



Dolomiti
Energia

Financial statements 2017

Dolomiti Energia SpA

Fully paid-up Share Capital 20,200,000 euro
Via Fersina no. 23 – Trento
Trento Register of Companies No.
Taxpayer ID and VAT No. 01812630224
Management and coordination by Dolomiti Energia Holding SpA

Financial statements

as at 31 December 2017

BOARD OF DIRECTORS

Chairman	Oss Rudi
Deputy Chairman:	Chini Luigi
Chief Executive Officer:	Merler Marco
Directors	Franzini Enrica Mazzeo Fortunata 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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Dolomiti Energia SpA

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Report on operations

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. Therefore, it should be stressed that the results of the two years are not fully comparable, because they refer to scopes of activities that are not fully homogeneous, in particular until 31 March 2016. It should also be recalled that on 27 February 2018, Dolomiti Energia completed the listing of a bond with the name "Dolomiti Energia SpA €5,000,000 1.05 percent Fixed Rate Notes due 2022" on the Irish regulated market (the Irish Stock Exchange). As a result and by effect of the listing of the bond, tied in particular to the intention of exploring new opportunities on the financial markets and to stabilise funding costs, in a particularly positive phase of the

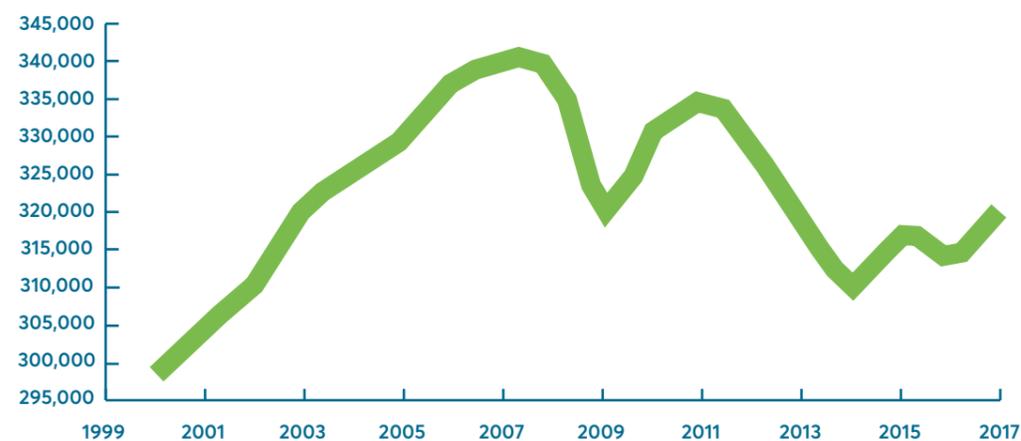
market, the Company acquired the qualification of Public Interest Entity (PIE) and it will be subject to the regulations prescribed for companies that issued financial instruments listed on regulated markets and it will have to adopt the International Financial Reporting Standards (IFRS) in the preparation of the financial statements of next year.

General performance of the energy markets

ELECTRICITY

According to the provisional data made available by Terna S.p.A., in 2017 electricity consumption in Italy amounted to 320 billion kWh, up by 2% compared to the previous year, in line with the consumption level of 2009 but, as shown in the chart below, still almost 6% lower than the maximum values recorded in 2007 (more than 340 billion kWh).

CONSUMPTION OF ELECTRICITY IN ITALY (GWh)



The increase in electrical consumption is the result of an economy that recorded positive results in Europe due both to the worldwide growth and to the strength of domestic demand, boosted by the recovery in investments, which in turn were supported by more favourable lending conditions and by a less uncertain economic climate. Italy experienced growth too, albeit to a lesser extent

than in other European Countries, and GDP rose by an estimated amount of approximately 1.5%.

At the regional level, the year-on-year change in 2017 was positive everywhere (except Sardinia), but not homogeneous: it ranged from +0.3% in the Northwest to +4.5% in the Centre.

[GWH]	NORTHWEST	LOMBARDY	TRIVENETO	TUSCANY-EMILIA ROMAGNA	CENTRE	SOUTH	SICILY	SARDINIA
2017	33,061	69,042	48,504	50,122	44,839	46,839	19,099	8,934
2016	32,962	67,475	48,017	47,983	43,709	46,267	18,891	8,957
CHANGE %	0.3%	2.3%	1.0%	4.5%	2.6%	1.2%	1.1%	(0.3)%

In 2017, 89% of electricity demand was met with domestically generated energy and the remainder (11%) from the balance of energy

traded abroad. The details below show that net domestic output (285 billion kWh) increased by 2% compared to 2016.

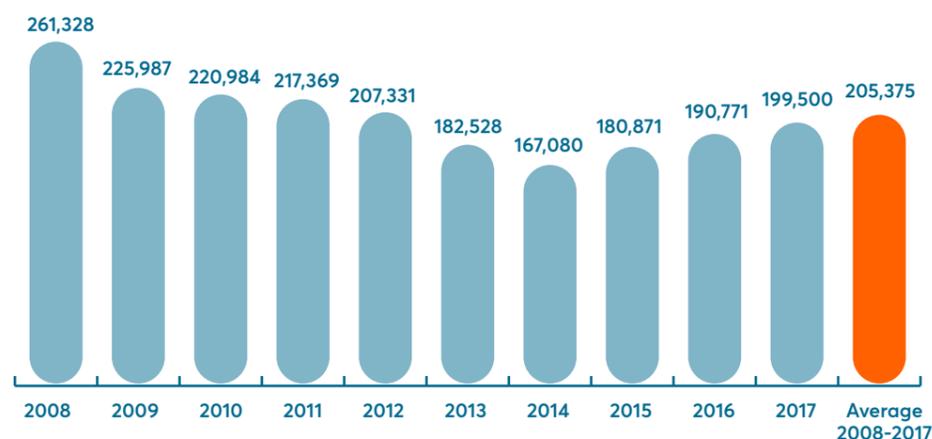
MILLION KWH	2017	2016	% CHANGE
HYDROELECTRIC	37,530	43,785	(14)%
THERMAL	199,500	190,771	5%
- OF WHICH BIOMASSES	17,768	17,956	(1)%
GEOTHERMAL	5,785	5,867	(1)%
WIND	17,492	17,523	0%
PHOTOVOLTAIC	24,811	21,757	14%
TOTAL NET OUTPUT	285,118	279,703	2%
IMPORT	42,892	43,181	(1)%
EXPORT	5,132	6,155	(17)%
FOREIGN BALANCE	37,760	37,026	2%
PUMPING	2,441	2,468	(1)%
ELECTRICITY DEMAND ⁽¹⁾	320,437	314,261	2%

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

Electricity output from thermal sources grew by 5% compared to 2016 (+9 billion kWh generated) but it still remained well below the value of 261 billion

kWh generated in 2008. The growth was significant when compared to the minimum value reached in 2014 (167 billion kWh).

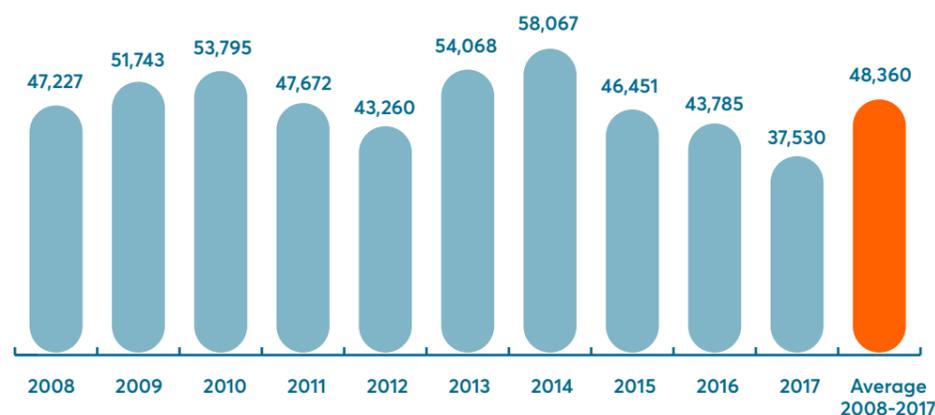
HISTORICAL PERFORMANCE OF THERMAL ENERGY PRODUCTION (GWh)



On the contrary, hydroelectric output declined sharply compared to 2016 (-14%) as a result of the poor precipitation conditions recorded throughout 2017. It should be recalled that hydroelectric output had already declined by 15% in 2016 relative to 2015. By comparison,

in 2014 (a record year for precipitation), hydroelectric output had reached 58 billion kWh versus 37.5 in 2017 (-35%). Hydroelectric output in 2017 is the lowest of the last decade and 22% lower than the average of the 2008-2017 time interval.

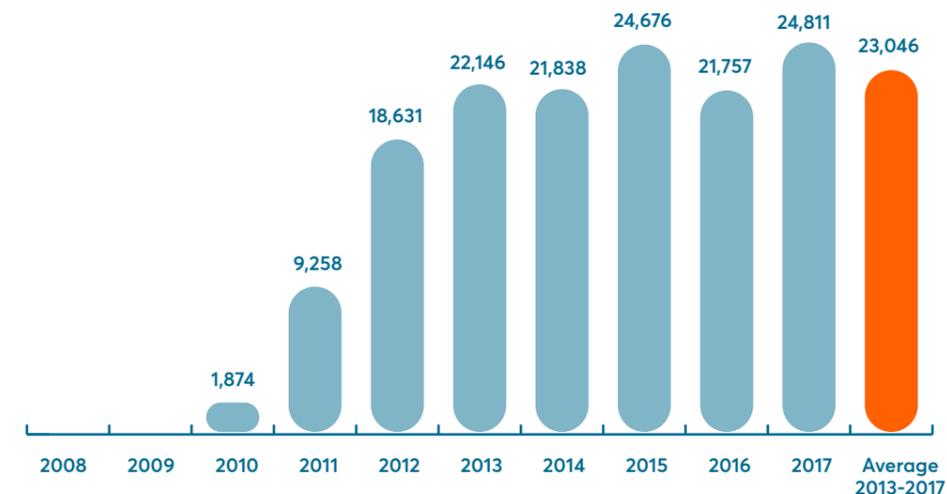
HISTORICAL PERFORMANCE OF HYDROELECTRIC ENERGY PRODUCTION (GWh)



On the contrary, photovoltaic output benefited from the sunny weather and increased by 14% (24.8

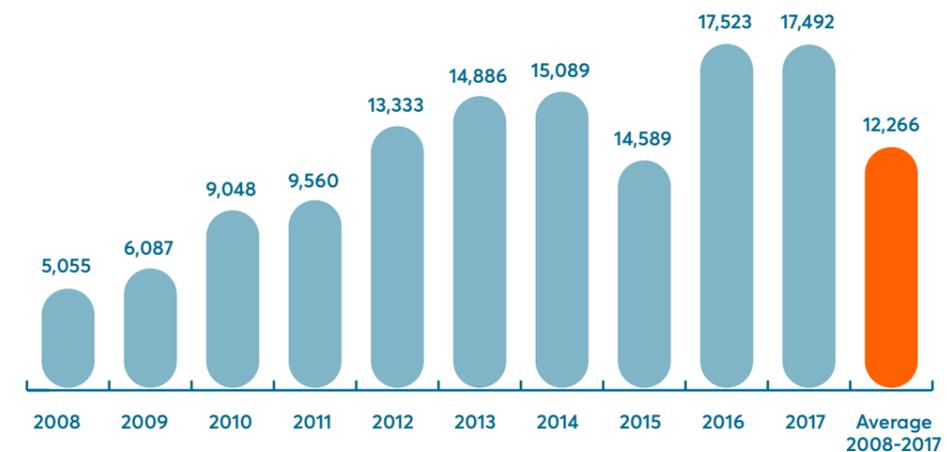
billion kWh in 2017 versus 21.7 in 2016), approaching the value recorded in 2015 (24.6 billion kWh).

HISTORICAL PERFORMANCE OF PHOTOVOLTAIC ENERGY PRODUCTION (GWh)



Wind power output was stable compared to 2016, while a slight decrease was recorded by the output from geothermal (-1%) and biomass (-1%) sources.

HISTORICAL PERFORMANCE OF WIND ENERGY PRODUCTION (GWh)



In 2017, peak power demand in Italy was recorded on Thursday, 3 August at 4 pm and it was equal to 55,002 MW, compared to the peak of 59,353 MW of 21 July 2015 at 4 pm.

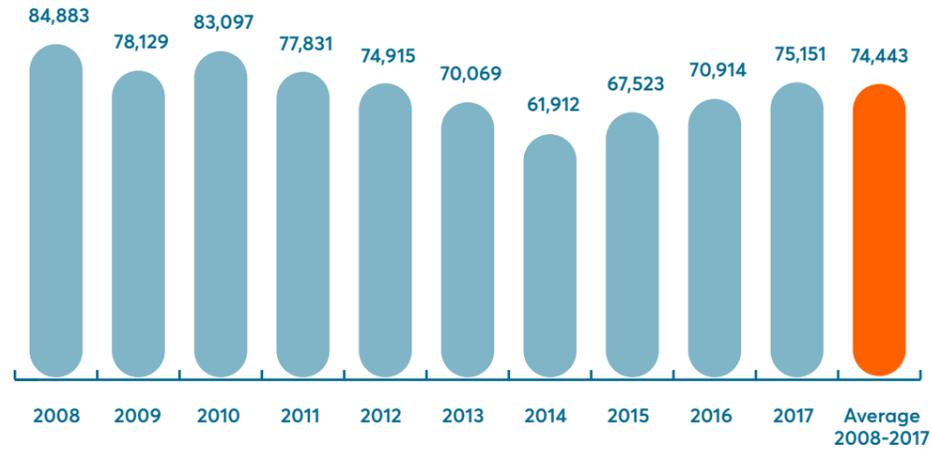
The start of 2017 was still characterised, as were the closing months of 2016, by the problems connected with the prolonged, unexpected maintenance outages of the French nuclear plants

and by the cold spell that hit all of Europe. The consequent contraction in electricity output in France, coupled with the rise in demand due to thermal effects, led, in certain days, not only to the interruption of imports, but also to the reversal of the flows, with energy being exported to France. This situation, as is better described below, significantly affected the entire Italian market.

NATURAL GAS

Natural gas consumption confirmed its growing trend for the third consecutive year (+6% compared to 2016), reaching 75 billion Smc, in line with the 2012 figure.

GROSS CONSUMPTION OF NATURAL GAS IN ITALY (MILLION of Smc)



This result stems in part from the growth in thermoelectric consumption (+9%), driven by high electricity demand (in the first months of 2017 due to the problems with French nuclear power, and in the summer months due to the exceptional heat wave that impacted Italy and Europe), growth

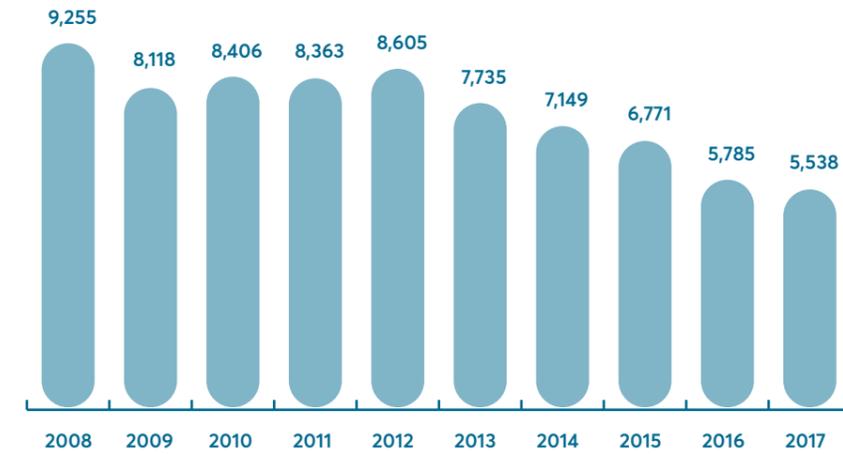
in industrial consumption (+7%) and growth in residential consumption (+3%), due to the low temperatures recorded in the winter months of 2017 compared to 2016. The following table shows the details of monthly consumption for the three types of market in 2016 and in 2017.

