Dolomiti energia

Financial statements 2020

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FINANCIAL STATEMENTS
2020

DOLOMITI ENERGIA SpA

Fully paid-up Share Capital 20,414,755 euro
Via Fersina no. 23 – Trento
Trento Register of Companies No. – Taxpayer ID and VAT No. 01812630224
Management and coordination by Dolomiti Energia Holding Spa

REPORT AND FINANCIAL STATEMENTS
at 31 December 2020

BOARD OF DIRECTORS*

Chairman
Oss Rudi

Deputy Chairman
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

Lake Garda seen from Mount Stivo
Photo Tommaso Prugnola, Dolomiti Energia Group Archive

Board of Directors' report on operations

Dear Shareholders,

2020 was characterised, as you all know, by the worldwide, and not only national, spread of the pandemic resulting from the outbreak of the Coronavirus. This has led to profound operational impacts on the Company and the vast majority of the customers we serve. Nonetheless, thanks to the activities implemented in recent years to strengthen the Company's resilience and stabilise its results, the year closed with a very positive result, which was also the result of a number of extraordinary components described in greater detail below.

In particular, commercial activities, despite the obvious limitations due to the measures to restrict travel and close many activities implemented by the public authorities during the year, were carried out regularly and positively, also thanks to the use of innovative tools that allowed staff to work remotely for many of the activities carried out, leading to an overall increase in the number of customers served in both the gas and electricity markets.

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), your Company is obligated, starting from 2018, to prepare the financial statements according to the International Financial Reporting Standards (IFRS).

The Company exercised its right to be exempted from the preparation of 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.

General performance of the energy markets

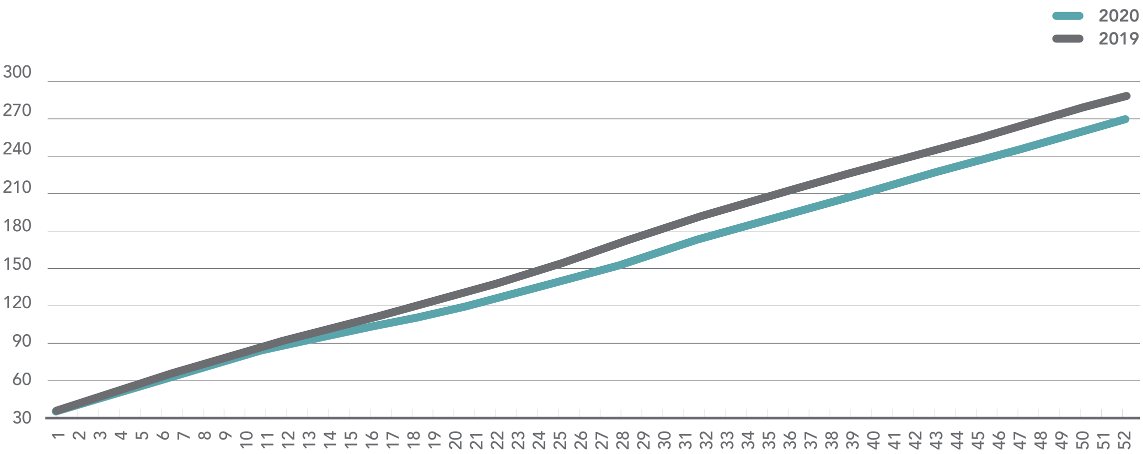
ELECTRICITY

The year 2020 was, as already mentioned, a particular year for the utilities and Oil & Gas sectors, characterised by the effects of the pandemic due to the spread of the SARS-COVID-19 virus, which heavily impacted the daily and working lives of companies and individuals.
The energy market was characterised by the collapse in oil prices, with operators seeing negative price levels for the first time, due to a sharp drop in consumption and the inability of individual producing countries to quickly reduce supply, following a sharp drop in demand.

The electricity and gas market saw a sharp drop in consumption by industrial customers, offset by a slight increase in consumption by residential customers.
Particularly in the lockdown period, electricity consumption fell sharply, then recovered slowly in the summer period and stabilised towards the end of the year, as shown in the graphs below:

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

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



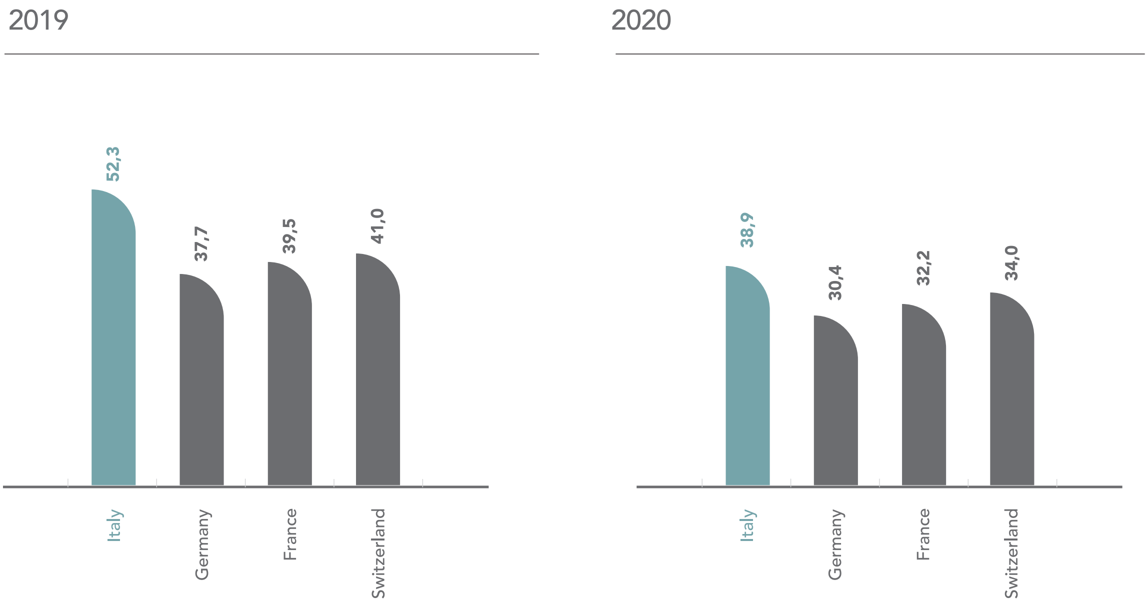
According to the latest available final data (from Terna S.p.A.), electricity consumption in Italy in 2020 stood at 302,751 million kWh, a decrease of 5.3% compared to 2019, broken down between the various sources as follows:

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

[1] Electricity Demand = Output + Foreign Balance - Pumping Consumption.

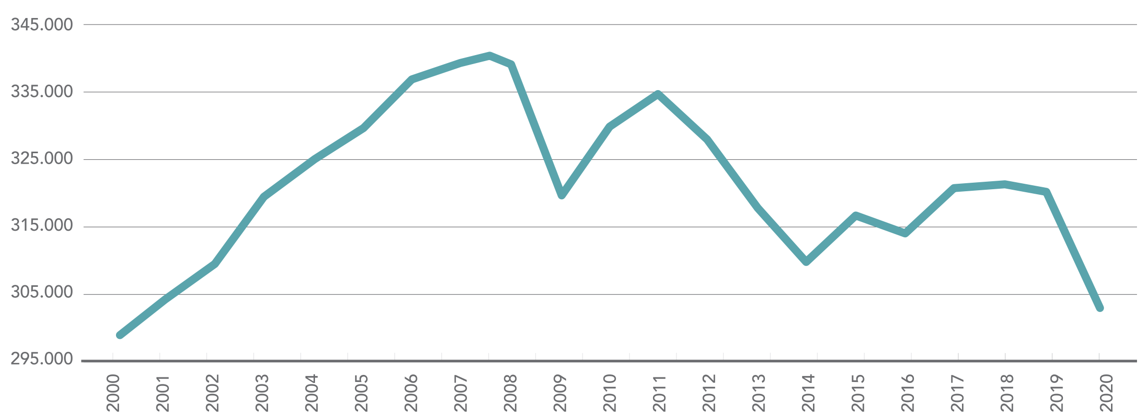
Net domestic production fell by 3.8% compared to 2019. In addition, the rebalancing of prices in the various European countries, as shown in the graph below, led to a decrease in the foreign balance (imports minus exports) of 15.6% due to the decrease in imports (-9.5%) and the increase in exports (+30%).

Comparison between wholesale electricity prices in the leading European countries 2020 vs 2019 [€/MWh]



Energy consumption in Italy during 2020, amounting to around 303 billion kWh, saw the lowest levels registered since 2000, when consumption was equal to 299 billion kWh.

Electricity consumption in Italy (GWh)



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

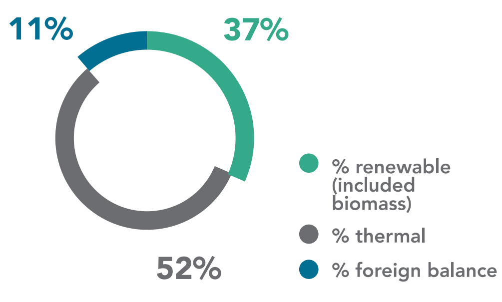
[GWh]	Northwest	Lombardy	Triveneto	Tuscany-Emilia Romagna	Centre	South	Sicily	Sardinia
2020	30,548	64,890	46,611	46,319	42,478	44,713	18,677	8,515
2019	32,753	69,645	49,198	49,529	43,950	46,205	19,173	9,170
DELTA %	-6.7%	-6.8%	-5.3%	-6.5%	-3.3%	-3.2%	-2.6%	-7.1%

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

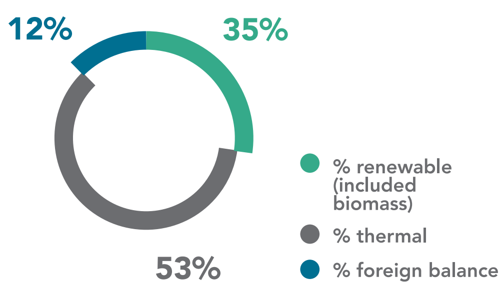
[GWh]	North	Centre	South	Islands
2020	142,049	88,797	44,713	27,192
2019	151,596	93,479	46,205	28,343
DELTA %	-6.3%	-5.0%	-3.2%	-4.1%

In 2020, 90% of electricity demand was met with domestically generated energy (273.1 billion kWh) and the remainder from the balance of energy traded abroad (32.2 billion kWh). Net domestic production (283.8 billion kWh) decreased by 3.8% compared to 2019 (283.9 billion kWh).
In 2020, 58% of Electricity Demand in Italy was therefore met by thermal sources (59%% in 2019), 32% from other sources (hydroelectric, wind, photovoltaic, geothermal), a figure higher than that for 2019 equal to 30%, and 10% from the foreign balance (11% in 2019). Renewable sources (also considering the share of thermal source related to biomass) in 2020 produced 115.7 TWh, contributing 37% to the Energy Demand (35% in 2019), thermal sources, net of biomass, produced 157.3 TWh contributing 52% (53% in 2019) and the foreign balance was 32.2 TWh, contributing 11% (12% in 2019).

2020

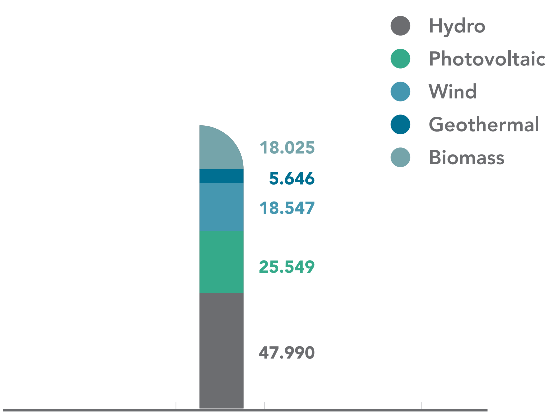


2019

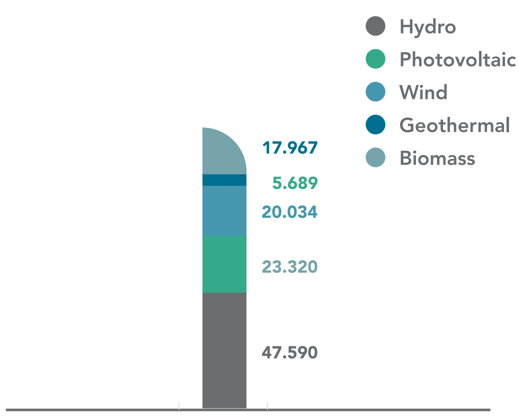


Among renewable energies, in 2020 the largest contribution was made by hydroelectricity (48 TWh of production, equal to 41.5% of the total of renewable sources), a figure in line with 2019. In second place was photovoltaic (25.5 TWh produced, or 22.1% of the total), followed by wind (18.5 TWh, or 16%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

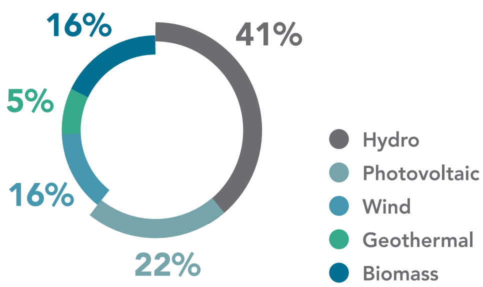
Breakdown of renewable production sources, GWh
2020



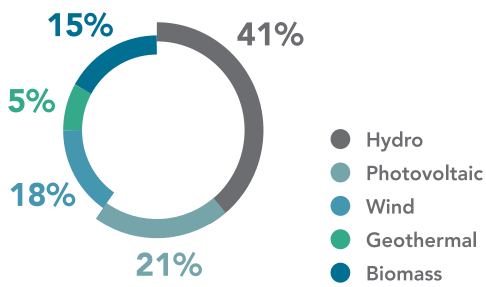
Breakdown of renewable production sources, GWh
2019



