2021

Dolomiti energia

FINANCIAL STATEMENTS

On the cover: Prà da Stua lake, Mount Baldo -Avio
Dolomiti Energia Group Archive - Photo Tommaso Prugnola

FINANCIAL STATEMENTS
2021

DOLOMITI ENERGIA SpA

Fully paid-up Share Capital 20.423.673 euro
Via Fersina no. 23 – Trento
Trento Register of Companies No. – Taxpayer ID and VAT No. 01812630224
Management and coordination by Dolomiti Energia Holding Spa

REPORT AND FINANCIAL STATEMENTS

as at 31 December 2021

BOARD OF DIRECTORS*

Chairman and Chief Executive Officer
Marco Merler

Deputy Chairman
Andrea Girardi

Directors
Romano Stefani
Enrica Franzini
Lara Marcabruni
Donata Dallavo

BOARD OF STATUTORY AUDITORS*

Chairman
Stefano Tomazzoni

Statutory auditors
Anna Postal
Andrea Mora

INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

*Board of Directors and Board of Statutory Auditors appointed on 25 May 2021

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Report on operations

Snowy forest, Mount Baldo
Dolomiti Energia Group Archive - Photo Tommaso Prugnola

Board of directors' report on operations

Dear Shareholders,

after 2020, which was marked by the spread throughout the world of the Coronavirus pandemic, which is still underway, 2021 was characterised by a wholly unexpected and unprecedented performance of the energy markets, and of gas and electricity prices. Unfortunately, these circumstances meant that your Company recorded a negative result for the first time ever, due to the exceptional and unforeseen market performance and to the consequent difficulty in fully recovering the very rapid increase recorded on the market through sales prices, which led to absolute values that were completely unexpected and up to 4/5 times higher than those usually recorded.

In this negative scenario, it is important to mention the positive performance of commercial activities which, even given the extremely difficult situation, were able once again to record positive results, leading to an increase in the total number of customers.

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

The Company exercised its right to be exempted from the preparation of the non-financial statement in accordance with Article 6, Paragraph 1, of Legislative Decree No. 254 of 30 December 2016, since this statement is drawn up by the Parent Company Dolomiti Energia Holding.

GENERAL PERFORMANCE OF THE ENERGY MARKETS

ELECTRICITY

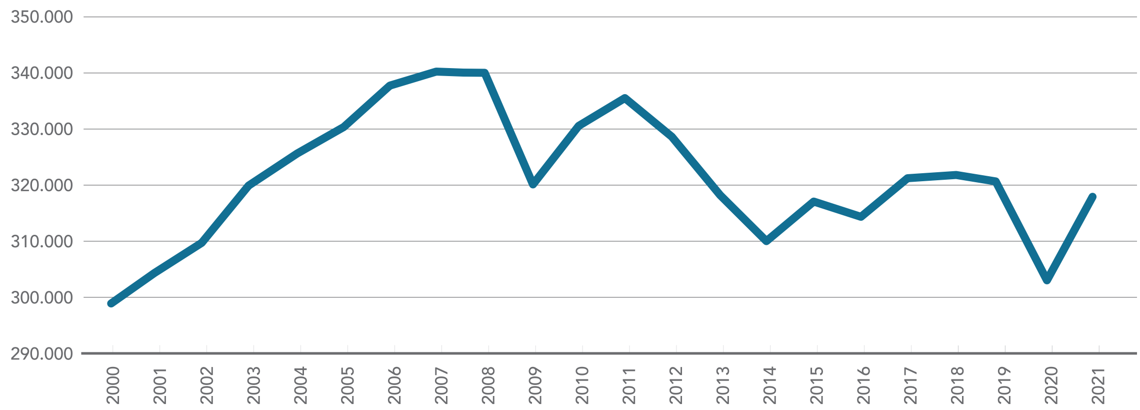
According to the latest available final data (from Terna S.p.A.), electricity consumption in Italy in 2021 stood at 318,075 million kWh, up by 5.6% compared to 2020 (319,622 in 2019), sustained by production and broken down between the various sources as follows:

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

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

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

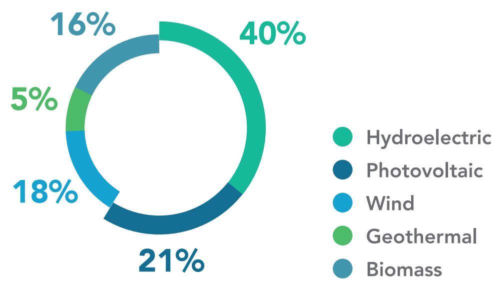
Consumption Italy, GWh



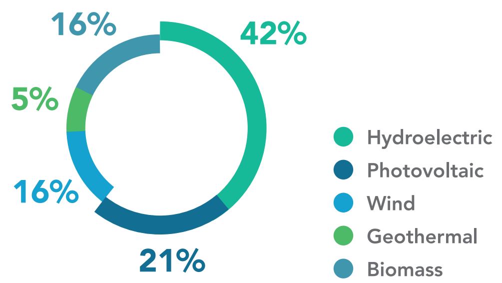
In 2021, 57% of Electricity Demand in Italy was met from thermal sources (58% in 2020), 30% from other sources (hydroelectric, wind, photovoltaic, geothermal) and 13% from the foreign balance (11% in 2020). Renewable sources (also considering the share of thermal source related to biomass) in 2021 produced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

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

Breakdown of renewable sources 2021

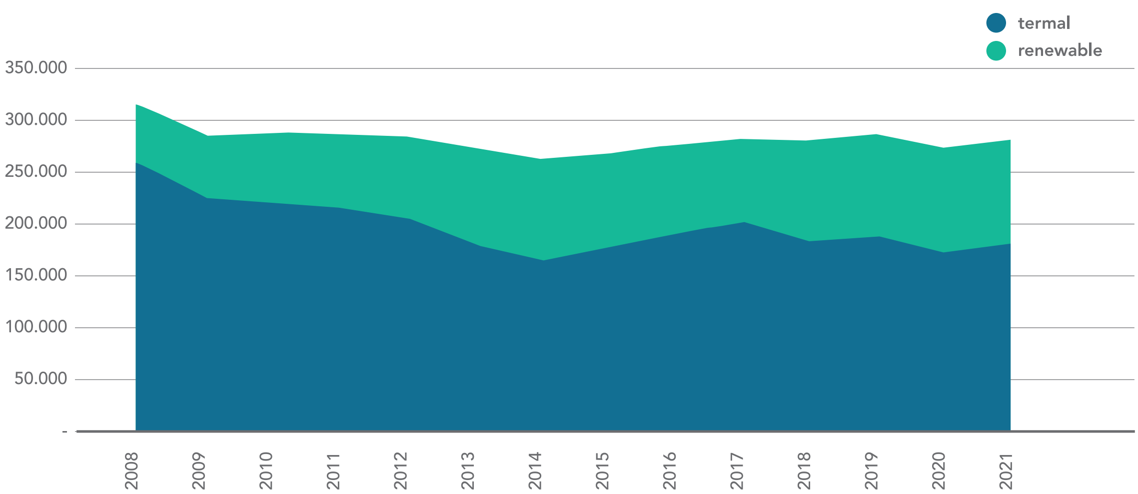


Breakdown of renewable sources 2020



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

historical trend of thermal production
and renewable production, GWh



NATURAL GAS

In 2021, natural gas consumption in Italy rose by 7.2% compared to the figure recorded in 2020, and stood at around 76 billion Scm.

Natural gas consumption Italy, MSmc

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

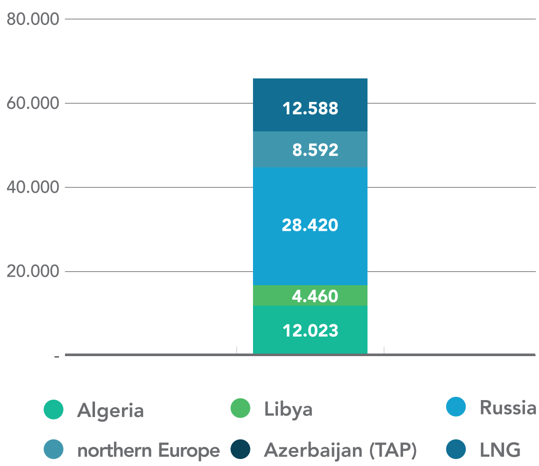
National production, MSmc

Natural gas imports consequently rose by 10% to 72.7 billion Scm.

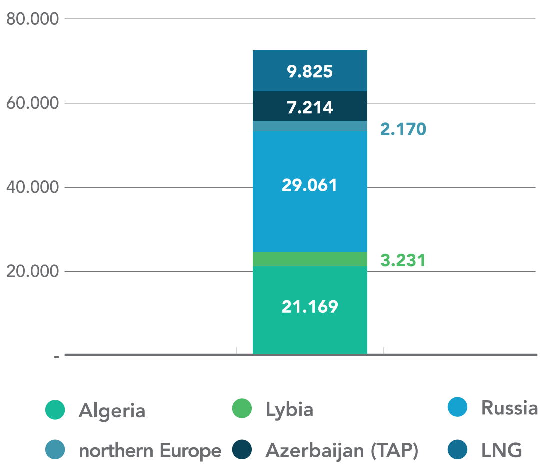
Imports of gas, MSmc

In 2021, the national procurement mix continued to see Russia with the largest share of 40%, followed by Algeria with 29%, and 10% represented by the new source of imported gas through the TAP pipeline, which offset the significant fall in gas supplied by Northern Europe.

Natural gas import mix 2020



Natural gas import mix 2021



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

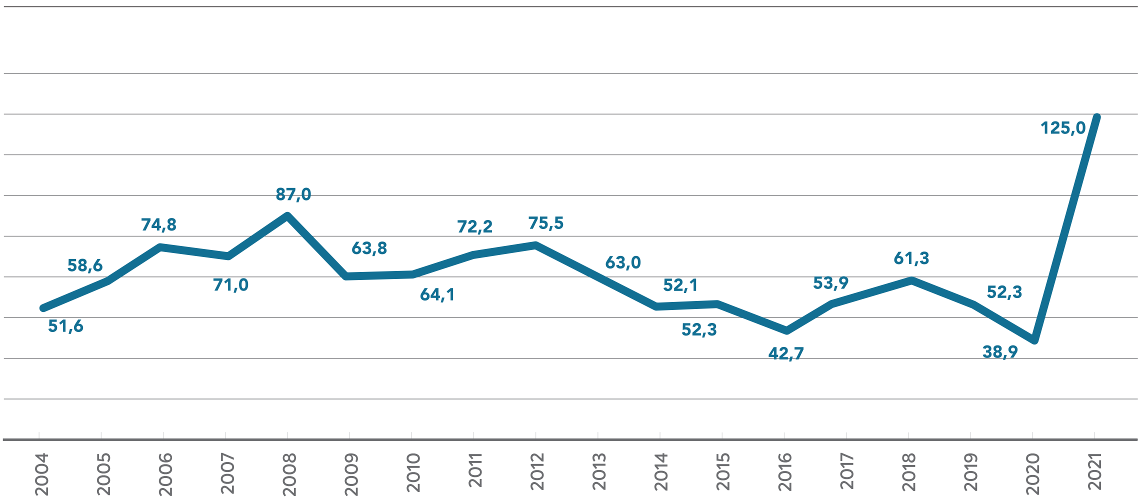
ELECTRICITY PRICES

The average monthly PUN prices recorded a sharp rise, particularly in the second half of the year, reaching levels that had never been recorded in Italy or in the rest of Europe: in 2021, the average national PUN was 125 €/MWh (+221%, based on the annual arithmetic average in 2021 compared to the annual arithmetic average in 2020, which was 38.9 €/MWh). Starting in particular from July, due above all to the increase in natural gas and CO2 prices, to the economic recovery and to the consequent resumption of consumption at pre-Covid levels, PUN values rose steadily, reaching the highest value in December 2021 of 281.2 €/MWh and an average value for the last quarter of 241.6 €/MWh, five times higher (+400%) than the same quarter of 2020. See below for further details:

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

The electricity price (PUN) recorded in 2021 was by far the highest ever recorded since the Italian Power Exchange has existed (2004).

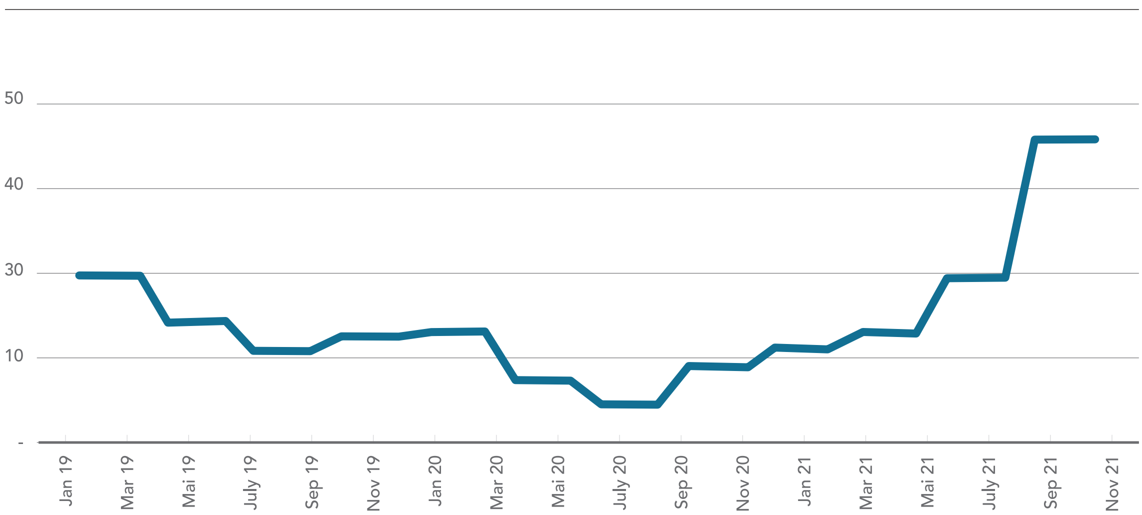
Historical annual PUN, €/MWh



NATURAL GAS PRICES

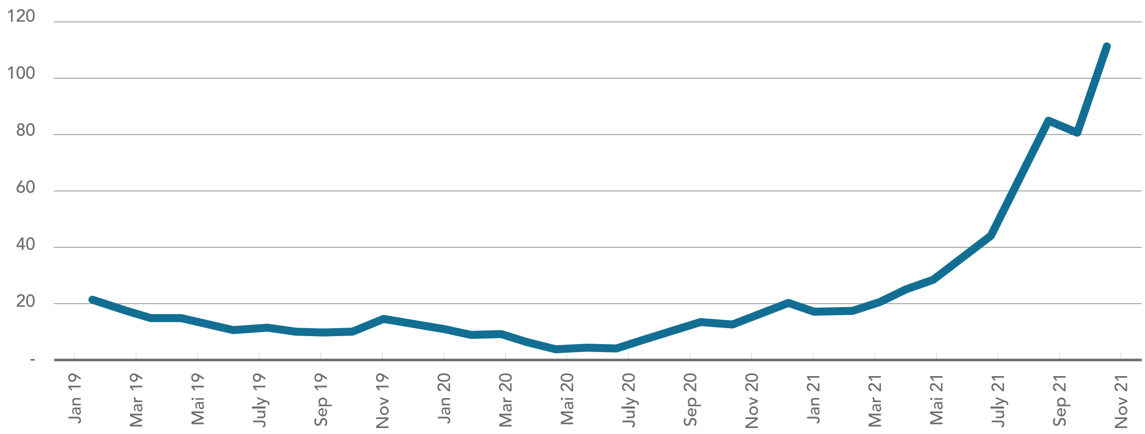
In 2021, natural gas prices rose very quickly, reaching figures that had never been recorded before. The value of the PFOR, the benchmark for the price of gas supplied to households, rise from 6 €/MWh in the third quarter of 2020 to 45 €/MWh in the fourth quarter of 2021.

