

Dolomiti Energia
Financial statements 2016

Dolomiti Energia SpA

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Dolomiti Energia SpA

Fully paid-up Share Capital 20,200,000 euro

Via Fersina 23 - Trento

Trento Register of Companies No.

Taxpayer ID and VAT No. 01812630224

Management and coordination by Dolomiti Energia Holding Spa

Financial statements as at 31 December 2016

Board of directors

CHAIRMAN: **Oss** Rudi

DEPUTY CHAIRMAN: **Chini** Luigi

CHIEF EXECUTIVE OFFICER: **Merler** Marco

DIRECTORS: **Franzini** Enrica

D'Amico Andrea

La Via Manuela

Stefani Romano

Prezzi Raffaella

Board of statutory auditors

CHAIRMAN: **Tomazzoni** Stefano

STATUTORY AUDITORS: **Postal** Anna

Mora Andrea

INDEPENDENT AUDITORS: **PricewaterhouseCoopers** SpA

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Board of Directors' report on operations

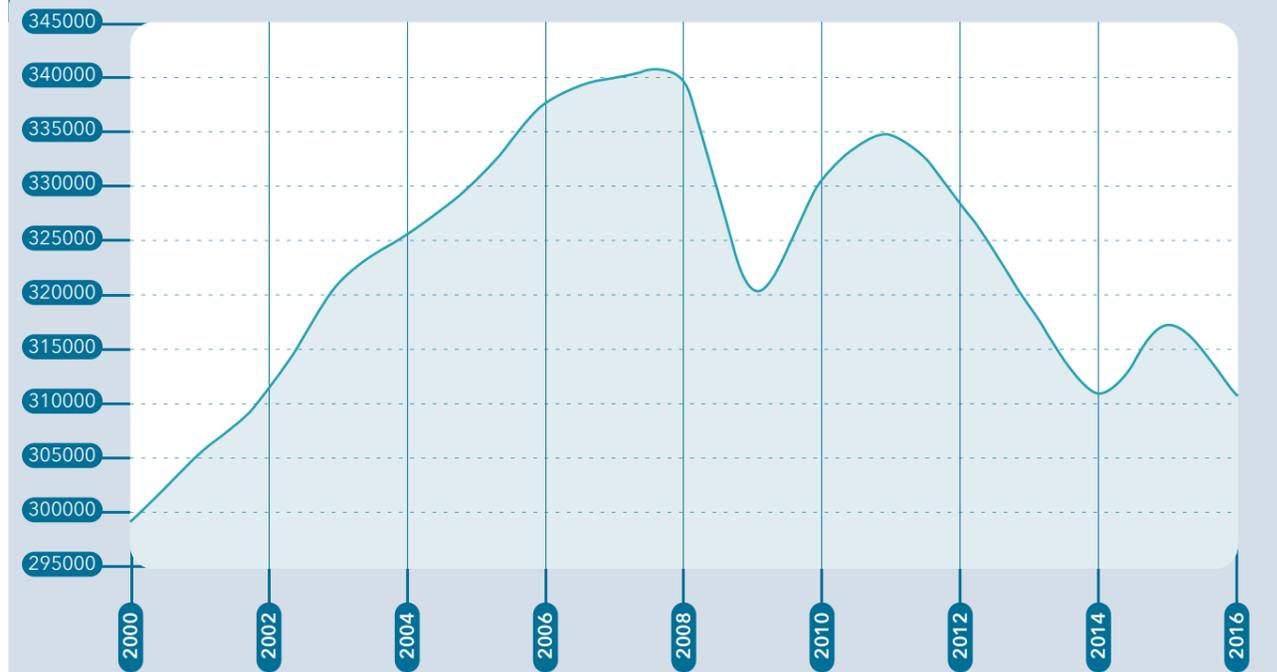
Dear Shareholders, before analysing the market situation and the results of your Company, it is appropriate to point out that, effective from 1 April 2016, corporate transactions were performed that led to a change of company name to Dolomiti Energia spa and the transfer to your Company of all activities carried out previously by Multiutility spa (now Dolomiti Energia Trading spa) vis-a-vis the end customers. Consistent with the provisions of the legislation (Resolution 296/2015/R/com and subsequent additions), the unbundling of the commercial trademarks between the market subject to additional safeguards, whose sales are made under the Trenta brand, and the free market, in which the Company decided to use the Dolomiti Energia trademark throughout the national territory, was implemented. On the same date, purchase and sale activities on the wholesale electricity and gas markets were transferred to Dolomiti Energia Trading spa, simultaneously concluding a contract for the procurement of the relevant raw materials.

Therefore, the new organisational model allowed your Company to focus on sales activities, with the objective of assuming an important role in the development process underway in the national market.

Performance of the energy markets

According to the provisional data made available by Terna S.p.A., in 2016 electricity consumption in Italy amounted to 310,251 million kWh, down by 2.1% compared to the previous year, reaching a substantially similar value to that of 2014. As is readily apparent in the following chart, this value is still nearly 9% lower than the highs recorded in 2007. Attesting the challenges to the market's recovery, after the setbacks of recent years, it should be stressed that similar consumption levels had already been reached in 2002. This contraction in consumption seems to be distributed in a substantially similar manner throughout Italy, with the exception of Sicily, where the decline was more marked, i.e. -4.5%, while in the Triveneto area the drop in consumption was limited to -0.9%.

ELECTRICITY CONSUMPTION IN ITALY (GWh)



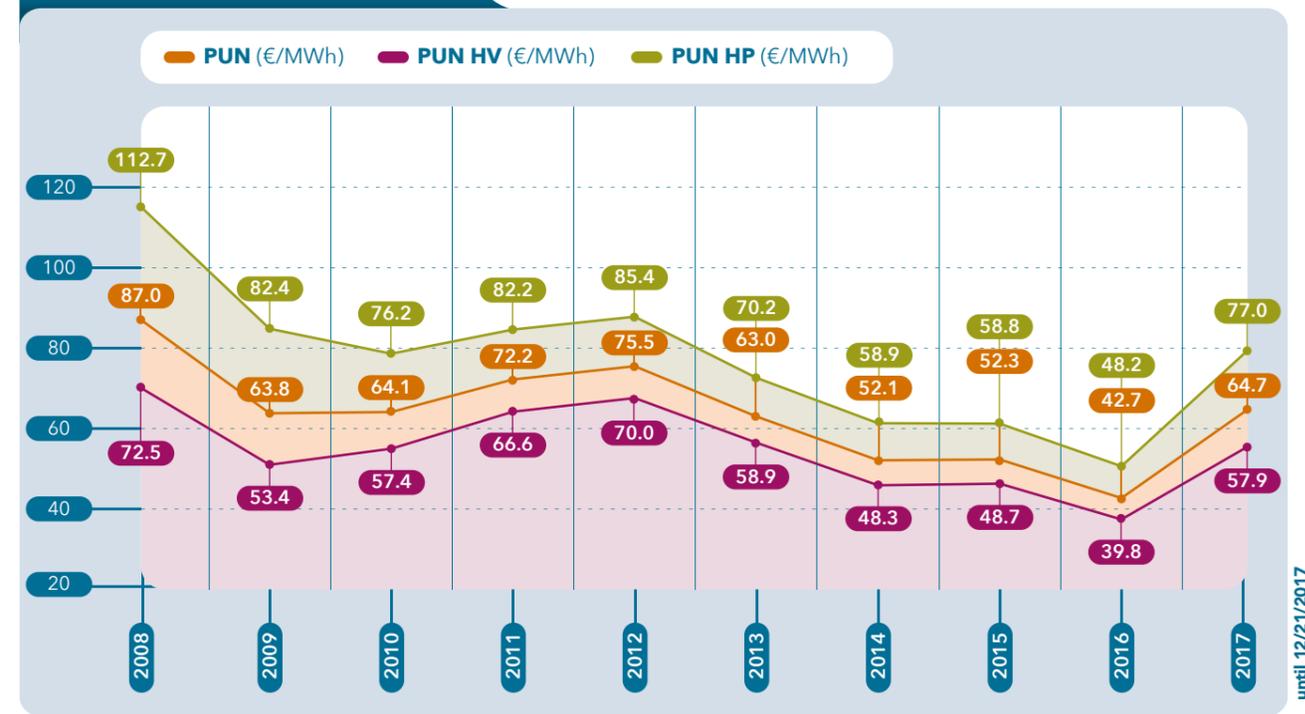
In spite of this decline in consumption, domestic output increased by 1.2%, while the foreign balance (import minus exports) decreased by over 20%, as a result of the drastic reduction in imports in the final months of 2016, coinciding with the prolonged and unforeseen maintenance outages of the French nuclear plants. The consequent contraction in electricity output in France led, in certain days in December, not only to the interruption of imports, but also to the reversal of the flows, with energy being exported to France. This situation also persisted in January 2017, partly as a result of the cold spell that hit Europe, significantly affecting the entire Italian market, as is better described below. The domestic electricity output (calculated net of auxiliary services for pumping output and consumptions) met 89% of demand (86% in 2015) and 61.5% of it was generated from thermoelectric sources (60.2% in 2015), 15.4% from hydroelectric sources (16.5% in 2015), for the remaining 23.2% from other renewable sources (biomass, geothermoelectric, wind and

photovoltaic) with a similar contribution to 2015. Hence, 2016 exhibited a further decrease by 9% in the energy generated by hydroelectric plants (a 25% decrease had already been experienced in 2015 relative to 2014) due essentially to significantly lower rain conditions than the thirty-year average (in 2014, they had been 25% higher than the average). This decrease was substantially offset by the increase in the electricity generated by thermoelectric plants, in particular by methane gas-fuelled CCGT plants. Driven by demand from the thermoelectric sector (+12.1%), consumption of methane gas, unlike the electricity market, thus confirmed its growth for the second consecutive year, exceeding 70 billion Scm. A contribution to this result also came from growth in industrial consumption (+4.4%), while distribution network consumption remained substantially stable (-0.5%), highly influenced, as is well known, by weather trends, with temperatures again being warmer than average in 2016. With regard to procurement, of note is a strong

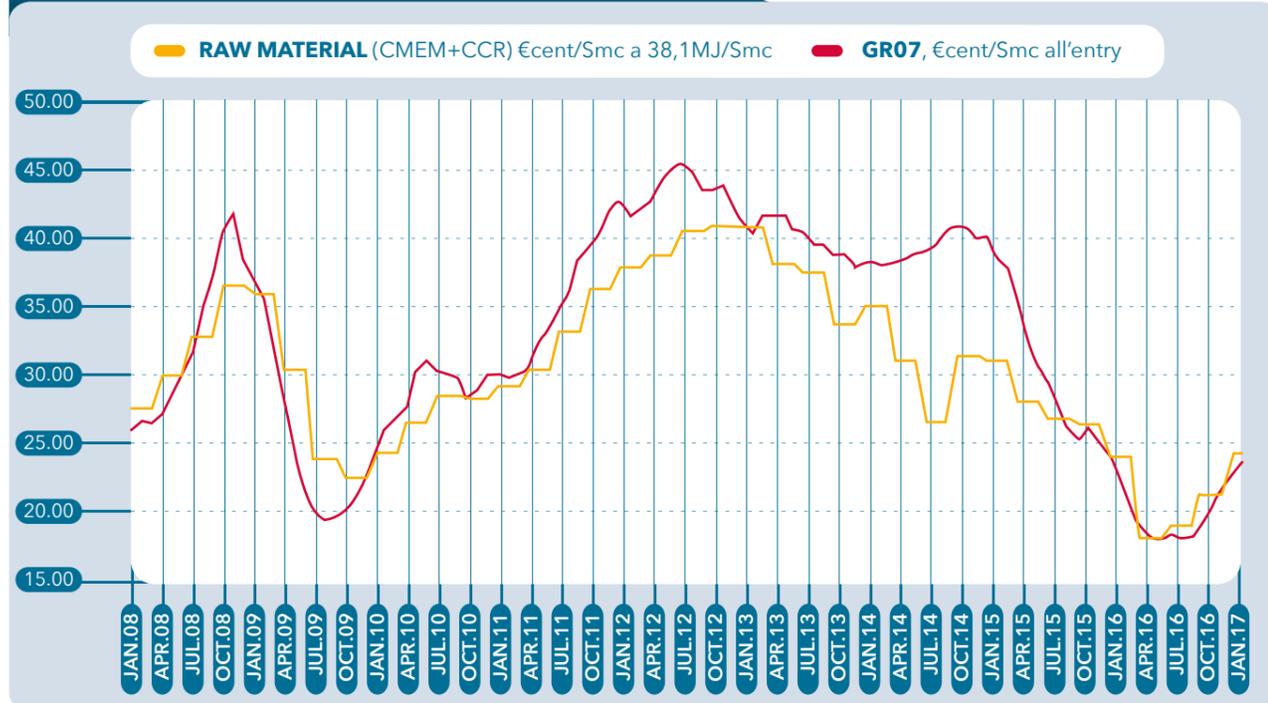
recovery of imports from Algeria (which rose from 7 to 19 billion Scm, growing by 160%) tied presumably to commercial reasons (renegotiation of the prices and reduction of the prices of petroleum products to which these prices are linked) and consequently the imports from the other markets contracted. LNG grew slightly (+9%), substantially as a result of the use, very limited though it was, of the Panigallia and Livorno terminals, which had been practically inactive in 2015. As a whole, the gas supplied to the network by the regasification terminals amounted to 6.4 billion Scm, i.e. approximately 9.1% of domestic consumption. Domestic output, instead, declined, and in 2016 its recorded values were lower than the LNG (5.5 billion Scm), covering only 8% of consumption. In 2016, oil recorded an average price of 43.7 \$/barrel on international markets, with a further decline compared to the previous year, caused above all by the very low level recorded in the first half of the year (below 40 \$/barrel). In the

second half of the year, partly as a result of the agreements reached by the producers with a view to supporting the price, prices recorded a rising trend and, for the moment, they appear to be stabilised on values between 52 and 54 \$/barrel, similar to those recorded in 2015. It should be pointed out that the euro weakened significantly relative to the dollar which, in particular since September 2016, progressively declined, reaching a rate of 1.05 at the end of the year (December average). The carry-over effect of the prices of petroleum products, and the abundant availability of gas as a result of the reduced heating consumption recorded in the early months of the year, led to a significant reduction in methane gas prices in the summer, bringing the annual average to 20.7 €/Scm, with a significantly lower value (-27%) relative to last year. However, as is readily apparent in the following chart, the declining trend of the prices was interrupted starting from the 2016/2017 winter season with a recovery

AVERAGE TRAND IN ELECTRICITY PRICE SINCE 2008



TREND OF THE PRICE OF NATURAL GAS (RAW MATERIAL COMPONENT, AEEG AND GAS RELEASE TARIFF)



of prices, which, in the first quarter of 2017, reached similar values to those recorded in the first quarter of 2016. This rise is due both to seasonal factors, tied to the usual increase in demand in the winter months, and to other contingent factors including the significant growth of demand, both in Italy and in Europe, driven by CCGT plants, called upon to increase their output to make up for the shortfall in the energy supplied by the nuclear plants. Regarding the electricity market, the average value of the PUN (single national price) for 2016 was 42.7 €/MWh, a new low, significantly reduced relative to the value of 2015 (-18.3%), both as a result of the persistence of a situation of substantial overcapacity of the system and of the reduction, discussed above, of the prices of energy commodities, in particular in the initial part of the year. Of note is the marked increase recorded in the early months of 2017, especially

in January, when the PUN exceeded 70 €/MWh for the first time since September of 2012, reaching 72.2 €/MWh, as a result of certain economic factors, such as the persistently low output of the French market caused by both the unavailability of all plants, and the weather conditions recorded in the month (severe cold spell in most of Europe) and the rise of the spot prices of natural gas. Of note is the high price volatility recorded during the year, which were at extremely low levels in the first part of the year and in particular in the second quarter, reaching 32 €/MWh in April, i.e. the record low since the establishment of the Electricity Exchange (2004), while in the second half, in particular starting from September, especially as a result of the above referenced difficulties of the French nuclear generation plants, prices rose above 55 €/MWh in November and December.