Breakdown of renewable sources
2020

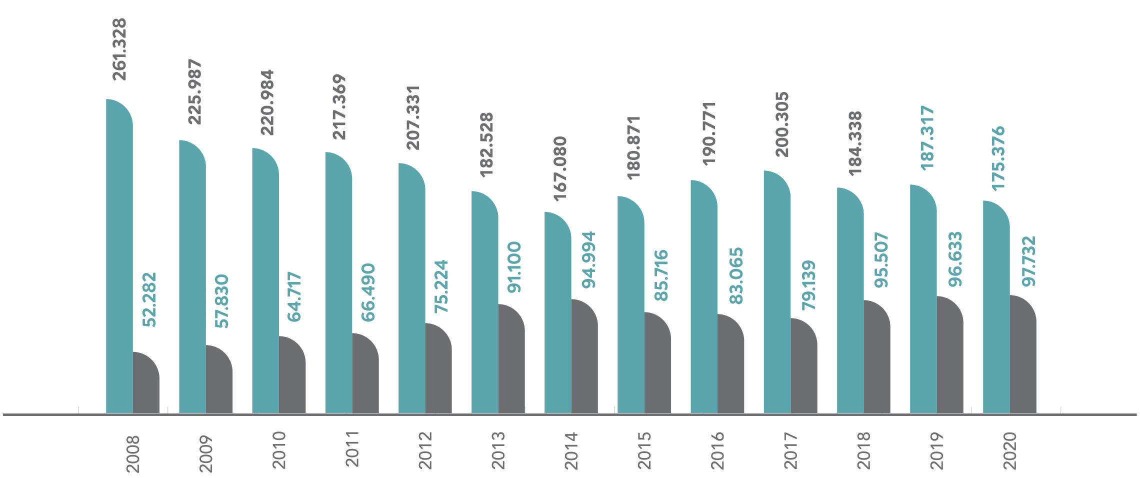


Breakdown of renewable sources
2019



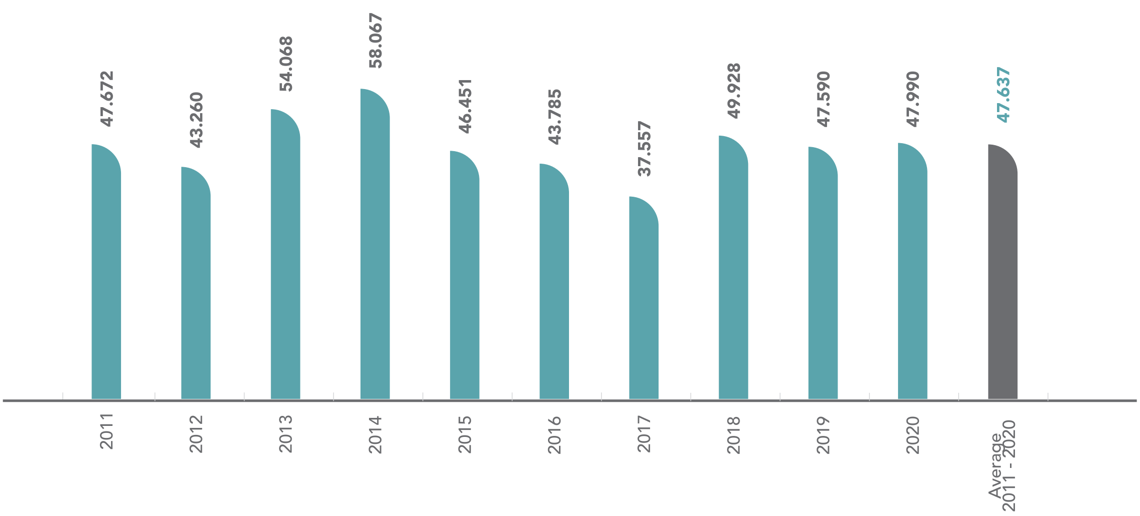
The production of electricity from thermal sources, including biomass, amounted to 175.4 billion kWh produced, which is significantly lower (-6.4%) than the 2019 figure of 187.3 TWh and 7.4% lower than the average figure for the last ten years of around 189 billion kWh produced. As can be seen from the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

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



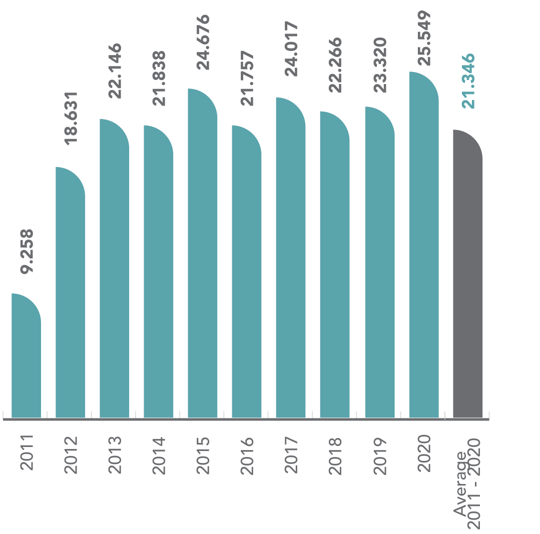
The energy produced by hydroelectric plants nationwide in 2020, equal to 48 TWh, is in line with that recorded in 2019 of 47.6 TWh and also in line with the average hydroelectric production of the last ten years (47.6 TWh).

Historical trend in hydroelectric production (GWh)

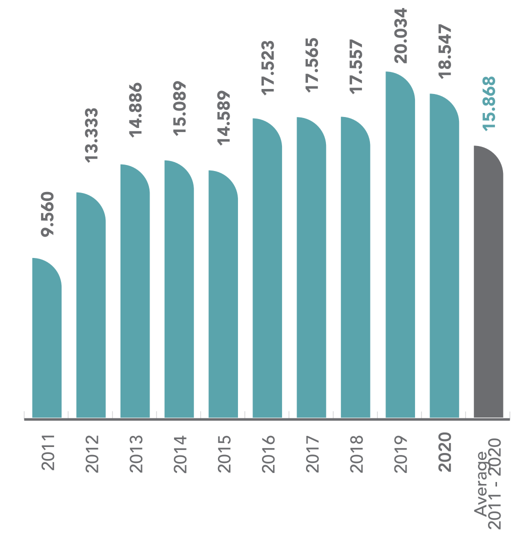


Production from photovoltaic sources in 2020 was the highest in its history (25.5 billion kWh produced in 2020), beating the previous record set in 2015 (24.7 billion kWh).

Historical trend
in photovoltaic production (GWh)



Historical trend
in wind production (GWh)

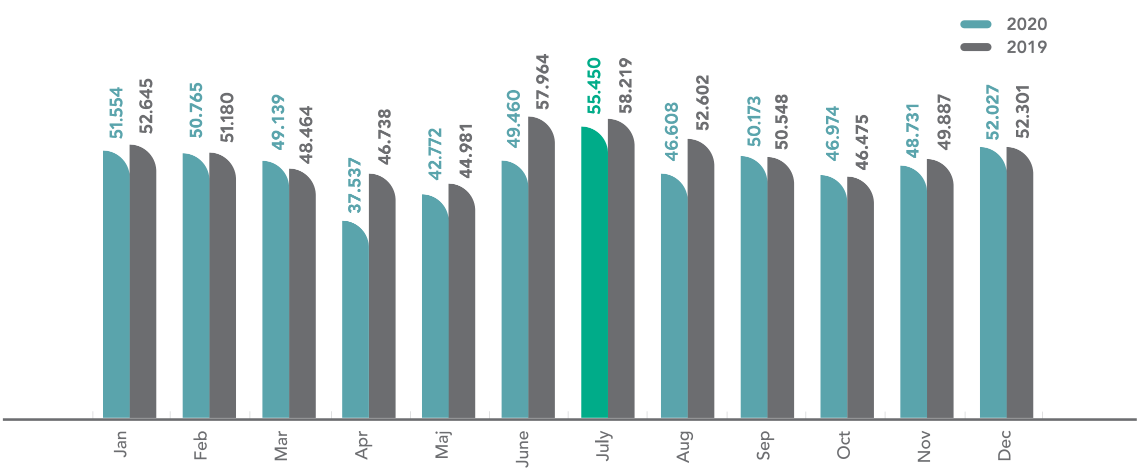


In 2020, production from wind power, amounting to 18.5 billion kWh, decreased significantly (-7.4%) compared to the 2019 figure (20 billion kWh).

Production from geothermal sources recorded a value of 5.7 billion kWh, in line with the 2019 figure.

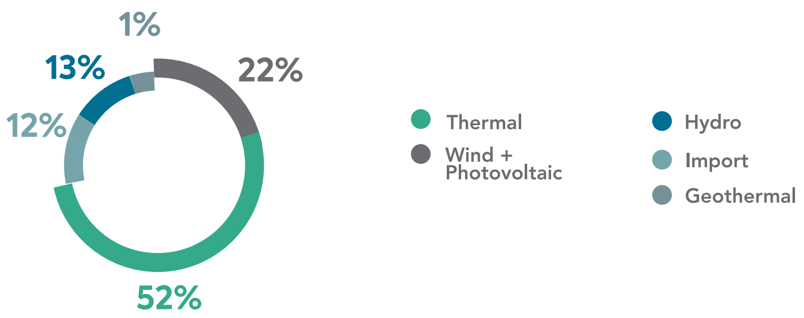
In 2020, peak power demand in Italy was recorded on Thursday, 30 July between 3 pm and 4 pm and it was equal to 55,450 MW. The record in Italy remains the peak registered on 21 July 2015 between 4 pm and 5 pm, 59,353 MW. Below is the graph with the peak powers reached during the months of 2020 compared to the monthly peak powers recorded in 2019.

Peak power (MV)



In the hour of peak power demand, generation from renewable sources contributed 36%, thermal production 52%, the remainder (12%) was provided by the foreign balance.

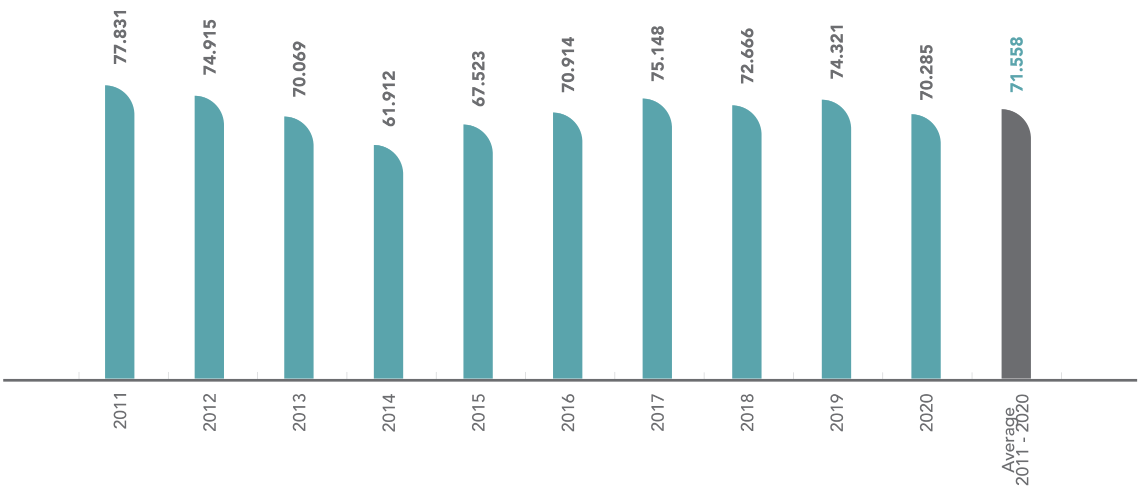
Contribution of the generation sources in the peak power requested in 2020



NATURAL GAS

Italy's natural gas consumption in 2020 decreased by 5.4% compared to the figure recorded in 2019, to approximately 70.3 billion Scm, which is below the average of the last ten years (71.5 billion Scm)..

Gross consumption of natural gas in Italy (million of Scm)



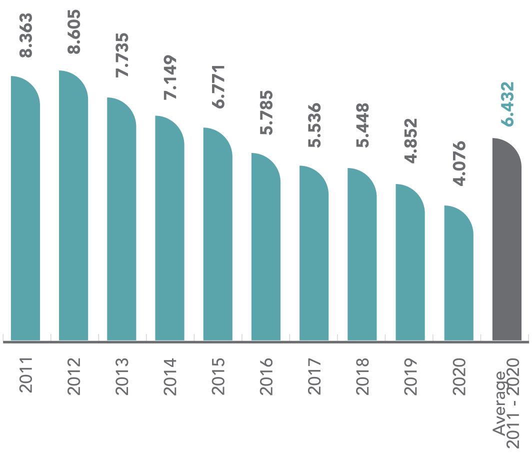
The sectors that recorded the most significant reduction were thermoelectric (24.2 billion Scm, -5.9% compared to 2019) and industrial (13.2 billion Scm, -5.3% compared to 2019). Residential consumption was also negative, with 31.3 billion Scm (-1%).

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

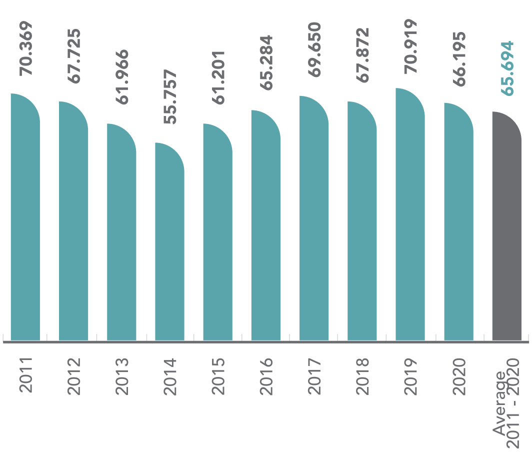
Concerning gas procurement sources, the decline in domestic production was confirmed, with a reduction by more than 50% from 2011 to 2020.

Natural gas imports decreased by 6.7% to 66.2 billion Scm.

Domestic production of natural gas, MSmc

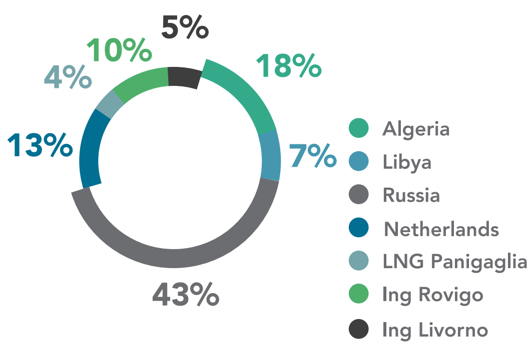


Natural gas import, MSmc

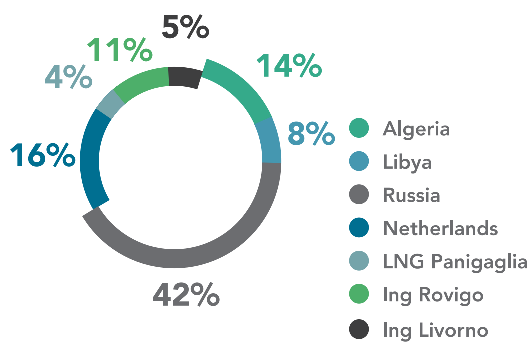


In country terms during 2020, Russia is still the largest supplier with 43%, followed by Algeria with 18% and the Netherlands with 13%. Note the strong recovery of gas imports from Algeria (+18%) and the contraction of imports from both Libya (-22%) and the Netherlands (-23%) and Rovigo LNG (-15%).