PFOR price €/MWh



The increase on the spot market was even more significant, where towards the end of the year, prices largely exceeded the psychological threshold of 100 €/MWh due to concerns in the market relating to the risk of gas shortages in the winter.

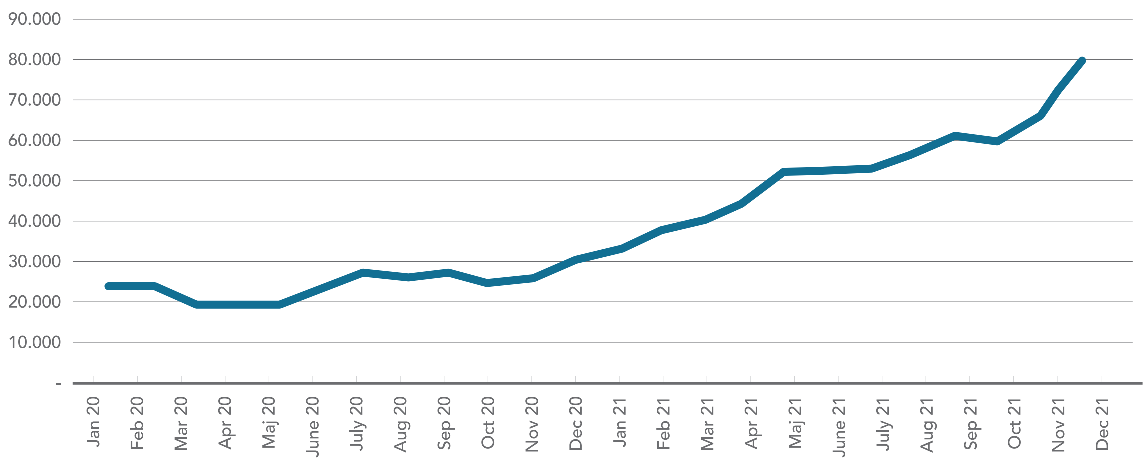
TTF DA, €/MWh



PRICES OF CO2

CO2 prices remained very high throughout 2021, peaking at almost 80 €/ton in December.

CO2 spot €/ton



SIGNIFICANT OPERATING EVENTS

As already mentioned, 2021 was significantly influenced by the unusual performance of the markets. The very high prices increases, which intensified in the second half in particular, and which led to absolute values that had never been recorded before on the market, and in some cases by a higher order of magnitude than in the past (for instance the spot price of gas which reached and surpassed the 1 euro/Scm threshold, when in 2020 it recorded figures that were even lower than 10 cents of a €/Scm), created considerable problems for commercial activities. On one hand, the unexpected and rapid rise in consumption, following the fall recorded in 2020, forced the Company to purchase surplus volumes of energy and gas with respect to that already reserved and sold at fixed prices, at extremely high prices, and far higher than those established for sales just 6 or 12 months earlier; on the other hand, the significant price increases penalised, in particular, the profit margins of certain types of offer, such as those that envisage prices linked to the ARERA tariff, or which envisage percentage discounts on commodity prices.

The combined effect of these factors, which intensified in the last quarter of the year, led to a negative result, especially for electricity sales, even though revenues rose.

The turnover recorded in the year actually rose significantly, from 820.8 million euro to 1,093.7 million euro, marking an increase of 33.2%, due both to the rise in volumes sold and to the number of customers served, and above all to the increase in commodity prices. The share of turnover relating to end customers outside of the provincial area was substantially stable, and like last year, was slightly higher than that of customers located in the provincial area. The higher turnover regarded both sales to end customers for the supply of natural gas (+47%), and for the supply of electricity (+32%).

For the above reasons, the profit & loss figures for the year were negative. Although margins in the protected market stood firm, as did those of the gas sector, which are usually subject to frequent price adjustments (PFOR updated quarterly), EBITDA for the year recorded a loss of 1.5 million euro (a profit of 42.2 million euro in 2020, also influenced by some non-recurring components); this result is mainly due to the negative results of the electricity sector, for energy sales on the open market, conditioned by the high costs incurred to procure additional volumes sold at fixed prices with respect to that forecast and procured, and by the reduction of profit margins due to the fact that it was difficult, if not impossible, to pass on the cost increases related to the new energy scenario to sales prices, at least in the short term.

Consequently, the year closed with a loss of 3.6 million euro, compared to a profit for the year of 26.2 million euro recorded in 2020.

Despite these negative results in terms of profit & loss, as regards commercial activities, the year closed on a positive note, even considering the extremely complex scenario the Company operated in, marked by the effects of the ongoing pandemic on one side, and abnormal market performance on the other. Direct and indirect sales network activity enabled the number of customers served to be increased, bringing them (for energy and gas only) to around 726,000, with a net increase of about 29,000 supply points, an extremely positive result especially considering all the constraints influencing the operations of the indirect sales network in particular. It should be noted that the number of customers shown above includes customers relating to the electricity sales business unit that the municipal authority of Castello-Molina transferred, effective 1 January 2022.

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

In 2020, as part of its periodic control activities on the application of regulations relating to the Consumer Code, the Italian Antitrust Authority (AGCM) had started preliminary proceedings against your Company, which concluded with the ruling notified on 3 August 2021, in which the AGCM retained that the commitments submitted by the Company were suitable to confirm no wrongdoing regarding commercial practices and therefore closed the proceedings without establishing any infringement.

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.

Lastly, we are pleased to point out that, as a result of the periodic tests performed in October 2021, IMQ-CSQ confirmed, for your Company, the certification of the corporate quality management system and of the environmental management system in accordance respectively with the international standards UNI EN ISO 9001:2015 and UNI EN ISO 14001:2015, in relation to the activities carried out.

OPERATING CONTEXT

METHANE GAS

Sale of natural gas		2021	2020
Civil and industrial	(mln/mc)	531.9	477.5
NUMBER OF CUSTOMERS	**No.**	**237,153**	**224,519**

The methane gas sector recorded considerable growth, due essentially to weather conditions and to the recovery of industry.

ELECTRICITY

Sale of electricity		2021	2020
Market subject to additional safeguards	Gwh	245.9	260.0
End customers	Gwh	3,507.6	3,363.5
Other	Gwh	135.2	127.1
TOTAL	**Gwh**	**3,888.7**	**3,750.6**
NUMBER OF CUSTOMERS	**No.**	**489,086**	**472,118**

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

INTEGRATED WATER SERVICE

Water service		2021	2020
Domestic water supply	(mil/mc)	14.1	14.2
Other water supply uses	(mil/mc)	7.7	7.9
TOTAL	**(mil/mc)**	**21.8**	**22.1**
Sewerage	(mil/mc)	20.3	20.3
NUMBER OF CUSTOMERS - WATER SUPPLY	**No.**	**113,638**	**112,677**

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

DISTRICT HEATING

District heating service		2021	2020
Steam	Gwh	3.9	18.3
Heat	Gwh	72.2	66.8
TOTAL	**Gwh**	**76.1**	**85.1**
NUMBER OF CUSTOMERS	**No.**	**211**	**208**

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

PERSONNEL AND ORGANISATION

As at 31 December 2021, the Company had 200 employees. The table below shows the change in personnel during the year by category.

Category	2020	Hires	Resignations	Changes of Role	2021
Executives	2	-	-	-	2
Managers	7	2	-	-	9
Employees	186	9	(6)	-	189
Manual workers	-	-	-	-	-
TOTAL	**195**	**11**	**(6)**	**-**	**200**

In 2021, 1 accident was recorded.

FINANCIAL POSITION AND MANAGEMENT OF TRADE RECEIVABLES

Dolomiti Energia has a centralised 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 substantially broke even, registering a positive net financial income of 33 thousand euro.

In view of the delicate economic situation in 2021 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 11.4 million euro.

KEY ECONOMIC AND FINANCIAL RESULT INDICATORS

RECLASSIFIED INCOME STATEMENT

(figures in thousands of euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER		
	2021	2020	Difference
Revenues	1,093,716	820,804	272,912
Other revenue and income	11,038	14,663	(3,625)
TOTAL REVENUE AND OTHER INCOME	**1,104,754**	**835,467**	**269,287**
Cost for raw materials	(676,851)	(326,755)	(350,096)
Costs for services	(412,659)	(450,367)	37,708
Other operating costs	(7,403)	(7,641)	238
Personnel	(9,389)	(8,475)	(914)
OPERATING COSTS	**(1,106,302)**	**(793,238)**	**(313,064)**
EBITDA - GROSS OPERATING MARGIN	**(1,548)**	**42,229**	**(43,777)**
Amortisation, depreciation, allocations and write-downs	(4,102)	(6,620)	2,518
EBIT - operating result	**(5,650)**	**35,609**	**(41,259)**
Financial income/(expenses)	33	321	(288)
PROFIT BEFORE TAX	**(5,617)**	**35,930**	**(41,547)**
Taxes	1,990	(9,750)	11,740
PROFIT OR LOSS FOR THE YEAR	**(3,627)**	**26,180**	**(29,807)**

ECONOMIC INDICATORS

Ratio	Formula		2021	2020	Difference
Total revenue and income	Total revenue and other income	euro thousands	1,104,754	835,467	269,287
EBITDA (*)	Gross operating margin	euro thousands	(1,548)	42,229	(43,777)
EBIT (**)	Net operating margin	euro thousands	(5,650)	35,609	(41,259)
Profit (loss) for the year	Profit (loss) for the year	euro thousands	(3,627)	26,180	(29,807)
ROE	Net profit/Equity	%	-3.1%	25.3%	-28.4%
ROI	EBIT/Invested capital	%	-1.2%	12.0%	-13.2%
ROS	EBIT/Production value	%	-0.5%	4.3%	-4.8%

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

The economic indicators were worse than those of last year, becoming negative due to the market and price dynamics that characterised the period.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(figures in thousands of euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER		
	2021	**2020**	**Difference**
NET NON-CURRENT ASSETS			
Property, plant and equipment and intangible assets	6,914	6,369	545
Equity investments	3	3	-
Other non-current assets	33,833	45,262	(11,429)
Other non-current liabilities	(5,061)	(5,042)	(19)
TOTAL	**35,689**	**46,592**	**(10,903)**
NET WORKING CAPITAL			
Trade receivables	399,791	235,333	164,458
Trade payables	(259,447)	(135,201)	(124,246)
Net tax credits/(payables)	1,092	(120)	1,212
Other current assets/(liabilities)	(10,760)	(8,908)	(1,852)
Assets/(liabilities) held for sale	-	-	-
TOTAL	**130,676**	**91,104**	**39,572**
GROSS INVESTED CAPITAL	**166,365**	**137,696**	**28,669**
OTHER PROVISIONS			
Employee benefits	(1,231)	(1,241)	10
Provisions for risks and charges	(6,256)	(3,588)	(2,668)
Net prepaid taxes	4,776	3,781	995
TOTAL	**(2,711)**	**(1,048)**	**(1,663)**
NET INVESTED CAPITAL	**163,654**	**136,648**	**27,006**
SHAREHOLDERS' EQUITY	**113,102**	**129,828**	**(16,726)**
NET INDEBTEDNESS	**50,552**	**6,820**	**43,732**

FINANCIAL AND CAPITAL RATIOS

Ratio	Formula	2021	2020	difference
Hedging of net fixed assets	Equity+medium/long-term liabilities/net fixed assets	2.69	2.53	0.16
Debt ratio	Liabilities/Equity	3.04	1.29	1.75
Current ratio	Short-term assets/short-term liabilities	1.23	1.54	(0.31)

The financial and capital ratios are slightly lower than those of last year, with the exception of the Debt ratio, which was significantly influenced by the increase in payables to the parent company Dolomiti Energia Holding for cash pooling. As regards the financial ratios, 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 the focus should be on the current ratio, which is substantially in line with last year.

RISK ANALYSIS – CORPORATE OBJECTIVES AND POLICIES ON RISK MANAGEMENT

CREDIT RISK

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

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

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

LIQUIDITY RISK

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

MARKET RISK

Dolomiti Energia's main risk factor is linked to price fluctuations of the commodities (electricity and gas), whose sale represents its core business. The risk management policy adopted, 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.

Despite the risk management policy adopted by the company, there is still a risk profile on forward quantities of energy and gas purchased, linked to the variability of actual end user consumption with respect to estimated consumption, and on which procurement is calibrated.

COMMODITY PRICE RISK

Monitoring commodity prices is essential to avoid that relative fluctuations lead to significant changes in the Company's operating margins.

Therefore it is fundamental to have a control system set in place to limit undesired effects on the economic result, which could compromise achieving the Company's budget targets.

This risk originates from natural gas and electricity sales contracts, as well as from the environmental certificates that comprise the sources and uses portfolio.

The objective of the Group's "Risk Management" function is to monitor the company's transactions on the commodities market, in order to guarantee compliance with the limits set for assuming economic-financial risks.

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 2021.

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

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

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

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

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

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

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

Service agreement stipulated between Dolomiti Energia and Novareti:

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

Service agreements stipulated between Dolomiti Energia and Set Distribuzione:

- agreement that regulates electricity distribution activities, with tariffs regulated by ARERA which Dolomiti Energia re-invoices to end customers;
- rental contract between Dolomiti Energia and Set Distribuzione relating to the business unit concerning the sale of electricity. The fee is set at approximately 0.4 million euro.

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

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

TREASURY SHARES

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

BUSINESS OUTLOOK

In February 2022, the IT systems of the Dolomiti Energia Group, also used by the Company, were attacked by external parties, which led to the unavailability of several IT platforms used by the Group and the Company. Fortunately, the systems that process customer data, the invoicing and accounting management systems were not involved.

The Group immediately adopted all possible measures to limit the effects and the spread of the attack, by taking the action needed to safeguard all of the counter parties potentially involved, with the support of a team of IT security experts. At this stage of the investigation, which is still underway, there is no evidence that any business or personal data was leaked. The Postal Police and the relevant data protection authority have been made aware of the situation. Significant efforts were made to recover full operations as quickly as possible, in line with the need to guarantee the utmost safety of the process.

Given the continuing high prices, the turnover for the current year is expected to be very high, also following the reconfirmation of consumers related to the award of lot 4 (Veneto and Trentino-Alto Adige) in the Company's customer portfolio, and the entry of those of lot 5 (Friuli and Emilia Romagna) from the Consip tender (Tender 14) for the supply of natural gas, with inevitable repercussions on the deterioration of the net financial position, due to the need to fund the increased working capital requirement.