[MSMC]	INDUSTRIAL			THERMOELECTRIC			DISTRIBUTION NETWORKS		
	2017	2016	CHANGE %	2017	2016	CHANGE %	2017	2016	CHANGE %
JANUARY	1,303	1,153	13%	2,762	2,126	30%	6,731	5,570	21%
FEBRUARY	1,203	1,164	3%	2,164	1,812	19%	4,470	4,349	3%
MARCH	1,271	1,202	6%	1,864	1,775	5%	3,120	3,860	(19)%
APRIL	1,125	1,112	1%	1,731	1,444	20%	1,760	1,686	4%
MAY	1,182	1,114	6%	1,745	1,524	14%	1,391	1,351	3%
JUNE	1,155	1,054	10%	2,048	1,470	39%	985	1,034	(5)%
JULY	1,200	1,043	15%	2,234	2,010	11%	973	955	2%
AUGUST	933	844	10%	2,076	1,756	18%	806	817	(1)%
SEPTEMBER	1,196	1,095	9%	1,800	2,288	(21)%	1,134	1,071	6%
OCTOBER	1,262	1,198	5%	2,119	2,230	(5)%	1,636	1,973	(17)%
NOVEMBER	1,295	1,252	3%	2,566	2,386	8%	3,811	3,581	6%
DECEMBER	1,240	1,164	7%	2,333	2,562	(9)%	5,814	5,410	7%
TOTAL	14,365	13,395	7%	25,442	23,382	9%	32,630	31,657	3%

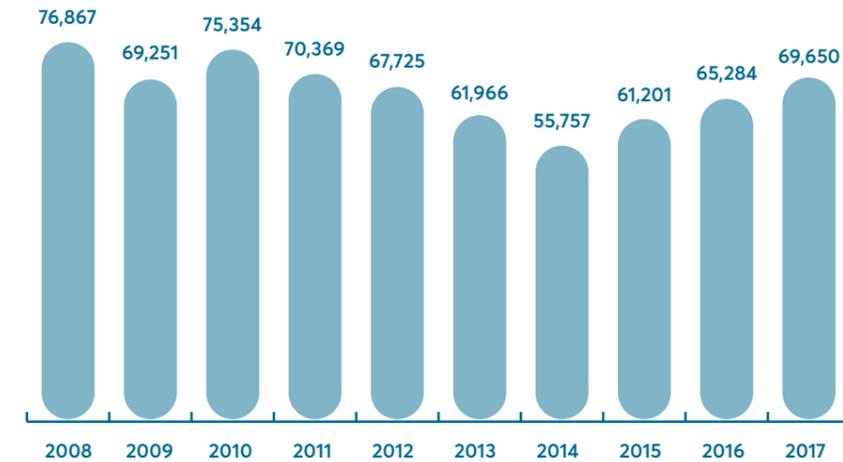
Concerning gas procurement sources, the decline in domestic production was confirmed, with a 40% reduction from 2008 to 2017,

while imports increased, returning to values approaching those of 2010.

DOMESTIC PRODUCTION OF NATURAL GAS (MILLION of Smc)

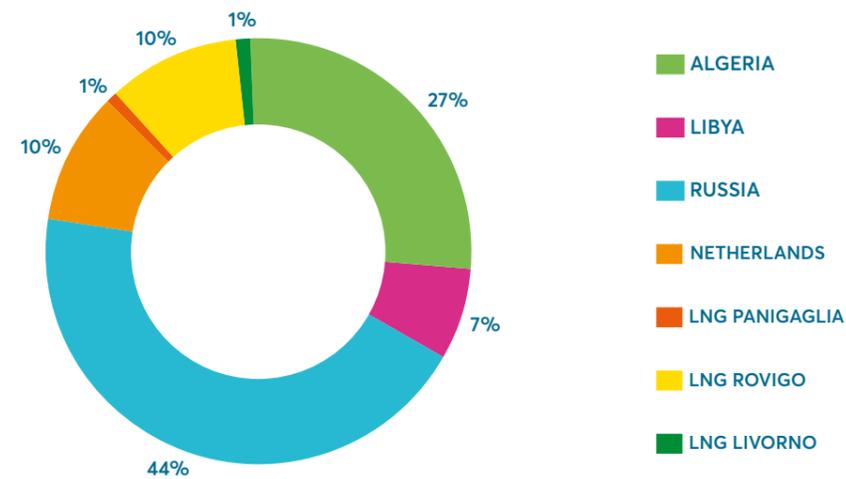


IMPORT OF NATURAL GAS (MILLION of Smc)



In country terms, Russia is still the largest supplier with 44%, followed by Algeria with 27%. The LNG portion reached 12% overall (2% in 2008).

IMPORT MIX OF NATURAL GAS 2017



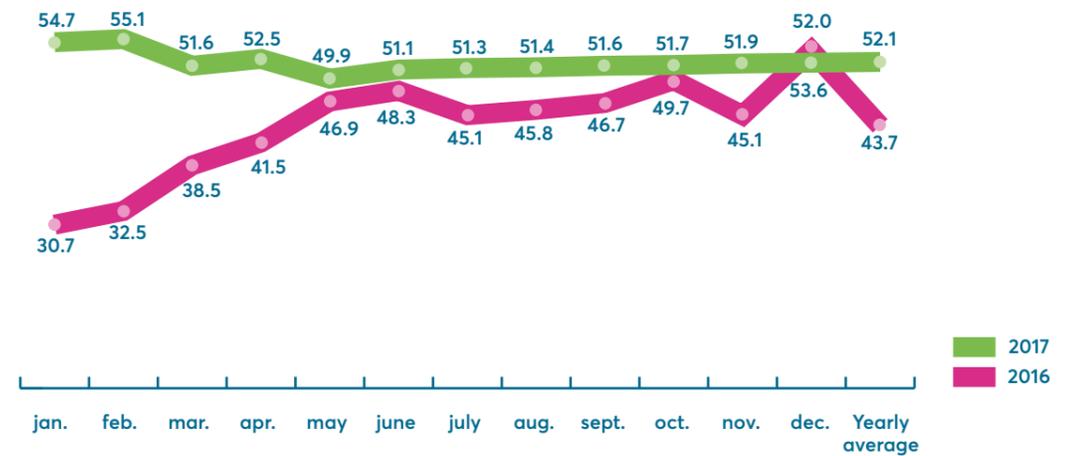
The details of the domestic production and of the imports of natural gas from 2008 to 2017 are provided below.

[MSMC]	DOMESTIC PRODUCTION	IMPORTS	ALGERIA	LIBYA	RUSSIA	NETHERLANDS	LNG PANIGAGLIA	LNG ROVIGO	LNG LIVORNO
2008	9,255	76,867	24,437	9,872	24,585	15,693	1,555	-	-
2009	8,118	69,251	21,371	9,168	22,917	12,022	1,344	1,549	-
2010	8,406	75,354	25,945	9,410	22,492	7,828	2,012	7,083	-
2011	8,363	70,369	21,309	2,339	26,451	10,859	1,925	7,068	-
2012	8,605	67,725	20,632	6,470	23,851	9,034	1,131	6,204	-
2013	7,735	61,966	12,460	5,704	30,265	7,495	39	5,377	264
2014	7,149	55,757	6,774	6,512	26,154	11,433	70	4,447	57
2015	6,771	61,201	7,244	7,107	29,918	10,635	34	5,942	60
2016	5,785	65,284	18,873	4,807	28,267	6,697	207	5,670	510
2017	5,538	69,650	18,880	4,641	30,180	7,248	632	6,966	944

OIL

In 2017, oil recorded an average price of 52.1 \$/barrel on international markets, up by 19.2% compared to the previous year.

DATED BRENT, \$/BBL



EURO/US DOLLAR EXCHANGE RATE

Of note was a significant appreciation of the Euro relative to the US Dollar: in particular, from July

2017 it progressively rose reaching values close to 1.2 with a 2017 average of 1.12, higher than in 2016 (1.11), while in the first months of the year the rates were close to 1.05.

EXCHANGE RATE €/€

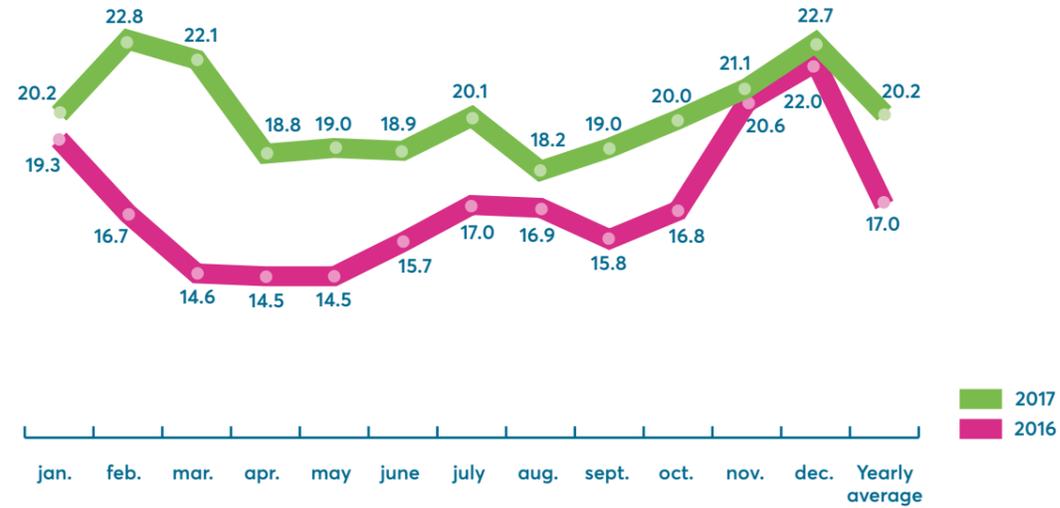


NATURAL GAS PRICES

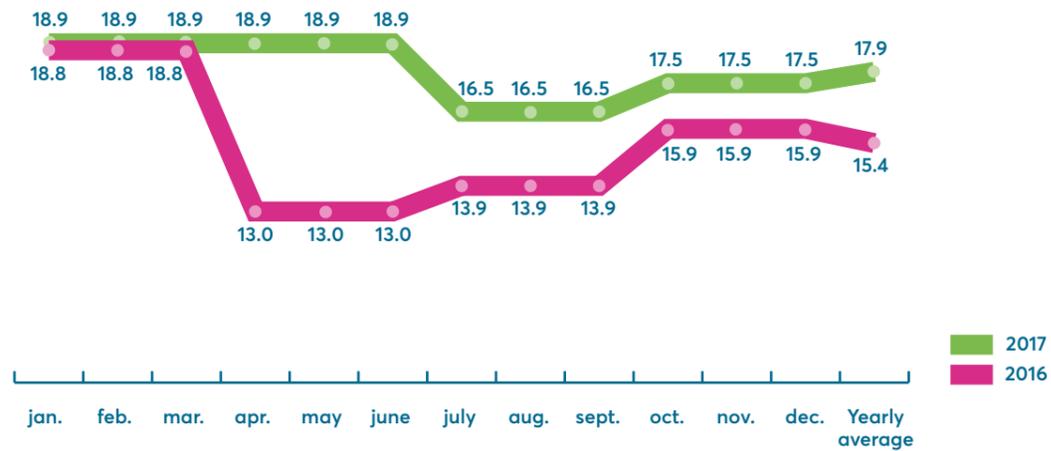
The increase in crude oil prices and the rise in gas demand led to a rise in natural gas prices, which on average grew by 19% in Italy at the PSV, while the

PFOR price (the benchmark price of the protected market) rose by 17%.

PSV PRICE € cent/Smc



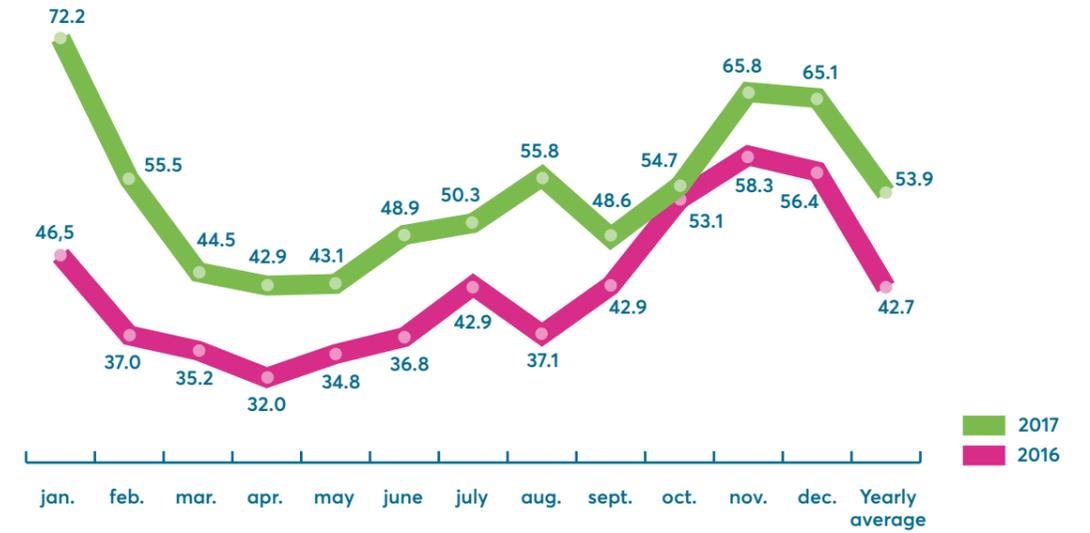
PFOR PRICE € cent/Smc



ELECTRICITY PRICES

Concerning the electrical market, the average value of the PUN for 2017 was 53.9 €/MWh, up by 26% relative to the average of 2016, i.e. 42.7 €/MWh.

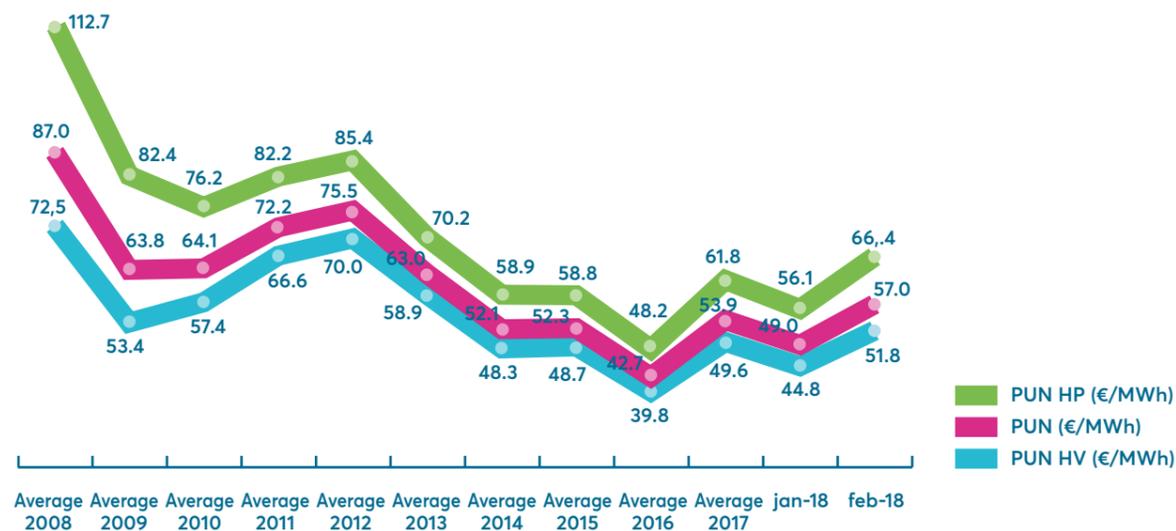
PUN €/MWh



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. Following these events, the significant reversal in the trend of prices needs to be stressed, because it is the first time since 2012 that the average PUN rose, after 4 consecutive years of decline, which brought the average PUN from 75.5 €/MWh of 2012 to 42.7 €/MWh of 2016.