Natural gas import mix 2020

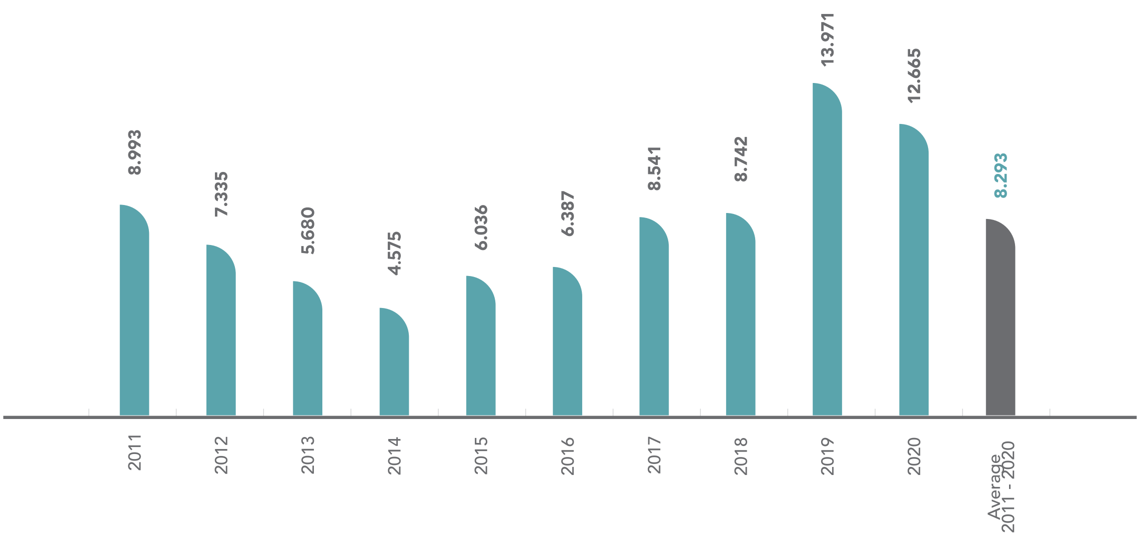


Natural gas import mix 2019



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

LNG imports, Mscm



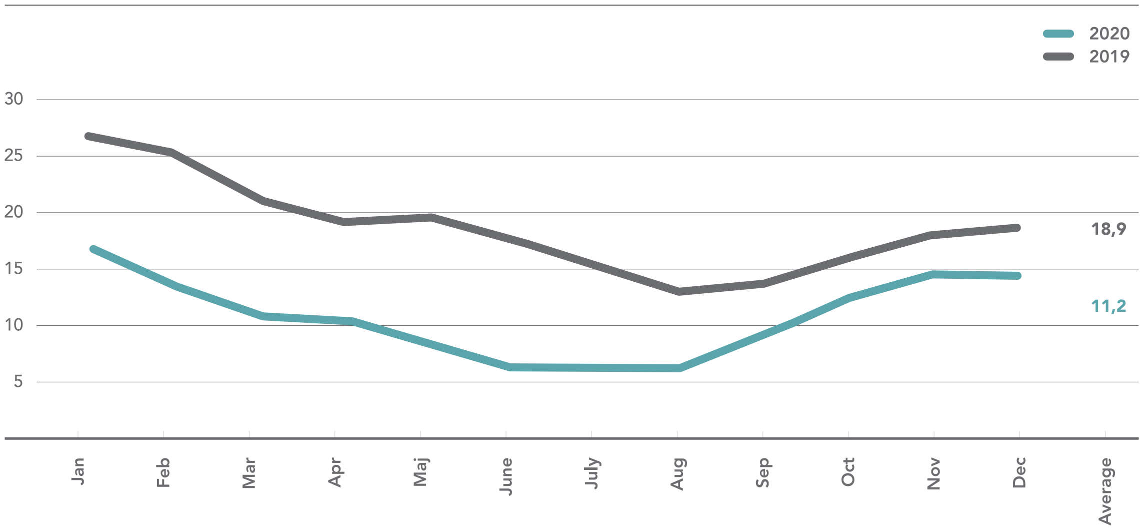
The details of the domestic production and of the imports of natural gas from 2011 to 2020 are provided below.

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

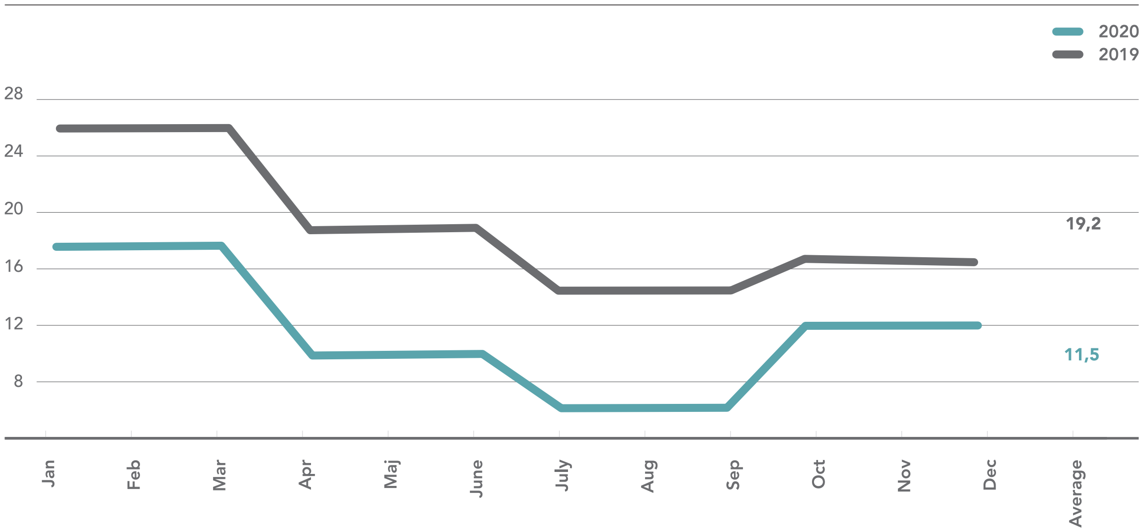
NATURAL GAS PRICES

Gas prices, first due to the extensive arrival of LNG in Europe from both the United States and the Middle East, and then due to the effects of the pandemic, fell dramatically , especially in the middle of 2020. In Italy, the average natural gas price at the PSV in 2020 decreased by 41% compared to the figure for 2019 (which in turn had decreased by 25% compared to the 2018 figure), while the average PFOR price (benchmark price of the protected market) decreased by 40% compared to 2019 (which had decreased 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 in electricity prices, causing them to fall sharply in the middle of 2020.

Price at PSV €cent/Scm



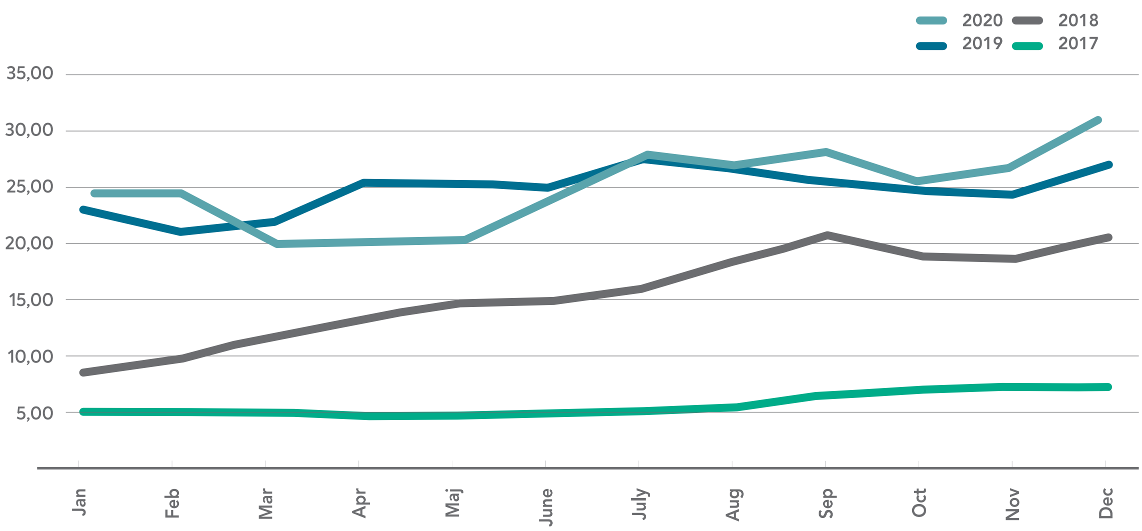
Price at PFOR €cent/Scm



PRICES OF CO_2

CO2 prices remained very high throughout 2020, peaking at over 30 €/ton in December 2020. In the first months of 2021, prices rose again sharply to reach 40 €/ton.
High CO2 prices helped to support electricity prices.

EUA €/ton



ELECTRICITY PRICES

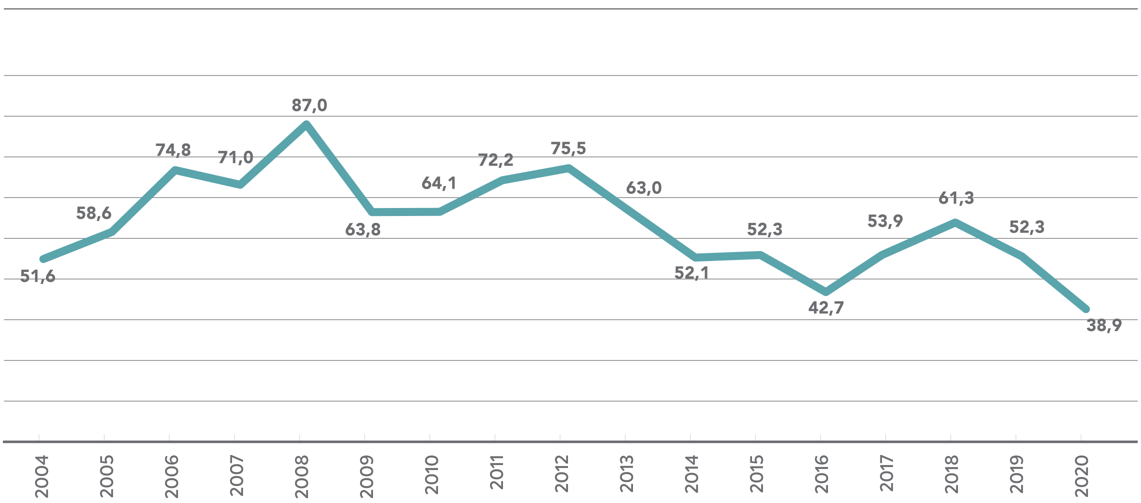
The values of the average monthly PUN prices fell sharply compared with those of the previous year: in 2020, the national average PUN was 38.9 €/MWh (-26% the 2020 annual mean compared with the 2019 annual average of 52.3 €/MWh). Already in early 2020, PUN values were in line with those of the last months of 2019 and significantly lower than those recorded in early 2019. Then, due to the effects of the spread of the pandemic, the economic recession and the consequent drop in consumption, the PUN values gradually decreased until they reached a minimum value in May 2020 of 21.8 €/MWh and then increased in the following part of the year until they reached their highest value in 2020 of 54 €/MWh in December.

See below for further details:

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

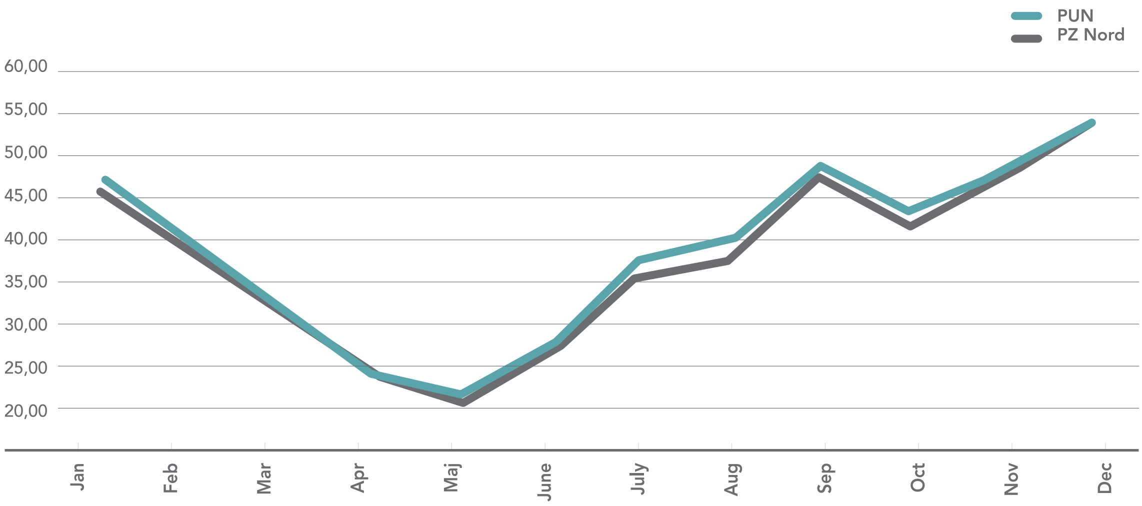
The electricity price (PUN) recorded in 2020 was the lowest ever recorded since the Italian Power Exchange existed (2004) and more than 30% lower than the average of the last 10 years.

PUN €/MWh



It should be noted that the average sale price in the Northern Area, at 37.8 €/MWh, was lower than the national average of 38.9 €/MWh.

