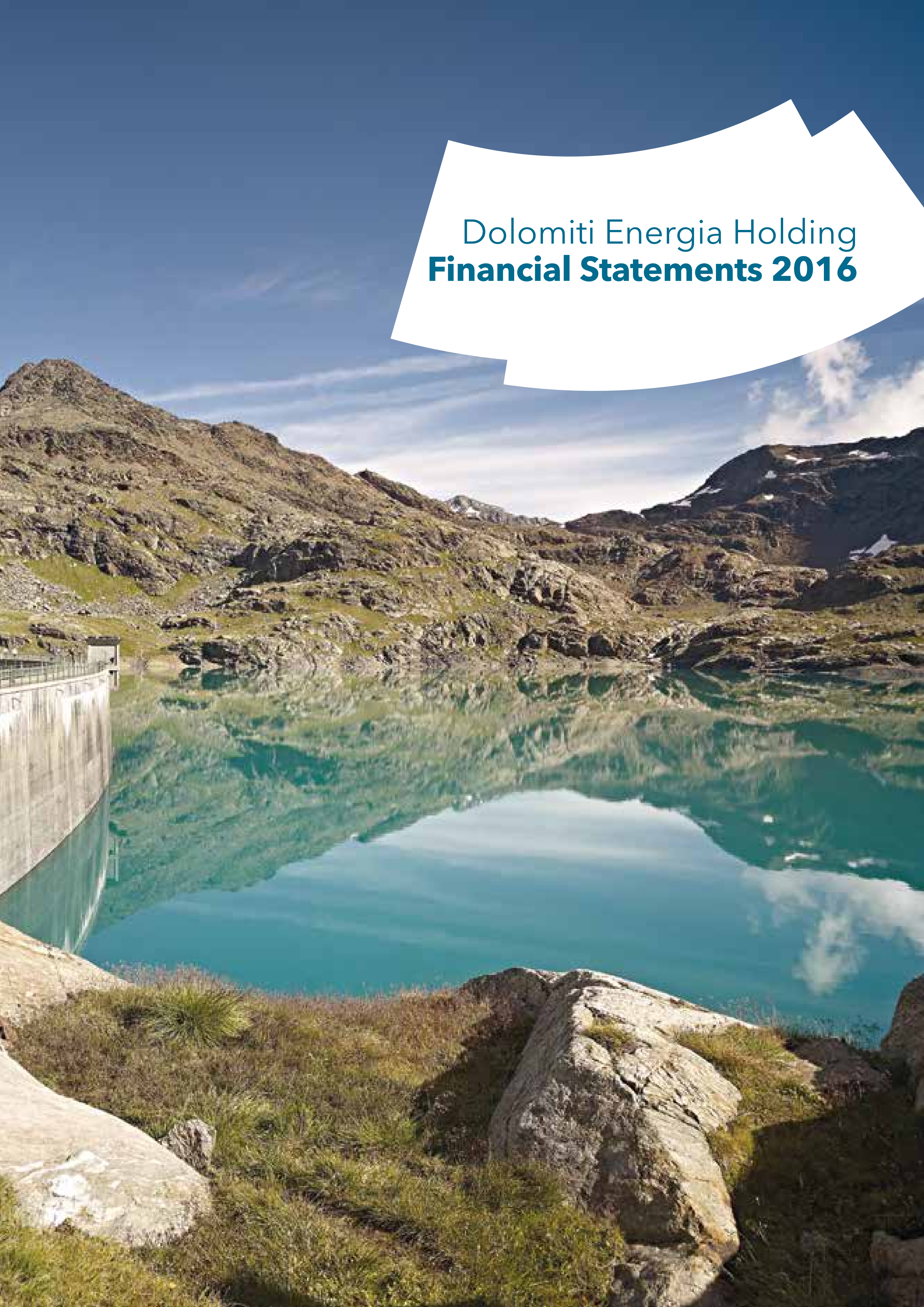
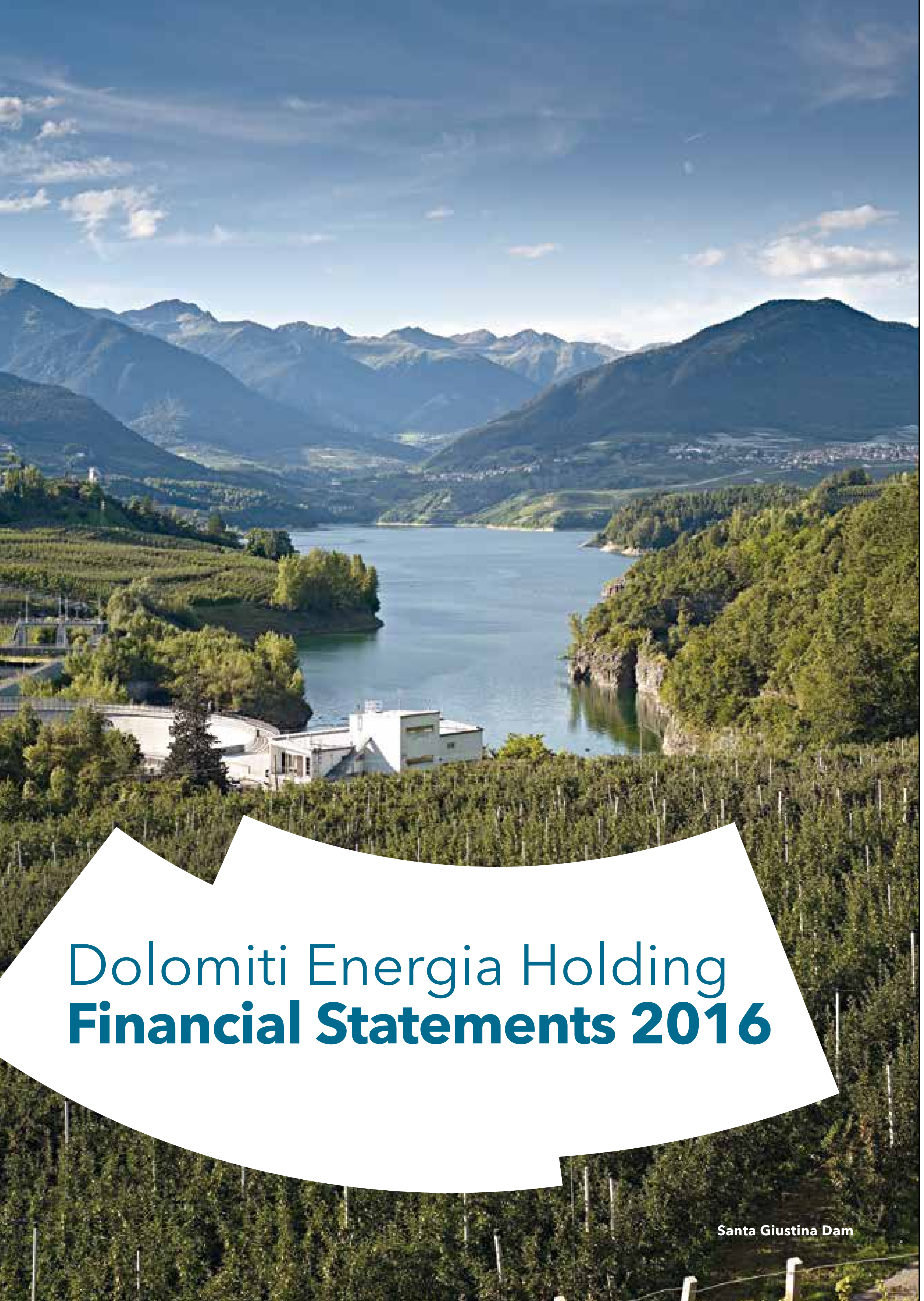
Dolomiti Energia Holding
Financial Statements 2016



On cover: Careser Dam



Santa Giustina Dam

Dolomiti Energia Holding SpA
Fully paid-up Share Capital 411,496,169 euro
Via Manzoni 24 – Rovereto
Trento Register of Companies No.
– Taxpayer ID and VAT No. 01614640223

FINANCIAL STATEMENTS
As at 31 December 2016

Board of Directors

CHAIRMAN	**Oss** Rudi
DEPUTY CHAIRMAN	**Cattoni** Diego
DIRECTORS	**Dalpalù** Renato
	Zobele Enrico
	Prezzi Raffaella
	Franceschi Giorgio
	Comencini Arianna
	Migliorini Floriano
	Nicolussi Paolaz Leo
	Peroni Agostino
	Zeni Marisa
CHIEF EXECUTIVE OFFICER	**Merler** Marco

Board of Statutory Auditors

CHAIRMAN	**Manzana** Giacomo
STATUTORY AUDITORS	**Iori** Michele
	Caldera Barbara
INDEPENDENT AUDITORS	**PricewaterhouseCoopers** S.p.A.