PUN PERFORMANCE SINCE 2008



The first months of 2018 confirmed the high volatility of prices, in particular in the winter and summer periods, mostly as a consequence of meteorological events. In particular, the price dropped markedly in January relative to December 2017 (49 €/MWh versus 65.1 €/MWh in December 2017) and it recovered significantly in February, partly as a result of the exceptional cold spell that affected Italy (and most of Europe) in the last week of February 2018.

Significant operating events

As mentioned previously, 2017 is the first year for which the effects of the transfer of the former Multiutility business unit, which took place on 1 April 2016, regarded the entire year. This change had an impact first of all on the total production value of the Company, which grew to 925.1 million euro (approximately +27 million euro compared to the previous year), but in particular on revenue from end customers, which reached, net of VAT and excise duties, the value of 921.9 million euro (up by approximately 3%), of which 52% realised in the territory of the province and 48% in the rest of Italy.

The economic results of the year are positive overall, in particular considering the absolute values, while the comparison with the previous year is less comforting; however, the previous year was characterised by results that were hard to repeat. The EBITDA amounted to 28.2 million euro (down by 37.3% from 2016), while the profit for the year was 18.6 million euro (-31% compared to 2016). The contraction in the results compared to the previous year was mainly due to the trend of the margins on electricity sales, which in 2016 benefited (in a non-repeatable manner) from a high margin deriving from the fact that the electricity purchase price was frozen when procurement contracts were transferred 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 effect was not repeated in 2017 but, on the contrary, your Company recorded higher costs for the portion of electricity sold at fixed price and procured on the spot market (due mainly to higher volumes sold than those provided in the contractual phase). On variable price sales, too, the high price differentiation recorded on the market within the individual hourly brackets and in a few months (such as August 2017) within the different weeks of the months, caused a reduction in the margins tied to the difference between the sale

price (determined according to market practice as the monthly or quarterly average) and the purchase price, determined by the hourly exchange price.

A contribution to the results of the year was also provided by the sale of goods and services connected with the energy efficiency market which, while its absolute values are still limited, is recording large growth rates.

The signs of improvement in the general economic environment are also reflected on the significant reduction in the allocations to the provision for doubtful debt, which in the year that has just ended accounted for 0.36% of the production value, sharply down compared to 0.77% recorded in 2016.

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, bringing it to approximately 614,000 (for energy and gas only), with a limited increase in absolute value (approximately 2,000), but in fact far more significant considering the concurrent termination of approximately 20,000 delivery points tied to the expiration of the CONSIP Electricity tender, whose supplies are due to end completely during 2018. Of note is the excellent result achieved by the initiative called "Etika" which, together with the credit and consumer segment of Cooperazione Trentina, led to the stipulation of a high number of contracts (over 25,000) with a significant impact also for the activities of a social nature that are connected to the project.

The revenue from sales of natural gas to end customers increased by 8.2%, essentially because of the increase in volumes, achieved almost exclusively in the first quarter (by effect of the transfer of former Multiutility customers), while the increase in electricity revenues was slightly smaller (+5.5%): as mentioned previously, it was affected by the gradual exit of CONSIP customers from the supply.

The set of activities carried out then made it possible to increase the total number of customers served (including the invoicing services for water and urban hygiene) which reached 847,385 at the end of 2017, with an increase by over 6,000 customers

compared to the previous year (in fact, the increase amounted to approximately 26,000 customer net of the effect deriving from the termination of the CONSIP contracts). This number does not include the customers acquired from the Isera Municipal Authority which, with effect from 1 January 2018, sold to your Company the business unit operating in the sale of electricity to customers in the market subject to additional safeguards.

With regard to operating services, during the year your Company completed the analysis and verification of the main operating processes of the Company (both during the customer acquisition phase and in the post-sale assistance phase) and of the corporate climate. In view of the results of this process, initiatives were taken to revise the organisation and to make investments on the information systems available to the company, to improve organisational well-being, the effectiveness of the internal processes and the customer service level, which are expected to be fully implemented in the second half of 2018.

On 12 December 2017, Director Andrea D'Amico resigned, and the Board of Directors co-opted Ms. Fortunata Mazzeo as his replacement on 14 December 2017.

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

In October and November 2017, the Authority published its resolutions no. 670/17/R/GAS and 782/2017/R/GAS with the intent of indicating the provisions about the adjustment sessions for the previous period, starting from 2013 and until the entry into force of the new Settlement Gas regulations, expected for 1 January 2020 according to Resolution no. 72/2018/R/GAS. In accordance with Resolution no. 670/17, the results of the first multi-year adjustment session relating to the years from 2013 to 2016 will be made available by Snam Rete Gas to the operators during the month of June 2018, while the balances relating to the annual adjustment session on 2017 will be defined in the month of October 2018. The procedures and times for invoicing and exchanging information with the involved users are subject to proposal and consultation by Snam Rete Gas. Therefore, Dolomiti Energia will wait for

the data provided by Snam Rete Gas to effect the recalculation in accordance with the aforesaid resolution. With its Resolution no. 782/2017/R/GAS, the Authority also established a new additional component of the CRVST transport fee to cover the expenses deriving from the new settlement gas regulations. This component is applied only to the quantities of gas redelivered to the points interconnected with the distribution networks and set to 0.27 cent/Smc, starting from 1 July 2018.

In conclusion, we are pleased to point out that, as a result of the periodic tests performed in November and December 2017, IMQ-CSQ confirmed, for your Company, the certification of the corporate management system for the quality and of the environmental management system in accordance respectively with the international standards UNI EN ISO 9001:2008 and UNI EN ISO 14001:2015, in relation to the activities carried out with a further extension of the certifications to the peripheral branches as well.

Operating context

METHANE GAS

		2017	2016
CIVIL AND INDUSTRIAL	(MIN/CM)	486.6	441.4
NUMBER OF CUSTOMERS	NO.	184,368	178,156

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

		2017	2016
MARKET SUBJECT TO ADDITIONAL SAFEGUARDS	GWH	348.9	402.1
END CUSTOMERS	GWH	4,128.0	3,674.0
SALE ON IPEX (POWER EXCHANGE)	GWH	-	298.5
OTHER	GWH	107.0	647.5
TOTAL	GWH	4,583.9	5,022.1
NUMBER OF CUSTOMERS	NO.	429,814	433,888

The values of the quantities sold in the electrical market decreased from the previous year; the

number of customers also declined, mainly because of the expiration of the CONSIP contract.

INTEGRATED WATER SERVICE

		2017	2016
DOMESTIC WATER SUPPLY	(MIN/CM)	13.9	13.8
OTHER WATER SUPPLY USES	(MIN/CM)	8.1	7.9
TOTAL	(MIN/CM)	22.1	21.7
SEWERAGE	(MIN/CM)	20.1	19.8
NUMBER OF CUSTOMERS - WATER SUPPLY	NO.	110,259	109,288

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

		2017	2016
NUMBER OF CUSTOMERS	NO.	122,735	119,494

The constant increase in customers continued in 2017. 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

		2017	2016
STEAM	GWH	73.8	73.8
HEAT	GWH	70.5	68.2
TOTAL	GWH	144.3	142.0
NUMBER OF CUSTOMERS	NO.	212	210

The quantities of steam supplied are in line with last year, while the quantities of heat rose. 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 2017, the Company had 171 employees. The table below shows the change in personnel during the year by category.

CATEGORY	2016	HIRES	RESIGNATIONS	CHANGES OF	ROLE	2017
EXECUTIVES	2	-	-	-	-	2
MANAGERS	9	-	(1)	-	-	8
EMPLOYEES	160	5	(4)	-	-	161
BLUE-COLLAR STAFF	-	-	-	-	-	-
	171	5	(5)	-	-	171

In 2017, there were 2 injuries, of which 1 occurred while commuting, without third party liability. Neither one had a prognosis 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 1.2 million euro. In view of the delicate economic situation in 2017 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 11.9 million euro.

KEY ECONOMIC AND FINANCIAL RESULT INDICATORS

Economic indicators

INDEX	FORMULA		2017	2016	DIFFERENCE
PV	PRODUCTION VALUE	EURO THOUSANDS	925,111	897,618	27,493
EBITDA	GROSS OPERATING MARGIN	EURO THOUSANDS	28,196	44,954	(16,758)
EBIT	NET OPERATING MARGIN	EURO THOUSANDS	24,263	37,506	(13,243)
PROFIT (LOSS) FOR THE YEAR	PROFIT (LOSS) FOR THE YEAR	EURO THOUSANDS	18,570	26,927	(8,357)
ROE	NET PROFIT/EQUITY	%	21.3%	35.3%	(14.0)%
ROI	EBIT/INVESTED CAPITAL	%	8.0%	11.3%	(3.3)%
ROS	EBIT/PRODUCTION VALUE	%	2.6%	4.2%	(1.6)%

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

Financial and capital ratios

RATIO	FORMULA	2017	2016	DIFFERENCE
HEDGING OF FIXED NET ASSETS	EQUITY+MEDIUM/LONG-TERM LIABILITIES/FIXED NET ASSETS	2.53	2.41	0.12
DEBT RATIO	LIABILITIES/EQUITY	1.87	2.22	(0.35)
DEGREE OF AMORTISATION AND DEPRECIATION	ACCUMULATED DEPRECIATION AND AMORTISATION/GROSS FIXED ASSETS	0.92	0.92	0.01
SECONDARY LIQUIDITY RATIO	SHORT-TERM ASSETS/SHORT-TERM LIABILITIES	1.33	1.27	0.06

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

Unbundling

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

Research and development activities

The Company did not carry out any research and development activities in 2017.

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

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

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

The relations with the entity that exercises management and coordination activities, and with the other companies subject to the

latter, are regulated by the following service agreements:

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

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

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

Service agreement stipulated between Dolomiti Energia and Novareti:

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

Service agreements stipulated between Dolomiti Energia and Set Distribuzione:

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

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

As regards financial management, a cash pooling agreement is also in place with the parent company, through which the centralised treasury

service is implemented. Interest income and interest expense calculated on daily funds in said account, determined at market rates, are shown in the notes to the financial statements. Dolomiti Energia also applied the national tax consolidation regime with the Parent Company and the Group VAT arrangement.

RELATIONS WITH DOLOMITI ENERGIA GROUP COMPANIESGROUP

	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	LOANS PAYABLE
DOLOMITI ENERGIA HOLDING SPA	196,694	1,623,005	693,048	2,938,645
DTC S.CON.S.ARL	25,758	-	-	-
DOLOMITI ENERGIA RINNOVABILI SRL	132,308	-	-	-
SET DISTRIBUZIONE SPA	29,208,696	-	28,291,895	-
NOVARETI SPA	8,680,409	-	13,020,563	-
HYDRO DOLOMITI ENERGIA SRL	2,550,103	-	-	-
DOLOMITI ENERGIA TRADING SRL	7,261,595	-	53,626,261	-
DOLOMITI GNL SRL	518	-	14,101	-
DOLOMITI AMBIENTE SRL	576,897	-	10,116,913	-
TOTAL	48,632,978	1,623,005	105,762,781	2,938,645

	REVENUE		PURCHASES			INCOME FINANCIAL	CHARGES FINANCIAL
	GOODS	SERVICES	GOODS	SERVICES	OTHER		
DOLOMITI ENERGIA HOLDING SPA	295,567	234,794	-	3,474,097	250,000	39,079	9,437
DTC S.CON.S.ARL	2,740	-	-	-	-	-	-
DOLOMITI ENERGIA RINNOVABILI SRL	362,664	33,000	-	-	-	-	-
SET DISTRIBUZIONE SPA	199,791	-	-	141,558,415	597,146	-	-
NOVARETI SRL	4,173,261	12,330	9,858,128	47,279,439	-	-	-
HYDRO DOLOMITI ENERGIA SRL	12,731,399	-	-	-	-	-	-
DOLOMITI ENERGIA TRADING SPA	13,897,156	2,945,005	320,423,108	56,560	-	-	-
DOLOMITI GNL SRL	-	-	12,938	-	-	-	-
DOLOMITI AMBIENTE SRL	94,708	1,071,880	-	23,354,201	-	-	-
TOTAL	31,757,286	4,297,009	330,294,174	215,722,712	847,146	39,079	9,437

TREASURY SHARES

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

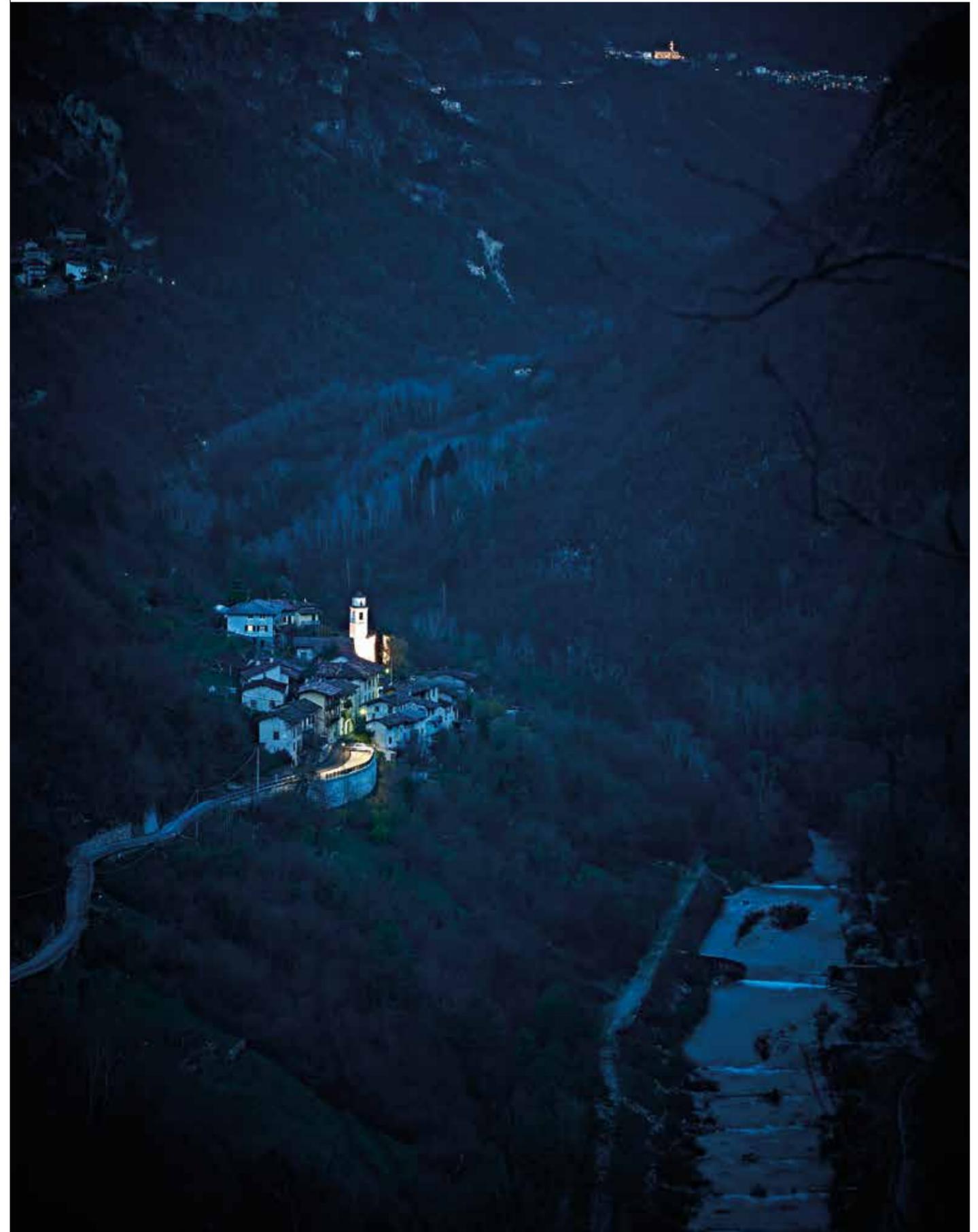
BUSINESS OUTLOOK

The forecast for the year that has just started are in line with the results of the year that has just ended, although there are still some risk margins tied to the high volatility of prices and to the consequent difficulty in operating on the market.