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



Significant operating events

The year just ended was heavily conditioned by the spread of the pandemic and its effects both on the demand for energy and gas by customers and on the way the Company manages its operating activities. With regard to the latter aspect, it should be noted that it was necessary to implement in a very short space of time a profound reorganisation of the way in which employees work, who have worked and are still working mainly from their homes with the appropriate means of connectivity, in order to reconcile the primary need to protect their health with the need for total continuity of the services offered by the Company, which have not suffered any interruption, except for some limitations imposed by law (in particular the closure of counters open to the public from 13 March 2020 to 3 June 2020 and subsequent reopening only by appointment). In this context, special thanks are due to all the employees, both those working directly for the Company and those working in all the support units of the Parent Company, for their ability to react and adapt and for their willingness and dedication, which made it possible to achieve this result.

Despite the growth in the number of customers served, the volume of business recorded in the year fell significantly, due to the combined effect of the sharp reduction in consumption and, above all, unit sales prices, which in the first half of the year reached the lowest levels ever recorded on the markets, as described in the previous paragraphs. The overall value fell from 960.0 million euro to 820.8 million euro, a decrease of 14.5%. There was a slight increase in the share of sales to end customers realised outside the province, which for the first time essentially equalled the amount realised in the province, partly as a result of the sale of the business unit relating to the billing of waste collection services, effective from 1 January 2020.

For the reasons mentioned above, the decrease in turnover affected both sales of natural gas to end customers (equal to approximately 12.1%) and sales of electricity (equal to approximately 12.5%).

Despite the drop in turnover, the economic results for the year are very positive, all the more so considering the complex situation in which the Company has had to operate since the beginning of March 2020. The increase in consumption in the residential segment, the satisfactory margins deriving from offers with prices indexed to the additional safeguard tariffs envisaged by ARERA and, in general, the good results of variable-price offers made it possible to amply offset the losses incurred, particularly in the first half of the year, due to the lack of volumes sold to business customers, particularly on fixed-price offers where the prices and purchase quantities of raw materials had already been contracted in advance in order to cover the risk of price fluctuations. A number of regulatory changes (increase in the QVD component for natural gas tariffs) and measures taken to try to reduce structural costs also contributed to the result.

The EBITDA amounted to 42.2 million euro (up by 15.5% from 2019), while the profit for the year was 26.2 million euro (+14.5% compared to 2019). In addition to the performance of the first sales margin, the very positive result was also influenced in this year by some non-recurring components, mainly related to some contingencies concerning the electricity sales sector and the collection of receivables already written down following the closure of bankruptcy proceedings.

The result of the sale of goods and services connected with the energy efficiency market was positive, even if both the turnover and the results obtained were negatively affected by the difficulties in fully carrying out the sales promotion activities, which caused constraints on the movement of people and the partial or total closure of many activities.

With regard to the commercial activities of the Company, the year closed in a positive manner, despite the already mentioned level of competition on all market segments. Despite the continuous activities for selecting the customer portfolio to improve its composition, the commercial activities have permitted an increase in the number of customers served, bringing their number (for energy and gas only) to around 697,000, with a net increase of about 29,000 supply points, an extremely positive result taking into account above all the constraints with which the indirect sales network in particular was able to operate. This increase in the number of customers is not matched by a proportional increase in sales volumes and turnover, due both to the drop in prices and volumes already mentioned above and to the Company's decision to reposition the customer portfolio towards customers with lower unit consumption, thereby increasing average margins and reducing the concentration of risk on the credit side. It should be noted that the number of customers shown above includes customers relating to the electricity sales business unit that the municipal authority of Sella Giudicarie transferred with effect from 1 January 2021.

With regard to disputes with a number of customers, relating to their request for reimbursement of provincial excise duties paid in the 2010-2011 period, repealed by the State in 2012 because it was in contrast with Directive 2008/118/EC, reference should be made to the explanatory notes for all details.

During the year, the Company was also the subject to a request for documentation from the Italian Antitrust Authority (AGCM) as part of its periodic control activities on the application of regulations relating to the Consumer Code. Following the analysis of the documentation, on 8 October 2020 AGCM announced the start of preliminary proceedings (at the same time as on 12 other operators in the sector) and requested further information. Given the available information and following the exchange of information with AGCM, it is considered reasonable that the proceedings may end with the acceptance of the commitments proposed by the Company to improve the completeness of the information provided to customers and therefore no provision for costs has been made in the financial statements for this reason.

During the year, the activities of the Supervisory Body were 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 December 2020, IMQ-CSQ confirmed, for your 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 the activities carried out.

Operating context

METHANE GAS

Sale of natural gas		2020	2019
Civil and industrial	(mln/mc)	477.5	497.0
NUMBER OF CUSTOMERS	n.	224,519	213,689

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		2020	2019
Market subject to additional safeguards	Gwh	260.0	273.2
End customers	Gwh	3,363.5	3,641.5
Other	Gwh	127.1	130.3
TOTAL	Gwh	3,750.6	4,045.0
NUMBER OF CUSTOMERS	n.	472,118	454,765

The values of the quantities sold in the electricity market decreased slightly with respect to those of the previous year, while the number of customers increased.

INTEGRATED WATER SERVICE

Water service		2020	2019
Domestic water supply	(mln/mc)	14.2	13.8
Other water supply uses	(mln/mc)	7.9	8.6
TOTAL	(mln/mc)	22.1	22.3
Sewerage	(mln/mc)	20.3	20.4
NUMBER OF CUSTOMERS - WATER SUPPLY	n.	112,677	111,970

The provision of the service did not show any particular changes in the volumes supplied. 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.

DISTRICT HEATING

District heating service		2020	2019
Steam	Gwh	18.3	30.7
Heat	Gwh	66.8	67.7
TOTAL	**Gwh**	**85.1**	**98.4**
NUMBER OF CUSTOMERS	**n.**	**208**	**209**

Both the quantities of steam and of heat supplied decreased in relation 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 2020, the Company had 195 employees. The table below shows the change in personnel during the year by category.

category	2019	Hires	Resignations	Changes of Role	2020
Executives	1	-	-	1	2
Managers	7	-	-	-	7
Employees	177	14	(4)	(1)	186
Manual workers	-	-	-	-	-
TOTAL	**185**	**14**	**(4)**	**-**	**195**

In 2020, 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 0.3 million euro.

In view of the delicate economic situation in 2020 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 12.3 million euro.

KEY ECONOMIC AND FINANCIAL RESULT INDICATORS

Reclassified income statement

(figures in thousands of Euro)

	AS AT 31 DECEMBER		
	2020	**2019***	**Difference**
Revenue	820,804	959,819	(139,015)
Other revenue and income	14,663	10,630	4,033
TOTAL REVENUE AND OTHER INCOME	**835,467**	**970,449**	**(134,982)**
Cost of raw and ancillary materials	(326,755)	(397,192)	70,437
Costs for services	(452,449)	(526,010)	73,561
Costs for other operating expenses	(5,559)	(2,829)	(2,730)
Personnel	(8,475)	(7,866)	(609)
OPERATING COSTS	**(793,238)**	**(933,897)**	**140,659**
EBITDA - GROSS OPERATING MARGIN	**42,229**	**36,552**	**5,677**
Depreciation and amortisation, allocations and write-downs	(6,620)	(5,104)	(1,516)
EBIT - operating result	**35,609**	**31,448**	**4,161**
Financial income /(expense)	321	95	226
PROFIT BEFORE TAX	**35,930**	**31,543**	**4,387**
Taxes	(9,750)	(8,686)	(1,064)
PROFIT (LOSS) FOR THE YEAR	**26,180**	**22,857**	**3,323**

(*) the balances attributable to discontinuing operations are allocated separately to the revenue and costs items

Economic indicators

Ratio	Formula		2020	2019	Difference
Total revenue and income	Total revenue and other income	euro thousands	835,467	970,449	(134,982)
EBITDA(*)	Gross operating margin (euro thousands)	euro thousands	42,229	36,552	5,677
EBIT(**)	Net operating margin (euro thousands)	euro thousands	35,609	31,448	4,161
Profit (loss) for the year	Profit (loss) for the year	euro thousands	26,180	22,857	3,323
ROE	Net profit/Equity	%	25.3%	24.3%	1.0%
ROI	EBIT/Invested capital	%	12.0%	9.4%	2.6%
ROS	EBIT/Production value	%	4.3%	3.2%	1.1%

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

The economic indicators are better than the previous year, due to the better economic performances in the period.

Reclassified statement of financial position

(figures in thousands of Euro)

	AS AT 31 DECEMBER		
	2020	**2019**	**Difference**
NET NON-CURRENT ASSETS			
Property, plant and equipment and Intangible assets	6,369	6,407	(38)
Equity investments	3	3	-
Other non-current assets	45,262	36,999	8,263
Other non-current liabilities	(5,042)	(5,222)	180
TOTAL	**46,592**	**38,187**	**8,405**
NET WORKING CAPITAL			
Trade receivables	235,333	244,593	(9,260)
Trade payables	(135,788)	(172,087)	36,299
Net tax receivables/(payables)	(120)	(471)	351
Other current assets/(liabilities)	(8,908)	(15,387)	6,479
Assets/(liabilities) held for sale	-	910	(910)
TOTAL	**90,517**	**57,558**	**32,959**
GROSS INVESTED CAPITAL	**137,109**	**95,745**	**41,364**
SUNDRY PROVISIONS			
Employee benefits	(1,241)	(1,113)	(128)
Provisions for risks and charges	(3,001)	(1,688)	(1,313)
Net prepaid taxes	3,781	3,434	347
TOTAL	**(461)**	**633**	**(1,094)**
NET INVESTED CAPITAL	**136,648**	**96,378**	**40,270**
SHAREHOLDERS' EQUITY	**129,828**	**116,929**	**12,899**
NET INDEBTEDNESS	**6,820**	**(20,551)**	**27,371**

Financial and capital ratios

Ratio	Formula	2020	2019	Difference
Hedging of net fixed assets	Equity+medium/long-term liabilities/net fixed assets	2.53	2.71	(0.18)
Debt ratio	Liabilities/Equity	1.29	1.85	(0.56)
Current ratio	Short-term assets/short-term liabilities	1.54	1.39	0.15

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

The value of receivables 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 your 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 2020.

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 are 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 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 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 0.4 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 macroeconomic framework is still heavily influenced by the evolution of the pandemic situation that has been ongoing since March 2020, both at national and global level. Therefore, all the activities for planning and forecasting future management trends are heavily affected by the general uncertainty that this entails.

Turnover volumes for the current year will be positively impacted by the entry into the Company's customer portfolio of users connected to the assignment of lot 4 (Veneto and Trentino-Alto Adige regions) of the Consip tender (Tender 13) for the supply of natural gas, starting mainly from the second quarter.

The risk remains high, and is being carefully monitored, of a possible increase in delays and insolvencies in the payment of invoices by end customers, particularly by the economic activities most affected by the crisis, also considering the fact that many sectors have been forced to reduce or suspend operations altogether (e.g. the tourism and leisure sector in general).

During the year, the energy supply service known as "gradual safeguards" is expected to be assigned by means of a tender, which concerns the SME customers currently supplied in the service subject to additional safeguards. Although this could lead to the termination of the supply relationship with these customers, considering the number and turnover developed by this category of customers, the impact appears to be rather marginal.

Due to these assumptions, the performance of the activities of the year underway appears to be steady overall and, in the absence of further negative developments in the health situation and the general macroeconomic situation, the results for the current financial year, excluding items of an extraordinary and non-recurring nature, are expected to be in line with those of the year just ended.

From an operational standpoint, a significant part of the staff is continuing to work remotely in order to reduce health risks to a minimum, and for staff working at headquarters, all the procedures required to limit personal contact to a minimum have been adopted and remain in place, both in the workplace and in communal areas (e.g. company canteens). Although this organisational structure cannot be considered entirely optimal, it can be considered that the continuity of the Company's activities and services to customers are fully guaranteed, as was the case during 2020. In this regard, we would like to reiterate our thanks to all the staff of both the Company and the support units of the Parent Company, who have made the greatest possible effort to achieve these objectives, despite the complex and totally unexpected context.

Trento, Italy, 25 March 2021

on behalf of the board of directors
the Chairman
Rudi Oss

Financial statements at 31 December 2020

Lake Ledro
Photo Andrea Sossass, Dolomiti Energia Group Archive

Statement of financial position

(in Euro)	NOTE	AS AT 31 DECEMBER 2020	2019
Assets			
NON-CURRENT ASSETS			
Rights of use	9.1	577,912	729,162
Goodwill	9.2	5,294,392	5,054,092
Other intangible assets	9.2	356,490	469,252
Property, plant and equipment	9.3	141,043	155,426
Equity investments	9.4	2,850	2,850
Deferred tax assets	9.5	4,049,296	3,666,723
Other non-current assets	9.6	45,261,698	36,998,589
TOTAL NON-CURRENT ASSETS		55,683,681	47,076,094
CURRENT ASSETS			
Trade receivables	9.7	235,333,304	244,593,147
Current financial assets	9.8	39,694	20,593,717
Other current assets	9.9	4,432,706	4,905,924
Cash and cash equivalents	9.10	2,130,376	4,954,900
TOTAL CURRENT ASSETS		241,936,080	275,047,688
Assets held for sale and Discontinued Operations	9.18	-	11,555,941
TOTAL ASSETS		**297,619,761**	**333,679,723**
Shareholders' equity			
Share capital	9.11	20,405,332	20,405,332
Reserves	9.11	83,474,277	73,738,139
IAS 19 Reserve	9.11	(231,735)	(71,954)
Profit or loss for the year	9.11	26,180,434	22,857,125
TOTAL SHAREHOLDERS' EQUITY		129,828,308	116,928,642
Liabilities			
NON-CURRENT LIABILITIES			
Provisions for non-current risks and charges	9.12	2,556,798	755,762
Employee benefits	9.13	1,241,140	1,113,158
Deferred tax liabilities	9.5	268,035	232,857
Non-current financial liabilities	9.14	1,704,247	3,098,226
Other non-current liabilities	9.16	5,042,250	5,222,313
TOTAL NON-CURRENT LIABILITIES		10,812,470	10,422,316
CURRENT LIABILITIES			
Provisions for current risks and charges	9.12	444,436	932,343
Trade payables	9.15	135,787,814	172,087,239
Current financial liabilities	9.14	7,286,132	1,900,017
Current tax liabilities	9.17	119,716	470,509
Other current liabilities	9.16	13,340,885	20,295,474
TOTAL CURRENT LIABILITIES		156,978,983	195,685,582
Liabilities held for sale and Discontinued Operations	9.18	-	10,643,183
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**297,619,761**	**333,679,723**