As mentioned previously, overall market performance is still being significantly impacted by the sharp price increase recorded at the end of 2021. From the end of February 2022, this was exacerbated by the turbulence caused by the Russian invasion of Ukraine, which has generated significant repercussions on the recovery of the global economy and evidently on the whole energy supply chain. Given these conditions, it is particularly complex to assess the effects of these external events on the Company's activities, due to the continuous variability and fluidity of the situation.

The price trends in these first few months have therefore not only confirmed but, from the end of February, amplified the increases recorded previously, and represent a real risk for households and businesses, while the extraordinary legislative measures taken to manage and moderate the impact of the crisis, such as the provision first for domestic customers and more recently for businesses, of the option, envisaged by law, to transform the payment of certain bills into instalments, represents new and further challenges in terms of the impact on the Company's net financial position, and on the risk resulting from customer defaults, which must be carefully monitored and, where possible, managed with adequate tools.

Undoubtedly, this means that the companies in our industry will be asked to plan - despite the situation of great uncertainty - future energy accessibility and safety for the communities we serve. In this situation, we feel a great responsibility to guarantee the continuity of the services provided by the Company and the Group, both for the benefit of our customers, but above all at this stage, for the benefit of the entire community and of our country, by managing the high level of risk and variability that characterises this period as well as possible.

During the year, the energy supply service on the protected market is expected to be assigned by means of a tender, which concerns customers other than households, currently supplied in the service subject to additional safeguards. The impact of this tender and the opportunity to participate in the same to increase the number of customers served, will have to be assessed very carefully, while considering the unusual market situation that the Company is operating in.

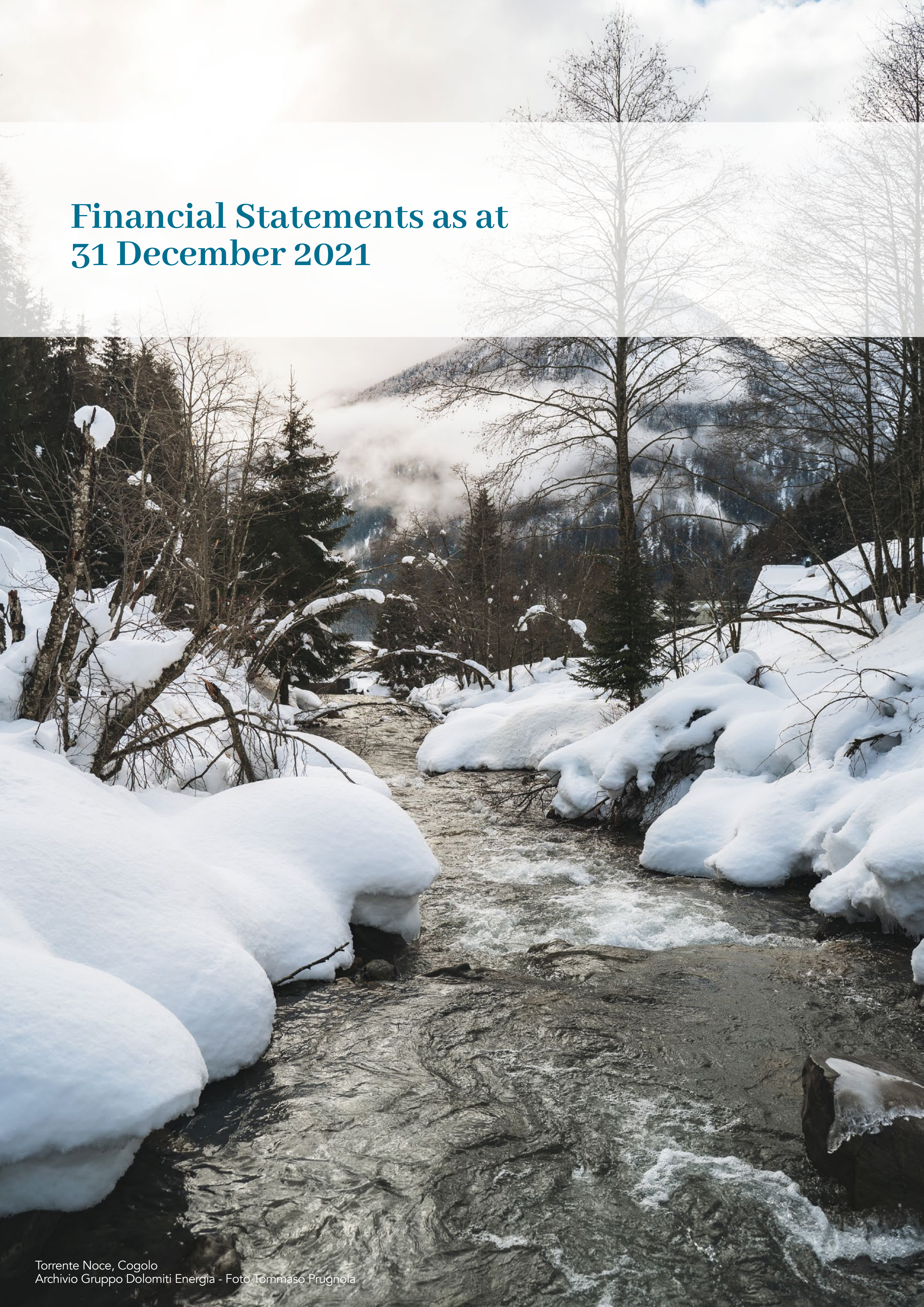
Given these circumstances, and the fact that it is extremely difficult to make forecasts due to the high uncertainty of the situation, exacerbated by continual "emergency" legislative interventions, and without considering external events that cannot currently be predicted, a significant improvement in results with respect to 2021 is expected, even in the knowledge that the negative consequences of the phenomena recorded during the year that has just ended will no doubt have some impact on the current year, especially in the first half.

After confirming that Art. 9 of the Articles of Association provides for the power to convene an ordinary shareholders' meeting to approve the financial statements even beyond one hundred and twenty days from the end of the financial year, namely by 29 June 2022 (one hundred and eighty days from the end of the year), and given the need to conduct all of the checks relating to the previously-cited infringement of part of the IT systems used by the Company to draw up the final version of the 2021 financial statements, the Board of Directors decided to utilise the longer term of one hundred and eighty days, permitted by Article 2364 of the Italian Civil Code, to regularly convene the Shareholders to an ordinary shareholders' meeting for the approval of the financial statements as at 31 December 2021.

Trento, 19 April 2022

on behalf of the Board of Directors
The Chairman
Mr. Marco Merler

Financial Statements as at 31 December 2021



Torrente Noce, Cogolo
Archivio Gruppo Dolomiti Energia - Foto Tommaso Prugnola

Statement of financial position

(figures in Euro)	NOTE	AS AT 31 DECEMBER 2021	2020
Assets			
NON-CURRENT ASSETS			
Rights of use	9.1	686,627	577,912
Goodwill	9.2	5,369,092	5,294,392
Other intangible assets	9.2	714,203	356,490
Property, plant and equipment	9.3	144,004	141,043
Equity investments	9.4	2,850	2,850
Deferred tax assets	9.5	5,088,338	4,049,296
Other non-current assets	9.6	33,833,212	45,261,698
TOTAL NON-CURRENT ASSETS		45,838,326	55,683,681
CURRENT ASSETS			
Trade receivables	9.7	399,791,102	235,333,304
Current tax receivables	9.8	1,091,910	-
Current financial assets	9.9	28,000	39,694
Other current assets	9.10	8,070,444	4,432,706
Cash and cash equivalents	9.11	2,117,893	2,130,376
TOTAL CURRENT ASSETS		411,099,349	241,936,080
TOTAL ASSETS		**456,937,675**	**297,619,761**
Shareholders' Equity			
Share capital	9.12	20,414,755	20,405,332
Reserves	9.12	96,450,397	83,474,277
IAS 19 Reserve	9.12	(135,973)	(231,735)
Profit or loss for the year	9.12	(3,627,277)	26,180,434
TOTAL SHAREHOLDERS' EQUITY		113,101,902	129,828,308
Liabilities			
NON-CURRENT LIABILITIES			
Provisions for non-current risks and charges	9.13	2,889,822	2,556,798
Employee benefits	9.14	1,230,924	1,241,140
Deferred tax liabilities	9.5	312,358	268,035
Non-current financial liabilities	9.15	553,715	1,704,247
Other non-current liabilities	9.17	5,060,902	5,042,250
TOTAL NON-CURRENT LIABILITIES		10,047,721	10,812,470
CURRENT LIABILITIES			
Provisions for current risks and charges	9.13	3,366,375	1,031,496
Trade payables	9.16	259,446,870	135,200,754
Current financial liabilities	9.15	52,144,501	7,286,132
Current tax liabilities	9.8	-	119,716
Other current liabilities	9.17	18,830,306	13,340,885
TOTAL CURRENT LIABILITIES		333,788,052	156,978,983
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**456,937,675**	**297,619,761**

Statement of comprehensive income

(figures in Euro)

	Note	AS AT 31 DECEMBER 2021	2020
Revenues	10.1	1,093,715,781	820,804,330
Other revenue and income	10.2	11,038,691	14,662,833
TOTAL REVENUE AND OTHER INCOME		**1,104,754,472**	**835,467,163**
Costs for raw materials, consumables and merchandise	10.3	(676,851,265)	(326,755,212)
Costs for services	10.4	(412,659,174)	(450,366,558)
Personnel costs	10.5	(9,389,295)	(8,475,032)
Amortisation, depreciation, allocations and write-downs	10.6	(2,296,829)	(2,037,687)
Net write-backs (write-downs) on receivables	10.7	(1,805,280)	(4,582,889)
Other operating costs	10.8	(7,402,988)	(7,640,680)
TOTAL COSTS		**(1,110,404,831)**	**(799,858,058)**
OPERATING RESULT		(5,650,359)	35,609,105
Financial income	10.9	253,990	559,543
Financial expenses	10.9	(220,923)	(237,789)
PROFIT BEFORE TAX		(5,617,292)	35,930,859
Taxes	10.10	1,990,015	(9,750,425)
PROFIT OR LOSS FOR THE YEAR		**(3,627,277)**	**26,180,434**
COMPONENTS OF COMPREHENSIVE INCOME STATEMENT THAT WILL NOT SUBSEQUENTLY BE RECLASSIFIED IN THE INCOME STATEMENT			
Actuarial gains/(losses) for employee benefits		19,339	(188,162)
Tax effect on actuarial gains/(losses) for employee benefits		76,424	28,380
TOTAL COMPONENTS OF COMPREHENSIVE INCOME STATEMENT THAT WILL NOT SUBSEQUENTLY BE RECLASSIFIED IN THE INCOME STATEMENT (C1)		**95,763**	**(159,782)**
COMPONENTS OF COMPREHENSIVE INCOME STATEMENT THAT MAY SUBSEQUENTLY BE RECLASSIFIED IN THE INCOME STATEMENT			
TOTAL COMPONENTS OF COMPREHENSIVE INCOME STATEMENT THAT MAY SUBSEQUENTLY BE RECLASSIFIED IN THE INCOME STATEMENT (C2)		**-**	**-**
TOTAL OTHER COMPREHENSIVE PROFIT (LOSS), NET OF THE TAX EFFECT (C) = (C1)+(C2)		**95,763**	**(159,782)**
TOTAL COMPREHENSIVE PROFIT OR LOSS OF THE YEAR (A)+(B)+(C)		**(3,531,514)**	**26,020,652**

Cash flow statement

(figures in Euro)

	Note	FOR THE YEAR ENDED AS AT 31 DECEMBER 2021	2020
PROFIT BEFORE TAX		**(5,617,292)**	**35,930,859**
ADJUSTMENTS FOR:			
Amortisation/depreciation of:			
- rights of use	10.6	185,822	177,975
- intangible assets	10.6	259,287	167,981
- property, plant and equipment	10.6	21,721	20,331
Allocations to and releases from provisions	9.13	3,324,080	2,278,339
Financial (Income)/Expenses	10.9	(33,066)	(321,754)
Other non-monetary elements		(1,049)	(8,124)
Cash flow from operations before changes in net working capital		(1,860,497)	38,245,607
(Increase)/Decrease in trade receivables	9.7	(164,455,002)	9,263,524
(Increase)/Decrease in other assets/liabilities	9.6;9.10;9.17	20,752,547	(12,945,485)
Increase/(Decrease) in trade receivables	9.16	124,248,563	(35,389,255)
Interest income and other financial income collected	10.9	263,934	565,352
Interest income and other financial expenses paid	10.9	(212,543)	(252,551)
Use of provisions for risks and charges	9.13	(666,392)	(1,025,387)
Taxes paid		(7,584,750)	(12,392,219)
CASH FLOWS FROM OPERATIONS (A)		**(29,514,140)**	**(13,930,414)**
Net capital expenditure in intangible assets	9.2	(617,000)	(33,520)
Net capital expenditure in property, plant and equipment	9.3	(28,245)	(5,948)
(Increase)/Decrease in financial receivables	9.9	1,750	20,286,214
CASH FLOW FROM INVESTMENT/DIVESTMENT ACTIVITIES (B)		**(643,495)**	**20,246,746**
Financial payables (repayments and other net changes)	9.15	43,414,735	3,993,511
Dividends paid		(13,269,591)	(13,134,367)
CASH FLOW FROM FINANCING ACTIVITIES (C)		**30,145,144**	**(9,140,856)**
Increase/(Decrease) in cash and cash equivalents (A+B+C)		(12,491)	(2,824,524)
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR		**2,110,251**	**4,934,775**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**2,097,760**	**2,110,251**
of which:			
bank and postal current accounts		2.117.633	2.130.117
current account overdrafts		(20.133)	(20.125)
cash on hand		260	259

Statement of changes in shareholders' equity

(in thousands of Euro)

	Share capital	Legal reserve	Share premium reserve	Other Reserves and earnings carried forward	Profit or loss for the year	Total Shareholders' Equity
BALANCE AS AT 31 DECEMBER 2019	**20,405**	**4,040**	**12,384**	**57,242**	**22,857**	**116,928**
TRANSACTIONS WITH SHAREHOLDERS:						
Distribution of dividends	-	-	-	-	(13,134)	(13,134)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**-**	**-**	**-**	**(13,134)**	**(13,134)**
ALLOCATION OF THE PROFIT FOR THE YEAR TO RESERVE	**-**	**41**	**-**	**9,682**	**(9,723)**	**-**
COMPREHENSIVE PROFIT (LOSS) FOR THE YEAR:						
Profit or loss for the year	-	-	-	-	26,180	26,180
Other changes	-	-	-	14	-	14
Actuarial gains/(losses) for employee benefits, net of tax effect	-	-	-	(160)	-	(160)
TOTAL COMPREHENSIVE PROFIT OR LOSS OF THE YEAR	**-**	**-**	**-**	**(146)**	**26,180**	**26,034**
BALANCE AS AT 31 DECEMBER 2020	**20,405**	**4,081**	**12,384**	**66,778**	**26,180**	**129,828**
TRANSACTIONS WITH SHAREHOLDERS:						
Share capital increases	9	-	65	-	-	74
Distribution of dividends	-	-	-	-	(13,269)	(13,269)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**9**	**-**	**65**	**-**	**(13,269)**	**(13,195)**
ALLOCATION OF THE PROFIT FOR THE YEAR TO RESERVE	**-**	**2**	**-**	**12,909**	**(12,911)**	**-**
COMPREHENSIVE PROFIT (LOSS) FOR THE YEAR:						
Profit or loss for the year	-	-	-	-	(3,627)	(3,627)
Actuarial gains/(losses) for employee benefits, net of tax effect	-	-	-	96	-	96
TOTAL COMPREHENSIVE PROFIT OR LOSS OF THE YEAR	**-**	**-**	**-**	**96**	**(3,627)**	**(3,531)**
BALANCE AS AT 31 DECEMBER 2021	**20,414**	**4,083**	**12,449**	**79,783**	**(3,627)**	**113,102**

Explanatory notes

1. GENERAL INFORMATION

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

Dolomiti Energia S.p.A. is a company established and headquartered in Italy and organised according to the laws of the Republic of Italy, with its registered office in Via Fersina 23, Trento.