Hydroelectric power plant Bussolengo

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Dear **Shareholders**,

the year that just ended has been rich in events that your Company has had to face, demonstrating its ability to address the issues that characterise the complexity of our times.

THE GENERAL ECONOMIC LANDSCAPE

While the worldwide economic and political environment is still characterised by many uncertainties, global growth gradually gathered strength in the second half of 2016. The general uncertainty of the period is particularly influenced by the still unclear effects that could derive from the possible initiatives in terms of fiscal and protectionist policies announced by the **new American administration**, although the initial signals are positive. In the USA, GDP grew by significant rates, even in the presence of the interventions by the Federal Reserve, which, by raising the interest rates, is bringing the country towards a gradual normalisation of the monetary conditions.

Growth remained stable **in Great Britain**, contributing to dissipate, at least for the moment, fears of a possible recession as a result of its imminent exit from the European Union. There is still a high level of insecurity concerning the negotiations that will define the new post/Brexit commercial relations. **In China**, too, the macroeconomic data are positive, as a result of moderately strengthened domestic demand due to the fiscal and monetary stimuli that were implemented, while the situation remains negative **in Brazil**, which is still in a recession.

In the Eurozone, GDP growth continues at a more moderate, but gradually consolidating pace thanks to the momentum provided by domestic demand. In December, inflation rose, starting to reflect the significant expansionary measures put in place by the ECB, which confirmed the financial asset purchase programme, at least until the end of 2017. For now, this trend reduced the risks of deflation, although the core dynamics do not seem stable yet. Based on the forecasts by the central banks of the Euro area, in 2017 inflation could reach 1.3% (0.2% in 2016 - Bank of Italy Bulletin). To maintain this positive trend, the ECB stated that it is ready to extend the asset purchase programme even beyond the end of 2017 and, if necessary, to expand the volume of purchases, while confirming that the official rates will be maintained at current levels after the end of 2017 as well.

THE DOMESTIC ENVIRONMENT

Overall, the scenario of the Italian economy was a positive one, with the confirmation of a plus sign for the GDP, albeit by a very modest amount. Industrial activity continues to expand, albeit at lower rates than those of 2015. Business confidence is positive, confirming the optimism of manufacturing industries, offset by a relative deterioration in the construction sector, in particular in the non-residential segment. The Bank of Italy expects an increase in investment expenditures in the first half of 2017 by industrial and service enterprises, especially large ones. Household consumption spending is substantially stable, even in the presence of appreciable growth in disposable income, as a consequence of a resumption of the propensity to save, which had contracted in 2015.

In spite of a certain stagnation of exports in the second part of the year, the current account surplus continued to improve, climbing above 40 billion euro in the first 11 months of 2016, under the influence of the growing trade surplus tied to the decline in spending for energy commodities.

THE NATURAL GAS MARKET

Consumption of methane gas, driven by demand from the thermoelectric sector (+12.1%) confirmed its growth for the second consecutive year, exceeding 70 billion Sm3. A contribution to this result also came from growth in industrial consumption (+4.4%), while distribution network consumption remained substantially stable (-0.5%), highly influenced, as is well known, by weather trends, with temperatures being warmer than average in 2016.

With regard **to procurement**, of note was a strong recovery of imports from Algeria, with a rise of 160% tied presumably to commercial reasons, and consequently a contraction in imports from the other markets. LNG grew slightly (+9%), substantially as a result of the use, very limited though it was, of the Panigallia and Livorno terminals, which had been practically inactive in 2015. As a whole, the gas supplied to the network by the regasification terminals covered approximately 9.1% of national consumption. On the contrary, domestic production declined in 2016, covering only 8% of consumption.

In 2016, oil recorded an average price of 43.7 $/barrel on international markets, with a further decline compared to the previous year, caused above all by the very low level recorded in the first half of the year (below 40 $/barrel). In the second half of 2016, partly as a result of the agreements reached by the producers to support the price, prices recorded a rising trend and, for the moment, they appear to be stabilised on values between 52 and 54 $/barrel, similarly to 2015. It should be pointed out that the euro weakened significantly relative to the dollar which, in particular since September 2016, progressively declined, reaching a rate of 1.05 at the end of the year. The carry-over effect of the prices of petroleum products, and the abundant availability of gas as a result of the reduced heating consumption recorded in the early months of the year, led to a significant reduction in methane gas prices in the summer, bringing the annual average to 20.7 €/Sm3, with a significantly lower value (-27%) relative to last year. However, the declining trend of the prices was interrupted starting from the 2016/2017 winter season with a recovery of prices, which, in the first quarter of 2017, reached similar values to those recorded in the first quarter of 2016. This rise is due both to seasonal factors, tied to the usual increase in demand in the winter months, and to other contingent factors including the significant growth of demand, both in Italy and in Europe, driven by CCGT (Combined Cycle Gas Turbine) plants, called upon to increase their output to make up for the shortfall in the energy supplied by the French thermonuclear plants.

THE ELECTRICITY MARKET

Attesting the market's difficult recovery after the setback of recent years, **electricity consumption in Italy in 2016 declined by 2.1%** relative to the previous year, returning in fact to the values of 2014. Nevertheless, domestic output grew by 1.2%, while the foreign balance declined by more than 20% as a result of the drastic reduction in imports, which took place in the final months of 2016. This reduction coincided with the contraction of the French electrical output as a result of the prolonged and unforeseen maintenance outages of the French nuclear plants, which in early December led to a reversal of the flows. This trend continued in the early months of 2017 as well, significantly affecting the entire Italian market.

The domestic electricity output met 89% of demand (86% in 2015) and 61.5% of it was generated from thermoelectric sources (60.2% in 2015), 15.4% from hydroelectric sources (16.5% in 2015), for the remaining 23.2% from other renewable sources (biomass, geothermoelectric, wind and photovoltaic) with a similar contribution to 2015. Hence, 2016 exhibited a **further decrease in the energy generated by hydroelectric plants** equal to 9% and due to **significantly lower rainfall than the thirty-year average**, excluding 2014 when rainfall had been exceptionally higher than average, by 25%. This decrease was offset by the increase in the electricity generated by thermoelectric plants, in particular by gas-fuelled CCGT plants.

Of note is the high price volatility recorded during the year, which were at extremely low levels in the first part of the year and in particular in the second quarter, reaching 32 €/MWh in April, i.e. the record low since the establishment of the Electricity Exchange (2004), while in the second half, in particular starting from September, especially as a result of the above referenced difficulties of the French nuclear generation plants, prices rose above 55 €/MWh in November and December.

The **average value of the PUN** (single national price) for 2016 was 42.7 €/MWh, a new low, significantly reduced relative to the value of 2015 (-18.3%), both as a result of the persistence of a situation of substantial overcapacity of the system and of the reduction, discussed above, of the prices of energy commodities, in particular in the initial part of the year. However, of particular note is the marked increase recorded in the early months of 2017, especially in January, when the PUN exceeded 70 €/MWh for the first time since September of 2012, reaching 72.2 €/MWh, as a result of certain economic factors such as the persistently low output of the French market, the colder weather conditions and the rise of the spot prices of natural gas.

THE ECONOMIC RESULTS

First of all, it must be recalled that the separate and consolidated 2016 financial statements of Dolomiti Energia Holding is, for the Group, **the first one prepared in accordance with the international accounting standards** (EU IFRS). **Adoption of these standards had a positive influence on the results of the year** both as a result of the changes to the valuation criteria of some items and of the different definition of the scope of consolidation.

The year 2016 ended, partly thanks to the adoption of these new accounting standards, with positive results. In a year characterised by the contingent difficulties of hydroelectric generation, the other activities of the Group, thanks in particular to the contribution of commercial activities and to the stability of flows assured by regulated activities, enabled the Group to maintain excellent levels of profitability, confirming the validity of the strategic decisions to diversify the portfolio of businesses managed.

In 2016, the Dolomiti Energia Group generated 2,073 GWh of electricity, thanks in part to the extraordinary contribution tied to the maintenance work involving the Molveno Lake, compared to 1,797 GWh in 2015, of which 1,970 GWh of hydroelectric origin; the Group distributed 2,432 GWh of electricity (2,473 GWh in 2015), 278.9 million cubic metres of gas (268.3 in 2015), 34.3 million cubic metres of water (31.5 million in 2015). Regarding commercial activities, the Group sold 520 million cubic metres of gas (602 million in 2015) and 7,659.5 GWh of electricity (5,112.8 in 2015). Dolomiti Ambiente collected 69,492 tons of waste (68,142 in 2015).