Statement of comprehensive income

(figures in Euro)

	Note	2020	2019
		AS AT 31 DECEMBER	
Revenues	10.1	820,804,330	933,580,047
Other revenue and income	10.2	14,662,833	10,409,102
TOTAL REVENUE AND OTHER INCOME		**835,467,163**	**943,989,149**
Costs for raw materials, consumables and merchandise	10.3	(326,755,212)	(397,191,738)
Costs for services	10.4	(452,448,606)	(500,692,067)
Personnel costs	10.5	(8,475,032)	(7,866,303)
Amortisation, depreciation, allocations and write-downs	10.6	(2,037,687)	(374,826)
Net write-backs (write-downs) on receivables	10.7	(4,582,889)	(4,029,656)
Other operating costs	10.8	(5,558,632)	(2,826,988)
TOTAL COSTS		**(799,858,058)**	**(912,981,578)**
OPERATING RESULT		35,609,105	31,007,571
Financial income	10.9	559,543	447,141
Financial expenses	10.9	(237,789)	(377,618)
PROFIT BEFORE TAX		35,930,859	31,077,094
Taxes	10.10	(9,750,425)	(8,686,084)
NET PROFIT OR LOSS FOR THE YEAR (A) FROM *CONTINUING OPERATIONS*		**26,180,434**	**22,391,010**
Discontinuing operations	9.18	-	466,115
NET PROFIT OR LOSS FOR THE YEAR (B) FROM *DISCONTINUING OPERATIONS*		**-**	**466,115**
PROFIT OR LOSS FOR THE YEAR		**26,180,434**	**22,857,125**
COMPONENTS OF COMPREHENSIVE INCOME STATEMENT THAT WILL NOT SUBSEQUENTLY BE RECLASSIFIED IN THE INCOME STATEMENT			
Actuarial gains/(losses) for employee benefits		(188,162)	(106,371)
Tax effect on actuarial gains/(losses) for employee benefits		28,380	28,940
TOTAL COMPONENTS OF COMPREHENSIVE INCOME STATEMENT THAT WILL NOT SUBSEQUENTLY BE RECLASSIFIED IN THE INCOME STATEMENT (C1)		**(159,782)**	**(77,431)**
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)		**(159,782)**	**(77,431)**
TOTAL COMPREHENSIVE PROFIT OR LOSS OF THE YEAR (A)+(B)+(C)		**26,020,652**	**22,779,694**

Cash flow statement

(figures in Euro)

	Note	FOR THE YEAR ENDED AS AT 31 DECEMBER 2020	2019
PROFIT BEFORE TAX		**35,930,859**	**31,543,209**
ADJUSTMENTS FOR:			
Amortisation/depreciation of:			
- rights of use	10.6	177,975	184,108
- intangible assets	10.6	167,981	172,411
- property, plant and equipment	10.6	20,331	18,309
Allocations to and releases from provisions	9.12	2,278,339	459,711
Financial (Income)/Expenses	10.9	(321,754)	(95,354)
Other non-monetary elements		(8,124)	(14,806)
Cash flow from operations before changes in net working capital		**38,245,607**	**32,267,588**
(Increase)/Decrease in trade receivables	9.7	9,263,524	(21,353,228)
(Increase)/Decrease in other assets/liabilities	9.6; 9.9; 9.16	(12,945,485)	12,949,080
Increase/(Decrease) in trade payables	9.15	(35,389,255)	19,098,696
Interest income and other financial income collected	10.9	565,352	472,629
Interest income and other financial expenses paid	10.9	(252,551)	(348,436)
Use of provisions for risks and charges	9.12	(1,025,387)	(455,471)
Taxes paid		(12,392,219)	(5,103,946)
CASH FLOWS FROM OPERATIONS (A)		**(13,930,414)**	**37,526,912**
Net capital expenditure in rights of use	9.1	-	(21,655)
Net capital expenditure in intangible assets	9.2	(33,520)	-
Net capital expenditure in property, plant and equipment	9.3	(5,948)	(33,759)
(Increase)/Decrease in financial receivables	9.8	20,286,214	(19,542,530)
CASH FLOW FROM INVESTMENT/DIVESTMENT ACTIVITIES (B)		**20,246,746**	**(19,597,944)**
Financial payables (new issues of long-term borrowings)	9.14	-	-
Financial payables (repayments and other net changes)	9.14	3,993,511	(1,413,547)
Dividends paid		(13,134,367)	(13,130,000)
CASH FLOW FROM FINANCING ACTIVITIES (C)		**(9,140,856)**	**(14,543,547)**
Increase/(Decrease) in cash and cash equivalents (a+b+c)		(2,824,524)	3,385,421
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR		**4,934,775**	**1,549,354**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**2,110,251**	**4,934,775**
of which:			
bank and postal current accounts		2,130,117	4,954,640
current account overdrafts		(20,125)	(20,125)
cash on hand		259	260

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 Shareholders' Equity
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**
TRANSACTIONS WITH SHAREHOLDERS:						
Distribution of dividends	-	-	-	-	(13,134)	(13,134)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**-**	**-**	**-**	**(13,134)**	**(13,134)**
ALLOCATION OF THE PROFIT FOR THE YEAR TO RESERVE	**-**	**41**	**-**	**9,682**	**(9,723)**	**-**
COMPREHENSIVE PROFIT (LOSS) FOR THE YEAR:						
Profit or loss for the year	-	-	-	-	26,180	26,180
Other changes	-	-	-	14	-	14
Actuarial gains/(losses) for employee benefits, net of tax effect	-	-	-	(160)	-	(160)
TOTAL COMPREHENSIVE PROFIT OR LOSS OF THE YEAR	**-**	**-**	**-**	**(146)**	**26,180**	**26,034**
BALANCE AS AT 31 DECEMBER 2020	**20,405**	**4,081**	**12,384**	**66,778**	**26,180**	**129,828**

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 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 2020, the share capital of the Company was held by:

Shareholder	No. of Shares owned	% rate
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

DThe 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.

With regard to the impacts of the Covid-19 pandemic, in addition to that which is commented on in more detail in the Report on Operations, the effects of the current health emergency underway were considered in the analysis of the estimates and assumptions that characterise the financial statement values, and the financial statement values reflect any impacts. The effects on the Company's activities have been described in the Report on Operations; as things stand, no specific risks have been identified consequent to the Covid-19 pandemic which may affect the Company's ability to meet its commitments.

The present Financial Statements are subject to the approval of the Board of Directors of the Company on 25 March 2021.

2.2. FORM AND CONTENT OF THE FINANCIAL STATEMENTS I

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.

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

Rights of use (Leases)

The Company holds property, plant and equipment used in the performance of its business, via long-term lease agreements. As of the start date of the agreement it is established whether the same is or contains a lease. The definition of lease envisaged by IFRS 16 is applied when the agreement transfers the right to control the use of an underlying asset for a period of time in exchange for a consideration. The Company recognises an asset consisting of the right to use the underlying asset and a lease liability on the effective date of the agreement (i.e. the date on which the underlying asset is available for use). The right-of-use asset represents the lessee's right to use the underlying asset for the lease duration and its initial measurement is the lease liability, initially measured at the current value of the payments due under the lease over the lease duration. In calculating the current value of the payments due, the lessee's marginal borrowing rate as at the lease commencement date is used. After the inception date, the lease liability is measured at amortised cost using the effective interest rate method and remeasured as certain events occur. The Company applies the exception to the recognition of short-term leases to its agreements with a duration of 12 months or less from the inception date and also applies the exception to the recognition of leases where the underlying asset is of a "modest value" and the amount is estimated to be immaterial. Payments due under short-term leases and those in which the underlying asset is of a modest value are recognised as a cost on a straight-line basis over the lease duration. In accordance with the requirements of the standard, the Company reports interest expense on lease liabilities and depreciation on assets consisting of the right of use, separately.

Business combinations

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

According to this method:

i. the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair values of 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;

ii. 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;

iii. 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 undertaken 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;

iv. 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

Property, plant and equipment are measured at the cost of acquisition or production, net of accumulated depreciation 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 cease to apply, 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 amortisation or 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 provision for write-down, 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.

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:
    - any amounts collected on behalf of third parties, which have to be excluded from the consideration;
    - variable components of the price (such as performance bonus, penalties, discounts, repayments, incentives, etc.);
    - 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:

- revenues 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 property, plant and equipment 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. Accounting standards, amendments and interpretations applicable from the current year

Starting from 1 January 2020, the following accounting standards and amendments to accounting standards, issued by the IASB and endorsed, when provided, by the European Union, are mandatorily applied.

- Amendments to IFRS 16 Leases Covid 19 - Related Rent Concessions (issued on 28 May 2020), applicable from 1 June 2020, with immediate application permitted. The amendment allows lessees, as a practical expedient, to disregard individual leases in determining whether benefits granted as a direct result of the Covid-19 pandemic should be classified as contractual modifications. Therefore, if the conditions are met, lessees may recognise the amount of rent waived by 30 June 2021 in the income statement for the year of granting; otherwise the amount would have been recognised in the income statement over the duration of the lease to which it relates. The amendment does not affect lessors.
- 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 previous definition focused on the returns under the form of dividends, cost savings or other economic advantages for the investors. The amendments have been prospectively applicable to the transactions whose acquisition date is equal or subsequent to the year starting 1 January 2020.
- Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform" (issued on 26 September 2019). The amendments establish temporary and limited exceptions to the hedge accounting provisions so that the provisions of the standards involved can continue to be met, assuming that the existing interest rate benchmarks are not changed as a result of the interbank rate reform. There is also an obligation to provide additional information to investors on hedging relationships that are directly affected by the uncertainties related to the reform.
- Amendments to IAS 1 and IAS 8 Definition of "material" (issued on 31 October 2018). The IASB clarifies that information is to be deemed "material" if omitting it, erroneous indication or concealment of the same could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, leading them to make a different choice. 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. In greater detail, the amendments clarify that:
  - "concealment of information" relates to situations where the effect on the primary users of financial statements is similar to that of the omission or erroneous indication of information, the significance of which is assessed in the context of the financial statements taken as a whole;
  - the "primary users of financial statements", to whom those financial statements are directed, are "investors, lenders and other existing and potential creditors" who must rely on general purpose financial statements for much of the financial information that they need; and
  - "materiality" depends on the nature or extent of the information, taken alone or in combination with other information, in the context of the financial statements; and erroneous indication of information is material if it can reasonably be expected to influence the decisions made by the primary users of the financial statements.

- Amendments to the Conceptual Framework (issued on 29 March 2018). 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.

  The document outlines changes to the relevant standards in order to update references to the Revised Conceptual Framework. These amendments accompany the latest version of the Revised Conceptual Framework for Financial Reporting, issued in March 2018 and applicable from 1 January 2020, which includes some new concepts, updated definitions and recognition criteria, and clarifications on some important concepts. The main amendments include:
  - an increase in the relevance of the management of economic resources by management for financial reporting purposes;
  - the reinstatement of prudence as a component supporting neutrality;
  - the definition of a reporting entity, which can be a legal entity or part of a legal entity;
  - the revision of the definitions of assets and liabilities;
  - the removal of the probability threshold for recognition and the addition of guidance on derecognition;
  - the addition of guidance on different measurement bases; and
  - affirmation that profit or loss is the primary performance indicator and that, in principle, revenues and costs in other components of the Statement of comprehensive income should be recycled to the income statement if this increases the relevance or faithful representation of the financial statements.

With regard to the application of these standards, amendments and new interpretations, it should be noted that there was no impact on the Company's 2020 financial statements.

5. Accounting standards endorsed by the European Union, but applicable 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 2020 financial statements are applicable on a mandatory basis from the accounting periods subsequent to 2020.

- Amendments to IFRS 4 "Insurance Contracts" - deferral of the date of entry into force of IFRS 9 (issued on 25 June 2020), applicable as from 1 January 2021. At present, in accordance with IFRS 4, the effective date for applying IFRS 9 (relating to just the temporary exemption from application of IFRS 9), is 1 January 2021. The exposure draft on amendments to IFRS 17 published in May 2019 proposed to extend the temporary exemption from IFRS 9 by one year. Subsequently, based on the IASB's new resolutions, the effective date of IFRS 9 was further extended to 1 January 2023 so as to align with the effective date of

IFRS 17. In this connection, on 25 June 2020 the IASB issued the document Extension of the Temporary Exemption from Applying IFRS 9 (amendments to IFRS 4). The adoption does not bring about any effects for the Company.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2" (issued on 27 August 2020), applicable as from 1 January 2021. The IASB divided its work on the reform of benchmark interest rates into two phases. The first phase (involving amendments to IFRS 9, IAS 39 and IFRS 7 applicable from the beginning of the 2020 financial year) addressed issues affecting financial reporting in the period prior to the replacement of an existing benchmark interest rate with an alternative rate; a second phase, the objective of which is to assist entities in providing useful information to users of financial statements and to support drafters in applying IFRS standards when changes are made to contractual cash flows or hedging relationships as a result of a changeover to alternative near-risk-free benchmark rates. In particular, in this second phase, the IASB intends to address issues related to:
  - changes in financial assets and liabilities, including lease liabilities;
  - hedge accounting; and
  - disclosure.

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 2020

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017), including the amendment to IFRS 17 issued on 25 June 2020. 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 effective for annual periods beginning on or after 1 January 2023 and comparative data will be required to be presented; early application is permitted for entities that apply IFRS 9 on or before the date of first-time application of IFRS 17. The adoption does not bring about any effects for the Company.
- Amendments to IAS 1 "Presentation of financial statements" (issued on 23 January 2020 and 15 July 2020). The amendments, effective as from 1 January 2023, clarify the requirements for determining whether payables and other liabilities with an uncertain settlement date should be classified as current or non-current in the statement of financial position (including liabilities that can be settled by conversion into equity instruments). The amendments proposed intend to clarify:
  - that the classification of a liability as current or non-current is based on the rights of the entity as at the year end date; and
  - the link between the discharge of the liability and the outflow of financial resources from the entity.