TREND PRICE OF **ELECTRICITY** IN 2016
(NATIONAL STANDARD PRICE PUBLISHED BY GME)



Significant operating events

The corporate events already mentioned previously (acquisition, via contribution, of the business unit relating to the sale to end customers by Multiutility - now Dolomiti Energia Trading - and simultaneous transfer to said entity of the business unit relating to wholesaler activities), as already pointed out, partly modified your Company's business model, which is now focused exclusively on sales activities vis-a-vis final consumers, with a much more significant part of turnover generated outside of the provincial area. In fact, although in the previous year, the turnover generated from customers located outside the provincial area accounted for around

26% of the total in 2016, this percentage rose to 41%, despite the effectiveness of the operations just mentioned only relating to 9 months out of 12 (starting from April 2016), also based on the volumes supplied to Consip customers. Therefore, despite being fully aware that, based on the information provided up to this point, the comparison of the main income statement figures is of little significance, it is appropriate to point out that they are generally extremely positive, despite reflecting the natural difficulties connected to both the persistence of a highly competitive market context, and the specific issues connected with the full organisational integration of the activities acquired during the year. In particular, the production value rose to 895.9 million euro (+ 80.0% compared to 2015), due to both organic growth in the customer portfolio and the new customers acquired. The economic result for the year appears even

better, significantly higher than the previous year, despite the considerable increase in the allocations for write-downs, targeted at adjusting the provision for write-downs as a result of the negative events which impacted some major customers. EBITDA reached 45.0 million euro, marking an increase of 48.3% compared to the previous year, due to both the increase in the volumes handled and the more favourable procurement conditions than the previous year. In particular, your Company benefitted from the fact that it froze the electricity purchase price in the phase of transfer of procurement contracts to Dolomiti Energia Trading, hence it was able to take full advantage of the reduction in the first part of the year, without being subject to the negative effects of the increases which occurred in subsequent months.

This increase was partly mitigated, as already mentioned, by the higher level of allocations, bringing the pre-tax result to 37.8 million euro (28.2 million in 2015); consequently, net profit for the period improved notably, up from 19.9 million euro in 2015 to 26.9 million euro in the year just ended (+37.4%).

As regards the commercial activities of your Company, the year closed in a positive manner, despite the already mentioned level of competition on all market segments. The trend in commercial activities made it possible to increase the number of customers served, up to roughly 612,000 (solely electricity and gas), marking an increase of 54,000, due to both organic growth (roughly 35,000) and the corporate rationalisation transactions already outlined (approximately 19,000).

For the fourth year in a row (out of four organised editions), your Company was awarded the "Abbassa la bolletta" (cut your bill) initiative promoted by Altroconsumo, whose effects, in terms of the growth of the customer portfolio, may be observed, for the most part, in the first half of 2017.

Turnover relating to sales of natural gas to end customers fell by 6.3%, despite the growth in volumes sold, as a result of the changed market scenarios and consequent reduction in the

unit sale price, while turnover from the sales of electricity to end customers rose by some 46%, due to organic growth in volumes but, in particular, the effects of the full operational capacity of the Consip customers (tender awarded in December 2015) and integration of former Multiutility customers, whose sales were focused primarily on electricity. Therefore, the collection of activities performed made it possible to increase the number of customers served (including water and municipal waste billing services), reaching 841,036 at the end of 2016, marking an increase of almost 56,000 customers compared to the previous year, of which, as already pointed out, around 19,000 deriving from the integration of the former Multiutility business unit.

The Company is continuing to see a constant growth trend, as in previous years, in the use of various on-line tools (website, apps, sms notice service, etc.) and, in particular, the e-billing service is becoming ever more popular, with more than 190,000 customers signed up, marking an increase of around 50,000 customers compared to the previous year. The sms service is also greatly appreciated by customers, which provides an immediate update on information of particular interest. It should be noted that, from July 2016, based on the legislative amendments, the amount relating to the RAI television fee is charged to residential customers, which is then reversed, based on the amount collected, to the Italian Revenue Agency.

The Supervisory Body duly carried out its activities during the year, in compliance with the provisions of the control model that the Board of Directors approved, with no particular reports of note.

Lastly, it gives us satisfaction to report that, following the periodic audit conducted in October and December 2016, IMQ-CSQ renewed your Company's certification of compliance of the company quality management system with the international UNI EN ISO 9001:2008 standard relating to the activities carried out, extending the certification further to peripheral branches too. In addition, in 2016, for

the first time, we also audited the environmental management system, in accordance with standard UNI EN ISO 14001:2015, obtaining recognition of its compliance in December through the certification also issued by IMQ-CSQ.

OPERATING CONTEXT

METHANE GAS

	2016	2015
Civil and industrial (min/cm)	441.4	423.2
Number of customers No.	178,156	175,431

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

		2016	2015
Market subject to additional safeguards	Gwh	364.1	405.9
End customers	Gwh	3,548.0	2,232.0
Sale on IPEX (power exchange)	Gwh	298.5	1,894.8
Other	Gwh	773.5	562.0
Total	Gwh	4,984.1	5,094.7
Number of customers	No.	433,888	401,560

The values relating to the quantities sold in the electricity market are in line with those of the previous year; by contrast, the number of customers rose considerably.

INTEGRATED WATER SERVICE

		2016	2015
Domestic water supply	(min/mc)	13.8	13.9
Other water supply uses	(min/mc)	7.9	7.9
Total	(min/mc)	21.7	21.8
Sewerage	(min/mc)	19.8	19.8
Number of customers - water supply	No.	109,288	107,750

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

COLLECTION OF SOLID URBAN WASTE

		2016	2015
Number of customers	No.	119,494	119,263

The constant increase in customers continued in 2016. The waste collection tariffs and regulations are determined by the Municipal Councils based on a specific financial plan. The Company retrocedes to the service operator the amount billed and collected as set forth in the service agreements.

DISTRICT HEATING

		2016	2015
Steam	Gwh	73.8	79.6
Heat	Gwh	68.2	66.7
Total	Gwh	142.0	146.3
Number of customers	No.	210	202

Quantities of steam provided fell slightly, while quantities of heat rose when compared to the previous period. Tariffs for the latter are determined by matching the prices of heat with the gas tariffs for similar types of supplies.

PERSONNEL AND ORGANISATION

As at 31 December 2016, the Company had 171 employees. The table below shows the change in personnel during the year by category.

Category	2015	Hires	Resignations	Changes of Role	2016	2016
Executives	2					2
Managers	8	2	-2	1		9
Employees	141	32	-12		-1	160
Manual workers	0					0
	151	34	-14	1	-1	171

Three accidents were recorded in 2016, 2 of which while travelling to work, involving third-party liability, one of which had an expected recovery time of more than 40 days.

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 2016 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 15.8 million euro.

KEY ECONOMIC AND FINANCIAL RESULT INDICATORS

ECONOMIC INDICATORS

INDEX	FORMULA	2016	2015	DIFFERENCE
ROE	Net profit/Equity	35.3%	32.3%	3.0%
ROI	EBIT/Invested capital	11.3%	10.5%	0.8%
ROS	EBIT/Turnover	4.2%	3.4%	0.8%
EBITDA	Gross operating margin (thousands of Euro)	44,954	29,344	15,610
EBIT	Net operating margin (thousands of Euro)	37,506	26,568	10,937

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

FINANCIAL AND EQUITY INDICATORS

INDEX	FORMULA	2016	2015	DIFFERENCE
Hedging of fixed net assets	Equity+medium/long-term liabilities/fixed net assets	2.41	1.99	0.42
Debt ratio	Liabilities/Equity	2.22	2.28	(0.06)
Degree of amortisation	Amortisation provision/gross fixed assets	0.92	0.89	0.03
Secondary liquidity ratio	Short-term assets/short-term liabilities	1.27	1.22	0.05

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

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

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

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

LIQUIDITY RISK

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

MARKET RISK

Dolomiti Energia's main risk factor is linked to commodity price fluctuations (electricity and gas), whose sale represents its core business. The risk management policy adopted, through the constant monitoring and use of a mix of financial instruments in order to reduce the risk of price fluctuation, has allowed the Company to reduce its 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 2016

Relations with parent companies, with other shareholders and with group companies subject to management and coordination activities

Relations with the Parent Company and with other shareholders are governed by the appropriate service agreements, which made provision for equal remuneration for the services performed by shareholders for the Company and vice versa. 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 in favour of the Company can be divided into two different sectors: purely commercial, which refers to the supply of carrier services, and the administrative-management area, in relation to the parent company, which refers primarily to information systems, proper administration, HR administration and procurement of products and services, excluding raw materials. The relations with the entity that exercises management and coordination activities and with the other companies subject to the latter, are regulated by the following service agreements:

Service agreements stipulated between Dolomiti Energia and Dolomiti Energia Holding - agreement that defines and regulates the

general services that the parent company provides, such as administrative assistance, administrative management of HR, finance management, planning and control and other minor services.

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

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

- Service agreement stipulated between Dolomiti Energia and Novareti:
 - a. agreement that regulates gas distribution activities, with tariffs regulated by AEEGSI which Dolomiti Energia re-invoices to end customers;
 - b. 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:
 - a. agreement that regulates electricity distribution activities, with tariffs regulated by AEEGSI which Dolomiti Energia re-invoices to end customers
 - b. rental contract between Dolomiti Energia and Set Distribuzione relating to the business unit concerning the sale of electricity. The fee is set at roughly 592,000 euro.

As part of procurement contracts, Dolomiti Energia has also acquired, at market prices, part of the electricity intended for its customers from Dolomiti Energia Holding, Novareti, Hydro Dolomiti Enel, STET and AGS RIVA.

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.

Relations with Dolomiti Energia Group companies

	Trade receivables	Financial receivables	Trade Payables	Loans Payable
Dolomiti Energia Holding spa	657,349	103,192	934,618	14,437,330
DTC S.Cons.arl	14,315			
Dolomiti Energia Rinnovabili srl	159,161			
Set Distribuzione Spa	29,247,731		30,795,957	
Novareti Spa	8,885,398		11,385,155	
Hydro Dolomiti Energia srl	3,423,811			
Dolomiti Edison Energia srl	481,443			
Dolomiti Energia Trading srl	6,853,572		50,931,682	
S Floriano Energy srl	242,874		-4,213	
Dolomiti Ambiente srl	552,525		9,455,616	
Total	50,518,179	103,192	103,498,815	14,437,330

	revenue			purchases			income	charges
	goods	services	other	goods	services	other	financial	financial
Dolomiti Energia Holding spa	358,569	203,861		-1,326,568	3,484,177	250,636	60,414	
DTC S.Cons.arl	2,859							
Dolomiti Energia Rinnovabili srl	312,585	24,795						
Set Distribuzione Spa	246,632	12,492			154,104,294	1,116,182		
Novareti srl	6,208,404	17,889		183,818	46,709,759			
Hydro Dolomiti Energia srl	12,163,759	142		3,635,113				
Dolomiti Edison Energia srl		2,030,156						
Dolomiti Energia Trading spa	7,570,740	231,275		200,699,682	543,631	47,903		
Dolomiti Ambiente srl	111,071	1,038,687			22,823,417			
Total	26,974,619	3,559,298	-	203,192,045	227,665,277	1,414,721	60,414	-

Business outlook

The forecasts for the year just started are generally positive, even though it will be necessary to improve further in terms of the internal efficiency of processes in order to guarantee a service which meets customers' needs.

The increasing trend in prices in the first few months of the year led to a certain slowdown in commercial activities, particularly regarding the acquisition of new customers. At the same time, your Company is offering its customers,

particularly non-residential customers in this phase, some energy efficiency services which are acquiring positive feedback on the market, allowing an increase in revenues but, especially, greater customer loyalty.

Trento, 28 March 2017

on behalf of the BOARD OF DIRECTORS
The Chairman
Rudi Oss

Dolomiti Energia SpA

Financial statements

as at 31 December 2016

Equity and financial position

(in thousands of Euro)

31/12/2016 31/12/2015

BALANCE SHEET - ASSETS

A) Subscribed capital unpaid		
B) Fixed assets		
I) Intangible assets		
3) Industrial patents and intellectual property rights	90,904	2,000
4) Franchise, licenses, trademarks and similar	15,790	9,000
5) Goodwill	1,646,212	2,180,992
6) Work in progress and advance payments	42,104	-
Total	1,795,010	2,191,992
II) Property, plant and equipment		
2) Plants and equipment	38,000	-
4) Other assets	5,548	4,798
Total	43,548	4,798
III) Financial fixed assets		
1) Equity investments in		
d) Other companies	2,850	2,350
2) Accounts receivable which are fixed assets		
d) Companies subject to control by the parent company	36,901,700	29,098,000
d-bis) from others	93,019	4,026,753
Total	36,997,569	33,127,103
Total fixed assets	38,836,127	35,323,893
C) Current assets		
I) Inventories		
Total	-	-
II) Accounts receivable of the current assets		
1) Accounts receivable - users and customers	256,650,067	188,013,260
4) Accounts receivable - parent companies	746,916	2,153,052
5) Accounts receivable - companies subject to control by parent companies	12,959,129	5,757,035
5 bis) Tax credits	16,878,466	2,016,501
5 ter) Prepaid taxes	4,580,991	5,497,249
5 quarter) Accounts receivable - others	469,727	382,580
Total	292,285,296	203,819,677
III) Short-term investments		
7) Financial assets for centralised treasury management	-	-
c) Parent companies	13,625	22,957,888
Total	13,625	22,957,888
IV) Cash and cash equivalents		
1) Bank and postal current accounts	803,485	828,472
3) Cash on hand	210	796
Total	803,695	829,268
Total Current assets	293,102,616	227,606,833
D) Accruals and deferrals		
Prepayments	535,135	74,316
Total Prepayments and accrued income	535,135	74,316
Total assets	332,473,878	263,005,042

(in thousands of Euro)