As at 31 December 2021, the share capital of the Company was held by:

Shareholder	No. of Shares owned	% rate
DOLOMITI ENERGIA HOLDING SPA	16,942,700	83.03
STET SPA	1,302,000	6.38
A.G.S. SPA	918,000	4.50
AIR SPA	750,000	3.68
CLES MUNICIPAL AUTHORITY	91,890	0.45
AVIO MUNICIPAL AUTHORITY	66,000	0.32
OSSANA MUNICIPAL AUTHORITY	46,000	0.23
VERMIGLIO MUNICIPAL AUTHORITY	40,410	0.20
FAI DELLA PAGANELLA MUNICIPAL AUTHORITY	26,000	0.13
DIMARO FOLGARIDA MUNICIPAL AUTHORITY	17,000	0.08
ASM TIONE	198,614	0.97
MOLVENO MUNICIPAL AUTHORITY	6,718	0.03
SELLA GIUDICARIE MUNICIPAL AUTHORITY	9,423	0.05
TOTAL	**20,414,755**	**100.00**

2. SUMMARY OF THE ADOPTED ACCOUNTING STANDARDS

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

2.1 BASIS OF PREPARATION

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

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

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

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

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

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

The present Financial Statements are subject to the approval of the Board of Directors of the Company on 19 April 2022.

2.2. FORM AND CONTENT OF THE FINANCIAL STATEMENTS

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

i. the statement of financial position exposes current and non-current assets separately and, similarly, it represents current and non-current liabilities;

ii. the statement of comprehensive income for the year includes, in addition to the profit or loss for the period, also the changes in shareholders' equity pertaining to economic items that, by express provision of the International Accounting Standards, are recognised among shareholders' equity components; and

iii. the cash flow statement for the year is represented according to the indirect method.

The layouts used, as specified above, are those that best represent the economic and financial situation of the Company.

These financial statements are stated in euro, functional currency of the Company.

The values stated in the financial statements are expressed in euro, while the values of the detailed tables included in the explanatory note are expressed in thousands of euro, unless otherwise indicated.

Note that in the 2020 Statement of Financial Position shown for comparative purposes, 587 thousand euro has been reclassified from Trade payables to Provisions for current risks and charges, relating to the value of liabilities, whose time of occurrence is not certain. Furthermore, in the 2020 Statement of Comprehensive Income shown for comparative purposes, 2,082 thousand euro has been reclassified from Costs for services to Other operating costs, with regard to the purchase cost of Guarantees of Origin.

The Financial Statements are audited by the independent auditor PricewaterhouseCoopers S.p.A.

2.3 MEASUREMENT CRITERIA

RIGHTS OF USE (LEASES)

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

BUSINESS COMBINATIONS

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

i) the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair values of the assets transferred and of the liabilities assumed by the Company at the acquisition date and of the equity instruments issued in exchange for control over the acquired undertaking. The additional charges of the transaction are recognised in the income statement at the time they are incurred;

ii) at the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at fair value as at the acquisition date; exceptions are deferred tax assets and liabilities, assets and liabilities for benefits to employees, liabilities or equity instruments relating to payments based on shares of the acquired undertaking or payments based on shares related to the Company issued instead of contracts of the acquired undertaking, and the assets (or groups of assets and liabilities) held for sale, which are instead measured according to their reference standard;

iii) goodwill is determined as the excess amount between the sum of the considerations transferred in the business combination, of the value of the minority interest in shareholders' equity and of the fair value of any equity investment previously held in the acquired undertaking with respect to the fair value of the net assets acquired and liabilities undertaken at the acquisition date. If the value of the net assets acquired and liabilities assumed at the acquisition date exceeds the sum of the considerations transferred, of the value of the minority interest in shareholders' equity and of the fair value of any equity investment previously held in the acquired undertaking, this excess is recognised immediately in the income statement as income deriving from the completed transaction;

iv) any considerations subject to condition provided by the business combination agreement are measured at fair value at the acquisition date and included in the value of the considerations transferred in the business combination for the purposes of determining goodwill.

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

GOODWILL

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

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

INTANGIBLE ASSETS

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

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

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

Category	% rate
Development costs	20.00%
Software	20.00%
Trademarks	20.00%

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at the cost of acquisition or production, net of accumulated depreciation and of any impairment losses. The cost include costs incurred directly to make their utilisation possible, as well as any charges for dismantling and removal that will be incurred as a result of contractual obligations that require bringing the asset back to the original conditions.

Financial expenses directly due to the acquisition, to the construction or to the production of an asset that justifies capitalisation in accordance with IAS 23 are capitalised on the asset itself as part of its cost.

Expenses incurred for ordinary and/or cyclic maintenance and repair work are directly recognised in the income statement when they are incurred. The capitalisation of the costs pertaining to the expansion, modernisation or improvement of the structural elements owned or used from third parties is carried out within the limits in which they meet the requirements to be separately classified as assets or parts of an asset.

Depreciation is applied on a straight line basis with rates that allow to depreciate the assets until expiration of the useful life.

The useful life estimated by the Company for individual categories of property, plant and equipment is as follows:

Category	% rate
Plant and equipment	10.00%
Furniture and fittings	10.50%
Electronic office machines	16.70%

IMPAIRMENT LOSSES OF NON-FINANCIAL ASSETS

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

TRADE RECEIVABLES AND OTHER CURRENT AND NON-CURRENT ASSETS

Trade receivables and other current and non-current assets are financial instruments, mainly relating to receivables from customers, non-derivative and not listed on an active market, from which fixed or determinable payments are expected. 'Trade receivables' and 'other receivables' are classified in the balance sheet under current asset, with the exception of those whose contractual maturity is more than twelve months after the financial statements, which are classified under non-current assets.

These financial assets are recorded as assets when the company becomes a party of the contracts connected with them and they are eliminated from the assets in the balance sheet when the right to receive the cash flows is transferred together with all the risks and benefits associated with the sold asset.

Trade receivables and other current and non-current assets are originally recognised at their fair value and, thereafter, at the amortised cost, using the effective interest rate, reduced for impairment losses.

The impairment losses of the receivables are recognised in the income statement when there is objective evidence that the Company will not be able to collect the receivable on the basis of the contractual terms.

The value of trade receivables is recognised net of the related provision for write-down, determined applying the simplified method and, more specifically, the model of the provision matrix, which is based on the identification of the default rates by overdue ranges, applied throughout the expected life of the receivable and updated according to significant elements of future scenario.

CASH AND CASH EQUIVALENTS

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

FINANCIAL LIABILITIES, TRADE PAYABLES AND OTHER PAYABLES

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

Financial liabilities are classified among current liabilities, unless the Company has an unconditional right to defer their payment for at least 12 months after the reference date.

Financial liabilities are removed from the financial statements at the time of their extinction and when the Company has transferred all risks and charges relating to the instrument.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised in view of losses and costs of a determined nature, of certain or probable existence, but whose amount and/or date of occurrence cannot be determined.

Provisions are recognised only when there is a current obligation (legal or implied) for a future outlay of economic resources as a result of past events and it is probable that the outlay is required for compliance with the obligation. This amount represents the best estimate of the cost to extinguish the obligation. The rate used in the determination of the current value of the liability reflects current market values and takes into account the specific risk that can be associated with each liability.

When the financial effect of time is significant and the payment date of the bonds can be reliably estimated, provisions are measured at the current value of the expected outlay using a rate that reflects the conditions of the market, the change in the cost of money over time and the specific risk tied to the obligation. The increase in the value of the provision determined by changes in the cost of money over time is recognised as a financial expense.

EMPLOYEE PROVISIONS

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

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

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

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

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

- the costs relating to services rendered are recognised in the income statement under "personnel costs" while
- the net financial expenses on defined benefit liabilities or assets are recognised in the income statement as "Financial income/(expenses)", and they are determined by multiplying the value of the net liability/(asset) for the rate used to discount the obligations, taking into account the payments of the contributions and of the benefits that took place during the period;
- the re-measurement components of the net liabilities, which include actuarial gains and losses, the return of the assets (excluding interest income recognised in the Income statement) and any change in the limit of the asset, are recognised immediately in the statement of comprehensive income, under the changes in shareholders' equity pertaining to income statement items. These components must not be reclassified among income statement items in a subsequent year.

PUBLIC FUNDING

Public funding is recognised at its fair value when there is reasonable certainty that all conditions necessary for their obtainment are met and that they will be received. Funding received in view of specific expenditures are recognised as liabilities and recognised in the income statement with a systematic criterion in the years necessary to oppose them to the related expenses.

Public funding as capital grants, including non-monetary contributions measured at fair value, are recognised as deferred revenue, allocated as income with a systematic and rational criterion during the useful life of the asset.

REVENUE RECOGNITION

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

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

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

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

COST RECOGNITION

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

TAXES

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

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

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

2.4 SEGMENT REPORTING

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

3. ESTIMATES AND ASSUMPTIONS

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

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

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

4. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE FROM THE CURRENT YEAR

Starting from 1 January 2021, the following accounting standards and amendments to accounting standards, issued by the IASB and endorsed, when provided, by the European Union, are mandatorily applied.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2" (issued on 27 August 2020), applicable as from 1 January 2021. The IASB divided its work on the reform of benchmark interest rates into two phases. The first phase (involving amendments to IFRS 9, IAS 39 and IFRS 7 applicable from the beginning of the 2020 financial year) addressed issues affecting financial reporting in the period prior to the replacement of an existing benchmark interest rate with an alternative rate; a second phase, the objective of which is to assist entities in providing useful information to users of financial statements and to support drafters in applying IFRS standards when changes are made to contractual cash flows or hedging relationships as a result of a changeover to alternative near-risk-free benchmark rates. More specifically, the aim of this second phase is to stabilise cash flow valuations, avoiding impacts on the income statement resulting from a change in the interest rate used for the valuations.
- Amendments to IFRS 16 Leases Covid 19 - Related Rent Concessions (issued on 28 May 2020), applicable from 1 June 2020, with immediate application permitted. The amendment allowed lessees, as a practical expedient, to disregard individual leases in determining whether benefits granted as a direct result of the Covid-19 pandemic should be classified as contractual modifications. Therefore, if the conditions are met, lessees could have recognised the amount of rent waived by 30 June 2021 in the income statement for the year of granting; otherwise the amount would have been recognised in the income statement over the duration of the lease to which it relates. The amendment did not affect lessors. On 31 March 2021, the IASB further amended IFRS 16, by extending the criterion to apply the practical expedient to concessions that reduce lease payments originally due by 30 June 2022. This latest amendment applies to years starting from 1 April 2021 or later, and early adoption is permitted.

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

5. ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION, BUT APPLICABLE IN SUBSEQUENT YEARS

The following accounting standards, amendments of accounting standards and interpretations issued by the IASB and acknowledged by the European Union as of the date of presentation of the 2021 financial statements, emerge as applicable on a mandatory basis in the accounting periods subsequent to 2021.

- Amendments to IFRS 3, IAS 16, IAS 37 and improvements to the 2018-2020 IFRS cycle (issued on 14 May 2020). The amendments, applicable as from 1 January 2022 with early application permitted, are as follows:
  - IFRS 3 "Business Combinations". The amendments update the reference to a systematic framework for financial reporting, without amending the accounting requirements for business combinations;

- IAS 16 "Property, Plant and Equipment". The amendments introduce the impossibility of reducing the cost of property, plant and equipment by the amount received from the sale of goods produced while the asset is being prepared for its intended use. Instead, such sales shall be recognised as income in the income statement, as shall the related costs;
- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The amendment specifies which costs must be considered when assessing whether a contract is onerous, namely whether the non-discretionary costs required to fulfil its obligations exceed the economic benefits that are assumed to be obtained from the same contract. It was clarified that the costs required to fulfil the contract include incremental costs, such as for example direct labour and materials, as well as other costs directly related to fulfilling the contract, which the entity cannot avoid, such as for example the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract;
- Annual improvements to the annual 2018-2020 IFRS cycle. These are amendments that clarify, correct or remove redundant or conflicting wording or formulations in the text of the relevant standards. Minor changes were made to IFRS 1, IFRS 9, IAS 41 and the illustrative examples accompanying IFRS 16.

Their adoption is not considered to have any impact on the Company.

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017), including the amendment to IFRS 17 issued on 25 June 2020. The new accounting standard identifies the criteria for recognition, measurement and presentation and the disclosure to be provided with reference to insurance contract. Following its endorsement, it will fully replace IFRS 4 Insurance Contracts issued in 2005. IFRS 17 will be applied to all types of insurance contracts, with reference to the issuing entities. The purpose of the new standard is to provide a model for the accounting recognition of insurance contracts, more useful and consistent for all insurance entities. The new standard will be effective for annual periods beginning on or after 1 January 2023 and comparative data will be required to be presented; early application is permitted for entities that apply IFRS 9 on or before the date of first-time application of IFRS 17. The adoption does not bring about any effects for the Company.

6. ACCOUNTING STANDARDS APPLICATION IN FOLLOWING YEARS, BUT NOT YET ENDORSED BY THE EUROPEAN UNION AS AT 31 DECEMBER 2021

- Amendments to IAS 1 "Presentation of financial statements" (issued on 23 January 2020 and 15 July 2020). The amendments, effective as from 1 January 2023, clarify the requirements for determining whether payables and other liabilities with an uncertain settlement date should be classified as current or non-current in the statement of financial position (including liabilities that can be settled by conversion into equity instruments). The amendments proposed intend to clarify:
  - that the classification of a liability as current or non-current is based on the rights of the entity as at the year-end date; and
  - the link between the discharge of the liability and the outflow of financial resources from the entity.
- Amendments to IAS 1 "Presentation of financial statements" and IFRS Practice Statement 2 (issued on

12 February 2021). The disclosure requirements regarding accounting policies have been amended from "material accounting policies" to "disclosure of material accounting policies". The amendments provide indications on when it is likely that information on accounting policies is considered material. The amendments to IAS 1 are effective from years starting on or after 1 January 2023; early adoption is permitted. As IFRS Practice Statements are non-mandatory guidelines, no mandatory date of entry into force for the amendments to IFRS Practice Statement 2 has been specified.