The **production value** in 2016 amounted to 1,378 million euro, with a slight increase compared to last year (1,244 million euro in 2015).

Consolidated EBITDA amounted to 183.7 million euro, up by 41.5% compared to the value of the previous year equal to 129.9 million euro. However, as stated above, it should be stressed that this improvement is mainly due to the change of the scope of consolidation, in particular to line by line consolidation, starting from 1 March 2016, of Hydro Dolomiti Energia S.r.l. (HDE) and Hydro Investment Dolomiti Energia S.r.l. (HIDE) and hence to the contribution which these Companies provided to the Group's results starting from March.

Also highly positive was the **consolidated net profit**, which amounted to 65.6 million euro, up by 34% relative to the previous year's 49.0 million euro. A significant contribution - of approximately 13 million euro - to this increase was also provided by non-recurring items, always deriving from the change to the scope of consolidation.

The **operating activities** recorded positive results, overall, in line with those of 2015, with the exception of hydroelectricity generation, whose profitability contracted because of the poor rainfall conditions of the period and of the particularly low level of wholesale prices, especially in the first part of the year. The decline in natural gas consumption, recorded in 2016, 520 million cubic meters of gas sold in 2016 versus 602 million sold in 2015, was mainly due to the expiration of the supply to CONSIP customers deriving from the tender won last year for supply to Public Administrations in Veneto and Friuli Venezia Giulia.

The **Group's net financial position** rose from 334 million at the end of 2015 to 419 million, both because of the aforementioned change of the scope of consolidation, with the related inclusion of the financial position of HDE, and of the acquisition of the 9% shareholding of HDE.

DIVIDENDS

The results obtained in 2016, coupled with a sound financial structure, enable the Group to propose, this year as well, the distribution of a **dividend of 0.07 euro per share** (0.08 euro in 2015), with a ratio of dividends over consolidated net profit (payout) equal to 56.7%. Overall, dividends amount to **26.5 million euro**, most of which are **to benefit the communities and the economic and industrial fabric of Trentino**.

MAIN EVENTS

The results described summarise the effort of one year of hard work, characterised by significant events. At the corporate level, there were numerous transactions involving the various Companies of the Group in 2016.

Starting from June, an agreement was stipulated with **AGSM Verona** to explore the possible integration between your Company and the Verona-based Company, but negotiations were ultimately unsuccessful, so the related activities were broken off in November 2016.

To comply with the resolution of the Authority for Electricity Gas and the Water System (AEEGSI) no. 296/2016/R/com, the decision was made to use the Dolomiti Energia brand for sales to end customers on the free market. Consequently, the name of the subsidiary Trenta S.p.A. was changed to Dolomiti Energia S.p.A. and since 1 May 2016, your Company bears the name of **Dolomiti Energia Holding S.p.A.**.

With the goal of contributing to finance the **acquisition of the shareholding in HDE** mentioned above, 6,739,824 A2A shares, representing the entire interest held by Dolomiti Energia Holding were sold in the first quarter of 2016. With the acquisition of 9% of HDE, the Group's interest in the Company rose to 60%, while the remaining 40% is held, through HIDE, by Fedaia Holdings, a Subsidiary of Macquarie European Infrastructure Fund 4 LP. As a result of this transaction, the process of total separation of HDE from the Enel Group was started; it was completed on 1 January 2017 with the complete transfer of the system for remote control and dispatching of hydroelectric plants to Companies of the Dolomiti Energia Group.

On 19 October 2016, an **EIB loan** of 100 million euro, with 16-year duration, was subscribed, to optimise the financial structure and support the investments of all the Group's Companies. The loan is secured by a guarantee provided by the European Union through the European Fund for Strategic Investments (EFSI), better known as "Juncker Plan", directed at stimulating investment activities in the European Union.

As a result of the legal and regulatory unbundling prescriptions, which required the complete distinction of the brands between sale and distribution Companies belonging to the same Group, from 1 July 2016 onwards Dolomiti Reti changed its name to **Novareti**.

Within the process of rationalisation of the management of local distribution activities, starting from 1 January 2017 Set Distribuzione has acquired full responsibility for the management of the Predazzo distribution network, owned by ARE, a distribution Company of the ACSM Primiero group, stipulating a business unit lease agreement with it. Concurrently, **Set Distribuzione** transferred the management of the networks of Sagron Mis and of the Vanoi to ARE, also by means of a business unit lease.

Starting on 1 April 2016, the activities of the

Companies that operate in the field of trading and selling electricity and gas were reorganised. In particular, all activities involving sales to end customers, throughout Italy, were concentrated **into Dolomiti Energia S.p.A.** (formerly Trenta S.p.A.). As prescribed by AEEGSI Resolution no. 296/2016/R/com, Dolomiti Energia thus operates under two brands: the Dolomiti Energia brand for the free market and still with the historical brand Trenta for the market subject to additional safeguards. **Dolomiti Energia Trading S.p.A.** (formerly Multiutility S.p.A.) was instead tasked with carrying out wholesale procurement activities, managing hydroelectric output – the so-called "dispatching" - and, in general, accessing the various markets for the selling Companies and for all the Group's activities. Into Dolomiti Energia Trading were also transferred all the activities previously carried out by Dolomiti Trading, which was placed in liquidation.

Dolomiti GNL continued with its own activities, completing, in Molveno, the first national multi-utility LNG distribution plant, serving a mountain community, with evident environmental benefits. In March 2016, moreover, IVI GNL S.r.l. was established, in equal partnership with a Sardinian company that distributes oil products, to develop the LNG market also in Sardinia, where, due to the lack of connections with the international transport network, today there is no LNG market.

In 2016, Dolomiti Energia obtained the **Family Audit** certification. A voluntary certification recognised at the European level, which attests the Company's constant commitment to conciliate its employees' working life and their personal and family life, achieving an effective balance between the interests of the organisation, of the workers and of the customers. For your Company, the Family Audit accreditation means enhancing its own corporate image and identity, boosting productivity thanks to the contribution from more satisfied workers and to a better corporate climate. In addition, the certification is a favourable element for access to public contributions and for participation in tenders and public contracts. Conciliating working time and personal time is thus not just an ethical matter, connected with the social responsibility of the enterprise, but also a corporate business and social interest objective.

2016 saw consolidation of the "Hydrotour Dolomiti" project whose objective is to make a number of Group hydroelectricity plants accessible to the general public, through guided tours and similar activities. The project, which is an absolute innovation in Italy, saw growing interest on the part of an audience made up of people from very different walks of life, with 33,000 visitors to the Santa Massenza and Riva del Garda plants, the latter opened in April 2016.

2016 was also the year in which Dolomiti Energia satisfactorily consolidated the ambitious project started with basketball in Trentino: not just because of the results obtained on the playing field, but of a path that made **Dolomiti Energia Basket Trentino** an ambassador of the Dolomiti Energia brand throughout Italy, with gratifying returns in terms of awareness for the Trentino energy brand and for our entire provincial territory.

At the national level, the positive effects were recorded, in terms of customer base expansion and brand visibility and awareness, of the award of the fourth tender promoted by Altroconsumo called **"Abbassa la bolletta"** (Lower the Bill) for the supply of electricity to over 13,000 residential customers throughout Italy.

In 2016, the Group was also ever more engaged on the front of environmental and social sustainability with the launch, by Dolomiti Energia, of a new offer for the supply of electricity from renewal sources and gas, called **ETIKA**. Launched in partnership with Cooperazione Trentina, Casse Rurali Trentine and other local players, active on the social front, ETIKA is based on the idea of an economy of reciprocity, in which all players obtain benefits thanks to the virtuous cycle that is started. It is a concrete, simple opportunity that enables end customers to save, benefiting from competitive offering on the market, and to sustain a social solidarity project, useful for the welfare of their own community.

BONUSES AND RECOGNITIONS

In 2016, both the electricity distribution and the natural gas distribution sectors benefited from the **bonuses awarded by the Authority** for Electricity, Gas and Water Services for the levels of quality and safety reached by the Group in the management of the networks. In particular, the bonuses for the continuity of the electrical service were the highest in Italy, in absolute value terms.

INVESTMENTS

The investments made in 2016 amounted to 97 million euro, inclusive of 57 million euro for the acquisition of 9% of Hydro Dolomiti Energia. The most important investments, in addition to the aforementioned increase of the interest in HDE, pertain to the initiatives to improve the distribution networks throughout the territory served by the Group, the activities directed at enhancing the information services available to the end customers and the ones put in place to ensure compliance of all Group Companies with industry regulations.