  The adoption does not bring about any effects for the Company.
- Amendments to IFRS 3, IAS 16, IAS 37 and improvements to the 2018-2020 IFRS cycle (issued on 14

May 2020). The amendments, applicable as from 1 January 2022 with early application permitted, are as follows:

- IFRS 3 "Business Combinations". The amendments update the reference to a systematic framework for financial reporting, without amending the accounting requirements for business combinations;
- IAS 16 "Property, Plant and Equipment". The amendments introduce the impossibility of reducing the cost of property, plant and equipment by the amount received from the sale of products while the asset is being prepared for its intended use. Instead, such sales shall be recognised as income in the income statement, as shall the related costs;
- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The amendment specifies which costs are to be considered when assessing whether a contract will be onerous;
- Annual improvements to the annual 2018-2020 IFRS cycle. These are amendments that clarify, correct or remove redundant or conflicting wording or formulations in the text of the relevant standards. Minor changes were made to IFRS 1, IFRS 9, IAS 41 and the illustrative examples accompanying IFRS 16.

7. Information 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.

The value of receivables 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 2020 and as at 31 December 2019 is represented by the summation of the financial assets recorded in the financial statements, summarised below:

(in thousands of Euro)

	As at 31 December 2020	As at 31 December 2019
Trade receivables (net of provision for write-downs)	231,085	239,562
Other trade receivables	4,248	5,031
Trade receivables held for sale	-	11,556
Financial assets (current and non-current)	40	20,594
Other assets (current and non-current)	49,694	41,905
TOTAL	**285,067**	**318,648**

The following table shows the amounts of trade receivables as at 31 December 2020 and 31 December 2019 by overdue date.

(in thousands of Euro)

	To be over-due	Past due 0-30 days	Past due 31-60 days	Past due 61-90 days	Past due 90-180 days	Past due over 180 days	Total at 31/12/2020
Trade receivables	209,747	5,322	4,960	1,985	2,326	19,043	243,383
Provision for write-downs							(12,298)
TOTAL	**209,747**	**5,322**	**4,960**	**1,985**	**2,326**	**19,043**	**231,085**

(in thousands of Euro)

	To be over-due	Past due 0-30 days	Past due 31-60 days	Past due 61-90 days	Past due 90-180 days	Past due over 180 days	Total at 31/12/2019
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 arise 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 fixed rate bond of a nominal 5 million euro, issued on 27 February 2018 and with maturity on 10 August 2022, repaid during 2019 and 2020 respectively for 1,250 thousand euro in each year.

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 2020	Within 1 year	Between 1 and 5 years	Beyond 5 years
Trade payables	135,788	-	-
Financial liabilities (current and non-current)	7,286	1,704	-
Other liabilities (current and non-current)	13,341	5,042	-
TOTAL	**156,415**	**6,746**	**-**

(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**	**-**

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 amortised cost.

9. Notes to the statement of financial position

9.1 RIGHTS OF USE

The changes in item "Rights of use" for the financial years ended 31 December 2020 and 2019, are shown hereunder.

(in thousands of Euro)

	Rights of use buildings	Rights of use 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)
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)
Increases	-	104	104
Net divestments	-	(77)	(77)
Depreciation	(120)	(58)	(178)
BALANCE AS AT 31 DECEMBER 2020	**460**	**118**	**578**
of which:			
Historical cost	1,373	203	1,576
Accumulated depreciation	(913)	(85)	(998)

"Rights of use buildings", amounting to 460 thousand euro, refer to agreements covering real estate complexes intended for use as operating headquarters and offices located throughout the area.
"Rights of use other assets", amounting to 118 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 provided below.

(in thousands of Euro)

	Note	As at 31 December 2020
Depreciation of rights of use	10.6	178
Interest expense on financial liabilities for leases	10.9	15
Costs relating to short-term agreements	10.4	38
Costs relating to agreements for assets of a modest value	10.4	26
Costs relating to variable payments for leases not included in the measurement of the liabilities		-
Income from sub-letting of assets consisting of the right of use		-
Total outgoing cash flow for leases		320
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 2020 and 2019, are shown hereunder:

(in thousands of Euro)

	Goodwill	Research, development and advertising costs	Industrial patents and intellectual property rights	Franchise, licenses, trademarks and similar	Work in progress and advance payments	Total
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)
Increases	240	-	29	26	-	295
Amortisation	-	(148)	(8)	(12)	-	(168)
BALANCE AS AT 31 DECEMBER 2020	**5,294**	**296**	**23**	**37**	**-**	**5,650**
Of which:						
Historical cost	5,294	740	319	303	-	6,656
Accumulated amortisation	-	(444)	(296)	(266)	-	(1,006)

Goodwill was recognised as a result of transfer operations. In particular, the increase in 2020, amounting to 240 thousand euro, derives from a transaction whereby the Company acquired from AMIAS Servizi Srl the business segment relating to the sale of electricity to customers with additional safeguards status in the municipality of Selvino (BG).

The development costs mainly include the costs incurred up until 2018 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 the value of commercial software, 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.

Impairment test on goodwill as at 31 December 2020

The Company performed an impairment test at year end, in order to assess any possible impairment in goodwill, recorded for an amount of 5,294 thousand euro as at 31 December 2020.

The test is performed by comparing the carrying value of assets, or group of assets, included in the cash generating unit (CGU), 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 2021-2023 plan and budget and the data for years 2024 and 2025, as emerging from the economic-financial plan prepared by management in accordance with the last plan year. One single CGU, reflecting the entire Company, was identified for impairment testing.
The WACC, which reflects market evaluations of money cost and 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 2020. 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 2020 and 2019, are shown hereunder:

(in thousands of Euro)

	Plant and equipment	Other assets	Total
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**
Di cui:			
Costo storico	185	61	246
Fondo ammortamento	(35)	(56)	(91)
Increases	5	2	7
Depreciation	(19)	(2)	(21)
BALANCE AS AT 31 DECEMBER 2020	**136**	**5**	**141**
Of which:			
Historical cost	190	63	253
Accumulated depreciation	(54)	(58)	(112)

The item "Plant and equipment" mainly includes the value of recharging systems for electric vehicles located in the Province of Trento. 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	
	2020	2019
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 2020 and 31 December 2019 are broken down as follows:

(in thousands of Euro)

	As at 31 December 2020	As at 31 December 2019
Goodwill	563	676
Provision for write-downs	2,581	2,429
Production bonuses	119	111
Provisions for risks and charges	484	176
Charitable donations	141	157
Other minor	8	6
Employee Termination Benefits and other benefits	141	112
IFRS 16	12	-
TOTAL PREPAID TAXES	**4,049**	**3,667**

(in thousands of Euro)

	As at 31 December 2020	As at 31 December 2019
Goodwill	268	183
Capital gains instalment spread	-	50
TOTAL DEFERRED TAXES	**268**	**233**

The following table shows the changes in 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 31.12.2019	Increases/(Decreases) in Income Statement	Increases/(Decreases) in Shareholders' Equity	Other changes in Income Statement	Other changes in Shareholders' Equity	as at 31.12.2020
DEFERRED TAX ASSETS:						
Goodwill	676	(113)	-	-	-	563
Provision for write-downs	2,429	152	-	-	-	2,581
Production bonuses	111	8	-	-	-	119
Provisions for risks and charges	176	308	-	-	-	484
Charitable donations	157	(16)	-	-	-	141
Other minor	6	2	-	-	-	8
Employee Termination Benefits and other benefits	112	1	28	-	-	141
IFRS 16	-	(1)	-	-	13	12
TOTAL PREPAID TAXES	**3,667**	**341**	**28**	**-**	**13**	**4,049**
Goodwill	183	85	-	-	-	268
Capital gains instalment spread	50	(50)	-	-	-	-
TOTAL DEFERRED TAXES	**233**	**35**	**-**	**-**	**-**	**268**

9.6 OTHER NON-CURRENT ASSETS

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

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2020	**2019**
Non-current accounts receivable - companies subject to control	45,091	36,902
Non-current accounts receivable - other	104	94
Multi-year prepayments	67	3
TOTAL	**45,262**	**36,999**

This item mainly includes guarantee deposits to guarantee contracts for the electricity and gas transport service, paid to the affiliates SET Distribuzione SpA for 37,369 thousand euro (of which 8,189 thousand euro paid over in 2020) 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 2020, but pertaining up to 2022.

9.7 TRADE RECEIVABLES

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

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2020	**2019**
Accounts receivable - customers	238,912	246,014
Accounts receivable - parent companies	163	431
Accounts receivable - companies subject to control by parent companies	8,556	7,554
Provision for write-downs	(12,298)	(9,406)
TOTAL	**235,333**	**244,593**

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 commercial 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.

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 2020 and 2019:

(in thousands of Euro)

	Provision for write-downs
AS AT 1 JANUARY 2019	**11,139**
Provisions	4,288
Usage	(3,158)
Igiene Urbana (municipal waste) segment provision	(2,863)
AS AT 31 DECEMBER 2019	**9,406**
Provisions	4,472
Usage	(1,580)
AS AT 31 DECEMBER 2020	**12,298**

The allocation of the period amounted to 4,472 thousand euro, while usage amounted to 1,580 thousand euro, mainly resulting from the removal of trade receivables in bankruptcy proceedings.

9.8 CURRENT FINANCIAL ASSETS

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

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	2019
Financial receivables for cash pooling	10	20,562
Other financial receivables	30	32
TOTAL	40	20,594

This item decreased significantly overall compared to 31 December 2019. The decrease essentially refers to the cash pooling relationship with the Parent Company, which went from a receivable of 20,562 thousand euro at the end of the previous year to a receivable of 10 thousand euro as at 31 December 2020, exclusively for interest accrued and not yet collected.

9.9 OTHER CURRENT ASSETS

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

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	2019
ELECTR./GAS tax credits	851	948
Other credits	344	188
Account receivable from CSEA	2,368	2,333
Advances/Deposits	345	204
Annual prepayments	525	452
Other accounts receivables - parent companies	-	781
TOTAL	4,433	4,906

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 mainly 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; at 31 December 2020 this receivable amounted to 1,704 thousand euro.
The item "prepayments" mainly includes advertising costs that had a cash impact in 2020, but will accrue in 2021.
There was a decrease in "other receivables from parent companies", which amounted to 781 thousand euro as at 31 December 2019 and referred to receivables for Group VAT (682 thousand euro) and receivables for IRES/IRAP rebate requests for 99 thousand euro. These receivables were collected in full during 2020.

9.10 CASH AND CASH EQUIVALENTS

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

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2020	2019
Bank and postal current accounts	2,130	4,955
TOTAL	**2,130**	**4,955**

Cash and cash equivalents as at 31 December 2020 related to the balance of bank and postal current accounts not falling under centralised liquidity management.

9.11 SHAREHOLDERS' EQUITY

Movements of Equity reserves are shown in these financial statements.
As at 31 December 2020, the Company's share capital amounted to 20,405 thousand euro, made up by 20,405,332 ordinary shares, with a par value of 1.00 euro each.

The Shareholders' Equity is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2020	2019
Share capital	20,405	20,405
Legal reserve	4,081	4,040
Share premium reserve	12,384	12,384
OTHER RESERVES AND RETAINED EARNINGS		
Extraordinary reserve	66,061	56,380
FTA reserve	582	582
IAS 19 Reserve	(231)	(72)
Retained earnings	366	353
OTHER RESERVES	66,778	57,243
Profit or loss for the year	26,180	22,857
TOTAL SHAREHOLDERS' EQUITY	**129,828**	**116,929**

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)

	31/12/2020	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	4,081	B	-	-	-
Extraordinary reserve	66,061	A,B,C	66,061	-	-
FTA reserve	582	B,C	582		
Retained earings/(loss) carried forward	366	A,B,C	366		
IAS 19 Reserve	(231)	B	-		
TOTAL	**103,648**		**79,393**	**-**	**-**
NON-DISTRIBUTABLE PORTION			**(296)**		
RESIDUAL DISTRIBUTABLE PORTION			**78,515**		

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

Pursuant to Article 2431 of the Italian Civil Code, the "Share Premium Reserve" can be distributed only if the Legal Reserve has reached the threshold set out by Article 2430 of the Italian Civil Code.
The non distributable portion corresponds to development costs not yet amortised at the end of the year, which limit the distribution of the extraordinary reserve, in application of Article 2426, No. 5 of the Italian Civil Code.

9.12 PROVISIONS FOR NON-CURRENT AND CURRENT RISKS AND CHARGES

The item "Provisions for risks and charges" totalled 3,001 thousand euro as at 31 December 2020 and it is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2020	2019
Provisions for non-current risks and charges	2,557	756
Provisions for current risks and charges	444	932
TOTAL	**3,001**	**1,688**

The item "Provisions for non-current risks and charges" includes, in the amount of 700 thousand euro, the provision for agents' leaving indemnities (586 thousand euro as at 31 December 2019), 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 128 thousand euro and was used for 14 thousand euro for the termination of an agency relationship. 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, which in 2020 was increased by 16 thousand euro; the proceedings are still pending before the 1st level Tax Commission of Trento and the fixing of the related discussion hearing is awaited. Finally, in 2020, a provision for risks was set up for 1,671 thousand euro, in the presence of a lawsuit filed by the receiver of a wholesaler counterparty, who initiated a bankruptcy revocation action to render ineffective the acts that the bankrupt carried out in the period prior to the declaration of bankruptcy (payments in favour of the Company); DE will appeal against this measure.
Provisions for current risks and charges include, for 444 thousand euro, the estimated liability for performance bonuses to be paid to employees in 2021 on the basis of results achieved in 2020, still to be calculated. At the end of the previous year, a provision of 416 thousand euro was estimated, with subsequent payment of bonuses in 2020 amounting to 461 thousand euro; the cost relating to the higher value of the bonuses paid (45 thousand euro) was recognised in the current year under contingent liabilities of the personnel costs. 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 had formally accepted the commitment proposal submitted by the Company and therefore closed the investigation; Dolomiti Energia paid the indemnities to the customers during 2020.

The changes in these provisions, for the financial years ended 31 December 2020 and 2019, are broken down as follows:

(in thousands of Euro)

	Provisions for non-current risks and charges	Provisions for current risks and charges
AS AT 1 JANUARY 2019	**654**	**935**
Provisions	102	416
Usage	-	(337)
Releases	-	(82)
AS AT 31 DECEMBER 2019	**756**	**932**
Provisions	1,815	444
Usage	(14)	(932)
AS AT 31 DECEMBER 2020	**2,557**	**444**

With regard to the dispute that some customers have formalised, related to the request for reimbursement of provincial excise duties paid in the period 2010-2011, repealed by the State in 2012 because in contrast with Directive 2008/118/EC, the Company has taken legal action against their claims; since, in the event of a negative outcome, the Company will request reimbursement from the Inland Revenue for any amounts to be returned to customers, as these are indirect taxes levied on them and paid in full to the Treasury, it was decided not to make any provision in the year.