The growing competition on the market will have to be addressed not only with continuous improvement of the efficiency and effectiveness of services to customers, but also with the diversification of the products/services offered. In this sense, the acquisition by the Parent Company, in 2017, of 100% of Nesco srl, a company that is specialised in energy efficiency and savings activities, and the related synergies that so far have been only partly explored, will certainly be a strategic asset to strengthen the Company's positioning strategy with a view to long term sustainability, which encompasses not only environmental matters, but also social and economic implications.

Trento, 27 March 2018

on behalf of the BOARD OF DIRECTORS
The Chairman
Rudi Oss





Dolomiti Energia SpA
—
Financial statements 2017

Balance sheet - assets

	31/12/2017	31/12/2016
A) SUBSCRIBED CAPITAL UNPAID	-	-
B) FIXED ASSETS		
I) INTANGIBLE ASSETS		
3) INDUSTRIAL PATENTS AND INTELLECTUAL PROPERTY RIGHTS	53,683	90,904
4) FRANCHISE, LICENSES, TRADEMARKS AND SIMILAR	46,972	15,790
5) GOODWILL	1,111,431	1,646,212
6) WORK IN PROGRESS AND ADVANCE PAYMENTS	446,000	42,104
TOTAL	1,658,086	1,795,010
II) PROPERTY, PLANT AND EQUIPMENT		
2) PLANT AND EQUIPMENT	62,958	38,000
4) OTHER ASSETS	4,878	5,548
TOTAL	67,836	43,548
III) FINANCIAL FIXED ASSETS		
1) EQUITY INVESTMENTS IN		
D) OTHER COMPANIES	2,850	2,850
2) ACCOUNTS RECEIVABLE WHICH ARE FIXED ASSETS		
D) COMPANIES SUBJECT TO CONTROL BY THE PARENT COMPANIES	36,901,700	36,901,700
D-BIS) FROM OTHERS	95,697	93,019
TOTAL	37,000,247	36,997,569
TOTAL FIXED ASSETS	38,726,169	38,836,127
C) CURRENT ASSETS		
I) INVENTORIES		
TOTAL	-	-
II) CURRENT RECEIVABLES		
1) ACCOUNTS RECEIVABLE - USERS AND CUSTOMERS	230,406,619	256,650,067
4) ACCOUNTS RECEIVABLE - PARENT COMPANIES	313,438	746,916
5) ACCOUNTS RECEIVABLE - COMPANIES SUBJECT TO CONTROL BY PARENT COMPANIES	11,534,583	12,959,129
5 BIS) TAX CREDITS	11,281,459	16,878,466
5 TER) PREPAID TAXES	3,607,816	4,580,991
5 QUARTER) ACCOUNTS RECEIVABLE - OTHERS	924,554	469,727
TOTAL	258,068,469	292,285,296
III) SHORT-TERM INVESTMENTS		
7) FINANCIAL ASSETS FOR CENTRALISED TREASURY MANAGEMENT		
C) PARENT COMPANIES	1,506,260	13,625
TOTAL	1,506,260	13,625
IV) CASH AND CASH EQUIVALENTS		
1) BANK AND POSTAL CURRENT ACCOUNTS	1,277,424	803,485
3) CASH ON HAND	261	210
TOTAL	1,277,685	803,695
TOTAL CURRENT ASSETS	260,852,414	293,102,616
D) ACCRUALS AND DEFERRALS		
PREPAYMENTS	635,445	535,135
TOTAL PREPAYMENTS AND ACCRUED INCOME	635,445	535,135
TOTAL ASSETS	300,214,028	332,473,878

Balance sheet - liabilities and shareholders' equity

	31/12/2017	31/12/2016
A) SHAREHOLDERS' EQUITY		
I) SHARE CAPITAL	20,200,000	20,200,000
II) SHARE PREMIUM RESERVE	11,025,103	11,025,103
IV) LEGAL RESERVE	4,040,000	4,040,000
VII) OTHER RESERVES		
- EXTRAORDINARY RESERVE	51,775,544	41,008,138
IX) PROFIT OR LOSS FOR THE YEAR	18,570,382	26,927,406
TOTAL SHAREHOLDERS' EQUITY	105,611,029	103,200,647
B) PROVISION FOR RISKS AND CHARGES		
1) PENSIONS AND SIMILAR FUNDS	389,936	346,891
2) TAXES, INCLUDING DEFERRED	320,927	201,236
TOTAL	710,863	548,127
C) EMPLOYEE TERMINATION BENEFITS	878,274	899,535
D) ACCOUNTS PAYABLE		
4) ACCOUNTS PAYABLE - BANKS	15,150	10,591,457
7) TRADE PAYABLES	68,036,923	79,742,209
11) ACCOUNTS PAYABLE - PARENT COMPANIES	3,631,693	15,371,948
11 BIS) ACCOUNTS PAYABLE - COMPANIES SUBJECT TO CONTROL BY PARENT COMPANIES	105,069,733	102,564,197
12) TAX PAYABLES	3,094,623	3,942,219
13) SOCIAL SECURITY PAYABLES	421,957	417,679
14) OTHER ACCOUNTS PAYABLE	12,740,633	15,195,860
- WITHIN 12 MONTHS	6,506,644	8,005,402
- AFTER 12 MONTHS	6,233,989	7,190,458
TOTAL	193,010,712	227,825,569
E) ACCRUED LIABILITIES AND DEFERRED INCOME	3,150	-
TOTAL	3,150	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	300,214,028	332,473,878

Income statement

	31/12/2017	31/12/2016
A) PRODUCTION VALUE		
1) REVENUE FROM SALES AND SERVICES	921,887,688	893,058,349
5) OTHER REVENUE AND INCOME (NO SALE/SERV.)		
OTHER REVENUE	2,747,169	4,559,679
OPERATING GRANTS	476,637	-
TOTAL VALUE OF PRODUCTION	925,111,494	897,618,028
B) PRODUCTION COSTS		
6) EXTERNAL PURCHASES OF RAW MATERIALS, CONSUMABLES AND MERCHANDISE	(370,798,218)	(329,888,090)
7) EXTERNAL PURCHASES OF SERVICES	(514,644,296)	(511,182,165)
8) COSTS FOR USE OF THIRD PARTY ASSETS	(1,258,390)	(1,218,141)
9) PERSONNEL COSTS		
A) WAGES AND SALARIES	(5,446,750)	(5,307,419)
B) SOCIAL SECURITY COSTS	(1,414,643)	(1,368,385)
C) EMPLOYEE TERMINATION BENEFITS	(354,091)	(337,406)
E) OTHER COSTS	(251,580)	(285,084)
10) AMORTISATION, DEPRECIATION AND WRITE-DOWNS		
A) AMORTISATION OF INTANGIBLE ASSETS	(587,924)	(579,781)
B) DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	(7,693)	(3,798)
D) WRITE-DOWN OF ACCOUNTS RECEIVABLE RECOGNISED TO CURRENT ASSETS	(3,337,201)	(6,864,984)
14) OTHER OPERATING COSTS	(2,747,310)	(3,077,079)
TOTAL PRODUCTION COSTS	(900,848,096)	(860,112,332)
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS	24,263,398	37,505,696
C) FINANCIAL INCOME AND CHARGES		
16) OTHER FINANCIAL INCOME		
D) FINANCIAL INCOME DIFFERENT FROM ABOVE		
PARENT COMPANIES	39,079	60,414
OTHER	1,209,423	259,776
17) INTEREST AND OTHER FINANCIAL CHARGES		
- FROM PARENT COMPANIES	(9,437)	-
- OTHER	(7,511)	(15,084)
TOTAL FINANCIAL INCOME AND CHARGES	1,231,554	305,106
D) VALUE ADJUSTMENTS OF INVESTMENTS		
TOTAL VALUE ADJUSTMENTS OF INVESTMENTS	-	-
PROFIT BEFORE TAX	25,494,952	37,810,802
20) INCOME TAXES FOR THE YEAR		
- CURRENT TAXES	(6,028,025)	(9,532,166)
- TAXES RELATING TO PRIOR PERIODS	26,321	140,755
- DEFERRED AND PREPAID TAXES	(922,866)	(1,491,985)
21) PROFIT OR LOSS FOR THE YEAR	18,570,382	26,927,406

Cash flow statement

(IN THOUSANDS OF EURO)	31/12/2017	31/12/2016
A. CASH FLOWS FROM OPERATING ACTIVITIES		
PROFIT (+) LOSS (-) FOR THE YEAR	18,570	26,927
INCOME TAXES	6,925	10,883
INTEREST INCOME FOR THE PERIOD (-)	(1,249)	(320)
INTEREST EXPENSE FOR THE PERIOD (+)	17	15
CAPITAL GAINS/LOSSES (-/+) DERIVING FROM THE SALE OF ASSETS	-	(1,048)
1. PROFIT/(LOSS) FOR THE YEAR BEFORE INCOME TAXES, INTEREST, DIVIDENDS AND CAPITAL GAINS/LOSSES FROM SALE	24,263	36,457
ALLOCATIONS/ABSORPTIONS - PROVISIONS FOR OTHER RISKS AND CHARGES	315	315
DEPRECIATION OF FIXED ASSETS	596	584
TOTAL ADJUSTMENTS TO NON-MONETARY ELEMENTS	911	899
2. CASH FLOW BEFORE CHANGES IN NWC	25,174	37,356
DECREASE (+) / INCREASE (-) IN TRADE RECEIVABLES	27,205	(33,389)
INCREASE (+) / DECREASE (-) IN TRADE PAYABLES	(11,718)	(4,838)
DECREASE (+) / INCREASE (-) IN PREPAYMENTS AND ACCRUED INCOME	(100)	(452)
INCREASE (+) / DECREASE (-) IN ACCRUED LIABILITIES AND DEFERRED INCOME	3	-
OTHER CHANGES IN NET WORKING CAPITAL	5,690	(5,383)
TOTAL CHANGES IN NET WORKING CAPITAL	21,080	(44,062)
3. CASH FLOW AFTER CHANGES IN NWC	46,254	(6,706)
INTEREST COLLECTED (+)	285	322
INTEREST PAID (-)	(17)	(15)
INCOME TAXES REIMBURSED (+) PAID (-)	(7,894)	(5,263)
USAGE OF PROVISIONS	(109)	(176)
TOTAL OTHER ADJUSTMENTS	(7,735)	(5,132)
CASH FLOW FROM OPERATING ACTIVITIES (A)	38,519	(11,838)
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
PROPERTY, PLANT AND EQUIPMENT / INVESTMENTS (-)	(32)	(40)
INTANGIBLE ASSETS / INVESTMENTS (-)	(451)	(72)
FINANCIAL FIXED ASSETS / INVESTMENTS (-)	(3)	(13,774)
INCREASE (-) / DECREASE (+) OF CASH POOLING RECEIVABLES	(1,491)	22,942
SALE OF BUSINESS UNITS NET OF CASH AND CASH EQUIVALENTS (+)	-	200
CASH FLOW FROM INVESTMENT ACTIVITIES (B)	(1,977)	9,256
C. CASH FLOWS FROM FINANCING ACTIVITIES		
MINORITY INTERESTS / INCREASE (+) / DECREASE (-) SHORT-TERM PAYABLES TO BANKS	(10,576)	10,541
LIABILITIES / DIVIDENDS PAID	(16,160)	(17,316)
INCREASE (+) / DECREASE (-) OF CASH POOLING PAYABLES	(9,332)	9,332
CASH FLOWS FROM FINANCING ACTIVITIES (C)	(36,068)	2,557
INCREASE (+) DECREASE (-) OF CASH AND CASH EQUIVALENTS (A+B+C)	474	(25)
FOREIGN EXCHANGE EFFECTS ON CASH AND CASH EQUIVALENTS	-	-
OPENING CASH AND CASH EQUIVALENTS	804	829
CLOSING CASH AND CASH EQUIVALENTS	1,278	804

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, 27 March 2018

Dolomiti Energia SpA
The Chairman
Rudi Oss

Notes to the financial statements

Introduction

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, and to the sale of the trading union from the Company to Multiutility. Therefore, it should be stressed that the results of the two years, both from the income and the balance sheet point of view, are not fully comparable, because they refer to scopes of activities that are not fully homogeneous, in particular until 31 March 2016.

Preparation criteria

The financial statements for the year ended as at 31 December 2017 and these Notes to the Financial Statements were prepared in accordance with Articles 2423 et seq. of the Italian Civil Code, 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.

With respect to the previous year, it is pointed out that all non-recurring income was classified under item A 5) Other revenue and income instead of by their nature, as in the previous year.

The economic data of 2016, presented for comparison purposes, were appropriately adjusted; these reclassifications entailed posting a higher 2016 value of production equal to 1,722 thousand euro, and consequently higher costs of production by the same amount. Hence, the difference between value and costs of production is unchanged.

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.

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 with the consent of the Board of Statutory Auditors. 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 2017, 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.