INTERNAL AUDIT and SUPERVISORY BODIES

During the year, the Company's Internal Audit department and the **Supervisory Bodies of the Company**, appointed to monitor the adequacy, effectiveness and compliance of the 231 Model, continued their internal control and supervision activities, periodically reporting to the Board of Directors and Board of Statutory Auditors on the test outcomes of sensitive processes and corporate planning procedures, closely following also the evolution of the relevant regulations that provided for an additional expansion of the type of offences included in Italian Legislative Decree 231/01 as amended, and a subsequent revision of the control model. In compliance with the rules, the control model was strengthened to include also the measures directed at preventing ever more effectively the risk of corruption activities to the detriment of the Group's Companies.
Collaboration with the other provincial service Companies remains close and constructive, with a relationship based on transparency and genuine collaboration; in the same way, the Group continues to dedicate constant attention and effort to the areas in which it operates and in support of the various sporting, social and cultural entities and initiatives present in the province.

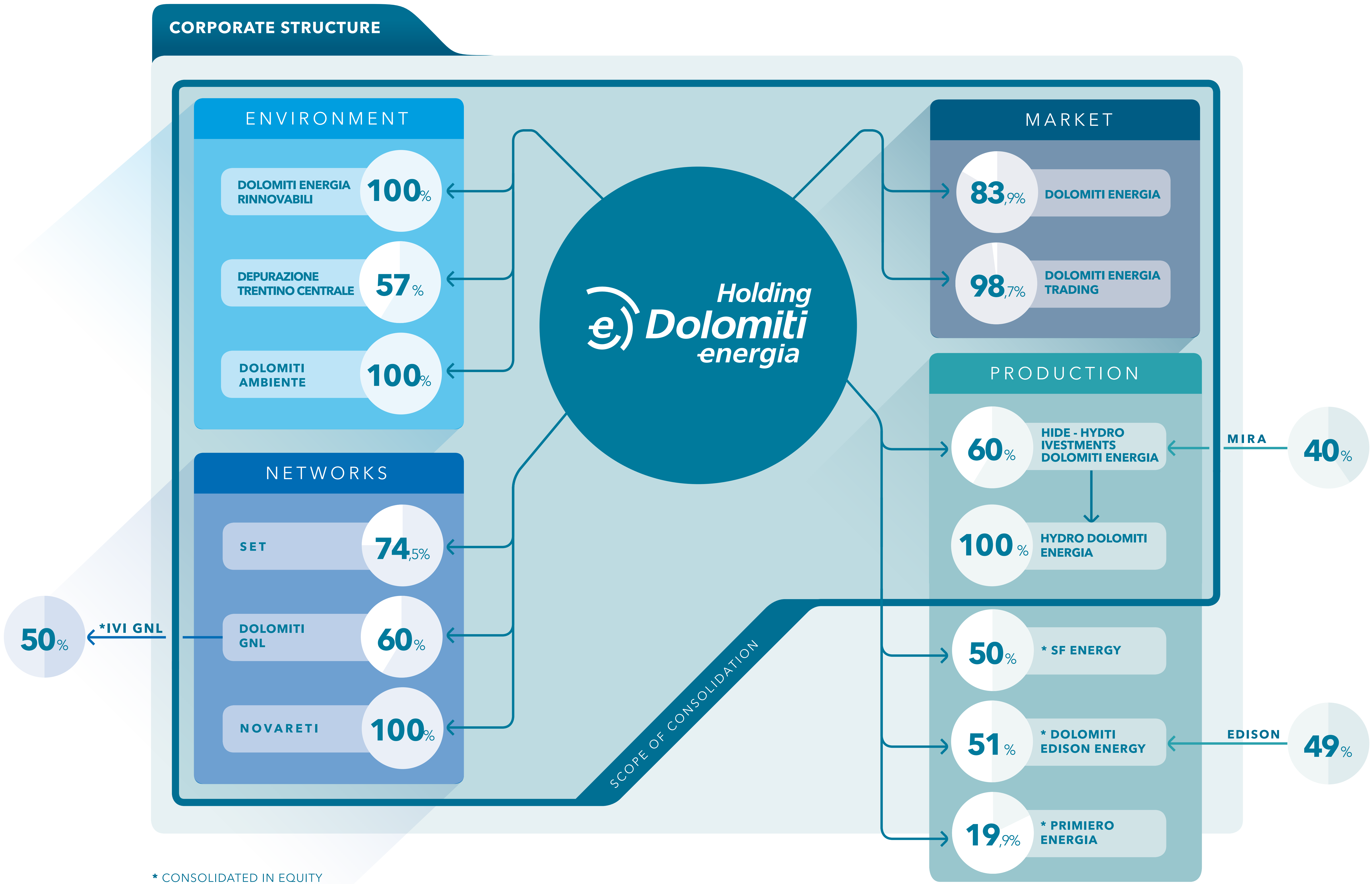
THE FUTURE

2016 has been an important year for your Company, characterised by a series of operations and initiatives that demonstrate the Group's constant evolution and growth. Day after day, your Company was able to assess the complex environment in which it acts, bring to completion the appropriate initiatives and make the best decisions to achieve the set objectives, thereby acquiring ever greater soundness with respect to a changing economic environment affected by events that at times are hardly foreseeable.
The positive results recorded in 2016 were possible thanks to the efforts of the entire organisation and to the trust and confidence that you, our Shareholders, continue to have in us. Your satisfaction and the satisfaction of our customers, employees, and of the entire Community, together with the need to protect our natural resources and improve our present and future environmental and territorial impact will remain the Group's key objectives.
Before concluding, I would like to provide you an update on Italian Law no. 124/2015 introducing "Powers delegated to the Government for the reorganisation of public administrations", better known as the Madia Law for Public Administration Reform. The measure, which contains important delegated law-making powers, including the reform of local public services, saw the definitive approval of the related enacting decree by the Council of Ministers on 24 November 2016.
However, this reforming activity was interrupted

as a result of the Constitutional Court's decision no. 251/2016, filed on 25 November 2016, which, allowing the challenge by the Veneto Regional Government, declared the Madia delegated law to be unconstitutional in the parts that provide that implementation through legislative decrees may take place after obtaining only the opinion of the State-Regions Conference and not on the basis of an agreement therewith.
Therefore, the definitive outline of the enacting decree relating to local public services with economic relevance (approved by the Council of Ministers, but not yet transmitted to the President of the Republic of Italy for signature) was withdrawn as well.
Currently, the tests of the enacting decrees are undergoing revision, by the Government as well, in light of the Constitutional Court's disapproval of the delegated Law.
It is clear that, if the decree currently being debated is substantially confirmed, important reflections and consequent decisions will have to be made in upcoming months because the activities carried out and the dimensions reached by your Company, the fact that it operates as a fully authorised player on domestic and international markets and the connected responsibility, including social responsibility in the broadest sense, make it imperative for us to address in a serious and organic manner the legislative changes, also with a view to fully exploit any growth opportunities that will present themselves on the market as direct consequences of the legislative changes.
An additional aspect that is constantly monitored by the company and that may have important repercussions on the Group's activity is the supplemental debate within the Italian Government concerning Article 37 of Law no. 134 of 2012 which had introduced a new regulation of the methods for the awarding of hydroelectric licenses for large diversions and set criteria for the quantification of the fees.
In conclusion, I am in any case certain, and I also know I speak on behalf of the whole Board of Directors, that, as in the past, together we can share and address the aforesaid issues on a path of sustainable growth, to satisfy Shareholders first and foremost, but also our entire Community, aware that your company is now recognised as a solid reference point and driver of growth, not just locally but nationally.

Dear Shareholders, on behalf of the entire Board of Directors, I would like to express my sincerest thanks to you Shareholders for your constant support and for the climate of mutual confidence and harmony, fundamental for tackling the future with confidence.

The Chairman
Rudi Oss



* CONSOLIDATED IN EQUITY


Malga Bissina Dam

Report on **operation**

The present report was prepared in compliance with the Italian Civil Code and the accounting standard adopted for the preparation of the financial statements were 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 additional details, please refer to point 2.1 of the Notes to the Financial Statements.