31/12/2016 31/12/2015

BALANCE SHEET - LIABILITIES

	31/12/2016	31/12/2015
A) Shareholders' equity		
I) Share capital	20,200,000	17,316,300
II) Share premium reserve	11,025,103	548,200
IV) Legal reserve	4,040,000	3,463,260
VII) Other reserves		
- Other	41,008,138	39,297,284
VIII) Retained earnings or losses	-	(290,558)
IX) Profit or loss for the year	26,927,406	19,894,452
Total Shareholders' Equity	103,200,647	80,228,938
B) Provision for risks and charges		
1) Pensions and similar funds	346,891	54,459
2) Taxes, including deferred	201,236	-
Total	548,127	54,459
C) Employee termination benefits	899,535	886,169
D) Accounts payable		
4) Accounts payable - banks	10,591,457	50,716
7) Trade payables	79,742,209	89,438,823
11) Accounts payable - parent companies	15,371,948	2,196,284
11 bis) Accounts payable - companies subject to control by parent companies	102,564,197	73,104,354
12) Tax payables	3,942,219	2,933,524
13) Social security payables	417,679	365,096
14) Other accounts payable	15,195,860	13,746,679
- within 12 months	8,005,402	5,552,304
- after 12 months	7,190,458	8,194,375
Total	227,825,569	181,835,476
E) Accrued liabilities and deferred income		
Total	-	-
Total shareholders' equity and liabilities	332,473,878	263,005,042

Income statement

(in thousands of Euro)

2016

2015

	2016	2015
A) Production value		
1) Revenue from sales and services	893,692,375	813,556,631
5) Other revenue and income (no sale/serv.)		
Other revenue	2,203,908	2,339,936
Total production value	895,896,283	815,896,567
B) Production costs		
6) External purchases of raw materials, consumables and merchandise	(329,399,358)	(415,448,816)
7) External purchases of services	(510,399,902)	(361,408,157)
8) Costs for use of third party assets	(1,218,141)	(1,105,178)
9) Personnel costs		
a) Wages and salaries	(5,307,419)	(5,109,025)
b) Social security costs	(1,368,385)	(1,406,754)
c) Employee termination benefits	(337,406)	(317,614)
e) Other costs	(249,315)	(364,645)
10) Amortisation, depreciation and write-downs		
a) Amortisation of intangible assets	(579,781)	(546,906)
b) Depreciation of property, plant and equipment	(3,798)	(1,770)
d) Write-down of accounts receivable recognised to current assets	(6,864,984)	(2,226,525)
14) Other operating costs	(2,662,098)	(1,392,738)
Total production costs	(858,390,587)	(789,328,128)
Difference between production value and costs	37,505,696	26,568,439
C) Financial income and charges		
16) Other financial income		
a) From receivables recognised as fixed asset		
Companies subject to control by the parent company	-	475
d) Financial income different from above		
Parent companies	60,414	109,249
Other	259,776	346,412
17) Interest and other financial charges		
- Other	(15,084)	(55,718)
Total financial income and charges	305,106	400,418
D) Value adjustments of investments		
18) Revaluations of investments	-	-
d) Financial derivatives	-	1,254,318
Total value adjustments of investments	-	1,254,318
Profit before tax	37,810,802	28,223,175
20) Income taxes for the year		
- Current taxes	(9,532,166)	(8,712,302)
- Taxes relating to prior periods	140,755	1,647,299
- Deferred and prepaid taxes	(1,491,985)	(1,263,720)
21) Profit (loss) for the year	26,927,406	19,894,452

Cash flow statement

(in thousands of Euro)	2016	2015
Profit (+) loss (-) for the year	26,927	19,894
Income taxes	10,883	8,329
Interest income for the period (-)	(320)	(456)
Interest expense for the period (+)	15	56
Capital gains/losses (-/+) deriving from the sale of assets	(1,048)	-
profit (+) / loss (-) for the year before income taxes, interest, dividends and capital gains/losses from sale	36,457	27,823
Allocations/absorptions - provisions for other risks and charges	591	331
Depreciation of fixed assets	584	549
Other adjustments for non-monetary elements	-	(1,937)
Cash flow before changes in nwc	1,175	(1,057)
Decrease (+) / increase (-) in inventories	-	-
Decrease (+) / increase (-) in trade receivables	(33,389)	(12,034)
Increase (+) / decrease (-) in trade payables	(4,838)	(822)
Decrease (+) / increase (-) in prepayments and accrued income	(452)	(45)
Increase (+) / decrease (-) in accrued liabilities and deferred income	-	(1)
Other changes in net working capital	(5,386)	20,786
Cash flow after changes in nwc	(44,065)	7,884
Interest collected (+)	322	486
Interest paid (-)	(15)	(56)
Income taxes paid (-)	(5,263)	(6,470)
Usage of provisions	(452)	(328)
Cash flow after other adjustments	(5,408)	(6,368)
Cash flow from operations	(11,841)	28,282
Property, plant and equipment / Investments (-)	(40)	-
Property, plant and equipment / Divestments (+)	-	50
Intangible assets / Investments (-)	(72)	(3)
Financial fixed assets / Investments (-)	(13,774)	(4,001)
Investments held for trading / Investments (-)	23,158	2,459
Cash flow from investing activities	9,272	(1,495)
Liabilities / Increase (+)/Decrease (-) in short-term payables to banks	10,541	(16,488)
Cash pooling	9,319	-
Liabilities / Dividends paid	(17,316)	(10,390)
Cash flows from financing activities	2,544	(26,878)
Increase (+) decrease (-) in cash and cash equivalents	(25)	(91)
Opening cash and cash equivalents	829	920
Closing cash and cash equivalents	804	829

The centralised treasury agreement in place with the parent company requires financial requirements to be centralised at the pooler company (Dolomiti Energia Holding), which operates through the transfer of the credit and debit balances of Dolomiti Energia's current accounts. Therefore, due to the cash pooling, the Company's cash and cash equivalents in the pooling accounts at the end of the day are always zero, since they are transferred to the parent company, which, in turn, supports the Company's financial requirements, in the event its financial resources are insufficient. The Company has also opened current accounts excluded from the cash pooling arrangement.

These financial statements are true, actual and conform to the accounting records.

Trento, 28 March 2017

on behalf of the BOARD OF DIRECTORS
The Chairman
Rudi Oss

Notes to the financial statements

Introduction

With a view to reorganising the activities carried out by the companies in the Dolomiti Energia Holding Group, on 18 March 2016, effective from 1 April 2016, Trenta Spa, now Dolomiti Energia Spa, transferred to Multiutility Spa, now Dolomiti Energia Trading Spa, trading activities for the procurement and sale on the wholesale markets of electricity and natural gas, in addition to the associated management of the risk of changes in the prices of energy products.

On 29 March, Multiutility Spa, now Dolomiti Energia Trading transferred to Trenta Spa, now Dolomiti Energia Spa, all electricity and natural gas commercial activities, in order to operate with customers under a single brand (trademark).

For the purposes of a better understanding, annex 1 to these notes to the financial statements contains a table which summarises

the equity values involved in the transfer of the commercial business unit.

Effective from 1 April 2016, Trenta SpA changed its company name to Dolomiti Energia SpA (hereinafter also "DE" or the "Company").

The "Accounting Reform" was acknowledged into Italian law in 2015, in implementation of European Directive 2013/34, with the publication of Italian Legislative Decree 139/15 in the Official Journal. The aforementioned decree supplements and amends the Italian Civil Code, which contains the general rules for drafting the financial statements, in terms of the layouts, measurement criteria, contents of the notes to the financial statements and the report on operations.

The legislative amendments came into force on 1 January 2016. Any economic effects of the changes were recognised by the Company, in accordance with OIC 29, on the opening balance of shareholders' equity as at 1 January 2015. Therefore, the Company re-stated the effects of the changes that would have occurred in the financial statements for the year ended

as at 31 December 2015, as if the Accounting Reform had already been applied in 2015. The balance sheet and income statement relating to 2015, presented in the financial statements for comparative purposes, therefore differ from the financial statements approved by the shareholders' meeting of 28 April 2016, to take account of the effects of the Accounting Reform.

ACCOUNTING EFFECTS OF THE ACCOUNTING REFORM

The information required by OIC 29 is included in annex 2, and in particular the description of the impacts that the Accounting Reform had on the Company's economic and equity position and shareholders' equity. To this end, the following was prepared:

- the reconciliation statement of the shareholders' equity as at 1 January 2015 and 31 December 2015, determined according to the accounting standards in force before the Reform with the shareholders' equity determined, solely for comparative purposes, as if the accounting standards in force after the Reform had always been applied;
- the reconciliation statement between the Company's balance sheet as at 31 December 2015, drafted in accordance with the provisions of the Italian Civil Code before the Reform and, solely for comparative purposes, the Company's balance sheet drafted as if the accounting standards in force after the Reform had always been applied;
- the reconciliation statement between the Company's income statement as at 31 December 2015, drafted in accordance with the provisions of the Italian Civil Code before the Reform and the income statement drafted, solely for comparative purposes, as if the accounting standards in force after the Reform had always been applied;
- the explanatory notes relating to the reclassifications included in the above-mentioned reconciliation statements.

Preparation criteria

The financial statements for the year ended as at 31 December 2016 and these Notes to the Financial Statements were prepared on the basis of the provisions set forth in articles 2423 et seq. of the Italian Civil Code (as reformed by Italian Legislative Decree no. 139/15 in implementation of European Directive 2013/34), supplemented by the accounting standards issued by the Italian Accounting Standard Authority (OIC).

The financial statements are composed of the following documents:

- Balance sheet;
- Income statement;
- Cash Flow Statement;
- Notes to the financial statements.

These Notes to the financial statements aim to illustrate, analyse and, in certain cases, supplement the financial statements data, and contain the information requested by Art. 2427 of the Italian Civil Code, which are in line with the regulatory amendments introduced by Italian Legislative Decree 139/15 and with the accounting standards recommended by the Italian Accounting Standard Authority (OIC). These financial statements are stated in euro. Furthermore:

- a) the valuation criteria are those set forth in Article 2426 of the Italian Civil Code; exceptional cases which would make it necessary to not apply the valuation criteria set forth, since incompatible with the "true and fair view" of the equity and financial situation as well as the economic result of the Company, pursuant to Article 2423, 4th paragraph, were not identified;
- b) the items of the Balance Sheet and the Income Statement were not grouped;
- c) there are no asset and liability items that fall under more than one item in the statement. Reference should be made to the Report on operations regarding:
 - a) nature of the activity performed

- b) business outlook
- c) relations with parent companies, subsidiaries, associates and companies subject to common control of the parent company.

APPLICATION OF THE PRINCIPLE OF RELEVANCE

Pursuant to Art. 2423, paragraph 4 of the Italian Civil Code, the obligations regarding recognition, measurement, presentation and disclosure do not need to be observed when their compliance has irrelevant effects for the purposes of providing a true and fair view, with the exception of obligations relating to the proper keeping of accounting records. In this regard, outlined below are the criteria with which said provision was implemented in the Company's financial statements:

- short-term accounts receivable and payable were recognised at nominal value without the application of the amortised cost method, as were medium/long-term receivables and payables that accrued interest at a rate that may be considered the market rate and for which the differences between the initial value and the value at maturity (also taking account of any amounts directly attributable to the transactions that generated these accounts receivable and payable) are not significant with respect to the nominal value of the receivable or the payable. Accounts receivable booked at nominal value are adjusted by the appropriate provision for write-downs in cases in which it is necessary to align their nominal value to the presumed realisable value given lower;
- contingent assets and liabilities deriving from the normal updating of the estimates calculated in previous years, if the amount, individually and taken as a whole, is not significant, are classified under B14) Other operating costs (if negative), and under item A5) Other revenue (if positive) and not by nature under the other items of

category B or category A. By contrast, where significant, they were classified by nature as an adjustment of the specific revenue or cost items to which they refer.

PRINCIPLES APPLIED IN THE VALUATION OF FINANCIAL STATEMENT ITEMS

The items were measured on the basis of the going concern assumption; the principles of prudence and accrual accounting were applied, also by taking into account the substance of the transaction or of the contract.

The application of the principle of prudence entailed individually measuring the elements making up the individual asset and liability entries or items, in order to avoid offsetting items that should be recognised and profits that should not be recognised because not realised. In compliance with the accrual principle, the effect of transactions and other events was stated for accounting purposes and attributed to the year to which those transactions and events refer, and not to that in which the relative cash movements actually take place (collections and payments).

The measurement criteria adopted in preparing the financial statements are described below.

INTANGIBLE ASSETS

Intangible assets, characterised by a lack of tangibility, are represented by costs which do not terminate their utility in the period they are incurred, but rather manifest economic benefits over several years. They are stated at the purchase cost effectively incurred inclusive of related charges, and/or at production cost if created internally, which includes all the costs directly attributable and also the portion of the indirect costs reasonably attributable to the asset.

They are stated net of the portions of amortisation, calculated systematically on a

straight-line basis in relation to their residual useful life.

In the event of impairment, regardless of the depreciation already accounted for, the asset is correspondingly written down; if the assumptions on which the write-down is based are no longer valid in subsequent years, the original value is written back, only adjusted by depreciation.

Trademarks acquired are amortised over 5 financial years.

Goodwill was recognised as a result of transfer operations. According to the provisions of Art. 2426 of the Italian Civil Code, as amended by Legislative Decree 139/2015, goodwill is amortised on the basis of its useful life and, in any case, over a period not exceeding 20 years. In exceptional cases in which it is not possible to reliably estimate its useful life, it is amortised over a maximum period of 10 years. As regards goodwill that arose prior to 1 January 2016, the Company made use of the option to continue with the previous amortisation plan, pursuant to the provisions of Art. 12, paragraph 2 of Italian Legislative Decree 139/2015.

Other multi-year costs are amortised based on the duration of the contracts to which they refer.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment include assets held for long-term use whose economic utility extends beyond the limits of one year, acquired from third parties or produced internally. The cost effectively incurred for the acquisition of the asset also includes the related costs, incurred so that the fixed assets can be used. The production costs include all the costs directly attributable to the asset (typically materials and direct labour) and the portion of other general production costs reasonably attributable to the fixed asset. They are stated net of the portions of depreciation, calculated systematically on a straight-line basis in relation to their residual useful life. The depreciation period begins from the year in which the asset is available and ready for use, and for assets acquired during the year

the rate is halved, to take into account the minor use. In particular, depreciation is calculated according to the rates shown below:

Category	Rate applied
Other plants	10.00%
Furniture and fittings	10.50%
Electronic office machines	16.70%

In the event of impairment, regardless of the depreciation already accounted for, the asset is correspondingly written down; if the assumptions on which the write-down is based are no longer valid in subsequent years, the original value is written back, only adjusted by depreciation.

Extraordinary maintenance charges increase the book value of the fixed assets to which they refer, since they increase the production capacity or the useful life attributable to the existing asset; ordinary maintenance charges are booked to the income statement.

No financial charges relating to loans possibly obtained for the construction and manufacture of assets, have been capitalised.

EQUITY INVESTMENTS

Long-term equity investments represent investments in the share capital of other companies, intended to be held over the long-term in the Company's portfolio. They are recognised at purchase or formation cost, inclusive of the accessory charges directly attributable to the transaction. If as of the year-end date, the recoverable value of the equity investment is permanently lower than its book value (impairment), the same is correspondingly written down, booking the cost in full to the income statement for the year; in the event that the reasons for the write-down cease to apply, the value of the investment is increased up to the original cost.