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:

	OPENING BALANCE	INCREASES	DECREASES	RECLASSIFICATIONS OF ASSETS THAT BECAME OPERATIONAL	CLOSING BALANCE
INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT					
I) INTANGIBLE ASSETS					
START-UP AND EXPANSION COSTS	112,322	-	-	-	112,322
INDUSTRIAL PATENTS AND INTELLECTUAL PROPERTY RIGHTS	290,480	-	-	-	290,480
FRANCHISE, LICENSES, TRADEMARKS AND SIMILAR	230,058	5,000	-	42,104	235,058
GOODWILL	20,468,808	-	-	-	20,468,808
WORK IN PROGRESS AND ADVANCE PAYMENTS	42,104	446,000	-	(42,104)	488,104
OTHER INTANGIBLE ASSETS	509,132	-	-	-	509,132
I) INTANGIBLE ASSETS	21,652,904	451,000	-	-	22,103,904
II) PROPERTY, PLANT AND EQUIPMENT					
2) PLANT AND EQUIPMENT					
OTHER PLANTS	40,000	30,482	-	-	70,482
4) OTHER ASSETS					
FURNITURE AND OFFICE MACHINES	52,935	-	-	-	52,935
ELECTRONIC OFFICE MACHINES	2,998	1,499	-	-	4,497
II) PROPERTY, PLANT AND EQUIPMENT	95,933	31,981	-	-	127,914
TOTAL BI) +BII)	21,748,837	482,981	-	-	22,231,817

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

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 increase in intangible assets in progress and advances includes 346,000 euro of advances paid for carrying out the analysis and verification of the main operating processes of the Company

and of the corporate climate, followed by organisational revision and investment activities on the information systems available to the company. In addition, the Company paid 100,000 euro to the Isera Municipality as an advance for the purchase of the customer portfolio included in the business unit operating in the sale of electricity (market subject to additional safeguards); this acquisition is effective from 2018 onwards.

The Company purchased charging stations for electric cars located in the Province of Trento for a value of 30,482 euro, recorded under 'other plants' in tangible 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.

	OPENING BALANCE	INCREASES	DECREASES	AMORTISATION/ DEPRECIATION	CLOSING BALANCE
INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT					
I) INTANGIBLE ASSETS					
START-UP AND EXPANSION COSTS	(112,322)	-	-	-	(112,322)
INDUSTRIAL PATENTS AND INTELLECTUAL PROPERTY RIGHTS	(199,576)	-	-	(37,221)	(236,797)
FRANCHISE, LICENSES, TRADEMARKS AND SIMILAR	(214,268)	-	-	(15,922)	(230,190)
GOODWILL	(18,822,596)	-	-	(534,781)	(19,357,377)
WORK IN PROGRESS AND ADVANCE PAYMENTS	-	-	-	-	-
OTHER INTANGIBLE ASSETS	(509,132)	-	-	-	(509,132)
I) INTANGIBLE ASSETS	(19,857,894)	-	-	(587,924)	(20,445,818)
II) PROPERTY, PLANT AND EQUIPMENT					
OTHER PLANTS	(2,000)	-	-	(5,524)	(7,524)
4) OTHER ASSETS					
FURNITURE AND OFFICE MACHINES	(49,747)	-	-	(1,606)	(51,353)
ELECTRONIC OFFICE MACHINES	(637)	-	-	(563)	(1,201)
	(50,384)	-	-	(2,169)	(52,554)
5) WORK IN PROGRESS AND ADVANCE PAYMENTS					
WORK IN PROGRESS AND ADVANCE PAYMENTS					
II) PROPERTY, PLANT AND EQUIPMENT	(52,384)	-	-	(7,693)	(60,078)
TOTAL BI) +BII)	(19,910,278)	-	-	(595,617)	(20,505,895)

The table below shows the changes in the intangible assets and property, plant and

equipment net of the associated accumulated amortisation/depreciation in 2017.

	OPENING BALANCE	INCREASES	RECLASSIFICATIONS OF ASSETS THAT BECAME OPERATIONAL	AMORTISATION/ DEPRECIATION	CLOSING BALANCE
INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT					
I) INTANGIBLE ASSETS					
INDUSTRIAL PATENTS AND INTELLECTUAL PROPERTY RIGHTS	90,904	-	-	(37,221)	53,683
FRANCHISE, LICENSES, TRADEMARKS AND SIMILAR	15,790	5,000	42,104	(15,922)	46,972
GOODWILL	1,646,212	-	-	(534,781)	1,111,431
WORK IN PROGRESS AND ADVANCE PAYMENTS	42,104	446,000	(42,104)	-	446,000
OTHER INTANGIBLE ASSETS	-	-	-	-	-
I) INTANGIBLE ASSETS	1,795,010	451,000	-	(587,924)	1,658,086
II) PROPERTY, PLANT AND EQUIPMENT					
2) PLANT AND EQUIPMENT					
OTHER PLANTS	38,000	30,482	-	(5,524)	62,958
4) OTHER ASSETS					
FURNITURE AND OFFICE MACHINES	3,188	-	-	(1,606)	1,582
ELECTRONIC OFFICE MACHINES	2,360	1,499	-	(563)	3,296
II) PROPERTY, PLANT AND EQUIPMENT	43,548	31,981	-	(7,693)	67,836
TOTAL BI) +BII)	1,838,558	482,981	-	(595,617)	1,725,922

Property, plant and equipment and intangible assets were not subject to any write-downs or revaluations in 2017 and in previous years.

Financial fixed assets

EQUITY INVESTMENTS

	31/12/2017	31/12/2016	DIFFERENCE
SUMMARY DATA - INVESTEE COMPANIES			
1) EQUITY INVESTMENTS IN			
D) OTHER COMPANIES	2,850	2,850	-
TOTAL EQUITY INVESTMENTS	2,850	2,850	-

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

	31/12/2017	31/12/2016	DIFFERENCE
ACCOUNTS RECEIVABLE - COMPANIES SUBJECT TO CONTROL BY THE PARENT COMPANY			
D) DUE FROM COMPANIES SUBJECT TO CONTROL BY THE PARENT COMPANY	36,901,700	36,901,700	-

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 and Novareti Spa for 7,722,000 euro, unchanged from the previous year.

ACCOUNTS RECEIVABLE - OTHERS

	31/12/2017	31/12/2016	DIFFERENCE
MISCELLANEOUS ACCOUNTS RECEIVABLE - OTHER			
D-BIS) OTHERS	95,697	93,019	2,678

The balance includes deposits paid to Public Authorities to guarantee the due payment of excise duties of 95,697 euro.

Current assets

ACCOUNTS RECEIV

Accounts receivable - customers

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

	31/12/2017	31/12/2016	DIFFERENCE
ACCOUNTS RECEIVABLE WITHIN 12 MONTHS			
1) ACCOUNTS RECEIVABLE - USERS AND CUSTOMERS			
INVOICES/BILLS ISSUED	155,871,251	170,875,510	(15,004,259)
GAS	46,657,429	46,300,122	357,307
WATER	4,973,635	4,504,349	469,286
SEWERAGE	61,917	233,527	(171,610)
SOLID URBAN WASTE	3,587,735	3,744,368	(156,633)
ELECTRICITY	97,738,093	116,149,776	(18,411,683)
DISTRICT HEATING	1,757,449	1,178,026	579,423
OTHER SERVICES	1,094,993	(1,234,658)	2,329,651
INVOICES/BILLS TO BE ISSUED	86,481,951	101,616,161	(15,134,210)
GAS	18,865,696	18,214,499	651,197
WATER	2,542,318	2,714,292	(171,974)
SEWERAGE	1,356,296	1,220,177	136,119
SOLID URBAN WASTE	10,117,560	9,777,507	340,053
ELECTRICITY	52,310,661	68,450,998	(16,140,337)
DISTRICT HEATING	1,289,420	1,238,688	50,732
PROVISION FOR WRITE-DOWNS	(11,946,583)	(15,841,604)	3,895,021
1) ACCOUNTS RECEIVABLE - USERS AND CUSTOMERS WITHIN 12 MONTHS	230,406,619	256,650,067	(26,243,448)

The significant decrease in trade receivables refers essentially to the electricity service, particularly affected by the cessation of customers participating in the CONSIP tender and by an amount, in 2016, of receivables transferred by Dolomiti Energia Trading SpA and harmonised, in

terms of invoicing and collection times, in 2017.

Accounts receivable for bills issued as at 31 December 2017 include accounts receivable due from the Municipal Authorities of Trento and Rovereto totalling 679,687 euro.

Changes in the provision during the year were as follows:

	31/12/2017	31/12/2016	DIFFERENCE
PROVISION FOR WRITE-DOWNS			
PROVISION FOR WRITE-DOWNS			
PROVISION FOR WRITE-DOWNS	(15,841,604)	(20,098,003)	4,256,399
DET TRANSFER	-	(1,651,990)	1,651,990
PROVISION	(3,337,201)	(6,864,984)	3,527,783
USAGE	7,232,222	12,773,373	(5,541,151)
PROVISION FOR WRITE-DOWNS	(11,946,583)	(15,841,604)	3,895,021

The allocation of the period amounted to 3,337,201 euro, while usage amounted to 7,232,222

euro, mainly resulting from the removal of trade receivables in bankruptcy proceedings.

Accounts receivable – parent companies

	31/12/2017	31/12/2016	DIFFERENCE
ACCOUNTS RECEIVABLE			
4) ACCOUNTS RECEIVABLE - PARENT COMPANIES			
INVOICES/BILLS ISSUED	153,557	62,854	90,703
WATER	2,514	3,152	(638)
SEWERAGE	4,920	4,919	1
ELECTRICITY	98,138	53,832	44,306
DISTRICT HEATING	46,336	-	46,336
OTHER SERVICES	1,649	951	698
INVOICES/BILLS TO BE ISSUED	159,881	684,062	(524,181)
ELECTRICITY	43,136	593,819	(550,683)
OTHER SERVICES	116,745	90,243	26,502
4) ACCOUNTS RECEIVABLE - PARENT COMPANIES	313,438	746,916	(433,478)

The item accounts receivable - parent companies includes trade receivables and accounts receivable relating to service agreements with Dolomiti Energia Holding SpA. Other services includes a

receivable of 89,567 euro relating to a refund request for 2012 IRES and a receivable of 27,178 euro resulting from participation in Group VAT

Accounts receivable - due from companies subject to control by the parent companies

	31/12/2017	31/12/2016	DIFFERENCE
ACCOUNTS RECEIVABLE			
5) ACCOUNTS RECEIVABLE - COMPANIES SUBJECT TO CONTROL BY THE PARENT COMPANIES			
INVOICES/BILLS ISSUED	2,371,165	1,467,913	903,252
GAS	245,826	313,131	(67,305)
WATER	12,879	29,003	(16,124)
ELECTRICITY	2,069,903	1,059,760	1,010,143
DISTRICT HEATING	24,739	63,181	(38,442)
OTHER SERVICES	17,818	2,838	14,980
INVOICES/BILLS TO BE ISSUED	9,163,418	11,491,216	(2,327,798)
GAS	-	784	(784)
SOLID URBAN WASTE	545,180	518,694	26,486
ELECTRICITY	8,583,611	7,360,993	1,222,618
OTHER SERVICES	34,627	3,610,745	(3,576,118)
5) ACCOUNTS RECEIVABLE - PARENT COMPANIES	11,534,583	12,959,129	(1,424,546)

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), producer

refund and costs for free-of-charge supply of energy to the province of Trento (per Article 13 of Italian Presidential Decree no. 670/1972) to the producer Hydro Dolomiti Energia Srl.

Tax credits

	31/12/2017	31/12/2016	DIFFERENCE
5 BIS) TAX CREDITS			
ELECT./GAS TAX CREDITS	10,519,149	15,737,857	(5,218,708)
IRAP CREDIT (PRODUCTIVITY TAX)	217,907	-	217,907
OTHER TAX CREDITS	178,530	124,736	53,794
IRES CREDIT (CORPORATE TAX)	365,873	1,015,873	(650,000)
5 BIS) TAX CREDITS	11,281,459	16,878,466	(5,597,007)

Tax credits include, as in previous years, the receivable from UTF relating to electricity and gas taxes, deriving mainly from the higher payments on account with respect to the final invoiced amount and to the receivable for gas excise duties of the previous year, being recovered from the competent authorities; in 2017, approximately 5 million euro were recovered.

The IRAP receivable is equal to the higher payments on account made with respect to the tax calculated for the year 2017. In addition, during the year the Company horizontally offset the IRES receivable (deriving from the additional IRES for tax year 2014) amounting to 650,000 euro.

Deferred tax assets

	31/12/2017	31/12/2016	DIFFERENCE
5 TER PREPAID TAXES			
5 TER PREPAID TAXES	3,607,816	4,580,991	(973,175)

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

	31/12/2017	31/12/2016	DIFFERENCE
5 QUARTER) ACCOUNTS RECEIVABLE - OTHERS, SHORT-TERM			
OTHER CREDITS	717,816	273,380	444,436
ACCOUNTS RECEIVABLES V/CSEA	39,273	15,024	24,249
ADVANCES/DEPOSITS	163,761	179,630	(15,869)
ACCOUNTS RECEIVABLE - SOCIAL SECURITY INSTITUTIONS	3,704	1,693	2,011
5 QUARTER) ACCOUNTS RECEIVABLE - OTHERS, SHORT-TERM	924,554	469,727	454,827

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

whereas other receivables include 475,389 euro relating to the contribution for the RAI fee for the years 2016 and 2017.

Breakdown of receivables by maturity

	31/12/2017 BOOK VALUE (2+3+4) 1	MAT. VALUE SUBSEQUENT YEAR 2	MAT. VALUE SUBSEQUENT 4 YEARS 3	BEYOND 5 YEARS 4
BREAKDOWN OF RECEIVABLES BY MATURITY				
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	95,697	-	95,697	-
II) CURRENT RECEIVABLES				
1) ACCOUNTS RECEIVABLE - USERS AND CUSTOMERS	230,406,619	230,406,619	-	-
4) ACCOUNTS RECEIVABLE - PARENT COMPANIES	313,438	313,438	-	-
5) ACCOUNTS RECEIVABLE - COMPANIES SUBJECT TO CONTROL BY PARENT COMPANIES	11,534,583	11,534,583	-	-
5 BIS) TAX CREDITS	11,281,459	11,281,459	-	-
5 TER) PREPAID TAXES	3,607,816	3,607,816	-	-
5 QUARTER) ACCOUNTS RECEIVABLE - OTHERS	924,554	924,554	-	-
TOTAL (1 B + 2 C)	295,065,866	258,068,469	36,997,397	-

All receivables as at 31 December 2017 are due from national counterparties.

Short-term investments

	31/12/2017	31/12/2016	DIFFERENCE
7) FIN. ASSETS FOR CENTRALISED TREASURY MANAGEMENT			
C) PARENT COMPANIES	1,506,260	13,625	1,492,635

As at 31 December 2017, the item includes the receivable due from the Parent company for cash pooling, amounting to 1,490,863 euro (payable in

the previous year) plus interest receivable accrued on this amount, i.e. 15,397 euro (13,625 euro as at 31 December 2016).

Cash and cash equivalents

	31/12/2017	31/12/2016	DIFFERENCE
IV) CASH AND CASH EQUIVALENTS			
1) BANK AND POSTAL CURRENT ACCOUNTS	1,277,424	803,485	473,939
3) CASH ON HAND	261	210	51
TOTAL CASH AND CASH EQUIVALENTS	1,277,685	803,695	473,990

Management of company liquidity was centralised at the parent company through a cash pooling agreement. Cash and cash equivalents as at 31 December

2017 related to the balance of bank and postal current accounts not falling under centralised liquidity management.

Prepayments and accrued income

	31/12/2017	31/12/2016	DIFFERENCE
D) PREPAYMENTS AND ACCRUED INCOME			
ANNUAL PREPAYMENTS	572,849	517,890	54,959
MULTI-YEAR PREPAYMENTS	62,596	17,245	45,351
TOTAL PREPAYMENTS AND ACCRUED INCOME	635,445	535,135	100,310

Prepayments refer, for 541,667 euro, to the part of the sponsorships that the Company paid in 2018, while the residual amount mainly relates to

the commissions for the stipulation of guarantee policies in favour of electricity and gas distributors and others pertaining to the next year.