Significant events during **the year**

GENERAL ECONOMIC TREND

Global growth gradually gathered strength in the second part of the year, although many uncertainties still remain. In particular, it is still not clear what effects could derive from the possible initiatives in terms of fiscal and protectionist policies announced by the new American administration, although the initial signals are positive. In the USA, GDP grew by significant rates, even in the presence of the interventions by the Federal Reserve, which, by raising the interest rates, is bringing the country towards a gradual normalisation of the monetary conditions.
Growth remained stable in Great Britain, continuing to dissipate, for the present, the fears of a possible recession as a consequence of the outcome of the referendum that will lead to its exit from the European Union, although there is still a high level of uncertainty concerning the negotiations that will define the new post-Brexit commercial relationships.
In China, too, the macroeconomic data are positive, as a result of moderately strengthened domestic demand due to the fiscal and monetary stimuli that were implemented, while the situation remains negative in Brazil, which is still in a recession. The economy is improving in Russia, also as a result of a partial recovery in the prices of petroleum products, which, boosted in the ending part of the year by the agreements reached by the producers, in January 2017 returned to levels not recorded since mid-2015. However, it is doubtful that prices will stay at this level, both in view of the geopolitical tensions among the countries in the cartel, and of the possible recovery of production in the United States where the number of new drilling sites started growing again during the summer.
In the Euro area, GDP growth continues at a more moderate, but gradually consolidating pace thanks to the momentum provided by the domestic components of demand. In December, inflation rose, starting to reflect the significant expansionary measures put in place by the ECB, which confirmed the financial asset purchase programme, at least until the end of 2017. For now, this trend reduced the risks of deflation, although the core dynamics do not seem to have a stable trend yet. Based on the forecasts by the central banks of the Euro zone, in 2017 the inflation rate could rise to 1.3% from 0.2% in 2016 (source: Bank of Italy Bulletin). To maintain this trend, the ECB stated that it is ready to extend the asset purchase programme even beyond the end of 2017 and, if necessary, to expand the volume of purchases, while confirming that the official rates will be maintained at current levels after the end of 2017 as well.
Overall, the scenario of the Italian economy was a positive one, with the confirmation of a plus sign for the GDP, albeit by a very modest amount. Industrial activity continues to expand, albeit at lower rates than those of 2015. Business confidence is positive, confirming the optimism of manufacturing enterprises, offset by a relative deterioration in the construction sector, in particular in the non-residential segment. The survey carried out by the Bank of Italy *"points to an increase in investment expenditures in the first half of 2017 relative to the second half of 2016 by industrial and service enterprises, especially large ones. An influence would be exerted by the new incentives for investments in technological assets (hyper depreciation) and the extension of those directed at reducing the cost of capital (super depreciation)"*. (Bank of Italy Bulletin No. 1/2017)
Household consumption spending is substantially stable, even in the presence of appreciable growth in disposable income, as a consequence of a resumption of the propensity to save, which had contracted in 2015.
In spite of a certain stagnation of exports in the second part of the year, the current account surplus continued to improve, climbing above 40 billion euro in the first 11 months of 2016, under the influence of the growing trade surplus tied to the decline in spending for energy commodities

GROUP ACTIVITIES

In the first place, it should be recalled that, starting from the financial statements of the year 2016 the separate and consolidated financial statements of Dolomiti Energia Holding are prepared in accordance with the EU IFRS in force at the date of their approval, setting 1 January 2015 as transition date. The effects of this decision are better highlighted in the Notes to the Financial Statements, to which reference is made for all additional information on the matter.
Concerning the results of the Dolomiti Energia Group, the year ended with positive results, improving compared to the previous year. Consolidated EBITDA amounted to 183.7 million euro, up by 41.5% compared to the value of the previous year, equal to 129.9 million euro. However, it should be stressed that this improvement is exclusively due to the change of the scope of consolidation, in particular to line-by-line consolidation, starting from 1 March 2016, of Hydro Dolomiti Energia S.r.l. ("HDE") and Hydro Investment Dolomiti Energia S.r.l. ("HIDE") and hence to the contribution, which these companies provided to the Group's results starting from March.
Also highly positive was the consolidated net profit figure, which amounted to 65.6 million euro, up by 34.1% relative to the previous year's 49.0 million euro. A significant contribution to this increase (i.e. approximately 13 million euro) was also provided by non-recurring items deriving from the change of the scope of consolidation and in particular from the line-by-line consolidation of Hydro Dolomiti

Energia and Hydro Investment Dolomiti Energia starting from 1 March 2016. Operating activities recorded overall positive results, in line with those of the previous year, with the exception of the generation of hydroelectric energy, which recorded a contraction of profitability as a result of both the poor rainfall of the period and at the level of wholesale prices, particularly low especially in the first part of the year, as highlighted below. The Group's net financial position rose from 334 million euro at the end of 2015 to 419 million euro, both because of the aforementioned change of the scope of consolidation, with the related inclusion of the financial position of HDE, and because of the outlay, on 29 February 2016, deriving from the acquisition of the 9% interest in HDE, amounting to 57 million euro. At the end of this transaction, the Group's interest in HDE rose to 60%, while the remaining 40% is held, through HIDE, by Fedaia Holdings, a subsidiary of Macquarie European Infrastructure Fund 4 LP.
This transaction marked the start of the process of complete separation of HDE from the Enel Group, which, based on the agreements in place until the sale of the interest by Enel, rendered a series of services to the company. These activities were completed on 1 January 2017 with the complete transfer of the system for the remote control and dispatching of the plants to companies of the Group.
During the year the Company’s Supervisory Board, appointed to monitor the adequacy, effectiveness and compliance of the 231 Model, continued its supervision and periodically reported to the Board of Directors and Board of Statutory Auditors on the test outcomes of sensitive processes and corporate planning procedures, closely following the evolution of the relevant regulations that provided for an additional expansion of the type of offences included in Italian Legislative Decree 231/01 as amended, and a subsequent revision of the control model. In compliance with the rules, the control model was strengthened to include also the measures directed at preventing ever more effectively the risk of corruption activities to the detriment of the Group's companies.

With reference to corporate control system activities, the Internal Audit Department performed its duty of providing support to Senior Management, planning and implementing action to verify and improve the business areas, processes and data flows considered critical to achieving corporate objectives, and reporting to the Board of Directors and Board of Statutory Auditors on any findings, the improvement initiatives implemented and related results.
With regard to transactions completed directly or by other subsidiaries or investees, those worthy of comment in this report are as follows:

DOLOMITI ENERGIA HOLDING

Starting from June 2016, an agreement was executed with AGSM Verona, to explore the possible integration between your Company and AGSM Verona. This process was unsuccessful, so the related activities were broken off in November 2016.
As a result of the decision to use the Dolomiti Energia brand for sales to end customers on the free market, distinguishing it from the brand used on the market subject to additional safeguards in accordance with AEEGSI Resolution No. 296/2016/R/com and of the consequent change of the name of the subsidiary Trenta S.p.A. to Dolomiti Energia S.p.A., your Company's name was changed to Dolomiti Energia Holding S.p.A. with effect from 1 May 2016, as a result of the resolution passed by the Shareholders' Meeting of 29 April of last year.
In the first quarter of 2016, 6,739,824 A2A shares, representing the entire interest held by Dolomiti Energia Holding, were sold with the goal of contributing to finance the acquisition of the aforementioned interest in HDE.
On 19 October 2016, an EIB loan of 100 million euro, with 16-year duration, was subscribed, to optimise the financial structure and support the investments of all the Group's companies. The loan is secured by a guarantee provided by the European Union through the European Fund for Strategic Investments (EFSI), better known as "Juncker Plan", directed at stimulating investment activities in the European Union.

NOVARETI

As a result of the legal and regulatory unbundling prescriptions, which required the complete distinction of the brands between sale and distribution companies belonging to the same Group, from 1 July 2016 onwards the company changed its name from Dolomiti Reti to Novareti.

SET DISTRIBUZIONE

Within the process of rationalisation of the management of local distribution activities, starting from 1 January 2017 SET has acquired full responsibility for the management of the Predazzo distribution network, owned by ARE, a distribution company of the ACSM Primiero group, stipulating a business unit lease agreement with it. Concurrently, SET transferred the management of the networks of Sagron Mis and of the Vanoi to ARE, also by means of a business unit lease.

DOLOMITI ENERGIA/DOLOMITI ENERGIA TRADING

Starting on 1 April 2016, as a result of the reorganisation decided by the Group, the activities of the companies that operate in the field of trading and selling electricity and gas were completely reorganised. In particular, all activities involving sales to end customers, throughout Italy, were concentrated into Dolomiti Energia S.p.A. (formerly Trenta S.p.A.). Dolomiti Energia operates with two brands, as prescribed by AEEGSI Resolution No. 296/2016/R/com, one, Dolomiti Energia, for the free market and the other, Trenta, for the market subject to additional safeguards.
Dolomiti Energia Trading S.p.A. (formerly Multiutility S.p.A.) was instead tasked with carrying out wholesale procurement activities, managing hydroelectric output and, in general, accessing the various markets for the selling companies and for all the Group's activities.
Into Dolomiti Energia Trading were also transferred all the activities previously carried out by Dolomiti Trading, which was placed in liquidation.