ACCOUNTS RECEIVABLE

Accounts receivable are booked to the financial statements according to the amortised cost method, taking into consideration the time factor, and the presumed realisable value. In particular, the initial book value is represented by the nominal value of the account receivable, net of all premiums, discounts and allowances, and inclusive of any costs directly attributable to the transaction that generated the receivable. Transaction costs, any commission income and expense, and any difference between the initial value and the nominal value at maturity are included in the calculation of the amortised cost, using the effective interest rate method. The amortised cost method is not applied to those accounts receivable for which its application would entail irrelevant effects with respect to accounting on the basis of the nominal value. It is presumed that the effects are irrelevant as regards all short-term receivables as well as for all medium/long-term receivables, which accrue interest at a rate similar to the market rate and for which the differences between the initial value and the value at maturity (also taking account of any amounts directly attributable to the transaction that generated the receivable) are not significant with respect to the nominal value of the receivable.

The classification of accounts receivable under current assets and financial fixed assets excludes the principle of collectability (i.e. based on the period of time within which the assets will be converted to cash, conventionally represented by one year); instead they are classified on the basis of the role performed by the different assets as part of ordinary company operations. Accounts receivable relating to financial management are recognised under financial fixed assets, while accounts receivable regarding operations and other accounts receivables are booked to current assets. For the purposes of indicating the amounts collectable within and after 12 months, the classification is performed with reference to their contractual or legal expiry, by also taking into account:

- the facts and events set out in the contract,

which may determine a change to the original expiry, which took place before the reporting date;

- the debtor's realistic ability to fulfil its obligation in accordance with the terms indicated in the contract;
- the time horizon in which the creditor reasonably believes it will be able to collect the receivable due.

An appropriate provision for write-downs is established in relation to potential risks of insolvency, whose consistency with positions of doubtful collectability is verified periodically and, in any case, at the end of each financial year, taking into consideration situations of non-collectability already verified or considered likely.

SHORT-TERM INVESTMENTS

Financial receivables deriving from the cash pooling relationship with parent companies were classified under item C.III.7 Financial assets for centralised treasury management which do not constitute fixed assets, in line with the provisions of new standard OIC 14.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents, recognised at face value, represent the balance at year end of bank and post office deposits and cash and are immediately usable for the Company's purposes. They include all the incomings and outgoings which have taken place by the balance sheet date.

ACCRUALS AND DEFERRALS

These represent the costs and income common to two or more accounting periods, the amount of which varies over time. The amount of the accruals and deferrals is determined by means of the breakdown of the revenue or the cost, for the purpose of allocating just the pertinent portion to the current period.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges include costs and liabilities of a specific nature whose existence is certain or probable, but whose timing and extent are unknown as of the year end date. The provisions represent a realistic estimate of the liability to be incurred on the basis of the information available. When evaluating these provisions, the general principles of prudence and accruals are observed and steps are not taken to establish generic provisions lacking economic justification.

If the events which could give rise to liabilities or losses are deemed merely possible (or the degree of occurrence of the future event is less than probable), no provision is made, but disclosure is however provided in the explanatory notes.

EMPLOYEE TERMINATION BENEFITS

The employee termination benefits are provided on an accruals basis in compliance with the law and employment contracts in force, considering all types of continuous wages and salaries. The amount recorded in the financial statements reflects the effective liability accrued in favour of employees as at the year-end date, net of advances paid out, and equals that which would be due to employees if their employment were to end on that date.

ACCOUNTS PAYABLE

Payables include specific and certain liabilities, which represent obligations to pay a determinate amount usually on an established date. They are booked to the financial statements according to the amortised cost method, taking into consideration the time factor. In particular, the initial book value is represented by the nominal value of the account payable, net of transaction costs and all premiums, discounts and allowances deriving directly from the transaction that generated the payable. Transaction costs, any commission income and expense, and any difference between the initial value and the nominal value at maturity are included in the calculation of the amortised cost, using the effective interest rate method. The amortised cost method is not applied to those accounts payable for which its application would entail irrelevant effects with respect to accounting on the basis of the nominal value. It is presumed that the effects are irrelevant as regards all short-term payables as well as for all medium/long-term payables, which accrue interest at a rate similar to the market rate and for which the differences between the initial value and the value at maturity (also taking account of any amounts directly attributable to the transaction that generated the payable) are not significant with respect to the nominal value of the payable.

FINANCIAL DERIVATIVES

Financial derivatives are booked at fair value. The fair value changes are booked to the income statement, or if the instrument hedges the risk of changes in expected cash flows of another financial instrument or planned transaction, directly to a positive or negative shareholders' equity reserve; this reserve is recognised in the income statement to the extent and in the timescales corresponding to the verification or modification of the cash flows of the instrument hedged or verification of the transaction subject to hedging. In the event in which the fair value at the reference date is positive, it is recorded

in the item "Financial derivatives (assets)" under financial fixed assets or under short-term investments. In the event the value is negative, it is booked to the item "financial derivatives (liabilities)", under provisions for risks and charges.

OPERATING REVENUE AND COSTS

Revenue from the sale of products and costs for the purchase of the same are recognised at the moment of transfer of all risks and benefits connected with ownership, a transfer which normally coincides with shipping or delivery of the goods. Revenue and costs for services are recognised at the moment the service is rendered.

Sales revenue and purchase costs are recorded, based on the principle of accrual accounting, net of returns, discounts, allowances and premiums, as well as the taxes directly associated with the sale or the purchase of products and services.

INCOME TAXES FOR THE YEAR

The current taxes for the year are established on the basis of a realistic forecast of the taxable income pertaining to the year, in accordance with current tax legislation and are stated, net of the advances paid and the withholdings made, in the item tax payables (in the event a net payable emerges) and in the item tax receivables (in the event a net credit emerges).

Prepaid and deferred taxes are provided for on the timing differences between the value assigned to an asset or liability on the basis of statutory criteria and the corresponding value for tax purposes. In observance of the prudent principle, prepaid taxes are recognised if their future recovery is reasonably certain.

Any estimation variations (including rate variations) are allocated to the taxes for the year.

ASSETS

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

The changes in historic costs during the year were as follows:

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	Opening balance	Increases	Transfer of trading unit	Decreases	Closing balance
I) Intangible assets					
Industrial patents and intellectual property rights	106,876	10,000	173,604	-	290,480
Franchise, licenses, trademarks and similar	206,158	20,000	3,900	-	230,058
Goodwill	20,468,808	-	-	-	20,468,808
Work in progress and advance payments	-	42,104	-	-	42,104
Other intangible assets	509,132	-	-	-	509,132
I) Intangible assets	21,290,974	72,104	177,504	-	21,540,582
II) Property, plant and equipment					
2) Plant and equipment	-	40,000	-	-	40,000
Other plants	-	-	-	-	-
4) Other assets	52,935	-	-	-	52,935
Furniture and office machines	-	-	2,998	-	2,998
Electronic office machines	52,935	40,000	2,998	-	95,933
II) Property, plant and equipment	52,935	40,000	2,998	-	95,933
TOTAL BI) + BII)	21,343,909	112,104	180,502	-	21,636,515

The item industrial patents and intellectual property rights includes commercial software, while the item Franchise, licenses, trademarks and similar includes the value of pre-emption agreements for the supply of gas, which are amortised on the basis of the duration of the commercial agreement; a new pre-emption agreement was signed during the year for a value of 42,104 euro, whose reference contract

will take effect from 2017 and, for said reason, it is classified under intangible assets in progress. Goodwill was generated by the transfers of business units and did not record any changes during the year.

Intangible assets include the expenses relating to the connection of large utilities to the methane gas distribution network, as well as the costs incurred for the quality certification. The Company purchased 8 charging stations for electric cars for a value of 40,000 euro, recorded under 'other plants' in intangible assets. The following table illustrates the changes during the year in the balance of the accumulated amortisation and depreciation for intangible assets and property, plant and equipment.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	Opening balance	Decreases	Amortisation/Depreciation	Transfer of trading unit	Closing balance
I) Intangible assets					
Industrial patents and intellectual property rights	(104,876)	-	(28,541)	(66,159)	(199,576)
Franchise, licenses, trademarks and similar	(197,158)	-	(16,460)	(650)	(214,268)
Goodwill	(18,287,816)	-	(534,781)	-	(18,822,596)
Work in progress and advance payments	-	-	-	-	-
Other intangible assets	(509,132)	-	-	-	(509,132)
I) Intangible assets	(19,098,981)	-	(579,781)	(66,809)	(19,745,572)
II) Property, plant and equipment					
2) Plant and equipment					
Other plants	-	-	(2,000)	-	(2,000)
4) Other assets					
Furniture and office machines	(48,137)	-	(1,610)	-	(49,747)
Electronic office machines	0	-	(188)	(450)	(638)
II) Property, plant and equipment	(48,137)	-	(3,798)	(450)	(52,384)
TOTAL BI) + BII)	(19,147,118)	-	(583,579)	(67,259)	(19,797,956)

The table below shows the changes in the intangible assets and property, plant and equipment net of the associated accumulated amortisation/depreciation in 2016.

(Amounts in euro)

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	Opening balance	Increases	Decreases	Amortisation/Depreciation	Transfer of trading unit	Closing balance
I) Intangible assets						
Industrial patents and intellectual property rights	2,000	10,000	-	(28,541)	107,445	90,904
Franchise, licenses, trademarks and similar	9,000	20,000	-	(16,460)	3,250	15,790
Goodwill	2,180,992	-	-	(534,781)	-	1,646,211
Work in progress and advance payments	-	42,104	-	-	-	42,104
Other intangible assets	-	-	-	-	-	-
I) Intangible assets	2,191,992	72,104	-	(579,781)	110,695	1,795,010
II) Property, plant and equipment						
2) Plant and equipment						
Other plants	-	40,000	-	(2,000)	-	38,000
4) Other assets						
Furniture and office machines	4,798	-	-	(1,610)	-	3,188
Electronic office machines	-	-	-	(188)	2,548	2,360
II) Property, plant and equipment	4,798	40,000	-	(3,798)	2,548	43,548
TOTAL BI) + BII)	2,196,790	112,104	-	(583,579)	113,243	1,838,558

The column 'Transfer of trading unit' in the tables shown above, represents the value of the fixed assets received by the transferor Multiutility SpA (now Dolomiti Energia Trading SpA). Property, plant and equipment and intangible assets were not subject to any write-downs or revaluations in 2016 and in previous years.

FINANCIAL FIXED ASSETS

EQUITY INVESTMENTS

(Amounts in euro)

Summary data - investee companies	31/12/2016	31/12/2015	Difference
1) Equity investments in			
d) Other companies	2,850	2,350	500
Total equity investments	2,850	2,350	500

The item refers to the subscription of shares in cooperatives of manufacturers and users of renewable energy sources.

ACCOUNTS RECEIVABLE DUE FROM COMPANIES SUBJECT TO CONTROL BY THE PARENT COMPANY

(Amounts in euro)

Accounts receivable - companies subject to control by the parent company	31/12/2016	31/12/2015	Difference
d) Due from companies subject to control by the parent company	36,901,700	29,098,000	7,803,700

Receivables due from companies subject to control by Dolomiti Energia Holding refer to guarantee deposits to guarantee contracts for the electricity and gas transport service, paid to the affiliates SET Distribuzione Spa for 29,179,700 euro (of which 7,765,000 euro paid in 2016) and Novareti Spa for 7,722,000 euro. In addition, the value of these receivables increased during the year as a result of the transfer for a total of 38,700 euro.

ACCOUNTS RECEIVABLE - OTHERS

(Amounts in euro)

Miscellaneous accounts receivable - other	31/12/2016	31/12/2015	Difference
d-bis) Others	93,019	4,026,753	(3,933,734)

The balance includes deposits paid to Public Authorities to guarantee the due payment of excise duties of 93,019 euro. With the transfer of the commercial business unit to the related party Dolomiti Energia Trading, the Company transferred receivables to Gestore dei Mercati Energetici (GME) in respect of guarantee deposits amounting to 10,000,000 euro, of which 6,000,000 euro paid in the first quarter of 2016.

Current assets

ACCOUNTS RECEIVABLE

ACCOUNTS RECEIVABLE - CUSTOMERS

The table below shows Accounts receivable - users and customers, broken down by type of service to which they refer.

(Amounts in euro)

Accounts receivable within 12 months	31/12/2016	31/12/2015	Difference
1) ACCOUNTS RECEIVABLE - USERS AND CUSTOMERS			
Invoices/bills issued	170,875,510	113,897,364	56,978,146
Gas	46,300,122	47,892,254	(1,592,132)
Water	4,504,349	3,733,073	771,276
Sewerage	233,527	54,749	178,778
Solid urban waste	3,744,368	3,325,357	419,011
Electricity	116,149,776	56,265,011	59,884,765
District heating	1,178,026	2,325,982	(1,147,956)
Other services	(1,234,658)	300,938	-1,535,596
Invoices/bills to be issued	101,616,161	94,213,899	7,402,262
Gas	18,214,499	15,939,580	2,274,919
Water	2,714,292	3,074,788	(360,496)
Sewerage	1,220,177	1,223,050	(2,873)
Solid urban waste	9,777,507	13,569,185	(3,791,678)
Electricity	68,450,998	59,213,899	9,237,099
District heating	1,238,688	1,193,397	45,291
Provision for write-downs	(15,841,604)	(20,098,003)	4,256,399
1) Accounts receivable - users and customers within 12 months	256,650,067	188,013,260	68,636,807

The total increase in trade receivables is due to both an increase in sales revenues with respect to the previous year and partly also to trade receivables transferred to the Company as a result of the transfer of the business unit (45,232,238 euro). A decrease was recorded in receivables relating to the sale of gas to end users, due to a fall in sales revenues.

Accounts receivable for bills issued as at 31 December 2016 include accounts receivable

due from the Municipal Authorities of Trento and Rovereto totalling 962,236 euro.

Changes in the provision during the year were as follows:

(Amounts in euro)

Provision for write-downs	31/12/2016	31/12/2015	Difference
PROVISION FOR WRITE-DOWNS			
Provision for write-downs	(20,098,003)	(19,320,149)	(777,854)
DET Transfer	(1,651,990)	-	(1,651,990)
Provision	(6,864,984)	(2,226,525)	(4,638,459)
Usage	12,773,373	1,448,671	11,324,702
Provision for write-downs	(15,841,604)	(20,098,003)	4,256,399

The provision increased by 1,651,990 euro not only due to the allocation in the period, but as a result of the transfer operation, while 12,773,373 euro of the provision was used mainly for the write-off of receivables attributable to a customer involved in bankruptcy proceedings.

ACCOUNTS RECEIVABLE - PARENT COMPANIES

(Amounts in euro)

Accounts receivable	31/12/2016	31/12/2015	Difference
4) Accounts receivable - parent companies			
Invoices/bills issued	62,854	36,904	25,950
Gas	-	20	(20)
Water	3,152	3,712	(560)
Sewerage	4,919	-	4,919
Electricity	53,832	31,524	22,308
Other services	951	1,648	(697)
Invoices/bills to be issued	684,062	2,116,148	(1,432,086)
Electricity	593,819	718,250	(124,431)
District heating	-	-	-
Other services	90,243	1,397,898	(1,307,655)
4) Accounts receivable - parent companies	746,916	2,153,052	(1,406,136)

The item accounts receivable - parent companies includes trade receivables and accounts receivable relating to service agreements with Dolomiti Energia Holding S.p.A.. Other services includes a receivable of 89,567 euro relating to

a refund request for 2012 IRES. At the end of the previous year, the Company had a receivable of 1,308,331 euro due as a result of the application of Group VAT; there were no such receivables at the end of 2016.