Shareholders' equity and liabilities

Shareholders' Equity

As at 31 December 2017, the shareholding structure was as follows:

SHAREHOLDER	NUMBER OF SHARES	NOMINAL VALUE	%
DOLOMITI ENERGIA HOLDING 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
DIMARO FOLGARIDA 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:

	I) SHARE CAPITAL	II) SHARE PREMIUM RESERVE	IV) LEGAL RESERVE	VII) OTHER RESERVES - EXTRAORDINARY	VIII) RETAINED EARNINGS OR LOSSES CARRIED FORWARD	IX) PROFIT OR LOSS FOR THE YEAR	TOTAL
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
ALLOCATION OF PROFITS	-	-	-	10,767,406	-	(26,927,406)	(16,160,000)
PROFIT/LOSS FOR THE YEAR	-	-	-	-	-	18,570,382	18,570,382
VALUE AS AT 31/12/2017	20,200,000	11,025,103	4,040,000	51,775,544	-	18,570,382	105,611,029

As per the resolution of the shareholders' meeting approving the 2016 financial statements, the

profit for the previous year was distributed to shareholders for 16,160,000 euro.

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

	USAGE SUMMARY FOR PAST THREE YEARS				
	31/12/2017 AMOUNT	USAGE OPTIONS	AVAILABLE PORTION	TO COVER LOSSES	FOR OTHER REASONS
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					
IV) LEGAL RESERVE	4,040,000	B	-	-	-
EXTRAORDINARY RESERVE	51,775,544	A,B,C	51,775,544	-	-
TOTAL			62,800,647	-	-
NON-DISTRIBUTABLE PORTION			-		
RESIDUAL DISTRIBUTABLE PORTION			62,800,647		

* 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

	31/12/2017	31/12/2016	DIFFERENCE
PENSIONS AND SIMILAR FUNDS			
OPENING BALANCE	346,891	54,459	292,432
TRANSFER	-	240,206	(240,206)
USAGE	(12,978)	-	(12,978)
PROVISION	56,023	52,226	3,797
PENSION FUND	389,936	346,891	43,045

These relate to the provision for agents' leaving indemnities, allocated in relation to the agency relations in place between the Company and its agents; the provision increased during the year

as a result of allocations of 56,023 euro and it had usages of 12,978 euro as a result of agency agreement terminations.

DEFERRED TAX PROVISION

	31/12/2017	31/12/2016	DIFFERENCE
2) TAXES, INCLUDING DEFERRED			
PROVISION FOR TAXATION	170,000	-	170,000
DEFERRED TAX PROVISION	150,927	201,236	(50,309)
PROVISION FOR TAXES, INCLUDING DEFERRED	320,927	201,236	119,691

As a result of an assessment issued by the Italian Revenue Agency during the year in relation to VAT from previous years, the Company decided to allocate a specific risk provision of 170,000 euro. For the details of deferred taxes, please refer to

the tables of the temporary differences that led to the recognition of the deferred tax assets and liabilities shown at the bottom of the notes to the financial statements.

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 2017 and in the previous year is presented below:

	31/12/2017	31/12/2016	DIFFERENCE
EMPLOYEE TERMINATION BENEFITS			
C) EMPLOYEE TERMINATION BENEFITS			
OPENING BALANCE	899,535	886,169	13,366
ALLOCATED DURING THE YEAR	354,091	337,406	16,685
DECREASES	(265,418)	(147,679)	(117,739)
OTHER CHANGES	(109,934)	(176,361)	66,427
C) EMPLOYEE TERMINATION BENEFITS	878,274	899,535	(21,261)

'Other changes' identify utilisation in view of employment terminations (5 terminations during the year) and advances to employees, while the 'decreases' represent the employee severance

indemnity accrued during the year and paid to supplementary pension funds. For details about headcount changes, please refer to the Report on Operations.

Accounts payable

ACCOUNTS PAYABLE - BANKS

	31/12/2017	31/12/2016	DIFFERENCE
ACCOUNTS PAYABLE - BANKS			
DUE TO BANKS	15,150	10,591,457	(10,576,307)
ACCOUNTS PAYABLE - BANKS	15,150	10,591,457	(10,576,307)

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

TRADE PAYABLES

	31/12/2017	31/12/2016	DIFFERENCE
TRADE PAYABLES			
PAYABLES FOR INVOICES RECEIVED	26,888,889	29,981,257	(3,092,368)
GAS	2,535,411	1,884,356	651,055
WATER	452,100	768,198	(316,098)
SEWERAGE	309,645	289,385	20,260
ELECTRICITY	22,222,178	26,391,145	(4,168,967)
OTHER SERVICES	1,369,555	648,173	721,382
PAYABLES FOR INVOICES TO BE RECEIVED	41,148,034	49,760,952	(8,612,918)
GAS	2,824,006	2,419,882	404,124
WATER	493,025	(136,995)	630,020
SEWERAGE	204,524	86,958	117,566
ELECTRICITY	36,888,883	44,933,392	(8,044,509)
OTHER SERVICES	737,596	2,457,715	(1,720,119)
TRADE PAYABLES	68,036,923	79,742,209	(11,705,286)

These relate primarily to trade payables for the purchase of raw materials and carrier services for the supply of gas and electricity to customers. The decrease is mainly due to the electricity business unit, which is settling, in terms of transactions and payment terms, after the extraordinary transactions of the sale of the trading business unit and of the transfer of the sales

business unit. 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

	31/12/2017	31/12/2016	DIFFERENCE
ACCOUNTS PAYABLE - PARENT COMPANIES			
PAYABLES FOR INVOICES RECEIVED	683,048	341,188	341,860
OTHER SERVICES	683,048	341,188	341,860
PAYABLES FOR INVOICES TO BE RECEIVED	2,948,645	15,030,760	(12,082,115)
GAS	23,512	-	23,512
SOLID URBAN WASTE	-	300,404	(300,404)
ELECTRICITY	85,107	71,650	13,457
OTHER SERVICES	2,840,026	14,658,706	(11,818,680)
ACCOUNTS PAYABLE - PARENT COMPANIES	3,631,693	15,371,948	(11,740,255)
OF WHICH			
ACCOUNTS PAYABLE - PARENT COMPANIES FOR CASH POOLING	-	9,332,402	(9,332,402)
ACCOUNTS PAYABLE - PARENT COMPANIES FOR TAXES/INTEREST	2,759,483	4,923,118	(2,163,635)

The significant decrease in accounts payable - parent company with respect to 31 December 2016 is mainly due to the zeroing of the cash pooling balance (receivable as at 31 December 2017). At the end of 2017, the item included payables for fees on guarantees of 179,163 euro and the payable for IRES of the year (2,759,483 euro) deriving from participation in the national tax consolidation; the main characteristics of this agreement are as follows:

- term of the transaction: from the year 2017 to 2019 (tacitly renewable);

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

ACCOUNTS PAYABLES - COMPANIES SUBJECT TO CONTROL BY THE PARENT COMPANY

	31/12/2017	31/12/2016	DIFFERENCE
ACCOUNTS PAYABLES - COMPANIES SUBJECT TO CONTROL BY THE PARENT COMPANY			
PAYABLES FOR INVOICES RECEIVED	25,081,542	20,123,683	4,957,859
GAS	3,165,457	3,110,388	55,069
WATER	2,958,175	-	2,958,175
SEWERAGE	1,038,950	-	1,038,950
SOLID URBAN WASTE	-	(4,756)	4,756
ELECTRICITY	16,288,687	16,119,012	169,675
DISTRICT HEATING	1,615,687	899,039	716,648
OTHER SERVICES	14,586	-	14,586
PAYABLES FOR INVOICES TO BE RECEIVED	79,988,191	82,440,514	(2,452,323)
GAS	35,324,636	31,315,584	4,009,052
WATER	421,245	3,120,877	(2,699,632)
SEWERAGE	89,789	1,065,467	(975,678)
SOLID URBAN WASTE	10,116,913	9,460,373	656,540
ELECTRICITY	33,924,954	37,550,744	(3,625,790)
DISTRICT HEATING	80,585	(159,804)	240,389
OTHER SERVICES	30,069	87,273	(57,204)
ACCOUNTS PAYABLES - COMPANIES SUBJECT TO CONTROL BY THE PARENT COMPANY	105,069,733	102,564,197	2,505,536

Payables to the other Group companies essentially derive from service agreements and from the supply of electricity and gas; as outlined in the section dedicated to 'trade payables', the Company's sole supplier of raw materials for

energy and gas became the related party Dolomiti Energia Trading, following the transfer of the business unit in 2016. Payables did not increase significantly from the previous year.

TAX PAYABLES

	31/12/2017	31/12/2016	DIFFERENCE
TAX PAYABLES			
TAX ON ELECTRICITY/GAS	2,843,663	3,388,905	(545,242)
IRAP	-	412,551	(412,551)
IRPEF	221,334	136,890	84,444
STAMP DUTY	29,626	3,873	25,753
TAX PAYABLES	3,094,623	3,942,219	(847,596)

As regards to tax payables, as has already been pointed out in tax receivables, of note is the reduction of the payable to UTF relating to taxes on electricity and gas, whose decrease is due to the lower payments on account with respect to the final invoice accounting (they were partly recovered from

the receivables of the previous year). The IRPEF payable instead refers to the withholding taxes on employee and contractor income which the Company, as withholding agent, pays in January 2018.

SOCIAL SECURITY PAYABLES

	31/12/2017	31/12/2016	DIFFERENCE
SOCIAL SECURITY PAYABLES			
ACCOUNTS PAYABLE - INPS	206,459	232,254	(25,795)
ACCOUNTS PAYABLE - INPDAP	23,964	23,008	956
ACCOUNTS PAYABLE - INAIL	225	740	(515)
SUPPLEMENTARY PENSION FUNDS	185,814	156,247	29,567
ACCOUNTS PAYABLE - PREVINDAI	5,356	5,365	(9)
ACCOUNTS PAYABLE - OTHERS	139	65	74
SOCIAL SECURITY PAYABLES	421,957	417,679	4,278

On the whole, the item was essentially in line with 31 December 2016.

OTHER ACCOUNTS PAYABLE

	31/12/2017	31/12/2016	DIFFERENCE
OTHER ACCOUNTS PAYABLE			
OTHER ACCOUNTS PAYABLE	2,267,439	2,715,272	(447,833)
SEWERAGE CHARGE	4,239,205	5,290,130	(1,050,925)
- WITHIN 12 MONTHS	6,506,644	8,005,402	(1,498,758)
GUARANTEE DEPOSITS	6,233,989	7,190,458	(956,469)
- AFTER 12 MONTHS	6,233,989	7,190,458	(956,469)
OTHER ACCOUNTS PAYABLE	12,740,633	15,195,860	(2,455,227)

Other accounts payable include the payable for the RAI television fee, which arose during the year, amounting to 1,154,393 euro. Payables for the "sewerage charge" also include the amounts due to the Municipal Authorities of Trento and Rovereto

for a total of 2,852,463 euro, whereas the payable to the other neighbouring Municipalities is 1,382,746 euro. "Guarantee deposits" refer to the security payments required from end users who did not opt to pay the prices with preauthorised payments.

BREAKDOWN OF ACCOUNTS PAYABLE BY MATURITY

	31/12/2017 BOOK VALUE (2+3+4)	MAT. VALUE SUBSEQUENT YEAR	MAT. VALUE SUBSEQUENT 4 YEARS	BEYOND 5 YEARS
	1	2	3	4
BREAKDOWN OF ACCOUNTS PAYABLE BY MATURITY				
D) PAYABLES				
4) ACCOUNTS PAYABLE - BANKS	15,150	15,150	-	-
7) TRADE PAYABLES	68,036,923	68,036,923	-	-
11) ACCOUNTS PAYABLE - PARENT COMPANIES	3,631,693	3,631,693	-	-
11 BIS) ACCOUNTS PAYABLE - COMPANIES SUBJECT TO CONTROL BY THE PARENT COMPANY	105,069,733	105,069,733	-	-
12) TAX PAYABLES	3,094,623	3,094,623	-	-
13) SOCIAL SECURITY PAYABLES	421,957	421,957	-	-
14) OTHER ACCOUNTS PAYABLE	12,740,633	6,506,644	6,233,989	-
TOTAL	193,010,712	186,776,723	6,233,989	-

All payables as at 31 December 2017 are due to national counterparties.

Accrued liabilities and deferred income

	31/12/2017	31/12/2016	DIFFERENCE
2) DEFERRED INCOME			
ANNUAL DEFERRED INCOME	3,150	-	3,150
2) DEFERRED INCOME	3,150	-	3,150
E) ACCRUED LIABILITIES AND DEFERRED INCOME	3,150	-	3,150

In 2017, new connection contributions pertaining to the "ECOFUEL" electrical columns, amounting to 3,150 euro, were included. The recognised contribution is delayed by accrual to the following

years by recording it in the deferred income and the portion accrued during the year is calculated according to the useful life of the asset to which it refers and according to the same amortisation rate.

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

	31/12/2017	31/12/2016	DIFFERENCE
1) REVENUE FROM SALES AND SERVICES			
ELECTRICITY REVENUE	680,909,817	671,394,825	9,514,992
WATER RESOURCE REVENUE	20,057,557	19,215,169	842,388
GAS REVENUE	180,785,945	166,576,439	14,209,506
HEATING REVENUE	8,258,657	8,176,030	82,627
REVENUE FROM MUNICIPAL WASTE SERVICES	24,339,389	23,628,501	710,888
OTHER REVENUE	7,536,323	4,067,385	3,468,938
1) REVENUE FROM SALES AND SERVICES	921,887,688	893,058,349	28,829,339

The increase in revenue from sales is particularly evident for the electricity and gas commodities; this effect derives from the 2016 transfer of the commercial business unit from Multiutility (currently, Dolomiti Energia Trading) in favour of the Company, which this year, for the first time, benefits from this

transaction for the entire year (9/12 in 2016). Other revenue includes mainly contributions invoiced to the end users to cover the technical interventions carried out by the operators of the distribution network and for other services related to the main performance.

OTHER REVENUE

	31/12/2017	31/12/2016	DIFFERENCE
5) OTHER REVENUE AND INCOME (NO SALE/SERV.)			
OTHER REVENUE	593,728	456,788	136,940
GAINS FROM STANDARD OPERATIONS	-	1,048,106	(1,048,106)
OTHER REVENUE AND INCOME	27,540	5,890	21,650
DE GROUP REVENUE	126,594	259,258	(132,664)
SECONDED PERSONNEL	-	31,361	(31,361)
STANDARD CONTINGENT ASSETS	1,999,307	2,758,276	(758,969)
OTHER REVENUE	2,747,169	4,559,679	(1,812,510)
OPERATING GRANTS	476,637	-	476,637
CONTRIBUTIONS	476,637	-	476,637
5) OTHER REVENUE AND INCOME (NO SALE/SERV.)	3,223,806	4,559,679	(1,335,873)

The revenue of the previous year was affected by the sale of the trading unit to the related party Dolomiti Energia Trading, which entailed an exceptional capital gain of 1,048,106 euro. Operating grants refer to the contribution for RAI

fee recognised to the Company with Revenue Agency resolution to cover the costs incurred for the invoicing of the RAI fee and collection from taxpayers.