DOLOMITI GNL

On 14 March 2016, moreover, IVI GNL S.r.l. was established, in equal partnership with a Sardinian company that distributes oil products, to develop the LNG market in Sardinia as well.

Dolomiti Energia Group **Summary of economic, equity and financial potitions**

ECONOMIC POSITION

The scope of consolidation of the Dolomiti Energia Group consists of 11 companies that, in detail, are: in addition to the Parent Company Dolomiti Energia Holding, the subsidiaries Dolomiti Energia Rinnovabili S.r.l., Novareti S.p.A., Dolomiti Ambiente S.r.l., Dolomiti Energia Trading S.r.l., Dolomiti Energia S.p.A., SET Distribuzione S.p.A., Depurazione Trentino Centrale Scarl, Hydro Investments Dolomiti Energia S.r.l., Hydro Dolomiti Energia S.r.l. and Dolomiti GNL S.r.l..
The consolidated financial statements of the Group show a sharp increase in the EBITDA and consequently an increase in net profit compared to 2015. This increase is predominantly due to the change of the scope of consolidation, which, starting from 1 March 2016, comprises the companies HIDE and HDE, whereas in 2015 they were consolidated using the equity method.

Total revenue and other income amounted to 1,378 million euro (1,244 million euro in 2015).

Production costs amounted to 1,257 million euro (1,165 million euro in 2015).

Personnel costs totalled 64.5 million euro (56.5 million euro in 2015).

The gross operating margin (EBITDA) improved compared to the previous year and now amounts to 183.7 million euro (129.9 in 2015). In percentage terms compared to total revenue and other income, it amounts to 13.3% (10.4% in 2015).

Total depreciation and amortisation, provisions and write-downs of fixed assets amount to 55.5 million euro (40.6 in 2015), with an increase by 36.7% compared to the previous year, deriving mainly from the change of the scope of consolidation.

Income from investments amounted to 7.3 million euro, compared to 9.6 million euro in 2015.

The net operating profit (EBIT) achieved was 128.2 million euro, compared to 89.3 million euro in 2015.

Financial charges increased from 8.9 million euro in 2015 to 10.5 million euro in 2016. The main components are represented by the interest on bonds and on the uses of bank credit facilities.

Income taxes for the year totalled 30.5 million euro (23.5 million euro in 2015) and take into account prepaid/deferred taxes as illustrated in detail in the Notes to the Financial Statements.

Consolidated net profit, net of minority interests, was 65.6 million euro (49.0 million euro in 2015).

EQUITY AND FINANCIAL POSITION

The Group's net investments in fixed assets in 2016 totalled 97.3 million euro (44.2 million euro in 2015) including the outlay for the acquisition of 9% of HDE.

The net invested capital as at 31 December 2016 increased by 668.0 million euro compared to the previous year due mainly to the change of the scope of consolidation

KEY ECONOMIC AND FINANCIAL RESULT INDICATORS

ECONOMIC INDICATORS

The indicators illustrated take into consideration the reclassification of previous year values for financial statements comparison purposes.

Index	Formula	2016	2015	difference
ROE	Net profit/Equity	10.10%	7.95%	2.15%
ROI	EBIT/Invested capital	6.08%	6.19%	(0.12%)
ROS	EBIT/Turnover	9.31%	7.17%	2.15%
EBITDA	Gross operating margin (thousands of euro)	183,685	129,849	53,836
EBIT	Net operating margin (thousands of euros)	128,211	89,262	38,949

All indicators are better than those of the previous year. This result is mainly due to the change of the scope of consolidation.

FINANCIAL AND EQUITY INDICATORS

Index	Formula	2016	2015	difference
Hedging of fixed net assets	Equity+medium-long-term liabilities/fixed net assets	0.80	0.98	(0.18)
Debt ratio	Liabilities/Equity	2.25	1.34	0.91
Secondary liquidity ratio	Short-term assets/short-term liabilities	1.03	1.09	(0.06)

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

RISK ANALYSIS - CORPORATE OBJECTIVES AND POLICIES ON RISK MANAGEMENT

FINANCIAL RISKS

The Dolomiti Energia Group introduced a process aiming to manage the corporate risks based on the Enterprise Risk Management methodologies, though with exclusive characteristics and specificities.

There is an ongoing specific "Risk Management" project, directed at managing financial risks, and the "Finance and Risk Management Department" is active to promote greater effectiveness of intervention in the reference operating environment.

The "Group Risk Policy" was approved by the Board of Directors; the purpose of the document is to define the Group's guidelines relating to governance, management strategy and controlling the following financial risks:

- Liquidity risk;
- Interest rate risk;
- Commodity price risk;
- Credit risk.

Liquidity risk

The liquidity risk is defined as the possibility that the financial resources available may be insufficient to fulfil financial commitments.

The main factors that influence the total liquidity of the Group are the resources generated or absorbed by the operations and the characteristics of loan expiries and renewals.

The Group has suitable cash credit lines to tackle funding requirements.

The management of the liquidity risk, according to the Risk Management logics, aims to define a financial structure in line with the corporate objectives to ensure a suitable level of short-term liquidity and a balance in terms of debt duration and breakdown in relation to the investment programmes.

To effectively monitor the Group's liquidity, the "Finance and Risk Management" department introduced some indicators that measure the optimal indebtedness ratio between short and medium-term and the usage percentage of the uncommitted credit lines.

Interest rate risk

The interest rate risk refers to the possibility that fluctuations in the cost of money have repercussions on the level of financial charges originating from floating rate borrowings. The objective of the "Risk Management" department is to minimise the impact of the changes in the interest rate on the Group's total financial charges through the use of hedging financial instruments.

Total indebtedness as at 31 December 2016 is broken down as follows:

- 31.85% at fixed rate
- 21.86% hedged with derivative instruments (IRS plain vanilla)
- 46.29% at floating rate

Commodity price risk

Monitoring the price of Commodities is fundamental to avoid that the fluctuations in electricity and gas prices mean significant changes in the Group's operating margins.

Using a control system is fundamental to limit any undesired effects on the economic result that compromise the achievement of the company's budget targets.

This risk emerges from sale agreements for natural gas and electricity that make up the Group's source and commitment portfolio.

The aim of the "Finance and Risk Management" department is to control the Group's "energy sources-commitments" with the purpose of monitoring the risks deriving from price fluctuations.

To this end, an indicator called "Profit at Risk" (PAR) was adopted at Group level to measure the price risk and to quantify the "risk margin" of the source and commitment portfolio, only for the effect of the market's price changes in a period of observation. In order to contain the aforementioned risk, derivative contracts are entered into if necessary.

Credit risk

Credit risk relates to any non-fulfilment of the commercial and financial obligations of the counterparties that is such to have an impact on the economic result to jeopardise the corporate objectives. The methodology aimed at measuring the Group's credit risk applies to all the types of commercial and financial agreements signed.

The Dolomiti Energia Group aims at optimising the risk profile while pursuing the commercial objectives in coordination with the corporate functions that manage the credit process (credit assignment and review, management and control).

REGULATORY RISKS

With reference to regulated sectors (operation of the environment and distribution networks), a Group structure named "Regulation of relations with Agencies-Authorities" is dedicated to continuously monitoring the progress of the reference regulations in order to assess their effects and mitigating them when possible.

Managing this risk implies the following activities:

- management of technical-institutional relations;
- technical-regulatory support towards the Group's operating structures.

With a view to continuous improvement, the Group has also developed a reporting system for regulatory fulfilments for the electricity and gas sectors.

WORKPLACE HEALTH AND SAFETY

The Group, having always focused on protecting the health and safety of its collaborators (and more generally everyone involved in the activities of the Group's companies), pursues not only the objective of complying with applicable regulations, but a set of actions aimed at continuously improving working conditions.

It is thus committed to spreading a culture of safety based on developing the perception of risks, promoting responsible behaviour among the collaborators and sharing responsibilities among all the parties involved in the Group's activities, bar none.

To this end, the Group uses a centralised Quality Safety and Environment structure that works across all the Group's companies.

The shared objectives of the companies' Employers are:

- continuous improvement of the integrated workplace health and safety risk management system;
- a continuous analysis of the critical issues of the processes and of the resources to be protected;
- constant attention to training, educational and communication processes;
- the adoption of the best technologies economically accessible;
- the control and update of working methods.

The achievement of the continuous-improvement objectives hinges on the ability to involve each individual worker in ensuring their health and safety and that of third parties in the workplace.