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

7. INFORMATION ABOUT FINANCIAL RISKS

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

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

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

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

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

7.1 MARKET RISK

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

7.2 CREDIT RISK

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

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

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

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

Total exposure to credit risk as at 31 December 2021 and as at 31 December 2020 is represented by the summation of the financial assets recorded in the financial statements, summarised below:

(in thousands of Euro)

	As at 31 December 2021	As at 31 December 2020
Trade receivables (net of provision for write-downs)	397,461	231,085
Other trade receivables	2,330	4,248
Financial assets (current and non-current)	28	40
Other assets (current and non-current)	41,904	49,694
TOTAL	**441,723**	**285,067**

The tables below provide a breakdown of the value of trade receivables as at 31 December 2021 and 31 December 2020 respectively, based on their maturity:

(in thousands of Euro)

	To be overdue	Past due 0-30 days	Past due 31-60 days	Past due 61-90 days	Past due 90-180 days	Past due over 180 days	Total as at 31 December 2021
Trade receivables	373,937	7,318	4,782	1,588	2,462	18,751	408,838
Provision for write-downs							(11,377)
TOTAL	**373,937**	**7,318**	**4,782**	**1,588**	**2,462**	**18,751**	**397,461**

(in thousands of Euro)

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

7.3 LIQUIDITY RISK

Liquidity risk is represented by the inability to obtain the financial resources needed for a Company's operations at economical conditions. The two main factors that influence the liquidity of the Company are:

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

To guarantee the financial means needs to conduct ordinary business activities, the Company has entered into a service agreement for financial management with the parent company Dolomiti Energia Holding S.p.A., which envisages 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. Current financial liabilities include the bond loan originally for a nominal amount of 5 million euro, issued on 27 February 2018 and repaid on a straight-line basis in the amount of 1,250 thousand euro each year. At the end of the year under review, the residual debt amounted to 1,250 thousand euro, corresponding to the last instalment, which will be repaid on 10 August 2022, extinguishing the bond loan.

The following table analyses the financial liabilities (trade receivables and other payables), distinguishing between those that are expected to be repaid within the year, those expiring in a period of between one and five years, and lastly those expiring beyond 5 years:

(in thousands of Euro)

As at 31 December 2021	MATURITY Within 1 year	Between 1 and 5 years	Beyond 5 years
Trade payables	259,446	-	-
Financial liabilities (current and non-current)	52,145	554	-
Other liabilities (current and non-current)	18,830	5,061	-
TOTAL	**330,421**	**5,615**	**-**

For the sake of completeness, the financial liabilities of the previous year are shown below:

(in thousands of Euro)

As at 31 December 2020	MATURITY Within 1 year	Between 1 and 5 years	Beyond 5 years
Trade payables	135,201	-	-
Financial liabilities (current and non-current)	7,286	1,704	-
Other liabilities (current and non-current)	13,928	5,042	-
TOTAL	**156,415**	**6,746**	**-**

7.4 RATE RISK

The risk of interest rate fluctuations is limited, because financial exposure is represented by a fixed rate bond, which expires on 10 August 2022.

8. FAIR VALUE ESTIMATE

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

9. NOTES TO THE STATEMENT OF FINANCIAL POSITION

9.1 RIGHTS OF USE

The changes in item "Rights of use" for the financial years ended 31 December 2021 and 2020, are shown hereunder.

(in thousands of Euro)

	Rights of use buildings	Rights of use other assets	Total
BALANCE AS AT 1 JANUARY 2020	**580**	**149**	**729**
of which:			
Historical cost	1,373	306	1,679
Accumulated depreciation	(793)	(157)	(950)
Increases	-	104	104
Net divestments	-	(77)	(77)
Depreciation	(120)	(58)	(178)
BALANCE AS AT 31 DECEMBER 2020	**460**	**118**	**578**
of which:			
Historical cost	1,373	203	1,576
Accumulated depreciation	(913)	(85)	(998)
Increases	181	124	305
Net divestments	(11)	-	(11)
Depreciation	(124)	(61)	(185)
BALANCE AS AT 31 DECEMBER 2021	**506**	**181**	**687**
of which:			
Historical cost	1,508	297	1,805
Accumulated depreciation	(1,002)	(116)	(1,118)

"Rights of use buildings", amounting to 506 thousand euro, refer to agreements covering real estate complexes intended for use as operating headquarters and offices located throughout the area.

"Usage rights for other assets", amounting to 181 thousand euro, refer to agreements covering vehicles, with an average duration of 5 years. For company vehicles the Company has opted for long-term rental and when the agreements expire these are replaced with new vehicles and new long-term agreements; sometimes on the natural expiry of the agreement this is extended for a further 12 months, without formal envisaging renewal.

The information required by EU IFRS 16, section 53, is provided below.

(in thousands of Euro)

	Note	As at 31 December 2021
Depreciation of rights of use	10.6	185
Interest expense on financial liabilities for leases	10.9	17
Costs relating to short-term agreements	10.4	36
Costs relating to agreements for assets of a modest value	10.4	4
Costs relating to variable payments for leases not included in the measurement of the liabilities		-
Income from sub-letting of assets consisting of the right of use		-
Total outgoing cash flow for leases		339
Gains/(losses) from sales and leaseback transactions		-

9.2 GOODWILL AND INTANGIBLE ASSETS

The changes in items "Goodwill" and "Intangible assets", for the financial years ended 31 December 2021 and 2020, are shown hereunder:

(in thousands of Euro)

	Goodwill	Development costs	Industrial patents and intellectual property rights	Franchise, licenses, trademarks and similar	Work in progress and advance payments	Total
BALANCE AS AT 31 DECEMBER 2019	**5,054**	**444**	**2**	**23**	**-**	**5,523**
of which:						
Historical cost	5,054	740	290	277	-	6,361
Accumulated depreciation	-	(296)	(288)	(254)	-	(838)
Increases	240	-	29	26	-	295
Depreciation	-	(148)	(8)	(12)	-	(168)
BALANCE AS AT 31 DECEMBER 2020	**5,294**	**296**	**23**	**37**	**-**	**5,650**
of which:						
Historical cost	5,294	740	319	303	-	6,656
Accumulated depreciation	-	(444)	(296)	(266)	-	(1,006)
Increases	75	-	365	183	69	692
Depreciation	-	(148)	(79)	(32)	-	(259)
BALANCE AS AT 31 DECEMBER 2021	**5,369**	**148**	**309**	**188**	**69**	**6,083**
of which:						
Historical cost	5,369	740	684	486	69	7,348
Accumulated depreciation	-	(592)	(375)	(298)	-	(1,265)

Goodwill was recognised as a result of transfer operations. In particular, the increase in 2021 of 75 thousand euro originates from the transfer of the ownership of the business unit to be used to sell electricity in the Municipality of Sella Giudicarie (TN).

The development costs mainly include the costs incurred up until 2018 for carrying out the analysis and verification of the main operating processes of the Company and of the corporate climate, followed by organisational revision and investment activities on the information systems available to the Company.

Industrial patents and intellectual property rights include the value of commercial software, which rose during the year by 365 thousand euro, while the item franchise, licenses, trademarks and similar rights includes the value of the pre-emption agreements for the supply of gas, which are amortised on the basis of the duration of the commercial agreement (50 thousand euro in 2021), as well as the value of user licenses purchased in the period for 133 thousand euro.

IMPAIRMENT TEST ON GOODWILL AS AT 31 DECEMBER 2021

The Company performed an impairment test at year end, in order to assess any possible impairment in goodwill, recorded for an amount of 5,369 thousand euro as at 31 December 2021.

The test is performed by comparing the carrying value of assets, or group of assets, included in the cash generating unit (CGU), with the recoverable value of the asset itself, generated by the higher value between fair value (net of any possible sales costs) and discounted net cash flows that are expected for the asset of group of assets within the CGU (value in use). For the purpose of impairment testing, the specific cash flows envisaged in the 2022 budget and the 2023-2025 economic-financial plan were used.

One single CGU, reflecting the entire Company, was identified for impairment testing.

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

The impairment test performed highlighted no impairment, with reference to the amounts recorded on the goodwill as at 31 December 2021. Therefore, these assets were not written down.

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

9.3 PROPERTY, PLANT AND EQUIPMENT

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

(in thousands of Euro)

	Plant and equipment	Other assets	Total
BALANCE AS AT 31 DECEMBER 2019	**150**	**5**	**155**
of which:			
Historical cost	185	61	246
Accumulated depreciation	(35)	(56)	(91)
Increases	5	2	7
Depreciation	(19)	(2)	(21)
BALANCE AS AT 31 DECEMBER 2020	**136**	**5**	**141**
of which:			
Historical cost	190	63	253
Accumulated depreciation	(54)	(58)	(112)
Increases	22	6	28
Net decreases	(3)	-	(3)
Depreciation	(20)	(2)	(22)
BALANCE AS AT 31 DECEMBER 2021	**135**	**9**	**144**
of which:			
Historical cost	208	69	277
Accumulated depreciation	(73)	(60)	(133)

The item "Plant and equipment" mainly includes the value of recharging systems for electric vehicles located in the Province of Trento. The item "Other assets" include furniture and office machines.

9.4 EQUITY INVESTMENTS

Equity investments, corresponding to 3 thousand euro, were unchanged with respect to last year, and refer to the subscription of minority shares in cooperatives of manufacturers and users of renewable energy sources.

9.5 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities as at 31 December 2021 and 31 December 2020 are broken down as follows:

(in thousands of Euro)

	As at 31 December 2021	As at 31 December 2020
Goodwill	1,205	563
Provision for write-downs	2,265	2,581
Production bonuses	143	119
Provisions for risks and charges	1,267	625
Other minor	5	8
Employee Termination Benefits and other benefits	192	141
IFRS 16	11	12
TOTAL PREPAID TAXES	**5,088**	**4,049**

(in thousands of Euro)

	As at 31 December 2021	As at 31 December 2020
Goodwill	312	268
TOTAL DEFERRED TAXES	**312**	**268**

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

(in thousands of Euro)

	as at 31.12.2020	Increases/ (Decreases) in Income Statement	Increases/ (Decreases) in Shareholders' Equity	Other changes in Income Statement	as at 31.12.2021
DEFERRED TAX ASSETS:					
Goodwill	563	(166)	-	808	1,205
Provision for write-downs	2,581	(316)	-	-	2,265
Production bonuses	119	24	-	-	143
Provisions for risks and charges	625	642	-	-	1,267
Other minor	8	(3)	-	-	5
Employee Termination Benefits and other benefits	141	(25)	76	-	192
IFRS 16	12	(1)	-	-	11
TOTAL PREPAID TAXES	**4,049**	**155**	**76**	**808**	**5,088**
Goodwill	268	44	-	-	312
TOTAL DEFERRED TAXES	**268**	**44**	**-**	**-**	**312**

The Company exercised the right envisaged by Art. 110 of Italian Decree Law 104/2020 to redeem Goodwill not yet amortised for tax purposes. The exemption resulted in an expense of 358 thousand euro for the substitute tax, income of 808 thousand euro for deferred tax assets and the creation of a restriction of 2,634 thousand euro on the distribution of reserves of shareholders' equity.

9.6 OTHER NON-CURRENT ASSETS

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

(in thousands of Euro)

	As at 31 December	
	2021	**2020**
Non-current accounts receivable - companies subject to control by parent companies	28,706	45,091
Non-current accounts receivable - other	5,127	104
Multi-year prepayments	-	67
TOTAL	**33,833**	**45,262**

This item mainly includes guarantee deposits to guarantee contracts for the electricity and gas transport service, paid to the affiliates SET Distribuzione SpA for 20,984 thousand euro (37,369 thousand euro as at 31 December 2020) and Novareti Spa for 7,722 thousand euro, unchanged from the previous year. The decrease in the year originates from the return by SET Distribuzione of guarantee deposits amounting to 16,385 thousand euro.

The item "Non-current accounts receivable - other" represents the value of deposits paid to public Entities to guarantee the regular payment of duties to third party enterprises. In the year under review, a guarantee deposit was paid to TERNA S.p.A. of 5,000 thousand euro to guarantee the dispatching service contract.

9.7 TRADE RECEIVABLES

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

(in thousands of Euro)	AS AT 31 DECEMBER	
	2021	2020
Accounts receivable - customers	380,894	238,912
Accounts receivable - parent companies	274	163
Accounts receivable - companies subject to control by parent companies	30,000	8,556
Provision for write-downs	(11,377)	(12,298)
TOTAL	**399,791**	**235,333**

Trade receivables, shown net of the relative provision for write-downs, mainly encompasses receivables due from customers and provisions for invoices and credit notes to be issued for the sale of electricity and gas; the balance was much higher compared to 31 December 2020, mainly due to the increase in the market prices of energy and gas, which regarded in particular the last part of the year.

Accounts receivable from subsidiaries of Dolomiti Energia Holding result from commercial service contracts, mainly related to the sale of electricity (consumption unit imbalances), manufacturers' refunds and expenses for the free supply of electricity to the Province of Trento (under article 13 of Italian Presidential Decree 670/1972). As at 31 December 2021, they amounted to 30 million euro, including 20,769 thousand euro due from Dolomiti Energia Trading S.p.A. (4,520 thousand euro at the end of last year), 2,924 thousand euro from Hydro Dolomiti Energia S.r.l. (1,260 thousand euro at the end of last year) and 4,444 thousand euro from Novareti S.p.A. (1,610 thousand at the end of last year); the increase is mainly due to the price trend of electricity, which rose significantly, especially in the last part of the year.

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

The provision for write-downs showed the following changes during 2021 and 2020:

(in thousands of Euro)

	Provision for write-downs
AS AT 31 DECEMBER 2019	**9,406**
Provisions	4,472
Usage	(1,580)
AS AT 31 DECEMBER 2020	**12,298**
Provisions	1,510
Usage	(2,431)
AS AT 31 DECEMBER 2021	**11,377**

The allocation of the period amounted to 1,510 thousand euro, while usage amounted to 2,431 thousand euro, mainly resulting from the removal of trade receivables in bankruptcy proceedings.

9.8 CURRENT TAX ASSETS AND LIABILITIES

The items "Current tax assets" and "Current tax liabilities" as at 31 December 2021 and 31 December 2020 are broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2021	2020
IRAP	1,092	-
TOTAL CURRENT TAX ASSETS	**1,092**	**-**

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2021	2020
IRAP	-	120
TOTAL CURRENT TAX LIABILITIES	**-**	**120**

As at 31 December 2021, the Company had a credit for IRAP tax of 1,092 thousand euro, corresponding to the advances paid in the year (in 2021, the Company had recorded a tax loss for IRAP). At the end of the previous year, Dolomiti Energia had a payable of 120 thousand euro for IRAP tax, corresponding to the tax due for the period, net of the advances paid.

9.9 CURRENT FINANCIAL ASSETS

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

(in thousands of Euro)	AS AT 31 DECEMBER	
	2021	2020
Financial receivables for cash pooling	-	10
Other financial receivables	28	30
TOTAL	**28**	**40**

The receivable refers to loans granted to employees for serious personal reasons and amounted to 28 thousand euro. At the end of the previous year, the Company had a receivable due from the parent company Dolomiti Energia Holding of 10 thousand euro, for interest accrued on positive cash pooling balances paid during the course of 2021.

9.10 OTHER CURRENT ASSETS

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

(in thousands of Euro)	AS AT 31 DECEMBER	
	2021	2020
ELECTR./GAS Tax credits	690	851
Other credits	376	344
Account receivable from CSEA	176	2,368
Advances/Deposits	381	345
Annual prepayments	719	525
Other accounts receivables - parent companies	5,728	-
TOTAL	**8,070**	**4,433**

Receivables relating to electricity and gas taxes mainly derive from the lower payments on account with respect to the final invoiced amount and to the payable for electricity excise duties of the current year.