Production costs

COST FOR RAW MATERIALS

	31/12/2017	31/12/2016	DIFFERENCE
6) RAW MATERIALS, CONSUMABLES AND MERCHANDISE			
PURCHASES OF ELECT. RAW MATERIALS	(253,650,926)	(226,562,937)	(27,087,989)
PURCHASES OF GAS RAW MATERIALS	(115,116,983)	(101,869,803)	(13,247,180)
PURCHASES OF FUELS	(69,478)	(45,977)	(23,501)
PURCHASE OF MISCELLANEOUS MATERIALS	(1,609,271)	(130,750)	(1,478,521)
CONTINGENT ASSETS - PURCHASES OF RAW MATERIALS	(351,560)	(1,278,623)	927,063
6) TOTAL	(370,798,218)	(329,888,090)	(40,910,128)

The increase 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 rise in average purchase prices.

SERVICE COSTS

	31/12/2017	31/12/2016	DIFFERENCE
7) EXTERNAL PURCHASES OF SERVICES			
EXTERNAL MAINTENANCE SERVICES	(83,938)	(33,280)	(50,658)
INSURANCE, BANKING AND FINANCIAL SERVICES	(1,120,339)	(1,328,416)	208,077
OTHER SERVICES	(3,673,176)	(2,973,240)	(699,936)
COMMERCIAL SERVICES	(506,456,953)	(504,656,583)	(1,800,370)
GENERAL SERVICES	(742,494)	(710,221)	(32,273)
CONTINGENT ASSETS - SERVICES	(2,567,396)	(1,480,425)	(1,086,971)
7) EXTERNAL PURCHASES OF SERVICES	(514,644,296)	(511,182,165)	(3,462,131)

The overall increase is mainly due to the commercial services item, which includes service agreements with Group companies and external companies (up by 1,668,291 euro compared to 2016) and electricity and gas transport costs, which increased by approximately 5 million euro compared to 2016, as a result of the new customers received with the transfer of the commercial unit of Dolomiti Energia Trading. Conversely, dispatching costs decreased by approximately 8 million euro as a result of the sale of the trading unit to Dolomiti Energia Trading,

which today is the Group's sole dispatching user. The increase in the 'other services' refers mainly to higher costs for IT/operational support services and for compensation to the sales network, whose cost was included for the entire year in 2017 (9/12 in 2016).

The 'general services' item includes the cost for the compensation of the Board of Directors and of the external supervisory bodies, whose amount is summarised in a dedicated section of the chapter "other information", to which reference is made.

COSTS FOR USE OF THIRD PARTY ASSETS

	31/12/2017	31/12/2016	DIFFERENCE
8) COSTS FOR USE OF THIRD PARTY ASSETS			
MISCELLANEOUS COSTS	(620)	(799)	179
RENTAL EXPENSE	(449,426)	(447,136)	(2,290)
RENTAL FEES	(211,198)	(178,387)	(32,811)
BUSINESS UNIT RENTAL	(597,146)	(591,819)	(5,327)
8) COSTS FOR USE OF THIRD PARTY ASSETS	(1,258,390)	(1,218,141)	(40,249)

Rental expense refers to the cost of leasing properties or parts of them for office use and it includes the costs incurred in relation to the parent company Dolomiti Energia Holding Spa totalling 250,000 euro. Rentals for corporate vehicles and

office machines amount to 211,198 euro, while an annual lease payment for business unit lease, relating to the marketing of electricity, was paid to the associated company SET Distribuzione (597,146 euro).

PERSONNEL COSTS

	31/12/2017	31/12/2016	DIFFERENCE
9) PERSONNEL COSTS			
A) WAGES AND SALARIES	(5,446,750)	(5,307,419)	(139,331)
B) SOCIAL SECURITY COSTS	(1,414,643)	(1,368,385)	(46,258)
C) EMPLOYEE TERMINATION BENEFITS	(354,091)	(337,406)	(16,685)
E) OTHER COSTS	(251,580)	(285,084)	33,504
9) PERSONNEL COSTS	(7,467,064)	(7,298,294)	(168,770)

In 2017, particular care was again devoted 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 2017 stood at 171, subdivided into the following categories:

	31/12/2017	31/12/2016	DIFFERENCE
INFORMATION ON EMPLOYEES			
PERSONNEL			
EXECUTIVES	2	2	-
MANAGERS	8	9	(1)
EMPLOYEES	161	160	1
TOTAL PERSONNEL	171	171	-

The average workforce, determined with the full time equivalent method, stood at 148.24 in 2017, and 140.72 in 2016.

AMORTISATION, DEPRECIATION AND WRITE-DOWNS

	31/12/2017	31/12/2016	DIFFERENCE
10) AMORTISATION, DEPRECIATION AND WRITE-DOWNS			
A) AMORTISATION OF INTANGIBLE ASSETS	(587,924)	(579,781)	(8,143)
B) DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	(7,693)	(3,798)	(3,895)
D) WRITE-DOWN OF ACCOUNTS RECEIVABLE RECOGNISED TO CURRENT ASSETS	(3,337,201)	(6,864,984)	3,527,783
10) AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(3,932,818)	(7,448,563)	3,515,745

The allocation to the bad debt provision for the year amounted to 3,337,201 euro, markedly down compared to 2016, a year that was affected by negative events

that had heavily influenced some major customers. The amortisation and depreciation of the year are substantially aligned to 2016.

OTHER OPERATING COSTS

	31/12/2017	31/12/2016	DIFFERENCE
14) OTHER OPERATING COSTS			
MISCELLANEOUS COSTS	(527,939)	(275,118)	(252,821)
LOSSES ON CREDITS	(481,384)	(369,183)	(112,201)
CTS/SOCIAL SECURITY FEE	(943,762)	(922,898)	(20,864)
CHARACTERISTIC NON-RECURRING EXPENSES	(422,137)	(1,192,874)	770,737
POSTAL CHARGES	(45,195)	(49,470)	4,275
OTHER TAXES	(326,893)	(267,536)	(59,357)
14) OTHER OPERATING COSTS	(2,747,310)	(3,077,079)	329,769

The difference from 2016 refers mainly to lower non-recurring expenses recognised in 2017.

Financial income and charges

OTHER FINANCIAL INCOME

	31/12/2017	31/12/2016	DIFFERENCE
16) OTHER FINANCIAL INCOME			
D) FINANCIAL INCOME DIFFERENT FROM ABOVE			
- FROM PARENT COMPANIES	39,079	60,414	(21,335)
- FROM OTHERS	1,209,423	259,776	949,647
16) OTHER FINANCIAL INCOME	1,248,502	320,190	928,312

Other financial income is composed of interest income from the parent company Dolomiti Energia Holding Spa accrued on positive cash pooling balances of 39,079; the other financial

income includes interest on arrears on commercial transactions of 1,209,347 euro, up compared to the previous year by 962,138 euro as a result of accurate verification and assessment activities.

INTEREST AND FINANCIAL CHARGES

	31/12/2017	31/12/2016	DIFFERENCE
17) INTEREST AND OTHER FINANCIAL CHARGES			
C) TO PARENT COMPANIES	(9,437)	-	(9,437)
D) OTHERS	(7,511)	(15,084)	7,573
17) INTEREST AND OTHER FINANCIAL CHARGES	(16,948)	(15,084)	(1,864)

Interest and financial charges are due primarily to interest expense accrued to the parent company on cash pooling, i.e. 9,437 euro, and on current

accounts not falling under the centralised treasury system amounting to 7,511 euro.

Income taxes for the year

Direct taxes and prepaid/deferred income taxes were booked for a total of 6,924,570 euro in 2017.

These can be broken down as follows:

	31/12/2017	31/12/2016	DIFFERENCE
20) INCOME TAXES FOR THE YEAR			
CURRENT TAXES	(6,028,025)	(9,532,166)	3,504,141
TAXES RELATING TO PRIOR PERIODS	26,321	140,755	(114,434)
DEFERRED TAXES	50,309	(201,236)	251,545
PREPAID TAXES	(973,175)	(1,290,749)	317,574
20) INCOME TAXES FOR THE YEAR	(6,924,570)	(10,883,396)	3,958,826

Current taxes, assessed on the basis of a realistic forecast of taxable income pertaining to the year, refer to IRES (5,240,091 euro) and IRAP (787,934

euro). The item also includes positive adjustments to the direct taxes of previous years amounting to 26,321 euro.

**STATEMENT OF RECONCILIATION BETWEEN
BALANCE SHEET AND THEORETICAL TAX CHARGE**

DESCRIPTION	AMOUNT	IRES	% CHARGE
PROFIT BEFORE TAX	25,494,952		
THEORETICAL TAX CHARGE		6,118,788	24.00%
PERMANENT INCREASES			
MOTOR VEHICLE COSTS - CARS FOR PRIVATE AND BUSINESS USE	108,120		
PHONE-RELATED COSTS	56,239		
NON-DEDUCTIBLE GOODWILL	88,350		
NON-RECURRING EXPENSES	450,945		
OTHER	189,028		
TOTAL PERMANENT INCREASES	892,682		
PERMANENT DECREASES			
SUPPLEMENTARY SOCIAL SECURITY	12,935		
ACE (AID FOR ECONOMIC GROWTH) DEDUCTION	775,441		
TOTAL PERMANENT DECREASES	788,376		
TEMPORARY DIFFERENCES - INCREASES			
PRODUCTIVITY AND ONE-OFF BONUS	452,380		
GOODWILL REDEEMED	17,143		
DEDUCTIBLE GOODWILL	122,222		
PROVISION FOR WRITE-DOWNS	2,203,749		
CAPITAL GAINS INSTALMENT SPREAD	209,621		
OTHER	3,299		
TOTAL TEMPORARY DIFFERENCES - INCREASES	3,008,414		
TEMPORARY DIFFERENCES - DECREASES			
DIRECTORS' FEES	5,200		
PROVISION FOR WRITE-DOWNS	5,795,905		
GOODWILL REDEEMED	422,189		
FINANCIAL STATEMENTS CERTIFICATION	52,000		
PRODUCTIVITY AND ONE-OFF BONUS	498,664		
TOTAL TEMPORARY DIFFERENCES - DECREASES	6,773,958		
TAX BASE	21,833,714	5,240,091	20.55%

**STATEMENT OF RECONCILIATION BETWEEN
BALANCE SHEET AND THEORETICAL TAX CHARGE**

DESCRIPTION	AMOUNT	IRES	% CHARGE
NET PRODUCTION VALUE	35,067,662		
THEORETICAL TAX CHARGE		859,647	2.68%
		116,660	3.90%
PERMANENT INCREASES			
ESTABLISHED PERSONNEL COSTS	147,500		
CREDIT LOSSES	481,384		
NON-DEDUCTIBLE AMORTISATION OF GOODWILL	88,350		
OTHER PERSONNEL COSTS	35,254		
NON-DEDUCTIBLE STANDARD CONTINGENT LIABILITIES	450,945		
OTHER INCREASES	7,177		
TOTAL PERMANENT INCREASES	1,210,610		
PERMANENT DECREASES			
DEDUCTION OF PERSONNEL COSTS	6,844,198		
ADDITIONAL PAT DEDUCTION PERSONNEL COST	865,075		
OTHER	16,497		
TOTAL PERMANENT DECREASES	7,725,770		
TEMPORARY DIFFERENCES - INCREASES			
AMORTISATION OF REDEEMED GOODWILL	17,143		
DEDUCTIBLE GOODWILL	122,222		
TOTAL TEMPORARY DIFFERENCES - INCREASES	139,365		
TEMPORARY DIFFERENCES - DECREASES			
AMORTISATION OF REDEEMED GOODWILL	422,189		
TOTAL TEMPORARY DIFFERENCES - DECREASES	422,189		
TAX BASE	28,269,678	787,934	2.25%

STATEMENT PURSUANT TO POINT 14) OF ART. 2427: DESCRIPTION OF TEMPORARY DIFFERENCES RESULTING IN RECOGNITION OF DEFERRED TAX ASSETS AND LIABILITIES

	2016 PREPAID TAXES			2017 REABSORPTIONS			REALIGNMENTS			2017 INCREASES			PREPAID TAXES FOR THE YEAR	2017 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 (C)	TAX (C-B)	TAXABLE AMOUNT	TAX RATE	TAX
IRES																
ALLO. WRITE-DOWNS OF RECEIVABLES - EXCESS	12,957,049	24.00%	3,109,693	(5,970,338)	24.00%	(1,432,881)				2,203,749	24.00%	528,900	(903,982)	9,190,460	24.00%	2,205,711
ALLO. PROVISIONS FOR RISKS	169,053	24.00%	40,573										-	169,053	24.00%	40,573
GOODWILL REDEEMED - 31/12/2007	3,799,700	24.00%	911,928	(422,189)	24.00%	(101,325)							(101,325)	3,377,511	24.00%	810,603
GOODWILL REDEEMED - 31/12/2009	274,289	24.00%	65,829							17,143	24.00%	4,114	4,114	291,432	24.00%	69,944
DEDUCTIBLE GOODWILL	855,556	24.00%	205,333							122,222	24.00%	29,333	29,333	977,778	24.00%	234,667
PRODUCTIVITY AND RENEWAL BONUS	498,664	24.00%	119,679	(498,664)	24.00%	(119,679)				452,380	24.00%	108,571	(11,108)	452,380	24.00%	108,571
BOD'S FEES	5,200	24.00%	1,248	(5,200)	24.00%	(1,248)							(1,248)	-	24.00%	-
FINANCIAL STATEMENTS CERTIFICATION	52,000	24.00%	12,480	(52,000)	24.00%	(12,480)							(12,480)	-	24.00%	-
MEMBERSHIP FEES										3,299	24.00%	792	792	3,299	24.00%	792
			4,466,763			(1,667,613)			-			671,710	(995,904)			3,470,861

No amounts were credited or charged to equity.

	2016 PREPAID TAXES			2017 REABSORPTIONS			REALIGNMENTS			2017 INCREASES			PREPAID TAXES FOR THE YEAR	2017 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 (C)	TAX (C-B)	TAXABLE AMOUNT	TAX RATE	TAX (A+B+C)
IRAP																
ALLO. PROVISIONS FOR RISKS	11,194	2.10%	235				11,194	0.58%	65				65	11,194	2.68%	300
GOODWILL REDEEMED - 31/12/2007	3,799,700	2.10%	79,794	(422,189)	2.10%	(8,866)	3,377,511	0.58%	19,590				10,724	3,377,511	2.68%	90,517
GOODWILL REDEEMED - 31/12/2009	274,289	2.10%	5,760				274,289	0.58%	1,591	17,143	2.68%	459	2,050	291,432	2.68%	7,810
DEDUCTIBLE GOODWILL	855,556	2.10%	17,967				855,556	0.58%	4,962	122,222	2.68%	3,276	8,238	977,778	2.68%	26,204
PRODUCTIVITY AND RENEWAL BONUS	498,664	2.10%	10,472	(498,664)	2.10%	(10,472)	-	0.58%	-	452,380	2.68%	12,124	1,652	452,380	2.68%	12,124
TOTAL			114,228			(19,338)			26,208			15,859	22,729			136,955
OVERALL TOTAL			4,580,991			(1,686,951)			26,208			687,569	(973,175)			3,607,816

STATEMENT PURSUANT TO POINT 14) OF ART. 2427: DESCRIPTION OF TEMPORARY DIFFERENCES RESULTING IN RECOGNITION OF DEFERRED TAX ASSETS AND LIABILITIES

TAXABLE DIFFERENCES	2016 DEFERRED TAXES			2017 REABSORPTIONS			TAX RATE ALIGNMENT			2017 INCREASES			DEFERRED TAXES FOR THE YEAR	2017 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 (C)	TAX (C-B)	TAXABLE AMOUNT	TAX RATE	TAX (A+B+C)
IRES																
CAPITAL GAINS INSTALMENT SPREAD	838,485	24.00%	201,236	(209,621)	24.00%	(50,309)	-	0,00%	-	-	24,00%	-	(50,309)	628,864	24,00%	150,927
						(50,309)			-			-	(50,309)			150,927

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

The Company has no collateral in place that was not recognised in the financial statements. However, bank/insurance guarantees amounting to 84,885,664 euro were issued in the interest of Dolomiti Energia and in favour of third parties (83,483,450 euro as at 31 December 2016); the parent company Dolomiti Energia Holding assumed financial commitments in third parties' favour and in the interest of the Company totalling 100,825,476 euro (140,882,142 euro at 31 December 2016), part of these to guarantee the release of the bank guarantees.