During 2020 the Company was also the subject to a request for documentation from the Italian Antitrust Authority (AGCM) as part of its periodic control activities on the application of regulations relating to the Consumer Code. Following the analysis of the documentation, on 8 October 2020 AGCM announced the start of preliminary proceedings (at the same time as on 12 other operators in the sector) and requested further information. Given the available information and following the exchange of information with AGCM, it is considered reasonable that the proceedings may end with the acceptance of the commitments proposed by the Company to improve the completeness of the information provided to customers and therefore no provision for charges has been made in the financial statements.

9.13 EMPLOYEE BENEFITS

The item "Employee benefits" as at 31 December 2020 includes, in the amount of 783 thousand euro, the Employee Termination Benefits and, in the amount of 458 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 2020 and 31 December 2019 are shown hereunder:

(in thousands of Euro)

	AS AT 31 DECEMBER 2019					
	Employee Termination Benefits	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 thousands of Euro)

	AS AT 31 DECEMBER 2020					
	Employee Termination Benefits	Loyalty bonuses	Additional months of salary	Discounts on electricity	Medals	Total
LIABILITIES AT THE BEGINNING OF THE YEAR	821	80	99	86	27	1,113
Current cost for the service	-	4	5	.	2	11
Interest to be discounted	5	1	1	-	1	8
Benefits paid	(28)	(17)	(7)	(22)	(5)	(79)
Actuarial (gains)/losses	(15)	170	(20)	-	53	188
Transfers	-	-	-	-	-	-
LIABILITIES AT THE END OF THE YEAR	783	238	78	64	78	1,241

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 2018 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 upon termination of the discount at the time of 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	
	2020	2019
Discount rate	0.35%	0.80%
Inflation rate	0.75%	1.50%
Turnover	0.50%	0.50%
Annual frequency of advances	3.00%	3.00%

A sensitivity analysis as at 31 December 2020 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					
	Discount rate +0.50%	Discount rate -0.50%	Inflation rate +0,25%	Inflation rate -0,25%	Turnover +2,00%	Turnover -2,00%
Employee Termination Benefits	745	824	795	772	773	787

9.14 FINANCIAL LIABILITIES (CURRENT AND NON-CURRENT)

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

(in thousands of Euro)

	AS AT 31 DECEMBER			
	2020		2019	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Due to banks	20	-	20	-
Accounts payable - parent companies for cash pooling	5,426	-	-	-
Accounts payable - interest expense	422	-	450	-
Accounts payable - others	168	454	180	598
Bond loan	1,250	1,250	1,250	2,500
TOTAL	**7,286**	**1,704**	**1,900**	**3,098**

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

As at 31 December 2020, the Company owed the Parent Company Dolomiti Energia Holding 5,426 thousand euro within the sphere of the centralised treasury management scheme; at the end of the previous year, DE had a credit balance of 20,562 thousand euro. For an analysis of changes in cash flows, please refer to the cash flow statement.

The item "Accounts payable - interest expense and financial expenses" includes amounts due to the Parent Company as at 31 December 2020, in the amount of 161 thousand euro (167 thousand euro as at 31 December 2019), related to charges for commission on sureties and funds.

The bond loan was issued by Dolomiti Energia according to 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 reimbursed in 4 annual instalments, on a straight-line basis; the Company repaid the first two tranches of 1,250 thousand euro respectively for each year in 2019 and 2020. The bond is listed on the regulated Main Securities Market of the Irish Stock Exchange.

The bond loans as at 31 December 2020 is broken down as follows:

(in thousands of Euro)

AS AT 31 DECEMBER 2020					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 YEAR
Dolomiti Energia SpA	27/02/2018	10/08/2022	1.05%	5,000,000	2,500	1,250	1,250	-
TOTALE					**2,500**	**1,250**	**1,250**	**-**

AL 31 DICEMBRE 2019					Book balance			
Dolomiti Energia SpA	27/02/2018	10/08/2022	1.05%	5,000,000	3,750	1,250	2,500	-
					3,750	**1,250**	**2,500**	**-**

The following table shows the composition of and changes during the year in lease and rental liabilities, determined in accordance with EU IFRS 16:

(in migliaia di Euro)

	as at 31.12.2019	New agreements	Repayments	as at 31.12.2020	of which current portion
Financial payables for buildings	626	-	(124)	502	127
Financial payables for other movable assets	152	104	(136)	120	41
ACCOUNTS PAYABLE - OTHERS FOR LEASES AND RENTALS	**778**	**104**	**(260)**	**622**	**168**

Net Financial Indebtedness for the year of the Company Dolomiti Energia as at 31 December 2020 and 2019 is broken down hereunder. This indebtedness was calculated pursuant to provisions set out by Consob Communication of 28 July 2006 and the ESMA/2013/319 Recommendations:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	2019
A. Cash	-	-
B. Other cash and cash equivalents	2,130	4,955
C. Securities held for trading	-	-
D. Liquidity (A+B+C)	2,130	4,955
E. Current financial receivables	40	20,594
F. Payables to banks and other current lenders	(20)	(20)
G. Current portion of non-current indebtedness	(1,250)	(1,250)
H. Other current financial payables	(6,016)	(630)
I. Current financial indebtedness (F+G+H)	(7,286)	(1,900)
J. Current net financial indebtedness (I+E+D)	(5,116)	23,649
K. Payables to banks and other non-current lenders	-	-
L. Bonds issued	(1,250)	(2,500)
M. Other non-current financial payables	(454)	(598)
N. Non-current net financial indebtedness (K+L+M)	(1,704)	(3,098)
O. Net financial indebtedness (J+N)	(6,820)	20,551
NET FINANCIAL INDEBTEDNESS OF THE COMPANY	**(6,820)**	**20,551**

With regard to the change in the net financial position, please refer to the cash flow statement.

9.15 TRADE PAYABLES

The item "Trade payables" includes payables for the supply of goods and services and amounted to 135,788 thousand euro as at 31 December 2020, compared with 172,087 thousand euro as at 31 December 2019.

The item includes accounts payable to the Parent Company Dolomiti Energia Holding amounting to 1,551 thousand euro (886 thousand euro as at 31 December 2019), 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 68,515 thousand euro (100,604 thousand euro as at 31 December 2019) 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.

The overall decrease in the item is mainly due to the decrease in payables to companies subject to the control of the Parent Company (decreased by 32,089 thousand euro) and in particular to Dolomiti Energia Trading for payables relating to the marketing of natural gas; this decrease is influenced by adjustments received at the end of the year and relating to the first few months of 2020, as well as invoicing delays and therefore payment delays that had affected the previous year.

9.16 OTHER LIABILITIES (CURRENT AND NON-CURRENT)

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

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	2019
Other payables for guarantee deposits	5,042	5,222
OTHER PAYABLES FOR GUARANTEE DEPOSITS	**5,042**	**5,222**

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

(in thousands of Euro)	AS AT 31 DECEMBER	
	2020	2019
Tax on ELECTRICITY/GAS	2,753	7,043
IRPEF	240	229
Other tax payables	7	47
Social security payables	590	507
Other accounts payable	2,221	2,513
Sewerage charge	4,288	3,849
Accrued liabilities	11	16
Accounts payable to parent companies for taxes	3,231	4,131
Accounts payable to DA RSU conferral	-	1,960
TOTAL OTHER CURRENT LIABILITIES	**13,341**	**20,295**

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 2021.

Other accounts payable, amounting to 2,221 thousand euro and essentially in line with the end of the previous year, mainly include payables for the payment of RAI television licence fees withheld on customers' bills for 1,417 thousand euro (1,825 thousand euro as at 31 December 2019), as well as payables to employees for deferred salaries and wages for 323 thousand euro (335 thousand euro at the end of the previous year).

Payables for the "sewerage charge" also include the amounts due to the Municipal Authorities of Trento and Rovereto for a total of 2,774 thousand euro, whereas the payable to the other neighbouring Municipalities is 1,514 thousand euro.

Accounts payable to the Parent Company Dolomiti Energia Holding, in the amount of 1,182 thousand euro, are related to the payable for IRES tax for the year, (4,131 thousand euro as at 31 December 2019), due to compliance with the national tax consolidation scheme; the payable at the end of the year also includes the payables for Group VAT, in the amount of 2,048 thousand euro.

With regard to the decreases deriving from the conferral of the RSU branch, please see note 9.18.

9.17 CURRENT TAX LIABILITIES

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

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2020	2019
IRAP	120	471
TOTAL	120	471

At 31 December 2020, the Company had a liability vis-à-vis the Tax Authorities for IRAP of 120 thousand euro, equal to the taxation pertaining to the year net of the advances paid (471 thousand euro at the end of the previous year).

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). At the end of the previous year, Dolomiti Ambiente had paid the Company a provisional amount of 1,960 thousand euro determined on the basis of the values of the assets to be sold at 30 September 2019 and to be adjusted following the determination of the value of the business unit; this was finalised in 2020 to the extent of the positive difference between receivables and payables emerging from the financial statements at 31 December 2019. The following table shows the value of the business unit sold, amounting to a final 910 thousand euro and the price adjustment in favour of the purchaser Dolomiti Ambiente for 1,050 thousand euro, paid in 2020 by the Company.

(in thousands of Euro)

	Value of business unit
CURRENT ASSETS	
Trade receivables	14,415
(Provision for write-downs)	(2,863)
TOTAL ASSETS HELD FOR SALE	**11,552**
Current liabilities	
Trade payables	10,625
Other current liabilities	17
TOTAL LIABILITIES HELD FOR SALE	**10,642**

This transaction did not give rise to any capital gain or loss.

The following table illustrates the positive economic result assigned to the business unit sold for 2019.

(in thousands of Euro)

	As at 31 December 2019
Revenues	26,239
Other revenue and income	221
TOTAL REVENUE AND OTHER INCOME	**26,460**
Costs for services	(25,318)
Net write-backs (write-downs) on receivables	(700)
Other operating costs	(2)
TOTAL COSTS	**(26,020)**
OPERATING RESULT	**440**
Financial income/(expenses)	26
PROFIT BEFORE TAX	**466**

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 2020 and 31 December 2019, 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 or loss.

(in thousands of Euro)	AS AT 31 DECEMBER 2020			
	Financial assets/liabilities measured at amortised cost	Financial assets/liabilities measured at FVOCI	Financial assets/liabilities measured at FVTPL	Total
CURRENT ASSETS				
Trade receivables	235,333	-	-	235,333
Current financial assets	40	-	-	40
Other current assets	4,433	-	-	4,433
Cash and cash equivalents	2,130	-	-	2,130
NON-CURRENT ASSETS				
Other non-current assets	45,262	-	-	45,262
ASSETS HELD FOR SALE	**-**	**-**	**-**	**-**
CURRENT LIABILITIES				
Trade payables	135,788	-	-	135,788
Current financial liabilities	7,286	-	-	7,286
Other current liabilities	13,341	-	-	13,341
NON-CURRENT LIABILITIES				
Non-current financial liabilities	1,704	-	-	1,704
Other non-current liabilities	5,042	-	-	5,042
LIABILITIES HELD FOR SALE	**-**	**-**	**-**	**-**

(in thousands of Euro)	AS AT 31 DECEMBER 2019			
	Financial assets/liabilities measured at amortised cost	Financial assets/liabilities measured at FVOCI	Financial assets/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**

Current and non-current financial liabilities include 2,500 thousand euro related to the bond loan (Note 9.14), with a negative fair value as at 31 December 2020 of 2,490 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 2020 and 2019, is broken down as follows:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2020	**2019**
Electricity	594,478	679,759
Water resources	21,473	21,451
Gas	189,365	215,384
Heat	6,496	7,726
Other revenue	8,992	9,260
TOTAL	**820,804**	**933,580**

The overall decrease in the item "Revenues" is mainly attributable to the electricity and gas commodities. Revenues from the sale of electricity were negatively affected both by a decrease in consumption, particularly on the free market, and by a drop in the average tariff (on the market subject to additional safeguards) and the average PUN (on the free market). Gas revenues were also affected by the drop in volumes and especially 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 2020 and 2019, is broken down as follows:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2020	2019
Other revenue	14,020	10,269
Other income	5	5
DE Group revenues	638	135
TOTAL	14,663	10,409

The item other revenue (14,020 thousand euro) includes contingent assets for 13,956 thousand euro (10,296 euro thousand in 2019), essentially attributable to the electricity commodity for 10,615 thousand euro and referring to positive components of the previous financial years. Also included are contingent assets for 1,505 thousand euro deriving from the closure of a customer's bankruptcy proceedings and therefore from the definition of the allocation plan.
The item Dolomiti Energia Group revenues mainly includes the revenues deriving from the application of the service agreement with Dolomiti Ambiente, to which the Company still provides a number of commercial services. In the previous year these revenues included revenues from sales linked to the municipal waste business unit.

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 2020 and 2019, is broken down as follows:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2020	2019
Purchases of elect. raw materials	212,628	252,375
Purchases of gas raw materials	112,073	141,274
Purchases of fuels	26	53
Purchase of miscellaneous materials	1,352	2,071
Non-recurring expenses - purchases of raw materials	676	1,419
TOTAL	326,755	397,192

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 a decrease in volumes purchased and the prices applied.

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

10.4 COSTS FOR SERVICES

The item "Costs for services" for the financial years ended 31 December 2020 and 2019, is broken down as follows:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2020	2019
External maintenance services	50	42
Insurance, banking and financial services	1,012	1,013
Other services	6,905	6,397
Commercial services	442,838	491,107
General services	324	284
Financial statements certification	55	59
Board of Statutory Auditors	36	36
Directors	155	155
Non-recurring income - services	338	633
Rental expense	238	280
Rental fees	64	79
Business unit rental	433	607
TOTAL	**452,448**	**500,692**

The overall decrease 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 decreased considerably compared with the previous year by 48,269 thousand euro, in line with the reduction in volumes.

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 883 thousand, including 510 thousand, paid to the Parent Company Dolomiti Energia Holding S.p.A.. This item also includes insurance expenses amounting to 129 thousand euro.

The increase in costs for other services mainly refers to higher costs borne for compensation to the sales network, amounting to 5,886 thousand euro in the year (5,250 thousand euro in 2019). The higher costs are due to an increase in retail customer acquisitions and the payment of premiums related to both the retail and business markets.