Receivables from the Energy and Environmental Services Fund as at 31 December 2021 amounted to 176 thousand euro, significantly lower than the previous year when, instead, it included the receivable due mainly to the application of the ARERA Resolution No. 32/2019/R/GAS, which regulates the refund modalities of sellers following the redetermination of k coefficient (applied with Resolution No. 737/2017/R/GAS), instrumental to price determination of gas commodity for the protection service related to the two years from 1 October 2010 to 30 September 2012; said receivable was collected during the course of the year.

The item 'prepayments' mainly includes advertising costs that had a cash impact in 2021, but will accrue in 2022.

The item 'Other accounts receivable - parent companies' regards receivables due from the parent company Dolomiti Energia Holding for advances paid on IRES tax in application of the tax consolidation agreement (4,376 thousand euro) and for income resulting from the transfer of the tax loss accrued during the year and from ACE (aid for economic growth) (1,352 thousand euro).

9.11 CASH AND CASH EQUIVALENTS

The balances of "Cash and cash equivalents" as at 31 December 2021 and 31 December 2020 is shown below:

in thousands of Euro	AS AT 31 DECEMBER	
	2021	2020
Bank and postal current accounts	2,118	2,130
TOTAL	2,118	2,130

Cash and cash equivalents, substantially in line with last year, are comprised by current bank and postal account balances not included in centralised cash management.

9.12 SHAREHOLDERS' EQUITY

Movements of Equity reserves are shown in these financial statements.

As at 31 December 2021, the Company's share capital amounted to 20,415 thousand euro, made up by 20,414,755 ordinary shares, with a nominal value of 1.00 euro each.

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

The Shareholders' Equity is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2021	2020
Share capital	20,414	20,405
Legal reserve	4,083	4,081
Share premium reserve	12,449	12,384
Revaluation reserve Art. 110 DL 104/2020	2,634	-
OTHER RESERVES		
Extraordinary reserve	76,336	66,061
FTA reserve	582	582
IAS 19 Reserve	(135)	(231)
Retained earnings	366	366
TOT. OTHER RESERVES AND RETAINED EARNINGS	77,149	66,778
Profit or loss for the year	(3,627)	26,180
TOTAL	113,102	129,828

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

The Valuation reserve pursuant to Art. 110 DL 104/2020 was established in the year following the redemption of goodwill, and led to a corresponding reduction of the Extraordinary Reserve. When attributed to shareholders, the Revaluation reserve contributes to forming the Company's taxable income pursuant to Art. 13, paragraph 3 of Italian Law 342/2000.

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

(in thousands of Euro)

	31/12/2021	Possible use	Available portion	Usage summary for past three years	
				TO COVER LOSSES	FOR OTHER REASONS
I) SHARE CAPITAL	**20,414**				
EQUITY RESERVES					
Share premium reserve	12,449	A,B,C	12,449	-	-
PROFIT RESERVES					
Legal reserve	4,083	B	-	-	-
Extraordinary reserve	76,336	A,B,C	76,336	-	-
Revaluation reserve art. 110 Law Decree 104/2020	2,634	B,C	2,634	-	-
FTA reserve	582	B,C	-	-	-
Retained earnings/(loss) carried forward	366	A,B,C	366	-	-
Ias 19 reserve	(135)	B	-	-	-
TOTAL	**116,729**		**91,785**	**-**	**-**
NON-DISTRIBUTABLE PORTION			**(148)**		
RESIDUAL DISTRIBUTABLE PORTION			**91,933**		

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

The non distributable portion corresponds to development costs not yet amortised at the end of the year, of 148 thousand euro, which limit the distribution of the extraordinary reserve, in application of Article 2426, No. 5 of the Italian Civil code.

9.13 PROVISIONS FOR NON-CURRENT AND CURRENT RISKS AND CHARGES

The item "Provisions for risks and charges" totalled 6,256 thousand euro as at 31 December 2021 and it is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2021	2020
Provisions for non-current risks and charges	2,890	2,557
Provisions for current risks and charges	3,366	1,031
TOTAL	**6,256**	**3,588**

The item "Provisions for non-current risks and charges" includes, in the amount of 850 thousand euro, the provision for agents' leaving indemnities (700 thousand euro as at 31 December 2020), allocated vis-à-vis agency relationships in place between the Company and its agents; during the year the provision was increased due to the allocations for 152 thousand euro and was used for 2 thousand euro for the termination of an agency relationship. Moreover, following a tax assessment made by the Italian Revenue Agency as regards VAT, in 2017 the Company deemed it appropriate to allocate a special provision for risks, in the amount of 170 thousand euro, which in 2020 was increased by 16 thousand euro, and in 2021 was further increased by 183 thousand euro; the proceedings are still pending before the 1st level Tax Commission of Trento and the fixing of the related discussion hearing is awaited. Lastly, in 2020, a provision for risks was set up for 1,671 thousand euro, in the presence of a lawsuit filed by the receiver of a wholesaler counterparty, who initiated a bankruptcy revocation action to render ineffective the acts that the bankrupt carried out in the period prior to the declaration of bankruptcy (payments in favour of the Company); no changes occurred in the provision in 2021 and DE appealed against this measure.

Provisions for current risks and charges include, for 534 thousand euro, the estimated liability for performance bonuses to be paid to employees in 2022 on the basis of results achieved in 2021, still to be calculated. At the end of the previous year, a provision of 444 thousand euro was estimated, with subsequent payment of bonuses in 2021 amounting to 542 thousand euro; the cost relating to the higher bonus paid (98 thousand euro) was recognised in the current year under contingent liabilities of the personnel costs. The provisions for current charges also include donations made to fund solidarity projects: the allocation is made annually on the basis of parameters agreed by contract and the disbursement, to non-profit organisations, is made following the actual performance and reporting of said solidarity projects; 200 thousand euro of the provision, which amounted to 587 thousand euro as at 31 December 2020, was used in the current year and then supplemented with 615 thousand euro, giving a balance of 1,002 thousand euro as at 31 December 2021. Lastly, in 2021, DE allocated 1,830 thousand to the provision to cover the potential risk of losses relating to certain contracts made at fixed prices with end customers of the retail segment.

The changes in these provisions, for the financial years ended 31 December 2021 and 2020, are broken down as follows:

(in thousands of Euro)

	Provisions for non-current risks and charges	Provisions for current risks and charges
AS AT 1 JANUARY 2020	**756**	**1,585**
Provisions	1,815	1,031
Usage	(14)	(1,585)
AS AT 31 DECEMBER 2020	**2,557**	**1,031**
Provisions	335	2,779
Usage	(2)	(444)
AS AT 31 DECEMBER 2021	**2,890**	**3,366**

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

During 2020 the Company was also the subject to a request for documentation from the Italian Antitrust Authority (AGCM) as part of its periodic control activities on the application of regulations relating to the Consumer Code. Following the analysis of the documentation, on 8 October 2020 AGCM announced the start of preliminary proceedings (at the same time as 12 other operators in the sector) and requested further information; DE considered the risk of losing to be remote, and did not allocate any liability in this regard. Said proceedings then concluded without establishing any infringement, and a ruling notified on 3 August 2021, in which the AGCM retained that the commitments submitted by the Company were suitable to confirm no wrongdoing regarding commercial practices.

9.14 EMPLOYEE BENEFITS

The item "Employee benefits" as at 31 December 2021 includes, in the amount of 753 thousand euro, the Employee Termination Benefits and, in the amount of 478 thousand euro, other employee benefits.

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

The changes in the Employee Termination Benefits and other employee benefits for the years ended 31 December 2021 and 31 December 2020 are shown hereunder:

(in thousands of Euro)

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

(in thousands of Euro)

	AS AT 31 DECEMBER 2021					
	Employee Termination Benefits	Loyalty bonuses	Additional months of salary	Discounts on electricity	Medals	Total
LIABILITIES AT THE BEGINNING OF THE YEAR	**783**	**238**	**78**	**64**	**78**	**1,241**
Current cost for the service	-	22	5	-	8	35
Interest to be discounted	3	1	1	-	-	5
Benefits paid	(4)	(10)	-	(15)	(2)	(31)
Actuarial (gains)/losses	(29)	6	(1)	-	5	(19)
Transfers	-	-	-	-	-	-
LIABILITIES AT THE END OF THE YEAR	**753**	**257**	**83**	**49**	**89**	**1,231**

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

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

	AS AT 31 DECEMBER	
	2021	2020
Discount rate	1.00%	0.35%
Inflation rate	1.50%	0.75%
Turnover	0.50%	0.50%
Annual frequency of advances	3.00%	3.00%

A sensitivity analysis as at 31 December 2021 is shown hereunder in relation to the main actuarial assumptions included in the calculation model used for the analysis. The latter also took account of the aforesaid basic scenario, while increasing and decreasing the annual discounting average rate, the average inflation rate and the turnover rate. The results obtained can be summarised in the following table:

(in thousands of Euro)	AS AT 31 DECEMBER 2021					
	Discount rate +0.50%	Discount rate -0.50%	Inflation rate +0.25%	Inflation rate -0.25%	Turnover rate +2.00%	Turnover rate -2.00%
Employee Termination Benefits	720	789	764	743	744	756

9.15 FINANCIAL LIABILITIES (CURRENT AND NON-CURRENT)

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

(in thousands of Euro)	AS AT 31 DECEMBER			
	2021		2020	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Due to banks	20	-	20	-
Accounts payable - parent companies for cash pooling	50,282	-	5,426	-
Accounts payable - interest expense and financial charges	421	-	422	-
Accounts payable - others	172	554	168	454
Bond loan	1,250	-	1,250	1,250
TOTAL	**52,145**	**554**	**7,286**	**1,704**

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

As at 31 December 2021, the Company owed the Parent Company Dolomiti Energia Holding 50,282 thousand euro within the sphere of the centralised treasury management scheme (5,426 thousand euro at the end of the previous year). For an analysis of changes in cash flows, please refer to the cash flow statement.

The item "Accounts payable - interest expense and financial charges" includes amounts due to the parent company as at 31 December 2021, in the amount to 181 thousand euro (161 thousand euro as at 31 December 2020), related to charges for commission on sureties, commission for making funds available and interest expense on cash pooling debit balances.

The bond loan was issued by Dolomiti Energia according to the resolution of the Board of Directors of

12 February 2018, pursuant to Article 2412, paragraph 1 of the Italian Civil Code, for a nominal value of 5 million euro, at 1.05% annual fixed rate, with six-month coupon, not supported by collaterals and personal guarantees. The amount disclosed results from the evaluation of the debt at amortised cost, which, in this case, is equal to the nominal value. This is a 4-year Bond Loan as from 27 February 2018 to 10 August 2022, which will be repaid in 4 annual instalments, on a straight-line basis; in 2021, the Company repaid 1,250 thousand euro and next year the loan will be fully extinguished with the payment of the residual 1,250 thousand euro. The bond is listed on the regulated Main Securities Market of the Irish Stock Exchange.

The Bond Loan as at 31 December 2021 and 2020 is broken down as follows:

(in thousands of Euro)

AS AT 31 DECEMBER 2021					Book balance			
COMPANY	TAKE-OUT DATE	MATURITY	INTEREST RATE	INITIAL AMOUNT (IN ORIGINAL CURRENCY UNITS)	TOTAL	OF WHICH WITHIN 1 YEAR	OF WHICH BETWEEN 1 AND 5 YEARS	OF WHICH AFTER 5 YEARS
Dolomiti Energia SpA	27/02/2018	10/08/2022	1.05%	5,000,000	1,250	1,250	-	-
TOTAL					**1,250**	**1,250**	**-**	**-**

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

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

(in thousands of Euro)

	as at 31.12.2020	New agreements	Repayments	as at 31.12.2021	of which current portion
Financial payables for buildings	502	181	(141)	542	114
Financial payables for other movable assets	120	124	(60)	184	58
ACCOUNTS PAYABLE - OTHERS FOR LEASES AND RENTALS	**622**	**305**	**(201)**	**726**	**172**

A breakdown of the net financial indebtedness of Dolomiti Energia for the year as at 31 December 2021 and 2020 is illustrated below, calculated in accordance with that envisaged by the document published by ESMA on 4 March 2021 "Guidelines on disclosure obligations" pursuant to Regulation EU 2017/1129 (known as The Prospectus Regulation), the adoption of which was also recommended by CONSOB through the "Call for attention No. 5/21" of 29 April 2021.

(figures in thousands of euro)	AS AT 31 DECEMBER	
	2021	**2020**
A. Cash	2,118	2,130
B. Cash equivalents	-	-
C. Other current financial assets	28	40
D. Liquidity (A+B+C)	**2,146**	**2,170**
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(51,972)	(7,118)
F. Current portion of non-current financial debt	(172)	(168)
G. Current financial indebtedness (E+F)	**(52,144)**	**(7,286)**
H. Net current financial indebtedness (D+G)	**(49,998)**	**(5,116)**
I. Non-current financial debt (excluding the current portion and debt instruments)	(554)	(454)
J. Debt instruments	-	(1,250)
K. Trade payables and other non-current payables	-	-
L. Non-current financial indebtedness (I+J+K)	**(554)**	**(1,704)**
M. Total financial indebtedness (H+L)	**(50,552)**	**(6,820)**

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

9.16 TRADE PAYABLES

The item "Trade payables" includes payables for the supply of goods and services and amounted to 259,447 thousand euro as at 31 December 2021, compared with 135,201 thousand euro as at 31 December 2020.

The item includes accounts payable to the parent company Dolomiti Energia Holding amounting to 1,308 thousand euro (1,551 thousand euro as at 31 December 2020), related primarily to administrative and logistics services rendered based on special service agreements.

This item also includes accounts payable to other Group companies, amounting to 187,133 thousand euro (68,515 thousand euro as at 31 December 2020) and resulting mainly from service agreements and the supply of electricity and gas; the only supplier of the Company of raw materials for the production of electricity and gas is the associated company Dolomiti Energia Trading and the significant increase in accounts payable with respect to the end of the previous year is due to the substantial rise in the prices of energy commodities, which characterised the latter part of the year in particular.

9.17 OTHER LIABILITIES (CURRENT AND NON-CURRENT)

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

(in thousands of Euro)	AS AT 31 DECEMBER	
	2021	2020
Other payables for guarantee deposits	5,061	5,042
TOTAL OTHER NON-CURRENT LIABILITIES	**5,061**	**5,042**

Other payables for guarantee deposits mainly refer to the security payments required from end users who did not opt to pay the prices with preauthorised payments.

(in thousands of Euro)	AS AT 31 DECEMBER	
	2021	2020
Tax on ELECTRICITY/GAS	6,502	2,753
Substitute tax	329	-
IRPEF	244	240
Other tax payables	34	7
Social security payables	604	590
Other accounts payable	2,343	2,221
Sewerage charge	4,086	4,288
Accrued liabilities	22	11
Accounts payable to parent companies for taxes	4,666	3,231
TOTAL OTHER CURRENT LIABILITIES	**18,830**	**13,341**

Payables for tax on energy and gas represent payables for state taxes and duties, to be paid to the competent offices together with the relative declarations, and were significantly higher than 31 December 2020, mainly due to the award of the CONSIP tender and the consequent increase in the number of consumers on the open market.