Tax consolidation

Detailed below are the main characteristics of the contract governing relations between Dolomiti Energia Spa and Dolomiti Energia Holding Spa as part of the "national tax consolidation":

- term of the transaction: from 2013 to 2016
- transfer of taxable income: if the consolidated company records positive taxable income, it must pay the tax to the consolidating company with a settlement date no later than the deadline for payments to the tax authorities;
- transfer of tax losses: if a negative taxable income is recorded (tax loss), the consolidating company agrees to recognise a final amount equal to the amount of the tax on the loss less 3% for discounting purposes.

ACCOUNTS RECEIVABLE DUE FROM COMPANIES SUBJECT TO CONTROL BY THE PARENT COMPANY

(Amounts in euro)

Accounts receivable	31/12/2016	31/12/2015	Difference
5) ACCOUNTS RECEIVABLE - COMPANIES SUBJECT TO CONTROL BY THE PARENT COMPANY			
Invoices/bills issued	1,467,913	2,910,244	(1,442,331)
Gas	313,131	196,984	116,147
Water	29,003	11,924	17,079
Solid urban waste	-	578,044	(578,044)
Electricity	1,059,760	1,968,612	(908,852)
District heating	63,181	22,758	40,423
Other services	2,838	131,922	(129,084)
Invoices/bills to be issued	11,491,216	2,846,791	8,644,425
Gas	784	653,384	(652,600)
Solid urban waste	518,694	548,712	(30,018)
Electricity	7,360,993	446,894	6,914,099
Other services	3,610,745	1,197,801	2,412,944
4) Accounts receivable - parent companies	12,959,129	5,757,035	7,202,094

The receivables reported derive from the commercial service agreements stipulated with the subsidiaries of Dolomiti Energia Holding, primarily for the sale of electricity (consumption unit imbalances), manufacturers' refunds and expenses pursuant to article 13 vis-a-vis the producer Hydro Dolomiti Energia Srl.

TAX CREDITS

(Amounts in euro)

5 bis) Tax credits	31/12/2016	31/12/2015	Difference
ELECT./GAS TAX CREDITS	15,737,857	91,346	15,646,511
Irap credit (productivity tax)	-	212,851	(212,851)
Other tax credits	124,736	46,428	78,308
Ires credit (corporate tax)	1,015,873	1,665,876	(650,003)
5 bis) Tax credits	16,878,466	2,016,501	14,861,965

Tax credits recorded a significant increase in the UTF credit regarding the revenue taxes on gas, due mainly to the higher payments of advances than the amount actually billed. In particular, the receivable, connected almost entirely to gas excise duties, is the result of the loss of customers signed up to CONSIP (Lombardy, Emilia Romagna, Veneto, Trentino Alto Adige and Friuli Venezia Giulia regions) and, therefore, to the lower turnover than the previous year; the collection of the receivable is envisaged through its transfer to other provinces.

PREPAID TAX CREDITS

(Amounts in euro)

5 ter) Prepaid taxes	31/12/2016	31/12/2015	Difference
5ter) PREPAID TAXES	4,580,991	5,497,249	(916,258)

Prepaid tax credits derive primarily from the timing differences between the statutory values and the tax values of the provision for write-downs and goodwill. For more comprehensive information on the breakdown of the item, please refer to the tables pursuant to Article 2427, no. 14 of the Italian Civil Code reported in the paragraph "income taxes for the year".

ACCOUNTS RECEIVABLE - OTHERS

(Amounts in euro)

5 quarter) Accounts receivable - others, short-term	31/12/2016	31/12/2015	Difference
Other credits	273,380	224,154	49,226
Accounts receivable - electricity compensation fund	15,024	65,791	(50,767)
Advances/deposits	179,630	92,404	87,226
Accounts receivable - social security institutions	1,693	231	1,462
5 quarter) Accounts receivable - others, short-term	469,727	382,580	87,147

Accounts receivable - others include advances on purchases of electricity and accounts receivable - CSEA (Energy and Environmental Services Fund).

BREAKDOWN OF RECEIVABLES BY MATURITY

(Amounts in euro)

Breakdown of receivables by maturity	2016 Book value (2+3+4) 1	Mat. value subsequent year 2	Mat. value subsequent 4 years 3	Beyond 5 years 4
2) ACCOUNTS RECEIVABLE WHICH ARE FIXED ASSETS				
d) Companies subject to control by the parent company	36,901,700	-	36,901,700	-
d bis) Others	93,019	-	93,019	-
II) Accounts receivable of the current assets				
1) Accounts receivable - users and customers	256,650,067	250,298,752	6,351,315	-
4) Accounts receivable - parent companies	746,916	746,916	-	-
5) Accounts receivable - companies subject to control by parent companies	12,959,129	12,959,129	-	-
5 bis) Tax credits	16,878,466	16,878,466	-	-
5 ter) Prepaid taxes	4,580,991	4,580,991	-	-
5 quarter) Accounts receivable - others	469,727	469,727	-	-
Total (1B + 2C)	329,280,015	285,933,981	43,346,034	-

All receivables as at 31 December 2016 are due from national counterparties.

SHORT-TERM INVESTMENTS

(Amounts in euro)

7) Fin. assets for centralised treasury management	31/12/2016	31/12/2015	Difference
c) Parent companies	13,625	22,957,888	(22,944,263)

As at 31 December 2016, the item includes the receivable due from the Parent company for interest income accrued on the cash pooling relationship held with said entity. The cash pooling balance at the end of the year was in debit, unlike the previous year (credit of 22,957,888 euro).

CASH AND CASH EQUIVALENTS

(Amounts in euro)

IV) Cash and cash equivalents	31/12/2016	31/12/2015	Difference
1) Bank and postal current accounts	803,485	828,472	(24,987)
3) Cash on hand	210	796	(586)
Total cash and cash equivalents	803,695	829,268	(25,573)

Management of company liquidity was centralised at the parent company through a cash pooling agreement. Cash and cash equivalents as at 31 December 2016 related to the balance of postal current accounts and other bank current accounts not falling under centralised liquidity management.

PREPAYMENTS AND ACCRUED INCOME

(Amounts in euro)

D) Prepayments and accrued income	31/12/2016	31/12/2015	Difference
Annual prepayments	517,890	52,593	465,297
Multi-year prepayments	17,245	21,723	(4,478)
Total prepayments and accrued income	535,135	74,316	460,819

Annual prepayments refer, for 480,000 euro, to the part of the sponsorships that the Company paid for the first time during the year and pertaining to the first half of 2017; the residual amount mainly relates to the commissions for the stipulation of guarantee policies in favour of electricity/gas distributors and others pertaining to the next year. Multi-year prepayments refer to the consideration for a pre-emption agreement pertaining to several years.

Shareholders' equity and liabilities

SHAREHOLDERS' EQUITY

As at 31 December 2016, the shareholding structure was as follows:

(Amounts in euro)

Shareholder	Number of share	Nominal value	%
Dolomiti Energia SpA	16,942,700	16,942,700	83.87
Stet SpA	1,302,000	1,302,000	6.45
Ags SpA	918,000	918,000	4.54
Air SpA	750,000	750,000	3.71
Cles Municipal Authority	91,890	91,890	0.45
Ossana Municipal Authority	46,000	46,000	0.23
Avio Municipal Authority	66,000	66,000	0.33
Vermiglio Municipal Authority	40,410	40,410	0.20
Paganella Municipal Authority	26,000	26,000	0.13
Monclassico Municipal Authority	17,000	17,000	0.08
Total share capital	20,200,000	20,200,000	100.00

Changes in shareholders' equity accounts in the last two years were as follows:

(Amounts in euro)

	I) Share capital	II) Share premium reserve	IV) Legal reserve	VII) Other reserves	VIII) Retained earnings or losses	IX) Profit or loss for the year	Total
Value as at 31/12/2014	17,316,300	548,200	3,463,260	37,234,686	-	12,452,379	71,014,825
Allocation of profits	-	-	-	2,062,599	-	(12,452,379)	(10,389,780)
Other changes	-	-	-	(1)	(290,558)	-	(290,559)
Profit/loss for the year	-	-	-	-	-	19,894,452	19,894,452
Value as at 31/12/2015	17,316,300	548,200	3,463,260	39,297,284	(290,558)	19,894,452	80,228,938
Allocation of profits	-	-	576,740	1,710,854	-	(19,603,894)	(17,316,300)
Other changes	-	-	-	-	290,558	(290,558)	-
Share capital increase/decrease	2,883,700	10,476,903	-	-	-	-	13,360,603
Profit/loss for the year	-	-	-	-	-	26,927,406	26,927,406
Value as at 31/12/2016	20,200,000	11,025,103	4,040,000	41,008,138	-	26,927,406	103,200,647

Column VIII) Retained earnings or losses shows the fair value, net of the associated tax effect, relating to the derivatives outstanding as at 1 January 2015, in application of the "Accounting Reform".

As per the resolution of the shareholders' meeting approving the 2015 financial statements, the profit for the year was distributed to shareholders for 17,316,300 euro.

On 29 March 2016, the Company resolved a share capital increase of 2,883,700 euro, with the obligation to pay a total premium of 10,476,903 euro; this increase was fully subscribed and released by the related party Multiutility SpA (now Dolomiti Energia Trading SpA), through the transfer of the business unit related to the sale of electricity and gas to end users.

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

(Amounts in euro)

	31/12/2016 Amount	Usage options	Available portion	Usage summary for past three years	
				to cover losses	for other reasons
D) Availability and distribution options for shareholders' equity					
I) Share capital	20,200,000				
Equity reserves					
II) Share premium reserve	11,025,103	A,B,C	11,025,103	-	-
Profit reserves	4,040,000	B		-	-
IV) Legal reserve	41,008,138	A,B,C	41,008,138	-	-
Extraordinary reserve	76,273,241		52,033,241	-	-
Total					
Non-distributable portion			52,033,241		
Residual distributable portion					

* A: for share capital increase

* B: to cover losses

* C: for distribution to shareholders

Given that the legal reserve has reached the limit established by Article 2430 of the Italian Civil Code, the share premium reserve can be distributed, as set forth in Article 2431 of the Italian Civil Code. Following the completion, during the year, of the process of amortisation of the start-up and expansion costs, the extraordinary reserve was also fully distributable, pursuant to Article 2426, no. 5 of the Italian Civil Code.

PROVISIONS FOR RISKS AND CHARGES

PENSIONS AND SIMILAR FUNDS

(Amounts in euro)

Pensions and similar funds	31/12/2016	31/12/2015	Difference
Opening balance	54,459	41,159	13,300
Transfer	240,206	0	240,206
2016 Provision	52,226	13,300	38,926
Pension fund	346,891	54,459	292,432

These relate to the provision for agents' leaving indemnities, allocated in relation to the agency relations in place between the Company and its agents, increased during the year due to the aforementioned transfer of the commercial business unit. During the year, the provision was increased due to the allocations of 52,226 euro and there were no uses recorded.

DEFERRED TAX PROVISION

(Amounts in euro)

2) Taxes, including deferred	31/12/2016	31/12/2015	Difference
Deferred tax provision	201,236	0	201,236

For more comprehensive information on the breakdown of the item, please refer to the tables pursuant to Article 2427, no. 14 of the Italian Civil Code reported in the paragraph "income taxes for the year".

EMPLOYEE TERMINATION BENEFITS

These represent the actual payable accrued due to employees in compliance with the legal provisions, applicable labour contracts and supplementary company agreements. The amount corresponds to the total of the individual indemnities accrued in favour of employees as at the year-end date, net of advances paid out, and the amount paid

to supplementary provisions and the INPS Treasury, and equals that which would be due to employees if their employment were to end on that date.

This liability is subject to revaluation as envisaged in current regulations. The change in the provision in 2016 and in the previous year is presented below:

(Amounts in euro)

Employee termination benefits	31/12/2016	31/12/2015	Difference
C) EMPLOYEE TERMINATION BENEFITS			
Opening balance	886,169	896,262	(10,093)
Allocated during the year	337,406	317,614	19,792
Decreases	(147,679)	(259,092)	111,413
Advances	(176,361)	(68,615)	(107,746)
C) Employee termination benefits	899,535	886,169	13,366

ACCOUNTS PAYABLE

ACCOUNTS PAYABLE - BANKS

(Amounts in euro)

Accounts payable - banks	31/12/2016	31/12/2015	Difference
Due to banks	10,591,457	50,716	10,540,741
Accounts payable - banks	10,591,457	50,716	10,540,741

These represent the debt balance of current accounts not falling under centralised treasury management

TRADE PAYABLES

(Amounts in euro)

Trade payables	31/12/2016	31/12/2015	Difference
Trade payables			
Payables for invoices received	29,981,257	18,294,776	11,686,481
Gas	1,884,356	7,445,278	(5,560,922)
Water	768,198	-	768,198
Sewerage	289,385	290,934	(1,549)
Electricity	26,391,145	8,914,201	17,476,944
Other services	648,173	1,644,363	(996,190)
Payables for invoices to be received	49,760,952	71,144,047	(21,383,095)
Gas	2,419,882	14,081,944	(11,662,062)
Water	(136,995)	491,008	(628,003)
Sewerage	86,958	192,247	(105,289)
Electricity	44,933,392	56,114,470	(11,181,078)
Other services	2,457,715	264,378	2,193,337
Trade payables	79,742,209	89,438,823	(9,696,614)

These relate primarily to trade payables for the purchase of raw materials and carrier services for the supply of gas and electricity to customers. Following the transfer of the trading unit, electricity and gas procurement operations on the market were transferred to the related party Dolomiti Energia Trading, which therefore became the new, sole supplier of the Company, hence involving a significant reduction in accounts payable - third parties at the end of the year.

ACCOUNTS PAYABLE - PARENT COMPANIES

(Amounts in euro)

Accounts payable - parent companies	31/12/2016	31/12/2015	Difference
Payables for invoices received	341,188	709,525	(368,337)
Electricity	-	(8,037)	8,037
Other services	341,188	717,562	(376,374)
Payables for invoices to be received	15,030,760	1,486,759	13,544,001
Solid urban waste	300,404	378,770	(78,366)
Electricity	71,650	511,230	(439,580)
Other services	14,658,706	596,759	14,061,947
Accounts payable - parent companies	15,371,948	2,196,284	13,175,664
Of which: accounts payable - parent companies for cash pooling	9,332,402	-	9,332,402
accounts payable - parent companies for taxes/interest	5,104,928	592,425	4,512,503

The significant increase in accounts payable - parent companies with respect to 31 December 2015 is primarily due to the payable for IRES in the year and VAT, totalling 4,924,032 euro and the payable for cash pooling of 9,332,402 euro (receivable of 22,942,135 euro as at 31 December 2015). The significant increase in debt to the parent company compared to the previous year is due essentially to non-recurring outflows, attributable, among other things, to the payment of guarantee deposits of 13,765,000 euro and the adjustment in cash recognised to the transferor Dolomiti Energia Trading, as settlement of the equity differences that arose between the date of valuation of the unit transferred and the transfer date amounting to 20,764,169 euro; in addition, note the payment of dividends to shareholders of 17,316,300 euro.