Employers identified the people in charge of covering the role of Prevention and Protection Service Managers for individual companies.

Risk assessment documents are updated to consider the structural development, the operating conditions and the regulatory evolution.

The implementation of the systems to manage health and safety in the workplace according to the model defined by the standard BS OHSAS 18001:2007 continued in 2016 also through the development and implementation of the specific SW adopted to manage the system (Simpledo.net). This instrument pursues the improved distribution of information, the prompt planning and management of fulfilments and deadlines, a structured operating control and an efficient environment for the continuous improvement of the SSL system.

INJURY PREVENTION FIGURES

The evaluation of injury figures for 2016 was performed on an aggregate basis for all Group companies.

The indicators taken into consideration are calculated in accordance with the UNI 7249:2007 standard and therefore determined as follows:

INCIDENCE **INDICATOR (II)**

$$\frac{\text{no. of injuries} \times 1{,}000}{\text{average number of workers}}$$

FREQUENCY **INDICATOR (IF)**

$$\frac{\text{no. of injuries} \times 1{,}000{,}000}{\text{No. hours worked}}$$

SEVERITY **INDICATOR (IG)**

$$\frac{\text{no. workdays missed due to injury} \times 1{,}000}{\text{No. hours worked}}$$

The main indicators (frequency, incidence and severity) recorded in 2016 worsened, overall, compared to 2015 chart 1). The deterioration is less marked if "commuting" injuries are excluded from the calculation (chart 2).

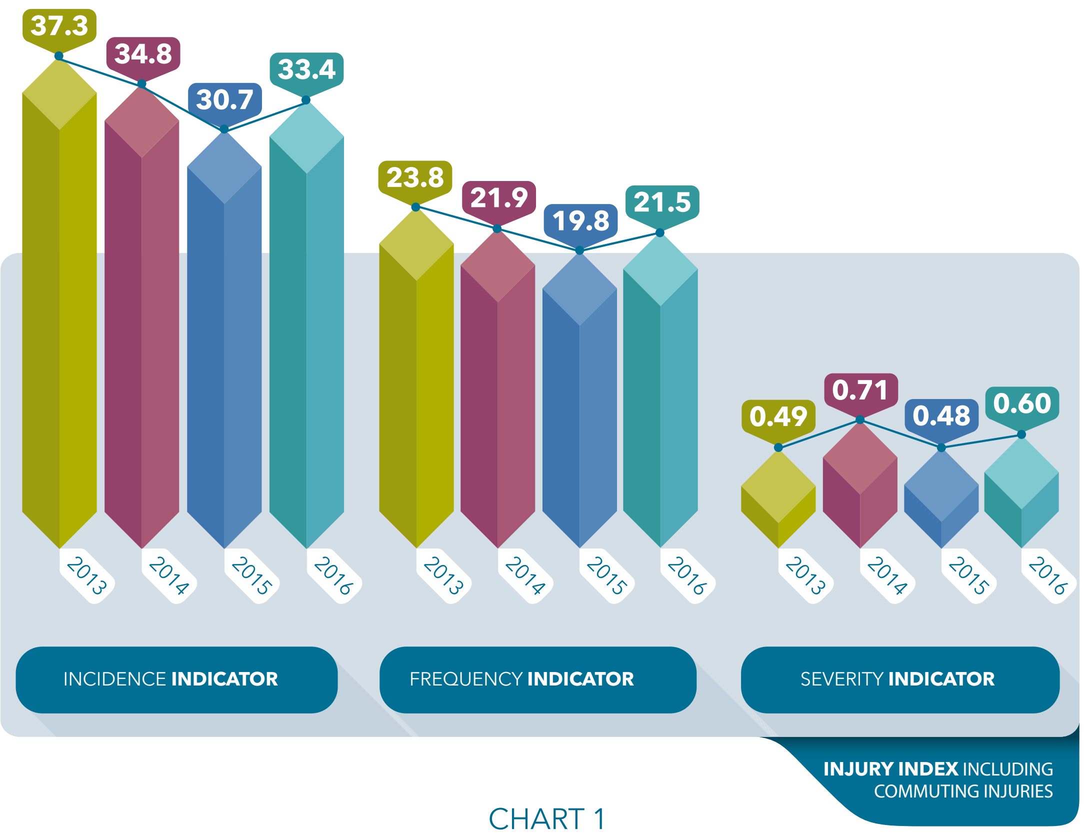


CHART 1

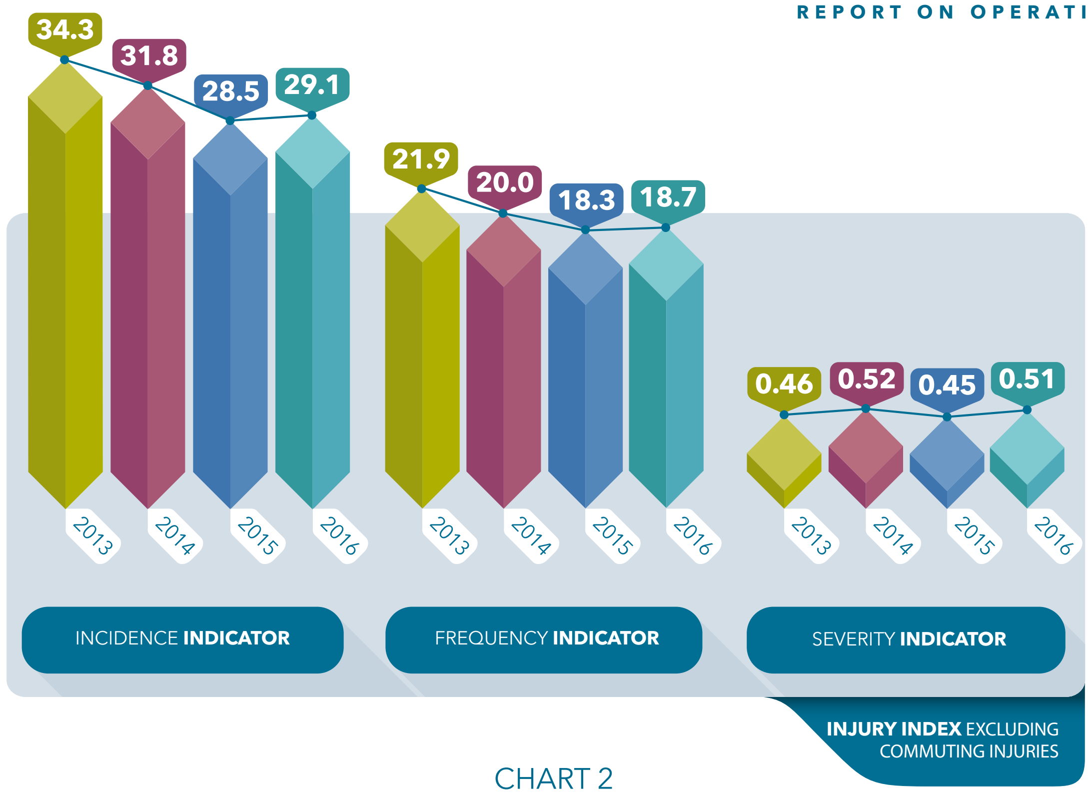


CHART 2

As shown in the following figure (chart 3), the frequency and incidence indicators improved with reference to the average of the data of the previous three years (2013-15), while the severity indicator worsened slightly.

Considering all events (including commuting injuries), the incidence and frequency indexes in 2016 were lower respectively by 0.8% and by 0.3% than the average figure in the previous three-year period.

The severity indicator worsened, from 0.56 in the 2013-2015 three-year period to 0.60 in 2016, as a result of some long-term injuries.

The average duration of the injuries increased from 25.7 days of the three-year period to 27.8 days for 2016.

