and sale formula, on the market at significantly lower prices than those recorded over the last few weeks and the impact of the presumed increase in delays and defaults on payments of invoices by end customers, in particular by the economic enterprises most affected by the crisis.

With reference to transactions with other Group companies or with related parties, the Board of Statutory Auditors did not note any atypical or unusual transactions. In the report on operations and in the explanatory notes to the financial statements, the Board of Directors has provided comprehensive information on the most significant ordinary economic, financial and equity transactions entered into with the parent company and with related parties, as well as the methods of determination of their considerations.

We held periodic meetings with the appointed independent auditor, and no significant data or information emerged that would warrant mention in this report.

We acquired knowledge and monitored, for matters under our competence, the adequacy of the company's organisational structure and internal control system, also through information obtained from company department managers, from the entity tasked with the independent audit and the Supervisory Authority established as part of the "Organisational, management and control model" set forth in Italian Legislative Decree no. 231/2001, of which the Chairman of the Board of Statutory Auditors is also a member, also based on the prompt identification of crisis situations or the loss of business continuity and, in this regard, we have no particular observations to report apart from recommending the continuation of the process of strengthening of the internal controls aimed at mitigating the regulatory risk to which the Company is exposed in particular, especially in relation to the monitoring, analysis and coordination of the obligations with reference to the specific industry regulations and with regards to compliance with the General Data Protection Regulation (GDPR) and EU Regulation 2016/679.

We obtained knowledge and monitored, for matters under our competence, the adequacy and functioning of the administrative and accounting system, and its reliability in fairly representing operating events, by obtaining information from department managers and examining corporate documents, as well as through a meeting with the appointed independent auditor and, in this regard, we have no particular observations to make.

In our capacity as Internal Control and Audit Committee, we performed the duties and functions prescribed by Article 19, Paragraph 1, of Italian Legislative Decree no. 39 of 27 January 2010 and, in this regard, we have no particular observations to report. Concerning, specifically, the disclosure to the Board of Directors of the outcome of the audit and the transmission to the Board of the additional report per Article 11 of the European Regulation, accompanied by any observations of the Committee - prescribed by Letter a) of Paragraph 1 of the aforementioned Article 19 - we acknowledge:

- that we have received a copy of the independent auditors' report prepared in accordance with Article 14 of Italian Legislative Decree no. 39/2010, which expresses an opinion without observations on the financial statements;

- that we have received the supplemental report per Article 11 of the European Regulation, from which no elements to be reported herein emerged, and which will be transmitted as soon as possible to the Board of Directors with any observations on our part.

During the year and, subsequently, up to the date of drafting of this report, no reports were received pursuant to Article 2408 of the Italian Civil Code.

With regard to opinions and considered proposals issued in accordance with the law by the Board of Statutory Auditors in 2019, we report that, on 29 August 2019, we issued to the Shareholders' Meeting the opinion of the Board of Statutory Auditors prescribed by Article 2441, Paragraph 6, of the Italian Civil Code on the fairness of the issue price of the new shares subscribed with transfer in kind by Azienda Servizi Municipalizzati (ASM) of the Municipality of Tione. With reference to the fairness of the issue price of the new shares subscribed with transfer in kind by the Municipality of Molveno, a similar opinion was issued by the Board on 13 December 2018.

During the course of our supervision, as described above, no other significant events emerged that would require mention in this report.

Observations on the financial statements

We examined the financial statements for the year ended as at 31 December 2019, which reported a shareholders' equity of 116,928,642 euro, including profit for the year of 22,857,125 euro, notably higher than the profit of 12,293,483 euro recorded in 2018.

As indicated in the report on operations and in the explanatory notes, we point out that the financial statements referred to the year ended 31 December 2019, as with those of the previous financial year, by effect of the assumption of the qualification as Public Interest Entity by Dolomiti Energia S.p.A., were prepared in accordance with the IAS/IFRS international accounting standards endorsed by the European Union.

As a result of the transition to international accounting standards, the authorisation of the Board of Statutory Auditors to recording goodwill (5,054,092 euro at 31 December 2019) under balance sheet assets is no longer required, and goodwill is no longer subject to amortisation but it must be subjected to an impairment test at least annually. Equally, the Board's authorisation is no longer required for the recognition of development costs, which at 31 December 2019 are recognised among intangible assets in the amount of 444 thousand euro.

As we are not responsible for the full audit of the financial statements, we monitored their overall presentation, general compliance with law in relation to their format and structure, and we verified the consistency between the financial statements and the facts and information we gained knowledge of in fulfilling our duties.

We also verified the observance of the legal provisions regarding the preparation of the report on operations and, in this regard, we have no particular observations to make.

As a result of the controls performed regarding the financial statements, highlighted above, we have no particular observations to make.

Lastly, we point out that, as indicated by the directors in the Report on Operations, the Company, in accordance with Article 6, Paragraph 1, of Italian Legislative Decree no. 254 of 30 December 2016, exercised its right to be exempted from preparing the non-financial statement prescribed by Article 3 of the aforementioned decree.

Observations and proposals pertaining to the approval of the financial statements

In consideration of the above, as well as the results of activities performed by the independent auditor, contained in a specific report to accompany the financial statements issued on today's date, the Board of Statutory Auditors unanimously expresses its favourable opinion to the Shareholders' Meeting regarding approval of the financial statements as at 31 December 2019, as prepared by the Directors.

Trento, 9 April 2020

On behalf of the Board of Statutory Auditors
The Chairman
Stefano Tomazzoni

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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 SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dolomiti Energia SpA (the Company), which comprise the statement of financial position as of 31 December 2019, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

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

Key Audit Matters

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

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Accuracy of revenue from the sale of electricity and gas	
Note 2.3 "Measurement criteria" item "Revenue recognition" of the notes to the financial statements at 31 December 2019.	
Revenue of Dolomiti Energia SpA for the year ended 31 December 2019 included revenue from the sale of electricity and gas in a total amount of Euro 895,143 thousand. The value of these revenues is calculated on the basis of the contract conditions set down with end customers and according to the specific tariff and regulatory provisions established by the Italian Regulatory Authority for Energy, Networks and Environment (*Autorità di Regolazione per l'Energia Reti e Ambiente - ARERA*). The recognition of revenue from the sale of electricity and gas 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 Company's internal control system related to the recognition of revenue 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 Company. Furthermore, for a sample of bills to end customers, we carried out validity procedures in order to ascertain consumption data included in these bills, the correct application of the contract conditions with customers and the collection of the amounts billed.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

On 26 April 2018, the shareholders of Dolomiti Energia SpA in general meeting engaged us to perform the statutory audit of the Company's financial statements for the years ending 31 December 2018 to 31 December 2025.

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

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

Report on Compliance with other Laws and Regulations

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

Management of Dolomiti Energia SpA is responsible for preparing a report on operations of Dolomiti Energia SpA as of 31 December 2019, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Dolomiti Energia SpA as of 31 December 2019 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations mentioned above is consistent with the financial statements of Dolomiti Energia SpA as of 31 December 2019 and is prepared in compliance with the law.

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

Exemption from the preparation of the non-financial statement

As illustrated in the report on operations, the directors of Dolomiti Energia SpA have opted to use the exemption from the preparation of the non-financial statement allowed by article 6, paragraph 1, of Legislative Decree No. 254 of 30 December 2016.

Verona, 9 April 2020

PricewaterhouseCoopers SpA

Signed by

Paolo Vesentini
(Partner)

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

Special thanks to Trentino Marketing for the photographs

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Dolomiti energia