ACCOUNTS PAYABLE - COMPANIES SUBJECT TO CONTROL BY THE PARENT COMPANY

(Amounts in euro)

Accounts payable - companies subject to control by the parent company	31/12/2016	31/12/2015	Difference
Payables for invoices received	20,123,683	26,384,897	(6,261,214)
Gas	3,110,388	3,107,039	3,349
Water		2,871,550	(2,871,550)
Sewerage		1,099,450	(1,099,450)
Solid urban waste	(4,756)	515,794	(520,550)
Electricity	16,119,012	17,027,912	(908,900)
District heating	899,039	1,740,533	(841,494)
Other services		22,619	(22,619)
Payables for invoices to be received	82,440,514	46,719,457	35,721,057
Gas	31,315,584	13,921,515	17,394,069
Water	3,120,877	(259,904)	3,380,781
Sewerage	1,065,467	(380,725)	1,446,192
Solid urban waste	9,460,373	13,164,406	(3,704,033)
Electricity	37,550,744	19,946,011	17,604,733
District heating	(159,804)	270,528	(430,332)
Other services	87,273	57,626	29,647
Accounts payables - companies subject to control by the parent company	102,564,197	73,104,354	29,459,843

As outlined in the section dedicated to trade payables, the sole company supplier of raw materials for energy and gas became the related party Dolomiti Energia Trading, following the transfer of the business unit. Subsequently, accounts payable rose significantly with respect to the previous year. It should be noted that accounts payable deriving from the application of the service agreement relating to municipal waste management (TIA) fell by 4,224,583 euro.

TAX PAYABLES

(Amounts in euro)

Tax payables	31/12/2016	31/12/2015	Difference
Tax on electricity/gas	3,388,905	2,699,728	689,177
Irap	412,551	-	412,551
Irpef	136,890	206,408	(69,518)
Stamp duty	3,873	27,388	(23,515)
Tax payables	3,942,219	2,933,524	1,008,695

As regards tax payables, note the UTF payable regarding the revenue taxes on electricity, whose increase is due to the payment of lower advances than the amount actually billed, plus the IRAP payable of 412,551 euro.

SOCIAL SECURITY PAYABLES

(Amounts in euro)

Social security payables	31/12/2016	31/12/2015	Difference
Accounts payable - inps	232,254	211,081	21,173
Accounts payable - inpdap	23,008	23,407	(399)
Accounts payable - inail	740	476	264
Supplementary pension funds	156,247	124,644	31,603
Accounts payable - previndai	5,365	5,423	(58)
Accounts payable - others	65	65	-
Social security payables	417,679	365,096	52,583

On the whole, the item was essentially in line with 31 December 2015.

OTHER ACCOUNTS PAYABLE

(Amounts in euro)

Other accounts payable	31/12/2016	31/12/2015	Difference
Other accounts payable	2,715,272	946,439	1,768,833
Sewerage charge	5,290,130	4,605,865	684,265
- Within 12 months	8,005,402	5,552,304	2,453,098
Guarantee deposits	7,190,458	8,194,375	(1,003,917)
- After 12 months	7,190,458	8,194,375	(1,003,917)
Other accounts payable	15,195,860	13,746,679	1,449,181

The item Other accounts payable includes the payable for the RAI television fee, which arose during the year, amounting to 1,602,423 euro. Payables for the "sewerage charge" also include the amounts due to the Municipal Authorities of Trento and Rovereto for a total of 4,165,367 euro. The item "guarantee deposits" includes deposits requested from end users that did not opt for the settlement of the consideration through pre-authorized payments.

BREAKDOWN OF ACCOUNTS PAYABLE BY MATURITY

(Amounts in euro)

Breakdown of accounts payable by maturity	2016 Book value (2+3+4) 1	Mat. value subsequent year 2	Mat. value subsequent 4 years 3	Beyond 5 years 4
d) Payables				
4) Accounts payable - banks	10,591,457	10,591,457	-	-
7) Trade payables	79,742,209	79,742,209	-	-
11) Accounts payable - parent companies	15,371,948	15,371,948	-	-
11 bis) Accounts payable - companies subject to control by the parent company	102,564,197	102,564,197	-	-
12) Tax payables	3,942,219	3,942,219	-	-
13) Social security payables	417,679	417,679	-	-
14) Other accounts payable	15,195,860	8,005,402	7,190,458	-
Total	227,825,569	220,635,111	7,190,458	-

All payables as at 31 December 2016 are due to national counterparties.

Income statement**PRODUCTION VALUE**

The main items of the income statement are outlined below; please refer to the report on operations for more detailed information on the Company's performance in the year.

REVENUE FROM SALES AND SERVICES

(Amounts in euro)

1) Revenue from sales and services	2016	2015	Difference
Electricity revenue	671,394,825	578,914,049	92,480,776
Water resource revenue	19,215,169	18,401,660	813,509
Gas revenue	166,576,439	180,501,248	(13,924,809)
Heating revenue	8,176,030	9,098,438	(922,408)
Revenue from municipal waste services	23,628,501	23,684,658	(56,157)
Other revenue	4,067,385	2,985,033	1,082,352
Revenue from contingent assets	634,026	(28,455)	662,481
1) Revenue from sales and services	893,692,375	813,556,631	80,135,744

The variation in the sales revenues with respect to the previous year is influenced by the extraordinary transactions involving the transfer of the trading unit (wholesale purchase/sale of energy and gas) and transfer of the commercial business unit (sale of electricity and gas to end users), which, on the whole, increased the turnover of the Company, particularly for the electricity business unit.

The significant drop in gas revenues is the result of the changed market scenarios and the decrease in the average sale prices.

OTHER REVENUE

(Amounts in euro)

5) Other revenue and income (no sale/serv.)	2016	2015	Difference
Other revenue	456,788	864,634	(407,846)
Gains from standard operations	1,048,106	485	1,047,621
Other revenue and income	5,890	15,406	(9,516)
De group revenue	259,258	657,765	(398,507)
Seconded personnel	31,361	114,601	(83,240)
Standard contingent assets	402,505	687,045	(284,540)
Other revenue	2,203,908	2,339,936	(136,028)
Operating grants	-	-	-
Contributions	-	-	-
5) Other revenue and income (no sale/serv.)	2,203,908	2,339,936	(136,028)

The capital gain of 1,048,106 euro derives from the higher transfer price of the trading business unit with respect to the net book value of the equity assets transferred to the affiliate Dolomiti Energia Trading spa.

The decrease in the item Other revenues is also a result of the transfer of the trading unit and, therefore, the loss of some associated revenue components which the Company only recorded for one quarter in 2016.

With reference to the Company's commercial business unit, the relations and services that the latter provided to the transferor Dolomiti Energia Trading also changed, determining a reduction and subsequent decrease in the fees requested for roughly 400 thousand.

PRODUCTION COSTS**COST FOR RAW MATERIALS**

(Amounts in euro)

6) Raw materials, consumables and merchandise	2016	2015	Difference
Purchases of elect. raw materials	(226,562,937)	(295,041,281)	68,478,344
Purchases of gas raw materials	(101,869,803)	(120,665,528)	18,795,725
Purchases of fuels	(45,977)	(48,714)	2,737
Purchase of miscellaneous materials	(130,750)	(75,439)	(55,311)
Contingent assets - purchases of raw materials	(789,891)	382,146	(1,172,037)
6) Total	(329,399,358)	(415,448,816)	86,049,458

The contraction in the purchase cost of the raw material is due, in particular, to the electricity and gas business lines, especially as a result of the fall in average purchase prices.

SERVICE COSTS

(Amounts in euro)

7) External purchases of services	2016	2015	Difference
External maintenance services	(33,280)	(29,557)	(3,723)
Insurance, banking and financial services	(1,328,416)	(1,120,991)	(207,425)
Other services	(2,973,240)	(592,937)	(2,380,303)
Commercial services	(504,656,583)	(360,017,212)	(144,639,371)
General services	(448,205)	(230,488)	(217,717)
Independent statutory audit	(52,000)	(47,000)	(5,000)
Board of statutory auditors	(47,840)	(47,840)	-
Directors	(162,176)	(164,351)	2,175
Contingent assets - services	(698,162)	842,219	(1,540,381)
7) External purchases of services	(510,399,902)	(361,408,157)	(148,991,745)

The overall increase is primarily attributable to the commercial services and service agreements. In particular, again note the centralisation of the commercial business of end customers of Dolomiti Energia Trading Spa in Dolomiti Energia Spa, and therefore the increase in electricity and gas carrier costs.

COSTS FOR USE OF THIRD PARTY ASSETS

(Amounts in euro)

8) Costs for use of third party assets	2016	2015	Difference
Miscellaneous costs	(799)	(5,000)	4,201
Rental expense	(447,136)	(355,355)	(91,781)
Rental fees	(178,387)	(154,774)	(23,613)
Business unit rental	(591,819)	(590,049)	(1,770)
8) Costs for use of third party assets	(1,218,141)	(1,105,178)	(112,963)

Rental expense refers to the cost of leasing properties or parts of them for office use; it includes the costs incurred in relation to the parent company Dolomiti Energia Holding Spa totalling 250,000 euro; the increase over 2015 is due to the transfer to the Company of the office lease agreements of the related party Dolomiti Energia Trading Spa.

The Company pays the affiliate SET Distribuzione

an annual fee for the rental of the business unit relating to the marketing of electricity, quantified at 591,819 euro for 2016.

PERSONNEL COSTS

(Amounts in euro)

9) Personnel costs	2016	2015	Difference
a) Wages and salaries	(5,307,419)	(5,109,025)	(198,394)
b) Social security costs	(1,368,385)	(1,406,754)	38,369
c) Employee termination benefits	(337,406)	(317,614)	(19,792)
e) Other costs	(249,315)	(364,645)	115,330
9) Personnel costs	(7,262,525)	(7,198,038)	(64,487)

There was also a specific focus in 2016 to aspects relating to corporate organisation so as to balance the human resources structure to company commitments. There were no particular changes in the costs with respect to the previous year.

The number of employees in the workforce as at 31 December 2016 stood at 171, subdivided into the following categories:

(unità)

Information on employees	31/12/2016	31/12/2015	Difference
Personnel			
Executives	2	2	-
Managers	9	8	1
Employees	160	141	19
Total personnel	171	151	20

The average workforce stood at 140.72 in 2016, and 135.69 in 2015.

AMORTISATION, DEPRECIATION AND WRITE-DOWNS

(Amounts in euro)

10) Amortisation, depreciation and write-downs	2016	2015	Difference
a) Amortisation of intangible assets	(579,781)	(546,906)	(32,875)
b) Depreciation of property, plant and equipment	(3,798)	(1,770)	(2,028)
d) Write-down of accounts receivable recognised to current assets	(6,864,984)	(2,226,525)	(4,638,459)
10) Amortisation, depreciation and write-downs	(7,448,563)	(2,775,201)	(4,673,362)

The significant increase in the allocations to the provision for write-downs was rendered

necessary in order to deal with the negative events that impacted some major customers, hence adjusting the credit exposure to the latter into line with the presumed realisable value.

OTHER OPERATING COSTS

(Amounts in euro)

14) Other operating costs	2016	2015	Difference
Miscellaneous costs	(275,118)	(176,826)	(98,292)
Losses on credits	(369,183)	(103,287)	(265,896)
Cts/social security fee	(922,898)	(658,906)	(263,992)
Standard contingent liabilities	(777,893)	(129,930)	(647,963)
Postal charges	(49,470)	(67,542)	18,072
Other taxes	(267,536)	(256,247)	(11,289)
14) Other operating costs	(2,662,098)	(1,392,738)	(1,269,360)

The increase in contingent liabilities is essentially due to the write-off of receivables for taxes on electricity and gas which became irrecoverable.

FINANCIAL INCOME AND CHARGES

OTHER FINANCIAL INCOME

(Amounts in euro)

16) Other financial income	2016	2015	Difference
a) From receivables recognised as fixed asset			-
- from companies subject to control by the parent company	-	475	(475)
d) Financial income different from above			
- from parent companies	60,414	109,249	(48,835)
- from others	259,776	346,412	(86,636)
16) Other financial income	320,190	456,136	(135,471)

Other financial income is composed of interest income from the parent company Dolomiti Energia Holding Spa accrued on positive cash pooling balances of 60,414 euro and interest on arrears on commercial transactions of 259,776 euro.

INTEREST AND FINANCIAL CHARGES

(Amounts in euro)

	2016	2015	Difference
17) Interest and other financial charges			
d) Others	(15,084)	(55,718)	40,634
17) Interest and other financial charges	(15,084)	(55,718)	40,634

Interest and financial charges are due primarily to interest expense accrued on current accounts not falling under the centralised treasury system amounting to 15,084 euro.

VALUE ADJUSTMENTS OF INVESTMENTS

(Amounts in euro)

	2016	2015	Difference
D) Value adjustments of investments			
d) Financial derivatives	0	1,245,318	(1,245,318)
18) Revaluations of investments	0	1,245,318	(1,245,318)

In 2015, the positive adjustments to financial derivatives included the effect of the reversal of the fair value of commodity derivatives outstanding as at 31 December 2014, as well as the differentials accrued on them in 2015. As at 31 December 2016, no financial derivatives had been entered into by the Company.

INCOME TAXES FOR THE YEAR

Direct taxes and prepaid/deferred income taxes were booked for a total of 10,883,396 euro in 2016.

These can be broken down as follows:

(Amounts in euro)

	2016	2015	Difference
20) Income taxes for the year			
a) Current taxes	(9,391,411)	(7,065,003)	(2,326,408)
b) Taxes relating to prior periods	(201,236)	-	(201,236)
c) Deferred and prepaid taxes	(1,290,749)	(1,263,720)	(27,029)
22) Income taxes for the year	(10,883,396)	(8,328,723)	(2,554,673)

Current taxes, assessed on the basis of a realistic forecast of taxable income pertaining to the year, refers to IRES (8,533,728 euro) and IRAP (998,438 euro). The item also includes positive adjustments to the direct taxes of previous years amounting to 140,755 euro.