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 compared with 2019 following a contractual review.

The Company has paid the affiliate SET Distribuzione an annual fee for the rental of the business unit relating to the marketing of electricity, amounting to 433 thousand euro (607 thousand euro in the previous year), also revised following a contractual review.

10.5 PERSONNEL COSTS

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

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2020	2019
Wages and salaries	6,166	5,704
Social security costs	1,785	1,710
Employee termination benefits	388	358
Other costs	136	94
TOTAL	**8,475**	**7,866**

The Company has 195 employees as at 31 December 2020 (185 at end of the previous year), including 2 managers, 7 middle managers and 186 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 2020 and 2019, is broken down as follows:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2020	2019
Amortisation of rights of use	168	173
Depreciation of intangible assets	21	18
Depreciation of property, plant and equipment	178	184
Allocation to provisions for risks	1.671	-
TOTAL	**2,038**	**375**

The amortisation and depreciation of the year are essentially in line with 2019.

In 2020, a provision for risks of 1,671 thousand euro was set aside for a lawsuit filed by the official receiver of a wholesaler counterparty, who initiated bankruptcy revocation action to render ineffective the acts that the bankrupt carried out in the period prior to the declaration of bankruptcy (payments in favour of the Company); DE will appeal against this measure.

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

The item "Net write-backs (write-downs) of receivables" for the financial years ended 31 December 2020 and 2019, is broken down as follows:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2020	2019
Write-down of receivables included in current assets	4,472	3,605
Credit losses	110	425
TOTAL	4,582	4,030

The allocation to the provision for write-downs of receivables amounted to 4,472 thousand euro, up compared to 2019 due to the increase in doubtful collectability cases.

10.8 OTHER OPERATING COSTS

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

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2020	2019
Miscellaneous costs	833	914
CTS/Social security fee	707	779
Characteristic non-recurring expenses	3,654	796
Postal charges	34	26
Other taxes	331	312
TOTAL	5,559	2,827

This item is up sharply compared to the previous year, essentially as a result of the increase in non-recurring expenses, due to negative adjustments to estimates referring to revenues from the previous year.

10.9 FINANCIAL INCOME AND EXPENSES

The items "Financial income" and "Financial expenses" for the financial years ended 31 December 2020 and 2019, are broken down as follows:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
Proventi finanziari	2020	2019
Financial income from parent companies	49	50
Financial income from other companies	511	397
TOTAL OTHER FINANCIAL INCOME	560	447

Financial income is composed of interest income from the Parent Company Dolomiti Energia Holding SpA accrued on positive cash pooling balances of 49 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	**2020**	**2019**
Financial expenses to parent companies	(140)	(140)
Financial expenses to other companies	(90)	(223)
Interest to be discounted	(8)	(15)
TOTAL OTHER FINANCIAL EXPENSES	**(238)**	**(378)**

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 from other companies include interest expense accrued on the bond loan, in the amount of 35 thousand euro (48 thousand euro in 2019) and non-recurring expenses for 31 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 2020 and 2019, is broken down as follows:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2020	**2019**
Current taxes	9,929	8,973
Deferred taxes	35	(9)
Prepaid taxes	(341)	(424)
Previous years' taxes	127	146
TOTAL	**9,750**	**8,686**

Current taxes, assessed on the basis of a realistic forecast of taxable income pertaining to the year, refer to IRES (8,823 thousand euro) and IRAP (1,105 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			
	2020	%	2019	%
PROFIT BEFORE TAX	35,931		31,543	
Theoretical IRES tax	8,623	24.00%	7,570	24.00%
Permanent differences	(60)		623	
Temporary differences	1,709		1,741	
ACE (aid for economic growth)	(816)		(690)	
IRES taxable amount	36,764		33,217	
EFFECTIVE IRES	8,823	24.56%	7,972	25.27%
OPERATING RESULT	35,609		31,448	
Costs that are irrelevant for IRAP tax purposes	14,618		12,595	
TOTAL	**50,227**		**44,043**	
Theoretical IRAP tax	1,411	2.81%	1,242	2.82%
Permanent differences	(9,562)		(7,782)	
Temporary differences	(1,336)		(747)	
EFFECTIVE IRAP	1,105	2.20%	1,001	2.27%
CURRENT INCOME TAXES	9,928		8,973	

11. Related party transactions

Related parties are those companies which 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 those in which the Company holds an equity investment which is able to exercise a remarkable influence.

As regards the financial years ended 31 December 2020 and 2019, the main transactions with related parties involved the following:

(in thousands of Euro)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

	2020				2019			
	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	LOANS PAYABLE	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	LOANS PAYABLE
Dolomiti Energia Holding	163	10	1,551	8,818	431	21,343	886	4,298
DTC	23	-	-	-	16	-	-	-
Dolomiti Energia Solutions	338	-	1,270	-	493	-	747	-
Set Distribuzione	37,403	-	26,667	-	29,221	-	29,716	-
Novareti	9,332	-	11,199	-	10,036	-	12,878	-
Hydro Dolomiti Energia	1,260	-	-	-	1,295	-	-	-
Dolomiti Edison Energy	338	-	-	-	-	-	-	-
Dolomiti Energia Trading	4,521	-	29,234	-	2,764	-	57,202	-
Dolomiti GNL	2	-	144	-	5	-	61	-
Dolomiti Ambiente	430	-	-	-	625	-	10,625	1,960

(in thousands of Euro)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

	2020								2019							
	REVENUES			PURCHASES			FINANCIAL INCOME	FINANCIAL EXPENSE	REVENUES			PURCHASES			FINANCIAL INCOME	FINANCIAL EXPENSE
	Goods	Services	Other	Goods	Services	Other			Goods	Services	Other	Goods	Services	Other		
Dolomiti Energia Holding	226	22	-	12	5,065	201	49	650	344	68	-	-	4,142	223	50	670
DTC	3	-	-	-	-	-	-	-	3	-	-	-	-	-	-	-
Dolomiti Energia Solutions	1,010	3	-	554	270	-	-	-	1,497	44	-	-	352	-	-	-
Set Distribuzione	136	1	62	-	134,103	433	-	-	157	3	-	-	152,239	607	-	-
Novareti	5,935	2	-	-	48,039	-	-	-	8,058	227	-	-	50,378	25	-	-
Hydro Dolomiti Energia	761	-	-	-	-	-	-	-	1,017	-	-	-	-	-	-	-
Dolomiti Edison Energy	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dolomiti Energia Trading	9,616	30	660	301,084	2,001	24	-	-	6,339	234	728	367,440	30	84	-	-
Dolomiti GNL	3	4	-	198	-	-	-	-	3	5	-	158	-	-	-	-
Dolomiti Am-biente	97	589	-	-	3	-	-	-	119	1,147	-	-	25,194	127	-	-

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

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 sureties and insurance guarantees amounting to 73,942 thousand euro were issued in the interest of Dolomiti Energia and in favour of third parties (77,556 thousand euro as at 31 December 2019); the Parent Company Dolomiti Energia Holding undertook financial commitments in third parties' favour and in the interest of the Company totalling 89,806 thousand euro (93,421 thousand euro as at 31 December 2019), part of these to guarantee the release of the bank sureties.

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 2020 and 2019, is broken down as follows:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2020	2019
Directors	135	135
Board of Statutory Auditors	35	35

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

14. Independent Auditors' considerations

The following table shows the considerations received by the independent auditor PricewaterhouseCoopers S.p.A. for the audit services of the financial statements for the years ended 31 December 2020 and 2019:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2020	2019
Audit	41	41
Other verification services	15	15
Tax advisory services	-	-
Other non-audit services	-	-

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:

Statement of financial position - IFRS TEMPLATE

(in Euro)

Assets	31.12.2019
NON-CURRENT ASSETS	
Rights of use	3,086,807
Intangible assets	12,702,373
Property, plant and equipment	45,503,822
Equity investments	787,451,271
Deferred tax assets	9,106,606
Other non-current assets	79,489
TOTAL NON-CURRENT ASSETS	**857,930,368**
CURRENT ASSETS	
Inventories	490,295
Trade receivables	13,823,906
Income tax receivables	623,617
Current financial assets	52,682,286
Other current assets	10,996,151
Cash and cash equivalents	18,016,104
TOTAL CURRENT ASSETS	**96,632,359**
TOTAL ASSETS	**954,562,727**

Liabilities	31.12.2019
SHAREHOLDERS' EQUITY	
Share capital	411,496,169
Reserves	89,638,123
IAS 19 Reserve	(25,951)
Profit or loss for the year	36,485,138
TOTAL SHAREHOLDERS' EQUITY	**537,593,479**
LIABILITIES	
NON-CURRENT LIABILITIES	
Provisions for non-current risks and charges	1,395,055
Employee benefits	3,400,450
Deferred tax liabilities	160,616
Non-current financial liabilities	116,202,635
Other non-current liabilities	1,049,644
TOTAL NON-CURRENT LIABILITIES	**122,208,400**
CURRENT LIABILITIES	
Provisions for current risks and charges	755,533
Trade payables	12,488,280
Current financial liabilities	266,747,373
Income tax payables	2,956,710
Other current liabilities	11,812,952
TOTAL CURRENT LIABILITIES	**294,760,848**
SHAREHOLDERS' EQUITY AND LIABILITIES	**954,562,727**

Reclassified income statement

(in Euro)

	Financial year 2019
Revenue and other income	40,410,931
Costs	(51,823,269)
Income and expenses from equity investments	45,011,505
Operating result	**33,599,167**
Financial income and expenses	984,682
Profit before tax	**34,583,849**
Taxes	1,901,289
PROFIT OR LOSS FOR THE YEAR	**36,485,138**
Components of the comprehensive income statement that will not subsequently be reclassified in the income statement	(141,775)
Components of the comprehensive income statement that may subsequently be reclassified in the income statement	(3,318,157)
TOTAL COMPREHENSIVE PROFIT OR LOSS OF THE YEAR	**33,025,206**

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 2019. For an adequate and complete understanding of Dolomiti Energia Holding SpA's equity and financial position as at 31 December 2019, 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

It is noted that with effect from 1 January 2021, the Shareholders' Meeting resolved to increase the share capital from 20,405,332 euro to 20,414,755 euro, therefore by a nominal amount of 9,423 euro, via the issue of 9,423 ordinary registered shares with a par value of 1.00 euro each, with a total share premium of 65,277 euro, offering this increase in full to the Municipality of Sella Giudicarie, and releasing it through the transfer of ownership of the business unit dedicated to the marketing of electricity in the Municipality of Sella Giudicarie (TN).

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

Pursuant to Article 1, sections 125 et seq. of Italian Law No. 124/2017 (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 dated 30 April 2019, please refer to the National Register of State Aid, "Transparency" section, in order to view any grants, subsidies, benefits, contributions or aid, in cash or in kind, not of a general nature and lacking the nature of consideration, remuneration or compensation, effectively disbursed by the public administration authorities as well as by the entities referred to in Article 2-bis of Italian Legislative Decree No. 33/2013 in the year 2020.

21. Proposed allocation of profits or loss coverage

With reference to the information required by Article 2427, point 22-septies of the Italian Civil Code, we propose to the Shareholders' Meeting that the profit for the year of 26,180,434 euro be allocated as follows:

- 1,885 euro to the legal reserve;
- 13,269,591 euro by way of ordinary dividend for the shareholders, corresponding to 0.65 euro per share;
- 12,908,958 euro to the extraordinary reserve.

Trento, Italy, 25 March 2021

The Chairman of the Board of Directors
The Chairman
Rudi Oss

Financial Statements Certification

1. The undersigned Rudi Oss and Michele Pedrini of Dolomiti Energia SpA 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 2020 financial year.

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, 25 March 2021

Chairman
Rudi Oss

Head of Administration
Michele Pedrini

Reports

Fassa Valley, Col Rodella. Pordoi in the background.
Photo Daniele Riva, Trentino Sviluppo Archive

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 2403 of 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 entrusted 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, as from 27 February 2018, following the conclusion of the listing operations on the Irish regulated market of the bond entitled "Dolomiti Energia SpA € 5,000,000 1.05 per cent. Fixed Rate Notes due 2022" and 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 2020, 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. On the basis of the information acquired, we have no particular observations to make except to

draw attention - with reference to the foreseeable evolution of operations - to the risk relating to a possible increase in delays and insolvencies in the payment of invoices by end customers, in particular by the economic activities most affected by the crisis, as clearly indicated by the directors in the report on operations.
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 of and monitored, for matters under our competence, 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 "Organisation, management and control model" envisaged by Italian Legislative Decree No. 231/2001, of which the Chairman of the Board of Statutory Auditors is also a member, the adequacy and functioning of the organisational set-up of the company and the internal control system, also in relation to the prompt detection of situations of crisis or the loss of business continuity (going-concern) and, in this connection, we have no particular observations to make. With reference to the organisational structure, lastly, we should recall that the terms of office of both the Board of Directors and the Board of Statutory Auditors are about to expire, and therefore we invite you to renew the corporate bodies.
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 2020, we report that, on 22 September 2020, 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 the Municipality of Sella Giudicarie.

During the course of the supervisory activities, as described above, no other significant facts 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 2020, which reported a shareholders' equity of 129,828,308 euro, including profit for the year of 26,180,434 euro.

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 2020, 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 (5,294,392 euro at 31 December 2020) 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 2020 are recognised among intangible assets in the amount of 296 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 2020, as prepared by the directors.
In consideration of the expiration of the three-year term of office of the Board of Statutory Auditors, we are duty-bound to conclude the present report expressing our most heartfelt thanks to the Shareholders for their confidence, to the Board of Directors for the cordial and timely collaboration, and to all the employees of Dolomiti Energia and of the parent company for its very valuable assistance.

Trento, 13 April 2021.

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

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

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

Key Audit Matters

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

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 2020.* Revenue of Dolomiti Energia SpA for the year ended 31 December 2020 included revenue from the sale of electricity and gas in a total amount of Euro 783.843 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.

pwc

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 2020, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Dolomiti Energia SpA as of 31 December 2020 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations mentioned above is consistent with the financial statements of Dolomiti Energia SpA as of 31 December 2020 and is prepared in compliance with the law.

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

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, 13 April 2021

PricewaterhouseCoopers SpA

Signed by

Paolo Vesentini
(Partner)

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


www.dolomitienergia.it