Following the redemption of goodwill, in application of Art. 110 Law Decree 104/2020, the Company recognised a payable due to the Tax Authority for the relative substitute tax of 359 thousand euro, which was followed by the payment of the first instalment of 30 thousand euro.

The IRPEF payable instead refers to the withholding taxes on employee and contractor income which the Company, as withholding agent, pays in January 2022.

Other accounts payable, amounting to 2,343 thousand euro and essentially in line with the end of the previous year, mainly include payables for the payment of RAI television licence fees withheld on customers' bills for 1,492 thousand euro (1,417 thousand euro as at 31 December 2020), as well as payables to employees for deferred salaries and wages for 335 thousand euro (323 thousand euro at the end of the previous year).

Payables for the "sewerage charge" also include the amounts due to the Municipal Authorities of Trento and Rovereto for a total of 2,635 thousand euro, whereas the payable to the other neighbouring Municipalities is 1,451 thousand euro.

Accounts payable to the Parent Company Dolomiti Energia Holding, in the amount of 4,666 thousand euro, are related to the payable for Group VAT, due to compliance with the Group VAT scheme. At the end of the previous year, this item included 1,182 thousand euro for the payable for IRES tax for the year, (no payable as at 31 December 2021), due to compliance with the national tax consolidation scheme and a payable of 2,048 thousand euro for Group VAT.

9.18 FINANCIAL DERIVATIVES

Information required to evaluate the impact of financial derivatives on the Company's economic position and performance is supplied in this Note. In the following table, financial assets and liabilities are apportioned by category as at 31 December 2021 and 31 December 2020, as determined by the EU IFRS 9 standard, in other words:

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

(in thousands of Euro)	AS AT 31 DECEMBER 2021			
	Financial assets/ liabilities measured at amortised cost	Financial assets/ liabilities measured at FVOCI	Financial assets/ liabilities measured at FVTPL	Total
CURRENT ASSETS				
Trade receivables	399,791	-	-	399,791
Current financial assets	28	-	-	28
Other current assets	8,070	-	-	8,070
Cash and cash equivalents	2,118	-	-	2,118
NON-CURRENT ASSETS				
Other non-current assets	33,833	-	-	33,833
ASSETS HELD FOR SALE	-	-	-	-
CURRENT LIABILITIES				
Trade payables	259,447	-	-	259,447
Current financial liabilities	52,145	-	-	52,145
Other current liabilities	18,830	-	-	18,830
NON-CURRENT LIABILITIES				
Non-current financial liabilities	554	-	-	554
Other non-current liabilities	5,061	-	-	5,061
LIABILITIES HELD FOR SALE	-	-	-	-

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

Current financial liabilities include 1,250 thousand euro related to the bond loan (Note 9.15), with a negative fair value as at 31 December 2021 of 1,250 thousand euro. This value was determined by applying measurement techniques referring to non-observable market variables (Level 3 classification and fair value equal to the current value of future cash flows, as envisaged by the instrument being measured).

10. NOTES TO THE INCOME STATEMENT

10.1 REVENUES

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

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2021	2020
Electricity	775,827	594,478
Water resources	21,446	21,473
Gas	278,716	189,365
Heat	7,514	6,496
Other revenue	10,213	8,992
TOTAL	**1,093,716**	**820,804**

The overall increase in "revenues" is mainly attributable to the electricity and gas commodities. The revenues generated by their sale were positively influenced by the recovery of consumption with respect to 2020, by the rising number of customers served, but above all, by the substantial increase in sales prices, particularly in the fourth quarter of 2021.

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

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

The table below shows the turnover generated by the sale of energy and natural gas to end customers for financial years 2021 and 2020, as well as the relative average turnover for the two periods, obtained by dividing the sum of the specific turnover by the number of years considered. The turnover amounts correspond to the revenues generated by the sale of energy and natural gas (also including any contributions) related to the respective years.

(in units of Euro)

	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER		
	2021	2020	Annual turnover average
Electricity	783,330,623	600,606,087	691,968,355
Natural gas	279,976,585	190,209,538	235,093,062
TOTAL	**1,063,307,208**	**790,815,625**	**927,061,417**

10.2 OTHER REVENUE AND INCOME

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

(in thousands of Euro)

	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2021	2020
Other revenue	10,704	14,020
Other income	-	5
DE Group revenues	335	638
TOTAL	**11,039**	**14,663**

The item other revenue (10,704 thousand euro) includes contingent assets for 10,239 thousand euro (13,955 euro thousand in 2020), mostly attributable to the electricity commodity (6,933 thousand euro) and referring to positive components of previous years. Contingent assets also include 261 thousand euro relating to the closure of bankruptcy proceedings of the Company's customers (1,505 thousand in 2020).

Dolomiti Energia Group revenues mainly include revenues resulting from the application of the service agreement with group companies Dolomiti Energia Trading (30 thousand euro), Dolomiti Ambiente (192 thousand euro), Dolomiti Energia Holding (57 thousand euro) and Dolomiti Energia Solution (56 thousand euro); the decrease is due to a reduction of the services provided to Dolomiti Ambiente.

10.3 COSTS FOR RAW MATERIALS, CONSUMABLES AND MERCHANDISE

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

(in thousands of Euro)

	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2021	**2020**
Purchases of elect. raw materials	474,222	212,628
Purchases of gas raw materials	200,460	112,073
Purchases of fuels	34	26
Purchase of miscellaneous materials	808	1,352
Non-recurring expenses - purchases of raw materials	1,327	676
TOTAL	**676,851**	**326,755**

The cost of purchasing electricity and gas commodities doubled with respect to last year, due to the sharp price increase in the second half of the year, and particularly in the last quarter of 2021.

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

10.4 COSTS FOR SERVICES

The item "Costs for services" for the financial years ended 31 December 2021 and 2020, is broken down as follows:

(in thousands of Euro)

	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2021	**2020**
External maintenance services	241	50
Insurance, banking and financial services	943	1,012
Other services	7,562	6,905
Commercial services	402,277	440,757
General services	402	324
Financial statements certification	54	55
Board of Statutory Auditors	36	36
Directors	136	155
Non-recurring income - services	312	338
Rental expense	238	238
Rental fees	40	64
Business unit rental	418	433
TOTAL	**412,659**	**450,367**

The decrease of costs for service is mainly due to the commercial services item, which includes service agreements with Group companies and external companies as well as to electricity and gas transport costs, which fell further compared with the previous year by 40,734 thousand euro.

Costs related to insurance, banking and financial services, slightly down compared to the previous year, mainly include charges related to fees on guarantees for the prompt execution of electricity and gas transport contracts and other charges for financial services, totalling 801 thousand, including 433 thousand, paid to the parent company Dolomiti Energia Holding S.p.A.. This item also includes insurance expenses amounting to 142 thousand euro.

The increase in costs for other services mainly refers to higher costs borne for compensation to the sales network, amounting to 6,675 thousand euro in the year (5,886 thousand euro in 2020). The higher costs are due to an increase in retail customer acquisitions and the payment of premiums related to both the retail and business markets.

The item "rental expense", which refers to the cost for the non-exclusive use of company spaces care of the headquarters of the Parent Company Dolomiti Energia Holding, was in line with last year, while rental fees, related to rentals of short-term movable assets or those with a replacement value of less than 5 thousand euro, were down compared with 2020.

The Company has paid the affiliate SET Distribuzione an annual fee for the rental of the business unit relating to the marketing of electricity, amounting to 418 thousand euro (433 thousand euro in the previous year).

10.5 PERSONNEL COSTS

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

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2021	**2020**
Wages and salaries	6,756	6,166
Social security costs	1,963	1,785
Employee termination benefits	430	388
Other costs	240	136
TOTAL	**9,389**	**8,475**

The Company has 200 employees as at 31 December 2021 (195 at end of the previous year), including 2 managers, 9 middle managers and 189 office workers. For changes in employees during the year, reference should be made to the Report on Operations.

10.6 AMORTISATION, DEPRECIATION, ALLOCATIONS AND WRITE-DOWNS

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

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2021	2020
Amortisation of intangible assets	259	168
Depreciation of property, plant and equipment	22	21
Amortisation of usage rights	186	178
Allocation to provisions for risks	1,830	1,671
TOTAL	**2,297**	**2,038**

Depreciation and amortisation for the year were higher than 2020, following the addition of new capitalisations, which mainly regarded intangible fixed assets; see Note 9.2 for comments on the relative capital increases.

In 2021, DE allocated 1,830 thousand to the provision to cover the potential risk of losses relating to certain contracts made at fixed prices with end customers of the retail segment. The allocation last year to the provision for risks of 1,671 thousand euro, referred, instead to a lawsuit filed by the receiver of a wholesaler counterparty, who had initiated a bankruptcy revocation action to render ineffective the acts that the bankrupt company had carried out in the period prior to the declaration of bankruptcy (payments to the Company).

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

The item 'Net write-ups (write-downs) of receivables' for the financial years ended 31 December 2021 and 2020, is broken down as follows:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2021	2020
Write-down of receivables included in current assets	1,510	4,472
Credit losses	295	110
TOTAL	**1,805**	**4,582**

The allocation to the provision for write-downs for the year was 1,510 thousand euro (4,472 thousand euro in 2020) and was made to recognise trade receivables at their estimated realisable value, in application of the valuation criteria illustrated in note 2.3.

Credit losses, which amounted to 295 thousand euro, represent the value of receivables derecognised as considered unrecoverable and not covered by the existing provision for write-downs.

10.8 OTHER OPERATING COSTS

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

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2021	2020
Miscellaneous costs	3,469	2,915
CTS/Social security fee	836	707
Non-recurring expenses	2,785	3,654
Postal charges	13	34
Other taxes	300	331
TOTAL	**7,403**	**7,641**

The item "Miscellaneous costs" includes 2,395 thousand euro relating to the cost incurred by the Company to purchase Guarantees of Origin, which certify energy generated by renewable sources and present in the energy mix stated to end customers (2,082 thousand euro last year).

Non-recurring expenses were down by 869 thousand euro, and essentially included adjustments to 2020 revenues.

10.9 FINANCIAL INCOME AND EXPENSES

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

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
Financial income	2021	2020
Financial income from parent companies	41	49
Financial income from other companies	213	511
TOTAL OTHER FINANCIAL INCOME	**254**	**560**

Financial income is composed of interest income from the parent company Dolomiti Energia Holding S.p.A. accrued on positive cash pooling balances of 41 thousand euro; the financial income from other companies mainly includes interest on arrears on commercial transactions, down compared to the previous year.

(in thousands of Euro)

Financial expenses	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021	2020
Financial expenses to parent companies	(173)	(140)
Financial expenses to other companies	(44)	(90)
Interest to be discounted	(4)	(8)
TOTAL OTHER FINANCIAL EXPENSES	**(221)**	**(238)**

Interest expense and financial charges mainly regarded financial charges due to the parent company for interest expense accrued on cash pooling debit balances (33 thousand euro in 2021) and 173 thousand euro for making funds available (140 thousand euro in the previous year). Financial expenses to other companies include interest expense accrued on the bond loan, in the amount of 21 thousand euro (35 thousand euro in 2020) and interest expense deriving from the application of IFRS 16 standard for 17 thousand euro (16 thousand euro in 2020). In the previous year, this item included non-recurring expenses of 31 thousand euro, relating to interest expense pertinent to previous years.

10.10 TAXES

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

(figures in thousands of euro)

	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021	2020
Current taxes	-	9,928
Deferred taxes	44	35
Prepaid taxes	(963)	(341)
Previous years' taxes	(81)	128
Income from tax consolidation	(1,349)	-
Substitute tax on redemption	359	-
TOTAL	**(1,990)**	**9,750**

Current taxes are calculated on the basis of a realistic forecast of taxable income for the year; in 2021, the Company recognised a tax loss for both Ires and Irap taxes, and for this reason no current taxes were calculated. In application of the tax consolidation arrangement with Dolomiti Energia Holding, the Company transferred the tax loss recorded, net of 3% for discounting, and the ACE (aid for economic growth), therefore recognising an income from tax consolidation of 1,349 thousand euro.

Following the redemption of goodwill, DE recognised an expense for the relative substitute tax of 359 thousand euro.

Deferred taxes are calculated on temporary differences between the economic result before taxes and the taxable income.

The following table shows the reconciliation between effective and theoretical tax charges, determined by applying the applicable tax rate to the profit before tax.

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER			
	2021	%	2020	%
PROFIT BEFORE TAX	(5,617)		35,931	
Theoretical IRES tax	-	24.00%	8,623	24.00%
Permanent differences	791		(60)	
Temporary differences	699		1,709	
ACE (AID FOR ECONOMIC GROWTH)	-		(816)	
IRES taxable amount	(4,127)		36,764	
EFFECTIVE IRES	-	0.00%	8,823	24.56%
OPERATING RESULT	(5,650)		35,609	
Costs that are irrelevant for IRAP tax purposes	12,730		14,618	
TOTAL	**7,080**		**50,227**	
Theoretical IRAP tax	198	2.80%	1,411	2.81%
Permanent differences	(8,210)		(9,562)	
Temporary differences	(774)		(1,336)	
EFFECTIVE IRAP	-	0.00%	1,105	2.20%
CURRENT INCOME TAXES	**-**		**9,928**	

11. RELATED PARTY TRANSACTIONS

Related parties are those companies which share the same controlling entity with the Company, the companies that control the Company, either directly or indirectly, that are controlled or are subject to a joint control, as well as those in which the Company holds an equity investment which is able to exercise a remarkable influence.

As regards the financial years ended 31 December 2021 and 2020, the main transactions with related parties involved the following:

(in thousands of Euro)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

	2021				2020			
	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	LOANS PAYABLE	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	LOANS PAYABLE
Dolomiti Energia Holding	274	5,728	1,307	55,129	163	10	1,551	8,818
DTC	-	-	-	-	23	-	-	-
Dolomiti Energia Solutions	656	-	432	-	338	-	1,270	-
Set Distribuzione	20,990	-	15,499	-	37,403	-	26,667	-
Novareti	12,166	-	11,678	-	9,332	-	11,199	-
Hydro Dolomiti Energia	2,924	-	-	-	1,260	-	-	-
Dolomiti Edison Energy	1,093	-	-	-	338	-	-	-
Dolomiti Energia Trading	20,768	-	159,412	-	4,521	-	29,234	-
Dolomiti GNL	3	-	109	-	2	-	144	-
Dolomiti Energia Hydro Power	2	-	-	-	-	-	-	-
Dolomiti Ambiente	102	-	1	-	430	-	-	-

(in thousands of Euro)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

	2021								2020							
	REVENUES			PURCHASES			FINANCIAL INCOME	FINANCIAL EXPENSES	REVENUES			PURCHASES			FINANCIAL INCOME	FINANCIAL EXPENSES
	Goods	Services	Other	Goods	Services	Other			Goods	Services	Other	Goods	Services	Other		
Dolomiti Energia Holding	319	59	-	10	5,699	205	40	173	226	22	-	12	5,065	201	49	650
Dolomiti Energia Hydro Power	13	-	-	-	-	-	-	-	3	-	-	-	-	-	-	-
Dolomiti Energia Solutions	1,352	56	-	270	294	-	-	-	1,010	3	-	554	270	-	-	-
Set Distribuzione	174	-	-	-	111,493	418	-	-	136	1	62	-	134,103	433	-	-
Novareti	8,701	1	-	-	49,316	-	-	-	5,935	2	-	-	48,039	-	-	-
Hydro Dolomiti Energia	2,026	21	-	-	-	-	-	-	761	-	-	-	-	-	-	-
Dolomiti Edison Energy	61	-	-	-	-	-	-	-	8	-	-	-	-	-	-	-
Dolomiti Energia Trading	27,098	30	717	623,162	30	2,320	-	-	9,616	30	660	301,084	2,001	24	-	-
Dolomiti GNL	5	7	-	318	-	-	-	-	3	4	-	198	-	-	-	-
Dolomiti Ambiente	138	192	-	-	2	-	-	-	97	589	-	-	3	-	-	-

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

12. GUARANTEES AND COMMITMENTS

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

SURETIES AND COLLATERAL

The Company did not issue any collateral securities on owned property. The parent company Dolomiti Energia Holding undertook financial commitments to third parties and in the interests of the Company totalling 81,713 thousand euro (89,806 thousand euro as at 31 December 2020), of which 65,848 thousand euro to guarantee the release of the bank guarantees (73,942 thousand euro as at 31 December 2020).