Statement of reconciliation between balance sheet and theoretical tax charge

(Amounts in euro)

Description	Amount	Ires	% charge
Profit before tax	37,810,802		
Theoretical tax charge		10,397,971	27.50%
PERMANENT INCREASES			
Motor vehicle costs - cars for private and business use	80,151		
Phone-related costs	52,813		
Non-deductible goodwill	88,350		
Credit losses	14,880		
Ordinary and extraordinary contingent liabilities	788,482		
Negligible non-deductible expenses	4,698		
Entertainment and catering	4,212		
Total permanent increases	1,033,586		
PERMANENT DECREASES			
Supplementary social security	11,450		
ACE (aid for economic growth) deduction	1,790,639		
Total permanent decreases	1,802,089		
TEMPORARY DIFFERENCES - INCREASES			
Financial statement certification	52,000		
Directors' fees	5,200		
Productivity and one-off bonus	498,664		
Goodwill redeemed	17,143		
Deductible goodwill	122,222		
Provision for write-downs	5,914,148		
Total Temporary differences - increases	6,609,377		
TEMPORARY DIFFERENCES - DECREASES			
Directors' fees	7,132		
Provision for write-downs	10,849,461		
Goodwill redeemed	422,189		
Financial statement certification	47,000		
Productivity and one-off bonus	455,671		
Total temporary differences - decreases	11,781,453		
DEFERRED - INCREASES			
Capital gains instalment spread	209,621		
DEFERRED - DECREASES			
Capital gains instalment spread	1,048,106		
Tax base	31,031,738	8,533,728	22.57%

Statement of reconciliation between balance sheet and theoretical tax charge

(Amounts in euro)

Description	Amount	Irap	% charge
Net production value	51,633,205		
Theoretical tax charge		869,408	2.10%
		129,030	3.90%
PERMANENT INCREASES			
Established personnel costs	141,421		
Credit losses	369,183		
Non-deductible amortisation of goodwill	88,350		
Other personnel costs	20,049		
Non-deductible standard contingent liabilities	788,482		
Other increases	4,698		
Total permanent increases	1,412,183		
PERMANENT DECREASES			
Established personnel costs	7,036,714		
Credit losses	11,900		
Non-deductible amortisation of goodwill	1,048,106		
Other personnel costs	8,096,720		
TEMPORARY DIFFERENCES - INCREASES			
Amortisation of redeemed goodwill	17,143		
Production bonuses	498,664		
Deductible goodwill	122,222		
Total Temporary differences - increases	638,029		
TEMPORARY DIFFERENCES - DECREASES			
Amortisation of redeemed goodwill	422,189		
Production bonuses	455,671		
Total temporary differences - decreases	877,860		
Tax base	44,708,837	998,438	1.93%

Statement pursuant to point 14) of art. 2427: description of temporary differences resulting in recognition of deferred tax assets and liabilities.

(Amounts in euro)

Description	2015 Prepaid taxes			DET Transfer			2016 Reabsorptions			Realignments			2016 Increases			Prepaid taxes for the period		2016 Prepaid taxes		
	Taxable amount	Tax rate	Tax (a)	Taxable amount	Tax rate	Tax (b)	Taxable amount	Tax rate	Tax (b)	Taxable amount	Tax rate	Tax (b)	Taxable amount	Tax rate	Tax (c)	Imposta (c-b)	Taxable amount	Tax rate	Tax	
IRES																				
Allo. Write-downs of receivables - excess	16,496,560	24.00%	3,959,174	1,395,802	24.00%	334,992	(10,849,461)	24.00%	(2,603,871)	-	0.00%	-	5,914,148	24.00%	1,419,395	(1,184,475)	12,957,049	24.00%	3,109,692	
Allo. Provisions for risks	11,194	24.00%	2,687	157,859	24.00%	37,886	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	169,053	24.00%	40,573	
Goodwill redeemed - 31/12/2007	3,799,700	24.00%	911,928	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	3,799,700	24.00%	911,928	
Goodwill redeemed - 31/12/2007 reabsorb. 2016	422,189	27.50%	116,102	-	0.00%	-	(422,189)	27.50%	(116,102)	-	0.00%	-	-	0.00%	-	(116,102)	-	24.00%	-	
Goodwill redeemed - 31/12/2009	257,146	24.00%	61,715	-	0.00%	-	-	27.50%	-	-	0.00%	-	17,143	24.00%	4,114	4,114	274,289	24.00%	65,829	
Deductible goodwill	733,333	24.00%	176,000	-	0.00%	-	-	27.50%	-	-	0.00%	-	122,222	24.00%	29,333	29,333	855,556	24.00%	205,333	
Productivity and renewal bonus	451,725	27.50%	124,224	3,946	27.50%	1,085	(455,671)	27.50%	(125,310)	-	0.00%	-	498,664	24.00%	119,679	(5,630)	498,664	24.00%	119,679	
BoD's fees	7,133	27.50%	1,961	-	0.00%	-	(7,133)	27.50%	(1,961)	-	0.00%	-	5,200	24.00%	1,248	(713)	5,200	24.00%	1,248	
Financial statements certification	47,000	27.50%	12,925	-	0.00%	-	(47,000)	27.50%	(12,925)	-	0.00%	-	52,000	24.00%	12,480	(445)	52,000	24.00%	12,480	
	22,225,981		5,366,717	1,557,607		373,963	(11,781,454)		(2,860,169)	-		-	6,609,377		1,586,251	(1,273,918)	18,611,511		4,466,763	
IRAP																				
Allo. Provisions for risks	11,194	2.30%	257	-	0.00%	-	-	2.30%	-	(11,194)	0.20%	(22)	-	0.00%	-	(22)	11,194	2.10%	235	
Goodwill redeemed - 31/12/2007	4,221,889	2.30%	97,103	-	0.00%	-	(422,189)	2.30%	(9,710)	(3,799,700)	0.20%	(7,599)	-	0.00%	-	(17,310)	3,799,700	2.10%	79,794	
Goodwill redeemed - 31/12/2009	257,146	2.30%	5,914	-	0.00%	-	-	2.30%	-	(257,146)	0.20%	(514)	17,143	2.10%	360	(154)	274,289	2.10%	5,760	
Deductible goodwill	733,333	2.30%	16,867	-	0.00%	-	-	2.30%	-	(733,333)	0.20%	(1,467)	122,222	2.10%	2,567	1,100	855,556	2.10%	17,967	
Productivity and renewal bonus	-	0.00%	-	27,246	3.90%	1,063	(27,246)	3.90%	(1,063)	-	0.00%	-	-	0.00%	-	(1,063)	-	0.00%	-	
Productivity and renewal bonus	451,725	2.30%	10,390	(23,300)	2.30%	(536)	(428,425)	2.30%	(9,854)	-	0.00%	-	498,664	2.10%	10,472	618	498,664	2.10%	10,472	
Total	5,675,288		130,532	3,946		527	(877,860)		(20,627)	(4,801,374)		(9,603)	638,029		13,399	(16,831)	5,439,403		114,227	
Overall total			5,497,249	1,561,553		374,490	(12,659,314)		(2,880,795)	(4,801,374)		(9,603)	7,247,406		1,599,649	(1,290,749)	24,050,914		4,580,991	

No amounts were credited or charged to equity.

Description	2015 Deferred Taxes			2016 Reabsorptions			Tax rate alignment			2016 Increases			deferred taxes for the year		2016 Deferred Taxes		
	Imponibile	Aliquota	Imposta (a)	Taxable amount	Tax rate	Tax (b)	Taxable amount	Tax rate	Tax (b)	Taxable amount	Tax rate	Tax (c)		Taxable amount	Tax rate	Tax (a-b+c)	
IRES																	
Capital gains instalment spread	-	0.00%	-	(209,621)	24.00%	(50,309)	-	0.00%	-	1,048,106	24.00%	251,545	201,236	838,485	24.00%	201,236	
						(50,309)						251,545	201,236			201,236	

No amounts were credited or charged to equity.

OTHER INFORMATION

OFF-BALANCE SHEET COMMITMENTS, GUARANTEES GIVEN AND CONTINGENT LIABILITIES

Pursuant to and in accordance with Art. 2427, paragraph 9 of the Italian Civil Code, the following off-balance sheet commitments, guarantees given and contingent liabilities are indicated:

Sureties and collateral securities
The Company has no sureties or collateral securities in place that were not recognised in the financial statements. Dolomiti Energia benefitted from the sureties and guarantees issued by the parent company to third parties in the interest of the Company for a total of 140,882 thousand euro.

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.

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.

FEES OF THE DIRECTORS, STATUTORY AUDITORS AND INDEPENDENT AUDITORS

Information concerning the fees paid to directors and statutory auditors is provided hereunder, pursuant to Art. 2427, point 16 of the Italian Civil Code.

(Amounts in euro)

Title	2016	2015
Directors	162,176	164,351
Board of Statutory Auditors	46,000	46,000

It should be noted that the Company did not grant any advances or loans to directors. Furthermore, pursuant to Art. 2427, point 16-bis of the Italian Civil Code, reported below are the total fees due to the independent auditors for the audit of the annual accounts and the total amount of fees for other tax advisory services and for other non-audit services provided to the Company:

(Amounts in euro)

Title	2016	2015
Audit	40,000	40,000
Other verification services	-	-
Tax advisory services	-	-
Other non-audit services	-	-

RELATED PARTY TRANSACTIONS

As regards the information required by Art. 2427, point 22-bis) of the Italian Civil Code, it should be noted that no transactions were entered into with related parties that were not performed on an arm's length basis. Reference should be made to the Report on operations for details of the relations with other companies in the same Group.

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, pursuant to Art. 2427, point 22-ter of the Italian Civil Code.

SIGNIFICANT EVENTS OCCURRED AFTER YEAR-END

The Company participated, together with the other main operators, in the "Tutela Simile" (similar protection) initiative promoted by AEEGSI as part of the transition process, which should see the cessation of the market subject to additional safeguards by 2018. This initiative,

officially launched on 1 January 2017, and which will last the whole year, is currently registering an extremely limited take-up rate, (a few thousand throughout the national territory), probably due to the lack of an advertising campaign with consumers.

By contrast, the take-up rate of the initiative known as "Etika Energia" has exceeded expectations in the first few months of the year which, in collaboration with all the main entities of Cooperazione Trentina, has provided the market with an offer targeted at the residential market which has succeeded in reconciling affordability for the customer, environmental sustainability and social values in a highly innovative way.

Lastly, note should be taken of the commercial agreement signed with ITAS Mutua Assicurazioni for mutual collaboration in providing customers and employees with the services that have always constituted the constant performance of the respective activities.

NAME AND REGISTERED OFFICE OF THE COMPANY THAT DRAFTS THE CONSOLIDATED FINANCIAL STATEMENTS

With reference to the information required by Art. 2427, point 22-quinquies and sexies of the Italian Civil Code, 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 that said consolidated financial statements are available through the usual company channels..

FINANCIAL DERIVATIVES

Pursuant to Art. 2427-bis, paragraph 1, no. 1 of the Italian Civil Code, it is acknowledged that the Company did not enter into any financial derivatives outstanding as at 31 December 2016.

MANAGEMENT AND COORDINATION ACTIVITIES

Pursuant to Art. 2497-bis, paragraph 4 of the Italian Civil Code, the key data of the latest set of financial statements of the parent company Dolomiti Energia Holding S.p.A., which exercises management and coordination activities over Dolomiti Energia Trading S.p.A., are reported below.

BALANCE SHEET

SUMMARY

ASSETS		LIABILITIES	
Items	31.12.2015	Items	31.12.2015
A - SUBSCRIBED CAPITAL UNPAID		A - SHAREHOLDERS' EQUITY	557,073,343
B - FIXED ASSETS		B - PROVISIONS FOR RISKS AND CHARGES	2,641,481
I - Intangible assets	13,352,075		
II - Property, plant and equipment	46,992,756		
III - Investments held for trading	710,054,571		
	770,399,402	C - EMPLOYEE TERMINATION BENEFITS	2,324,399
C - CURRENT ASSETS			
I - Inventories	60,145		
II - Accounts receivable	124,945,256	D - ACCOUNTS PAYABLE	355,517,297
III - Investments held for trading	7,157,427		
IV - Cash and cash equivalents	15,228,670		
	147,391,498		
D - ACCRUALS AND DEFERRALS	1,425,137	E - ACCRUALS AND DEFERRALS	1,659,517
TOTAL ASSETS	919,216,037	TOTAL LIABILITIES	919,216,037

RECLASSIFIED INCOME STATEMENT

SUMMARY

Description	31.12.2015
A - PRODUCTION VALUE	44,400,666
B - PRODUCTION COSTS	(43,510,678)
- DIFFERENCE	889,988
C - FINANCIAL INCOME AND CHARGES	62,574,882
D - VALUE ADJUSTMENTS OF INVESTMENTS	(29,757,956)
E - EXTRAORDINARY INCOME AND CHARGES	-
- PROFIT BEFORE TAX	33,706,914
22 - INCOME TAXES FOR THE YEAR	1,310,184
23 - PROFIT (LOSS) FOR THE YEAR	35,017,098

The key data of the parent company Dolomiti Energia Holding SpA shown in the summary table required by Art. 2497-bis of the Italian Civil Code were extracted from the relevant financial statements for the year ended as at 31 December 2015. For an adequate and complete understanding of Dolomiti Energia Holding SpA's equity and financial position as at 31 December 2015, 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.

PROPOSED ALLOCATION OF PROFITS OR LOSS COVERAGE

With reference to the information required by Art. 2427, point 22-septies of the Italian Civil Code, we propose to the Shareholders' Meeting that the profit for the year of 26,927,406 euro be allocated as follows:

- 16,160,000 euro as ordinary dividend to shareholders, corresponding to 0.8 euro per share, and also proposing that the dividend be paid from 1 June 2017;
- 10,767,406 euro to the extraordinary reserve.

These financial statements, comprising the Balance Sheet, Income Statement, Cash Flow Statement and Notes to the Financial Statements provide a true and fair view of the equity and financial position and of the economic result for the period, and match compulsory accounting records.

Trento, 28 March 2017

on behalf of the BOARD OF DIRECTORS The
Chairman
Rudi Oss

Annexes:

1. Transfer of commercial business unit: equity effects
2. Impacts of the Accounting Reform and change of standard

ANNEXES

1 - TRANSFER OF THE COMMERCIAL BUSINESS UNIT: EQUITY EFFECTS

The table below shows the equity values relating to the commercial business unit transferred to the Company, effective from 1 April 2016, by the related party Multiutility SpA (now Dolomiti Energia Trading SpA).

ACCOUNTING STATEMENT OF BUSINESS UNIT TRANSFERRED			
ASSETS		LIABILITIES	
31.03.2016		31.03.2016	
A) SUBSCRIBED CAPITAL UNPAID		A) EQUITY	13,360,603
B) FIXED ASSETS	209,626	B) PROVISIONS FOR RISKS	240,205
Property, plant and equipment	110,695		
Intangible assets	2,548	C) EMPLOYEE TERMINATION BENEFITS	150,188
Financial fixed assets	96,383		
		D) PAYABLES	14,227,273
C) CURRENT ASSETS		Trade payables	13,017,246
ACCOUNTS RECEIVABLE	48,524,128	Accounts payable companies subject to control by parent companies	1,874
Trade receivables	45,232,238	Tax payables	297,281
From parent companies	712	Other accounts payable	910,872
Due to companies subject to control by parent companies	223,776		
Tax credits	2,607,320		
Prepaid taxes	381,434		
From others	78,648		
		E) ACCRUALS AND DEFERRALS	-
Financial assets			
Cash and cash equivalents			
D) ACCRUALS AND DEFERRALS	8,684		
TOTAL ASSETS	48,742,438	TOTAL LIABILITIES	27,978,269
		Adjustment in cash	20,764,169

In respect of the assets and liabilities received, the Company carried out a share capital increase, increased by a premium, totalling 13,361 thousand euro. The difference between the book value transferred and the share capital increase was settled financially by the parties.

2 - IMPACTS OF THE ACCOUNTING REFORM AND CHANGE OF STANDARD

Voluntary exemptions to the full adoption of the new accounting standards

Application of the amortised cost method Italian Legislative Decree 139/15 introduces the amortised cost measurement method, to be used to present accounts receivable, accounts payable and fixed assets represented by securities.