COMMITMENTS

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

CONTINGENT LIABILITIES

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

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.

TITLE	FINANCIAL YEAR 2017	FINANCIAL YEAR 2016
DIRECTORS	152,500	152,500
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:

TITLE	FINANCIAL YEAR 2017	FINANCIAL YEAR 2016
AUDIT	38,000	38,000
OTHER VERIFICATION SERVICES	4,000	4,000
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 ARERA (formerly 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. With effect from 1 January 2018, the Company became the owner of the business unit operating in the sale of electricity of the Municipality of Isera, from which it thus acquired the customer portfolio in the market subject to additional safeguards. On 27 February 2018, Dolomiti Energia completed the listing of a bond with the name "Dolomiti Energia SpA €5,000,000 1.05 percent Fixed Rate Notes due 2022" on the Irish regulated market (the Irish Stock Exchange). As a result and by effect

of the listing of the bond, the Company acquired the qualification of Public Interest Entity (PIE) and will be subject to the regulations prescribed for companies that issued financial instruments listed on regulated markets; furthermore, it will have to adopt the International Financial Reporting Standards (IFRS) in the preparation of the financial statements of next year.

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 Srl, 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 2017.

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 SpA, which exercises management and coordination activities over Dolomiti Energia SpA.

DOLOMITI ENERGIA HOLDING SPA			
BALANCE SHEET - IFRS TEMPLATE SUMMARY (euro)			
ASSETS		LIABILITIES	
ITEMS	31.12.2016	ITEMS	31.12.2016
NON CURRENT ASSETS			
OTHER INTANGIBLE ASSETS	13.285.706	SHARE CAPITAL	411.496.169
PROPERTY, PLANT AND EQUIPMENT	48.379.802	RESERVES	43.435.600
EQUITY INVESTMENTS	766.815.323	PROFIT OR LOSS FOR THE YEAR	46.710.985
DEFERRED TAX ASSETS	5.006.640	TOTAL SHAREHOLDERS' EQUITY	501.642.754
OTHER NON CURRENT ASSETS	9.779.567		
TOTAL NON CURRENT ASSETS	843.267.038		
LIABILITIES			
NON CURRENT LIABILITIES			
CURRENT ASSETS		PROVISIONS FOR NON CURRENT RISKS AND CHARGES	1.495.053
TRADE RECEIVABLES	13.365.357	EMPLOYEE BENEFITS	3.848.912
INVENTORIES	277.372	DEFERRED TAX LIABILITIES	242.198
CASH AND CASH EQUIVALENTS	2.498.445	NON CURRENT FINANCIAL LIABILITIES	168.705.506
INCOME TAX RECEIVABLES	18.222.668	OTHER NON CURRENT LIABILITIES	1.087.309
OTHER CURRENT ASSETS	94.574.168	TOTAL NON CURRENT LIABILITIES	175.378.978
TOTAL CURRENT ASSETS	128.938.010		
CURRENT LIABILITIES			
		TRADE PAYABLES	11.842.455
		CURRENT FINANCIAL LIABILITIES	262.178.774
		OTHER CURRENT LIABILITIES	21.162.087
		TOTAL CURRENT LIABILITIES	295.183.316
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	-	LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS	-
TOTAL ASSETS	972.205.048	TOT. SHAREHOLDERS' EQUITY AND LIABILITIES	972.205.048

DOLOMITI ENERGIA HOLDING SPA	
RECLASSIFIED INCOME STATEMENT SUMMARY (euro)	
ITEMS	FINANCIAL YEAR 2016
REVENUE AND OTHER OTHER INCOME	41.315.568
COSTS	(43.938.793)
INCOME AND EXPENSES FROM EQUITY INVESTMENTS	50.814.258
OPERATING RESULT	48.191.033
FINANCIAL INCOME AND CHARGES	(1.899.324)
PROFIT BEFORE TAX	46.291.709
TAXES	419.276
NET PROFIT OR LOSS FOR THE YEAR (A) FROM CONTINUING OPERATIONS	46.710.985
DISCONTINUING OPERATIONS	-
NET PROFIT OR LOSS FOR THE YEAR (B) FROM DISCONTINUING OPERATION	-
PROFIT OR LOSS FOR THE YEAR	46.710.985
COMPONENTS OF COMPREHENSIVE INCOME THAT WILL NOT SUBSEQUENTLY BE RECLASSIFIED IN THE INCOME STATEMENT	
ACTUARIAL GAINS/(LOSSES) FOR EMPLOYEE BENEFITS	39.136
TAX EFFECT ON ACTUARIAL GAINS/(LOSSES) FOR EMPLOYEE BENEFITS	(11.211)
TOTAL COMPONENTS OF COMPREHENSIVE INCOME THAT WILL NOT SUBSEQUENTLY BE RECLASSIFIED IN THE INCOME STATEMENT	27.925
TOTAL COMPREHENSIVE PROFIT OR LOSS OF THE YEAR	46.738.910

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 2016. For an adequate and complete understanding of Dolomiti Energia Holding SpA's equity and financial position as at 31 December 2016, 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.

- 13,130,000 euro as ordinary dividend to shareholders, corresponding to 0.65 euro per share, and also proposing that the dividend be paid from 1 June 2018;
- 5,440,382 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.

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 18,570,382 euro be allocated as follows:

Trento, 27 March 2018

on behalf of the BOARD OF DIRECTORS
The Chairman
Rudi Oss

Certification of the financial statements

1. The undersigned Rudi Oss, Chairman of the Board of Directors, and Michele Pedrini, head of Administration of Dolomiti Energia SpA, hereby certify, taking into account the provisions of current regulations:

- the adequacy in relation to the characteristics;
- the actual application of the administrative and accounting procedures for the formation of the financial statements in the period from 01 January 2017 to 31 December 2017.

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

3. It is further certified that:

3.1 the financial statements as at 31 December 2017:

- a) were prepared in accordance with Articles 2423 et seq. of the Italian Civil Code and in line with the regulatory changes introduced by Legislative Decree no. 139/2015, supplemented with the accounting standards issued by the Italian Accounting Standard Authority (OIC);
- b) match the results of the accounting books and records;
- c) provide a truthful and fair representation of the financial and economic position of the issuer and of the set of consolidated companies.

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

Trento, 27 March 2018

The Chairman **Rudi Oss**
The Head of Administration **Michele Pedrini**





Dolomiti Energia SpA

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Report

Board of Statutory Auditors' report

To the Shareholders' Meeting of Dolomiti Energia SpA

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 SpA.

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

As a result of the acquisition of the PIE qualification by Dolomiti Energia SpA, the engagement to audit the accounts already stipulated by the Shareholders' Meeting to the company PricewaterhouseCoopers SpA on 27 April 2017 is no longer compliant with the regulations currently in force. The proposal of the Board of Statutory Auditors to the Shareholders' Meeting in regard to this aspect was drafted separately.

Supervisory activity in accordance with Article 2403 et seq. of the Italian Civil Code

During the year ending 31 December 2017, our activities were governed by legal provisions

and by the "Code of Conduct of the Board of Statutory Auditors" recommended by the Italian Accounting Profession, and consisted of the activities reported hereunder.

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

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

We periodically obtained information from the Directors, during the meetings that were held, about the general performance of operations and on the business outlook, as well as details of the more significant transactions in terms of size or characteristics performed by the company including any related party transactions and, based on the information acquired, we have no particular observations to 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 held periodic meetings with the appointed independent auditor, and no significant data or information emerged that would warrant mention in this report.

We acquired knowledge and monitored, for matters under our competence, the adequacy of the company's organisational structure and internal control system, also through information obtained from company department managers, from the entity tasked with the independent audit and the supervisory authority established as part of the organisational model set forth in Italian Legislative Decree no. 231/2001, of which the Chairman of the Board of Statutory Auditors is also a member. As a

result of the work we carried out, taking also into account the dimensions and degree of complexity of the company, we have no particular observations to report except to point out that, as the Directors have already stated in the Report on Operations, during the year 2017 the Company analysed and audited the main operating processes - both in the customer acquisition phase and in the post-sale assistance phase - and the corporate climate, as a result of which both organisational revision activities and investments on the information systems were carried out, to improve the organisational welfare, the effectiveness of internal processes and the level of service to customers. With reference to the organisational structure, lastly, we should recall that the terms of office of both the Board of Directors and the Board of Statutory Auditors are about to expire, and therefore we invite you to renew the corporate bodies.

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

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 29 March 2017 we issued the justified proposed prescribed by Article 13 of Legislative Decree no. 39 of 27 January 2010, with regard to the engagement of an independent auditor.

On 14 December 2017, we expressed the opinion required by Article 2386, First Paragraph, on the co-optation of Ms. Fortunata Mazzeo as Director to replace Mr. Andrea D'Amico, who resigned. During the course of our supervision, as described above, no other significant events emerged that would require mention in this report.

Observations on the financial statements

We examined the financial statements for the year ended as at 31 December 2017, which reported shareholders' equity of 105,611,029 euro, including profit for the year of 18,570,382 euro. As we are not responsible for the full audit of the

financial statements, we monitored their overall presentation, general compliance with law in relation to their format and structure, and we verified the consistency between the financial statements and the facts and information we gained knowledge of in fulfilling our duties.

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

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

As far as we are aware, in preparing the financial statements the Directors did not deviate from regulations pursuant to next to last paragraph of Article 2423 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 1,111,431 euro, already net of the associated accumulated amortisation.

Observations and proposals pertaining to the approval of the financial statements

In consideration of the above, as well as the results of activities performed by the independent auditor, contained in a specific report to accompany the financial 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 2017, as prepared by the Directors, and of the proposed allocation of profit for the year.

In consideration of the expiration of the three-year term of office of the Board of Statutory Auditors, we are duty-bound to conclude the present report expressing our most heartfelt thanks to the Shareholders for their confidence, to the Board of Directors for the cordial and timely collaboration, and to all the employees of Dolomiti Energia and of the parent company for its very valuable assistance.

Trento, 10 April 2018.

The Board of Statutory Auditors
Stefano Tomazzoni, Chairman
Andrea Mora, Statutory auditor
Anna Postal, Statutory auditor

Independent Auditor's report



Independent auditor's 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 Audit of the Financial Statements

Opinion

We have audited the financial statements of Dolomiti Energia SpA (the Company), which comprise the balance sheet as of 31 December 2017, the income statement and statement of cash flows for the year then ended and related notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

Basis for Opinion

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian laws governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers SpA

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39 of 27 January 2010

Management of Dolomiti Energia SpA is responsible for preparing a report on operations of Dolomiti Energia SpA as of 31 December 2017, including its consistency with the relevant financial statements and its compliance with the law.

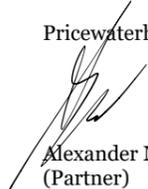
We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Dolomiti Energia SpA as of 31 December 2017 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of Dolomiti Energia SpA as of 31 December 2017 and is prepared in compliance with the law.

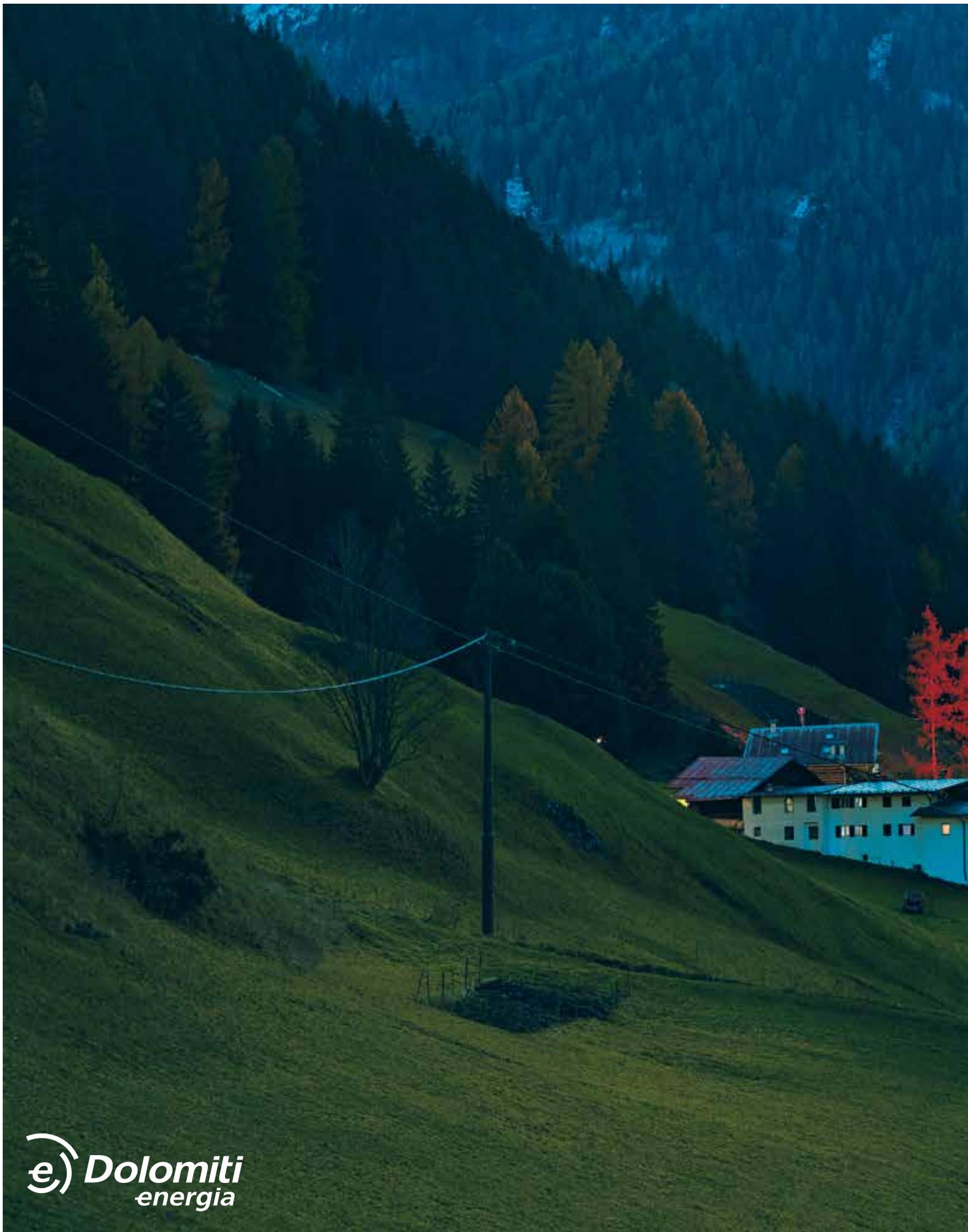
With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39 of 27 January 2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Verona, 10 April 2018

PricewaterhouseCoopers SpA



Alexander Mayr
(Partner)



 **Dolomiti**
energia

Dolomiti Energia SpA - Trento, Via Fersina 23 - www.dolomitienergia.it