COMMITMENTS

The Company did not undertake any commitments to guarantee third party obligations.

13. REMUNERATION TO DIRECTORS AND AUDITORS

The item "Remuneration to Directors and Auditors" for the financial years ended 31 December 2021 and 2020, is broken down as follows:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2021	2020
Directors	120	135
Board of Statutory Auditors	35	35

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

14. INDEPENDENT AUDITORS' CONSIDERATIONS

The following table shows the considerations received by the auditing company PricewaterhouseCoopers S.p.A. for the audit services of the financial statements for the years ended 31 December 2021 and 2020:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2021	2020
Audit	41	41
Other verification services	21	15

15. OFF-BALANCE SHEET AGREEMENTS

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

16. MANAGEMENT AND COORDINATION ACTIVITIES

The Company which exercises management and coordination activities over Dolomiti Energia S.p.A. is the Parent Company Dolomiti Energia Holding S.p.A., with registered office in Via Manzoni 24 Rovereto (TN).

The main figures of the last financial statements of the Parent Company Dolomiti Energia Holding S.p.A. are reported hereunder:

Statement of financial position - IFRS TEMPLATE

(dati in Euro)

Assets	31.12.2020	Liabilities	31.12.2020
NON-CURRENT ASSETS		**SHAREHOLDERS' EQUITY**	
Rights of use	2,798,342	Share capital	411,496,169
Intangible assets	15,190,093	Reserves	104,827,346
Property, plant and equipment	45,858,881	Profit or loss for the year	53,000,677
Equity investments	802,650,727	**TOTAL SHAREHOLDERS' EQUITY**	**569,324,192**
Deferred tax assets	9,660,993	**LIABILITIES**	
Other non-current assets	79,352	**NON-CURRENT LIABILITIES**	
TOTAL NON-CURRENT ASSETS	**876,238,388**	Provisions for non-current risks and charges	1,395,055
CURRENT ASSETS		Employee benefits	3,197,094
Inventories	142,768	Deferred tax liabilities	132,408
Trade receivables	11,078,682	Non-current financial liabilities	107,146,186
Income tax receivables	-	Other non-current liabilities	537,089
Current financial assets	95,595,550	**TOTAL NON-CURRENT LIABILITIES**	**112,407,832**
Other current assets	10,917,736	**CURRENT LIABILITIES**	
Cash and cash equivalents	15,494,818	Provisions for current risks and charges	1,808,321
TOTAL CURRENT ASSETS	**133,229,554**	Trade payables	14,957,900
		Current financial liabilities	306,721,180
		Income tax payables	2,527,402
		Other current liabilities	7,734,655
		TOTAL CURRENT LIABILITIES	**333,749,458**
Assets held for sale and Discontinued Operations	6,013,540	Liabilities held for sale and Discontinued Operations	-
TOTAL ASSETS	**1,015,481,482**	**TOT. SHAREHOLDERS' EQUITY AND LIABILITIES**	**1,015,481,482**

Reclassified income statement

(figures in Euro)

	Financial year 2020
Revenue and other income	41,154,570
Costs	(49,681,382)
Income and expenses from equity investments	59,419,863
Operating result	**50,893,051**
Financial income and expenses	960,864
Profit before tax	**51,853,915**
Taxes	1,146,762
PROFIT OR LOSS FOR THE YEAR	**53,000,677**
Components of comprehensive income statement that will not subsequently be reclassified in the income statement	(93,553)
Components of comprehensive income statement that may subsequently be reclassified in the income statement	(2,008,639)
TOTAL COMPREHENSIVE PROFIT OR LOSS OF THE YEAR	**50,898,485**

The key data of the parent company Dolomiti Energia Holding SpA shown in the summary table were extracted from the relevant financial statements for the year ended as at 31 December 2020. For an adequate and complete understanding of Dolomiti Energia Holding SpA's equity and financial position as at 31 December 2020, as well as the economic result achieved by the Company in the year ended as at said date, please read the financial statements which, accompanied by the independent auditors' report, are available in accordance with the forms and methods set forth by law.

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

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

18. SIGNIFICANT EVENTS OCCURRED AFTER YEAR-END

Note that with effect from 1 January 2022, the Shareholders' Meeting resolved to increase the share capital from 20,414,755 euro to 20,423,673 euro, therefore by a nominal amount of 8,918 euro, via the issue of 8,918 ordinary registered shares with a par value of 1.00 euro each, with a total share premium of 71,782 euro, offering this increase in full to the Municipality of Castello Molina di Fiemme, and releasing it through the transfer of ownership of the business unit dedicated to the sale of electricity to customers under the scheme for additional safeguards of said Municipality.

In February 2022, the IT systems of the Dolomiti Energia Group were attacked by external parties, which led to the unavailability of several IT platforms used by the Group. The provision of the services by the Group and the safety of the plants were never involved.

The Group immediately adopted all possible measures to limit the effects and the spread of the attack, by taking the measures needed to safeguard all of the counter parties potentially involved, with the support of a team of IT security experts. At this stage of the investigation, which is still underway, there is no evidence that any business or personal data was leaked. The Postal Police and the relevant data protection authority have been made aware of the situation. Significant efforts were made to recover full operations as quickly as possible, in line with the need to guarantee the utmost safety of the process.

The geopolitical turbulence, which developed in Ukraine, and more generally in Europe, in the first few months of 2022, has generated significant repercussions on the recovery of the global economy and evidently on the whole energy supply chain. A further complexity within a scenario that was already rendered difficult by energy market trends in the second half of 2021. An asset that has become increasingly complex to manage due to the continuous variability and fluidity of the situation: the sharp uptrend in prices from the end of February 2022 represents a real risk for households and businesses and the extraordinary legislative measures taken to manage and moderate the impact of the crisis means that the companies in our industry will be asked to plan - despite the situation of great uncertainty - future energy accessibility and safety for the communities we serve.

19. REVENUE OR COST ITEMS OF EXCEPTIONAL SIZE OR INCIDENCE

It should be noted that no revenue or cost items of exceptional size or incidence were registered.

20. TRANSPARENCY IN THE SYSTEM OF PUBLIC GRANTS

Pursuant to Article 1, sections 125 et seq. of Italian Law No. 124/2017 (so-called annual law for the market and competition), as reformulated by Article 35 of Italian Decree Law No. 34/2019 (Growth Decree), published in the Italian Official Gazette No. 100 dated 30 April 2019, please refer to the National Register of State Aid, "Transparency" section, in order to view any grants, subsidies, benefits, contributions or aid, in cash or in kind, not of a general nature and lacking the nature of consideration, remuneration or compensation, effectively disbursed by the public administration authorities as well as by the entities referred to in Article 2-bis of Italian Legislative Decree No. 33/2013 in the year 2021.

21. PROPOSED ALLOCATION OF PROFITS OR LOSS COVERAGE

With reference to the information required by Article 2427, point 22-septies of the Italian Civil Code, we propose to the Shareholders' Meeting that the loss for the year of 3,627,277 euro be carried forward.

Trento, 19 April 2022

The Chairman of the Board of Directors
The Chairman
Mr. Marco Merler

Financial statements certification

The undersigned Marco Merler and Michele Pedrini of Dolomiti Energia SpA hereby certify, taking into account the provisions of current regulations:

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

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.

They also hereby certify that the financial statements for the year:

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

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

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

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

Trento, 19 April 2022

The Chairman
Marco Merler

The Administration Manager
Michele Pedrini

Reports

Mount Stivo,
Dolomiti Energia Group Archive - Photo Tommaso Prugnola

Board of Statutory Auditors' Report to the Shareholders' Meeting

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

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

Dear Shareholders,

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

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

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

During the year ending 31 December 2021, 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.

Said activities and the results achieved are illustrated in this report.

SUPERVISORY ACTIVITIES UNDER ARTICLE 2403 ET SEQ. OF THE ITALIAN CIVIL CODE

We oversaw compliance with the law and the articles of association and on the respect of the principles of correct management and, in particular, on the adequacy of the management structures, the administrative-accounting systems and on its effective functioning.

We attended Shareholders' meetings, and meeting of the Board of directors, with regard to which, based on the available information, we have nothing in particular to bring to your attention.

We periodically obtained information from the Directors, during the meetings that were held, about the general performance of operations and on the business outlook, as well as details of the more significant transactions in terms of size or characteristics performed by the company including any related party transactions. Based on the information acquired, we did not observe anything of note that needs reporting - with the exception of the negative result recorded by Your Company for the first time ever - due to the reasons clearly stated by the directors in the report on operations and which, also considering the subsequent turbulence caused by Russia's invasion of Ukraine, require increasingly sophisticated risk monitoring and management policies.

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

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

We acquired knowledge of and monitored, for matters under our competence, also through information obtained from company department managers, from the entity tasked with the independent audit and the Supervisory Authority established as part of the "Organisation, management and control model" envisaged by Italian Legislative Decree No. 231/2001, of which the Chairman of the Board of Statutory Auditors is also a member, the adequacy and functioning of the organisational set-up of the company and the internal control system, also in relation to the prompt detection of situations of crisis or the loss of business continuity (going-concern) and, in this connection, we have no particular observations to make.

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

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

- that we have received a copy of the independent auditors' report prepared in accordance with Article 14 of Italian Legislative Decree no. 39/2010, which expresses an opinion without observations on the financial statements;
- that we have received the supplemental report per Article 11 of the European Regulation, from which no elements to be reported herein emerged, and which will be transmitted as soon as possible to the Board of Directors with any observations on our part.

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

We did not make any reports to the management body pursuant to and by virtue of Art. 15 of Italian Decree Law no. 118/2021.

With regard to opinions and considered proposals issued in accordance with the law by the Board of Statutory Auditors in 2021, we point out the following:

- on 25 May 2021, we issued to the Board of Directors the opinion prescribed by Article 2389, Paragraph 3, of the Italian Civil Code on the remuneration of directors holding specific offices;
- on 6 December 2021 we issued to the Shareholders' Meeting the opinion of the Board of Statutory Auditors prescribed by Article 2441, Paragraph 6, of the Italian Civil Code on the fairness of the issue price of the new shares subscribed with transfer in kind by the Municipality of Castello - Molina di Fiemme.

During the course of the supervisory activities, as described above, no other significant facts emerged that would require mention in this report.

OBSERVATIONS ON THE FINANCIAL STATEMENTS

We examined the financial statements for the year ended as at 31 December 2021, submitted for your approval, which reported a shareholders' equity of 113,101,902 euro, including the loss for the year of 3,627,277 euro.

As indicated in the report on operations and in the explanatory notes, we point out that the financial statements referred to the year ended 31 December 2021, as with those of the previous financial year, by effect of the assumption of the qualification as Public Interest Entity by Dolomiti Energia S.p.A., were prepared in accordance with the IAS/IFRS international accounting standards endorsed by the European Union.

As a result of the transition to international accounting standards, the authorisation of the Board of Statutory Auditors to recording goodwill (5,369,092 euro at 31 December 2021) under balance sheet assets is no longer required, and goodwill is no longer subject to amortisation but it must be subjected to an impairment test at least annually. Equally, the Board's authorisation is no longer required for the recognition of development costs, which at 31 December 2021 are recognised among intangible assets in the amount of 148 thousand euro.

The party engaged for the independent auditing of the accounts, PricewaterhouseCoopers S.p.A., delivered their report to us, dated 29 April 2022, drawn up pursuant to Article 14 of Italian Legislative Decree no. 39 of 27 January 2010, and Article 10 of Regulation (EU) no. 537/2014, which contained a positive opinion without amendments, according to which "the financial statements for the year provide a truthful and accurate representation of the Company's equity and financial situation as at 31 December 2021, of the economic result and of the cash flows for the year ending on said date, in compliance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38/05."

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

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

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

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

OBSERVATIONS AND PROPOSALS PERTAINING TO THE APPROVAL OF THE FINANCIAL STATEMENTS

In consideration of the results of activities performed by us and the opinion expressed in the audit report issued by the independent auditor, contained in a specific report to accompany the financial statements issued on today's date, the Board of Statutory Auditors unanimously expresses its favourable opinion to the Shareholders' Meeting regarding approval of the financial statements as at 31 December 2021, as prepared by the directors.

Trento, 29 April 2022.

On behalf of the Board of Statutory Auditors

The Chairman

Mr. **Stefano Tomazzoni**

Independent auditor's report

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

To the shareholders of Dolomiti Energia SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dolomiti Energia SpA (the Company), which comprise the statement of financial position as of 31 December 2021, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

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

Key Audit Matters

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

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Accuracy of revenue from the sale of electricity and gas	
Note 2.3 "Measurement criteria" item "Revenue recognition" of the notes to the financial statements at 31 December 2021.	
Revenue of Dolomiti Energia SpA for the year ended 31 December 2021 included revenue from the sale of electricity and gas in a total amount of Euro 1.055 million. The value of these revenues is calculated on the basis of the contract conditions set down with end customers and according to the specific tariff and regulatory provisions established by the Italian Regulatory Authority for Energy, Networks and Environment (*Autorità di Regolazione per l'Energia Reti e Ambiente - ARERA*).	We analysed, obtained an understanding and assessed the Company's internal control system related to the recognition of revenue from the sale of electricity and gas, also through the support of our PwC network IT and system assurance process experts.
	We identified and validated the operation and efficacy of relevant controls by performing compliance testing on the relevant controls put in place by the Company.
The recognition of revenue from the sale of electricity and gas is considered as a key audit matter given the complexity of the billing system marked by a high number of end customers and a high volume of data to be processed, with a combination of diversified tariffs and price components.	Furthermore, for a sample of bills to end customers, we carried out validity procedures in order to ascertain consumption data included in these bills, the correct application of the contract conditions with customers and the collection of the amounts billed.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Compliance with other Laws and Regulations

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

The directors of Dolomiti Energia SpA are responsible for preparing a report on operations of Dolomiti Energia SpA as of 31 December 2021, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Dolomiti Energia SpA as of 31 December 2021 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations mentioned above is consistent with the financial statements of Dolomiti Energia SpA as of 31 December 2021 and is prepared in compliance with the law.

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

Exemption from the preparation of the non-financial statement

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

Verona, 29 April 2022

PricewaterhouseCoopers SpA

Signed by

Paolo Vesentini
(Partner)

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

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