The regulation makes provision for an optional exemption which makes it possible to avoid the application of the amortised cost method for accounts receivable, accounts payable and fixed assets represented by securities in the 2015 financial statements. Consequently, the positions

that arose prior to 1 January 2016 remained accounted for using the old rules.

Useful life of goodwill

Italian Legislative Decree 139/15 requires goodwill to be amortised according to its useful life. If, in exceptional cases, this cannot be estimated reliably, goodwill can be amortised for a period not exceeding ten years. The regulation provides the option of not re-determining the goodwill amortisation period already in place as at 31 December 2015. Subsequently, no provision was made to modify the plan of amortisation of the goodwill that arose prior to 1 January 2016. No goodwill arose after 1 January 2016.

Reconciliation of shareholders' equity and the explanatory notes

The reconciliations between Company Shareholders' Equity as at 1 January 2015 and 31 December 2015, and the net result for the year ended 31 December 2015, drawn up in compliance with the accounting standards applied in the previous year, are shown below.

(Amounts in euro)	01/01/2015 Prior to registration of the effects of the Accounting Reform	Effect of valuation of financial derivatives	Effect of taxes	01/01/2015 Following registration of the effects of the Accounting Reform
Shareholder's Equity 01/01/2015	71,014,825	(400,770)	110,212	70,724,267
	2015 Prior to registration of the effects of the Accounting Reform	Effect of valuation of financial derivatives	Effect of taxes	2105 As a result of the effects of the change of standard
Income Statement 2015	19,603,894	400,770	(110,212)	19,894,452
	31/12/2015 Prior to registration of the effects of the Accounting Reform	Effect of valuation of financial derivatives	Effect of taxes	31/12/2105 Following registration of the effects of the Accounting Reform
Shareholder's Equity 31/12/2015	80,228,938	-	-	80,228,938

Reconciliation of the balance sheet and the explanatory notes

The reconciliation statement between the Company's balance sheet as at 31 December 2015, as per the financial statements approved

by the shareholders' meeting on 28 April 2016 and, solely for comparative purposes, the Company's balance sheet drafted as if the new accounting standards had always been applied, is shown below.

(Amounts in euro)	31/12/2015 post-reform	31/12/2015 pre-reform	Change
BALANCE SHEET - ASSETS			
A) Subscribed capital unpaid			
B) Fixed assets			
I) Intangible assets			
3) Industrial patent and intellectual property rights	2,000	2,000	
4) Franchise, licenses, trademarks and similar	9,000	9,000	
5) Goodwill	2,180,992	2,180,992	
Total	2,191,992	2,191,992	
II) Property, plant and equipment			
4) Other assets	4,798	4,798	
Total	4,798	4,798	
III) Financial fixed assets			
1) Equity investments in:			
d-bis) other companies	2,350	2,350	
2) Accounts receivable which are fixed assets:			
d) companies subject to control by parent companies	29,098,000		29,098,000
d-bis) from others	4,026,753	33,124,753	(29,098,000)
- after 12 months	4,026,753	33,124,753	(29,098,000)
Total	33,127,103	33,127,103	
Total fixed assets	35,323,893	35,323,893	
C) Current assets			
I) Inventories			
Total			
II) Accounts receivable of the current assets			
1) Accounts receivable - customers	188,013,260	188,013,260	-
4) Accounts receivable - parent companies	2,153,052	25,110,940	(22,957,888)
5) Accounts receivable - companies subject to control by parent companies	5,757,035	-	5,757,035
5 bis) Tax credits	2,016,501	2,016,501	-
5 ter) Prepaid taxes	5,497,249	5,497,249	-
5 quarter) Accounts receivable - others	382,580	6,139,615	(5,757,035)
Total	203,819,677	226,777,565	(22,957,888)
III) Short-term investments			
7) Financial assets for centralised treasury management			
c) parent companies	22,957,888	-	22,957,888
Total	22,957,888	-	22,957,888
IV) Cash and cash equivalents			
1) Banks and postal current accounts	828,472	828,472	-
3) Cash on hand	796	796	-
Total	829,268	829,268	-
Total Current assets	227,606,833	227,606,833	
D) Accruals and deferrals			
Prepayments	34,316	74,316	-
Total Prepayments and accrued income	74,316	74,316	-
Total assets	263,005,042	263,005,042	-

(Amounts in euro)	31/12/2015	31/12/2015	
BALANCE SHEET - LIABILITIES	post-reform	pre-reform	Change
A) Shareholders' equity			
I) Share capital			
II) Share premium reserve	17,316,300	17,316,300	-
IV) Legal reserve	548,200	548,200	-
VI) Other reserves	3,463,260	3,463,260	-
- Extraordinary reserve			
VIII) Retained earnings or losses	39,297,284	39,297,284	-
IX) Profit or loss for the year	(290,558)	-	(290,558)
Total Shareholders' Equity	19,894,452	19,603,894	290,558
Totale patrimonio netto	80,228,938	80,228,938	-
B) Provision for risks and charges			
1) Pensions and similar funds	54,459	54,459	-
Total	54,459	54,459	-
C) Employee termination benefits	886,169	886,169	-
D) Accounts payable			
4) Accounts payable - banks	50,716	50,716	-
7) Trade payables	89,438,823	89,438,823	-
11) Accounts payable - parent companies	2,196,284	2,196,284	-
11 bis) Accounts payable - companies subject to control by parent companies	73,104,354	-	73,104,354
12) Tax payables	2,933,524	2,933,524	-
13) Social security payables	365,096	365,096	-
14) Other accounts payable	13,746,679	86,851,033	(73,104,354)
- within 12 months	5,552,304	78,656,658	(73,104,354)
- after 12 months	8,194,375	8,194,375	-
Total	181,835,476	181,835,476	-
E) Accrued liabilities and deferred income			
Total	-	-	-
Total shareholders' equity and liabilities	263,005,042	263,005,042	-

Balances relating to companies subject to common control by the parent company

With reference to the companies subject to control by parent companies, Italian Legislative Decree 139/2015 has set out specific rows in relation to both balance sheet assets and liabilities, as well as to the income statement. For said reason, it was necessary to reclassify certain positions in said new rows of the balance sheet of the financial statements as at 31 December 2015.

Financial derivatives

In relation to the financial derivatives outstanding at the end of the year, Italian Legislative Decree 139/2015 requires the disclosure of their fair value under financial fixed assets or short-term investments if positive, or under provisions for risks and charges if negative. The item Shareholders' equity VIII) Retained earnings or losses shows the fair value, net of the associated tax effect, of commodity derivatives as at the transition date (1 January 2015), for which, given the preparation of the documentation on hedging relationships is considered too costly, provision was made for the accounting of the fair value changes in the income statement.

New numbering of certain items

Due to the cancellation and introduction of balance sheet and income statement rows, the numbering of certain items was modified.

RECONCILIATION OF THE INCOME STATEMENT AND THE EXPLANATORY NOTES

The reconciliation statement between the Company's income statement as at 31 December 2015, as per the financial statements approved by the shareholders' meeting on 28 April 2016 and, solely for comparative purposes, the Company's income statement drafted as if the new accounting standards had always been applied, is shown below:

(Amounts in euro)	2015	2015	
INCOME STATEMENT	pre-Reform	post-Reform	Change
A) Production value			
1) Revenue from sales and services	813,556,631	814,605,263	(1,048,632)
5) Other revenue and income	2,339,936	5,261,689	(2,921,753)
b) other revenue	2,339,936	5,261,689	(2,921,753)
Total production value	815,896,567	819,866,952	(3,970,385)
B) Production costs			
6) For raw materials, consumables and merchandise	415,448,816	415,887,379	(438,563)
7) For services	361,408,157	362,250,376	(842,219)
8) Costs for use of third party assets	1,105,178	1,105,178	-
9) Personnel costs	7,198,038	7,145,189	52,849
a) wages and salaries	5,109,025	5,109,025	-
b) social security costs	1,406,754	1,406,754	-
c) employee termination benefits	317,614	317,614	-
e) other costs	364,645	311,796	52,849
10) Amortisation, depreciation and write-downs	2,775,201	2,775,201	-
a) amortisation of intangible assets	546,906	546,906	-
b) depreciation of property, plant and equipment	1,770	1,770	-
d) write-down of accounts receivable recognised to current assets and cash and cash equivalents	2,226,525	2,226,525	-
14) Other operating costs	1,392,738	3,171,430	(1,778,692)
Total production costs	789,328,128	792,334,753	(3,006,625)
Difference between production value and costs	26,568,439	27,532,199	(963,760)
C) Financial income and charges			
16) Other financial income	456,136	456,136	-
a) from receivables recognised as fixed asset	475	-	475
d) financial income different from above	455,661	456,136	(475)
17) Interest and other financial charges	(55,718)	(55,718)	-
d) from others	(55,718)	(55,718)	-
Total financial income and charges	400,418	400,418	-
D) Value adjustments of financial assets and liabilities			
18) Revaluations	1,254,318	-	1,254,318
d) of financial derivatives	1,254,318	-	1,254,318
Total value adjustments of financial assets and liabilities	1,254,318	-	1,254,318
E) Extraordinary income and charges			
20) Extraordinary income	-	1,647,299	(1,647,299)
— b) contingent assets and non-existent liabilities	-	1,647,299	(1,647,299)
Total extraordinary items	-	1,647,299	(1,647,299)
Profit before tax	28,223,175	29,579,916	(1,356,741)
20) Income taxes for the year	(8,328,723)	(9,976,022)	1,647,299
- Current taxes	(8,712,302)	(8,712,302)	-
- Taxes relating to prior periods	1,647,299	-	1,647,299
- Deferred and prepaid taxes	(1,263,720)	(1,263,720)	-
Profit (loss) for the year	19,894,452	19,603,894	290,558

Elimination of category E of the Income statement

The accounting reform eliminated category E of the Income statement relating to extraordinary components. Subsequently, the items included in these rows in the 2015 income statement were reclassified by nature to the most suitable rows.

Financial derivatives

In relation to the financial derivatives outstanding at the end of the year, Italian Legislative Decree 139/2015 made provision for the disclosure of their fair value in section D) value adjustments of financial assets and liabilities. Therefore, these items include the effect of the reversal of the derivatives outstanding as at 1 January 2015, as well as the value of the differentials accrued on said derivatives during the year and initially classified under raw material purchase costs. The tax effect relating to these transactions was recognised under deferred and prepaid taxes for the period.

Board of Statutory Auditors' Report

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, excluding the independent audit, which is assigned to the independent auditors PriceWaterhouseCoopers S.p.A..

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

We should point out, however, that the approval of the financial statements for the year ended as at 31 December 2016 marked the end of the three-year mandate assigned to the independent auditors and that, therefore, the Shareholders' meeting was called to confer a new appointment in accordance with Art. 13 of Italian Legislative Decree no. 39/2010. The justified proposal of the Board of Statutory Auditors to the Shareholders' Meeting set forth in the aforementioned article 13 was drafted separately.

Summary and results of supervisory activities performed

During the year ending 31 December 2016, our activities were governed by legal provisions, supplemented by the "Code of Conduct of the Board of Statutory Auditors" recommended by the Italian Accounting Profession, 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.

To this end:

- we attended Shareholders' Meetings and meetings of the Board of Directors, conducted in compliance with the statutory, legislative and regulatory provisions which govern their functioning and for which we can be reasonably certain that the actions resolved conform to the law and to the articles of association, are not manifestly imprudent, hazardous, do not involve a potential conflict of interests or are not as such to compromise the integrity of company assets;
- during our meetings, we periodically obtained information from the Directors on the general performance of operations and on the business outlook, as well as on the more significant transactions in terms of size or characteristics performed by the company, including therein any related party transactions. We can reasonably confirm that the actions taken complied with the law and articles of association and were not manifestly imprudent, hazardous or in potential conflict of interest or incompatible with resolutions adopted by the Shareholders' Meeting or Board of Directors or which could have compromised the integrity of company assets;
- we held periodic meetings with the appointed independent auditor, and no significant data or information emerged that would warrant mention in this report.

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, 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 acquired knowledge and monitored the adequacy of the company's organisational structure and internal control system, also through information obtained from company department managers, from the entity tasked with the independent audit and the supervisory authority established as part of the organisational model set forth in Italian Legislative Decree no. 231/2001, of which the Chairman of the Board of Statutory Auditors is also a member. Following the work performed, also taking account of the dimensions and degree of complexity of the company, we have no particular observations to make.

We monitored 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.

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. On 14 March 2016, the Board of Statutory Auditors issued the opinion required by Art. 2441, paragraph 6 of the Italian Civil Code on the consistency of the issue price of the new shares at the time of the transfer of the business unit by Multiutility S.p.A. (now Dolomiti Trading S.p.A.), resolved by the shareholders' meeting on 29 March 2016 and as a result of which the share capital rose from 17,316,300 euro to 20,200,000 euro.

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

We examined the financial statements for the year ended as at 31 December 2016, which reported shareholders' equity of 103,200,647 euro, including profit for the year of 26,927,406 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.

Proposals regarding the financial statements, their approval and matters within the competence of the Board of Statutory Auditors

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

As far as we are aware, in preparing the financial statements the Directors did not deviate from regulations pursuant to Article 2423, Paragraph 4 of the Italian Civil Code.

In accordance with Article 2426, point 6 of the Italian Civil Code we expressed our consent to the recognition under balance sheet assets of goodwill of 1,646,212 euro, already net of the associated accumulated amortisation. 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 statement, the Board of Statutory Auditors unanimously expresses its favourable opinion to the Shareholders' Meeting regarding approval of the financial statements as at 31 December 2016, as prepared by the Directors, and of the proposed allocation of profit for the year.

Trento, 12 April 2017.

The BOARD OF STATUTORY AUDITORS
Stefano Tomazzoni, Chairman
Andrea Mora, Statutory auditor
Anna Postal, Statutory auditor

Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
 Dolomiti Energia SpA

Report on the financial statements

We have audited the accompanying financial statements of Dolomiti Energia SpA, which comprise the balance sheet as of 31 December 2016, the income statement and the cash flow statement for the year then ended and related notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in compliance with the Italian laws governing the criteria for their preparation.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers SpA

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Dolomiti Energia SpA as of 31 December 2016 and of the result of its operations and of the cash flows for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

Other information

On 29 March 2016 Dolomiti Energia SpA resolved a share capital increase that was subscribed and released by Dolomiti Energia Trading SpA through the transfer of the business unit related to the sale of electricity and gas to end users starting from 1 April 2016. The impacts of the acquisition of the business unit are reported in the notes.

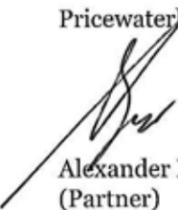
Report on compliance with other laws and regulations

Opinion on the consistency of the report on operations with the financial statements

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations, which is the responsibility of the directors of Dolomiti Energia SpA, with the financial statements of Dolomiti Energia SpA as of 31 December 2016. In our opinion, the report on operations is consistent with the financial statements of Dolomiti Energia SpA as of 31 December 2016.

Verona, 12 April 2017

PricewaterhouseCoopers SpA



Alexander Mayr
(Partner)



Dolomiti Energia SpA
Trento, via Fersina 23

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www.dolomitienergia.it