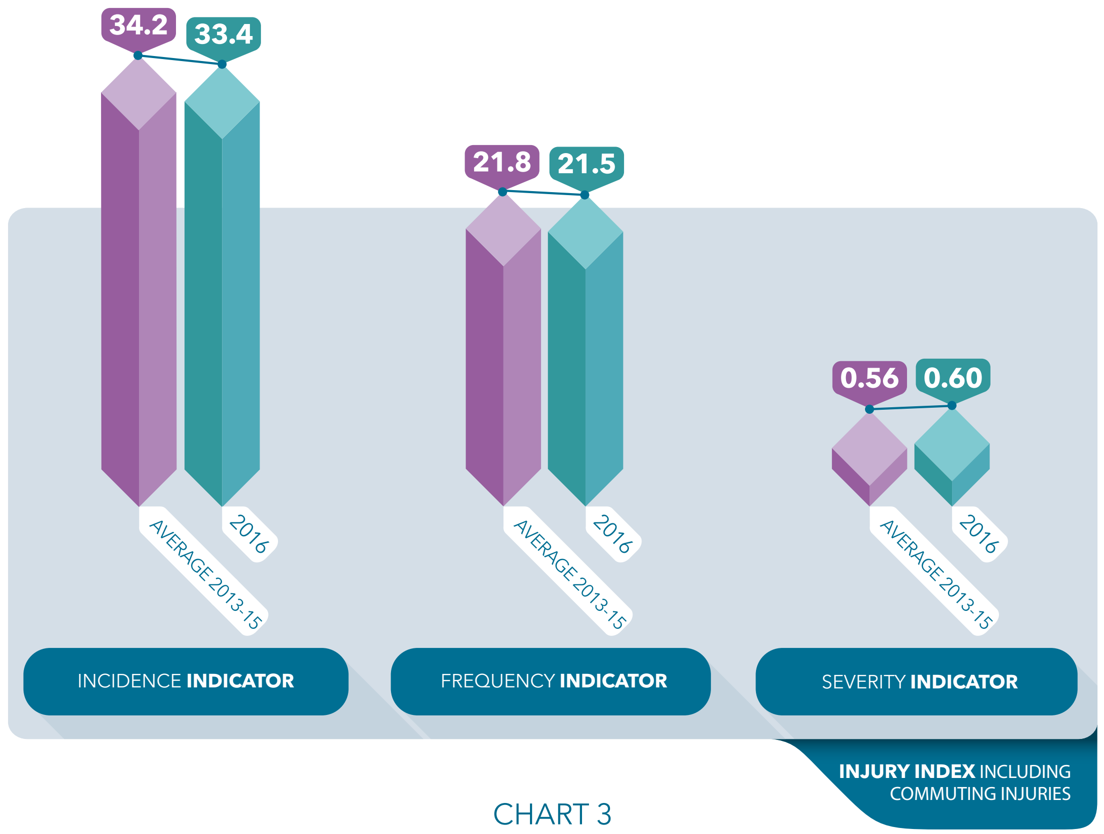


CHART 3

Excluding commuting injuries from the calculation, comparison with the previous three-year period shows an improvement in the incidence and frequency indicators respectively by 2.4 and 1.4 points compared to the average value of the previous three-year period.

In this case, too, the severity indicator worsened slightly, from 0.48 in the 2013-2015 three-year period to 0.51 in 2016, as a result of some long-term injuries (chart 4).

The average duration of the injuries, in this case, increased from 23.9 days of the three-year period to 27.2 days for 2016.

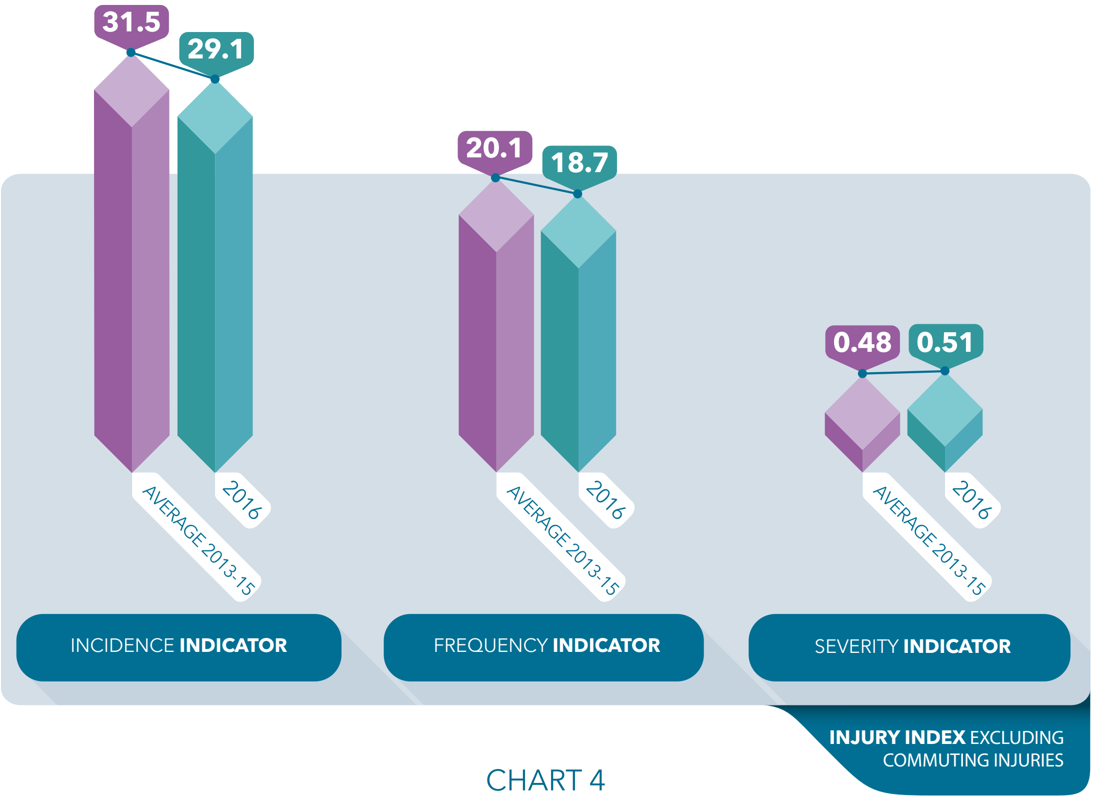


CHART 4

HEALTH SURVEILLANCE

In 2016, workers' health surveillance entailed 1021 physicals with related follow-up tests in view of the tasks assigned to the workers and the consequent health risk assessment.

Considering the increase in the number of employees and the fact that, for some categories of workers, physicals are carried out with multi-year periodicity (2, 3 or 5 years), the figure is deemed to be in line with those of the previous years:

	2013	2014	2015	2016
Periodic physical	849	860	858	890
Preventive visit	49	37	56	82
Extraordinary visit	40	71	74	49
Total GDE	**938**	**968**	**988**	**1021**

Dolomiti Energia Holding S.p.A. **Summary of economic, equity and financial positions**

ECONOMIC POSITION

Total revenue and other income amounted to 41.3 million euro.

Production costs amounted to 26.7 million euro.

Personnel costs amounted to 11.0 million euro.

The **gross operating margin (EBITDA)** amounted to 5.1 million euro. In percentage terms compared to total revenue and other income, it amounts to 12.3%.

The set of amortisation, depreciation and write-downs of fixed assets amounted to 7.7 million euro.

The net operating loss amounts to -2.6 million euro.

Income from investments amounted to 50.8 million euro (47.4 million euro in 2015).

Financial charges amounted to 1.9 million euro.

Income taxes for the year amounted to +0.4 million euro and take into account the Group tax consolidation income and the deferred/prepaid taxes as described in detail in the Notes to the Financial Statements.

The profit for the year came to 46.7 million euro and increased by 4.9 million euro compared to the result obtained in 2015.

EQUITY AND FINANCIAL POSITION

Investments in fixed assets carried out by the Company in 2016 totalled 8.1 million euro (11.7 in 2015).
Among the sources, **shareholders' equity** rose by 16.5 million euro in 2016.
Please refer to the annexes to the Notes to the Financial Statements of the Parent Company Dolomiti Energia for a summary of the effects of the transition from the Italian Accounting Standards (OIC) to the International Accounting Standards IFRS/IAS, effective from 1 January 2015.

RISK ANALYSIS – CORPORATE OBJECTIVES AND POLICIES ON RISK MANAGEMENT

FINANCIAL RISKS

Liquidity risk

Dolomiti Energia Holding's liquidity risk exposure lies in the actual ability to have the financial resources to support its ordinary business activities within the necessary time intervals. The Company's financial position is constantly monitored and does not exhibit any critical issues.

Market risk

The market affects the Company on several fronts:

price risk: the company mainly operates on the national market and is thus marginally exposed to fluctuations in currency exchange rates; electricity production activity is exposed to market prices, which may significantly affect the margins; to contain this risk, the Company constantly monitors price trends, with the goal of carrying out, if deemed appropriate, transactions in commodity derivatives;

interest rate risk: in consideration of the significant debt position, with the subsequent exposure to fluctuations in interest rates, the Company, to mitigate this risk, carried out transactions in interest rate derivatives, whose details are listed in the Notes to the Financial Statements.

Credit risk

The value of receivables is monitored constantly during the year to ensure that the presumed realisable value is always expressed in the financial statements through an adequate estimate of the provision for write-downs.

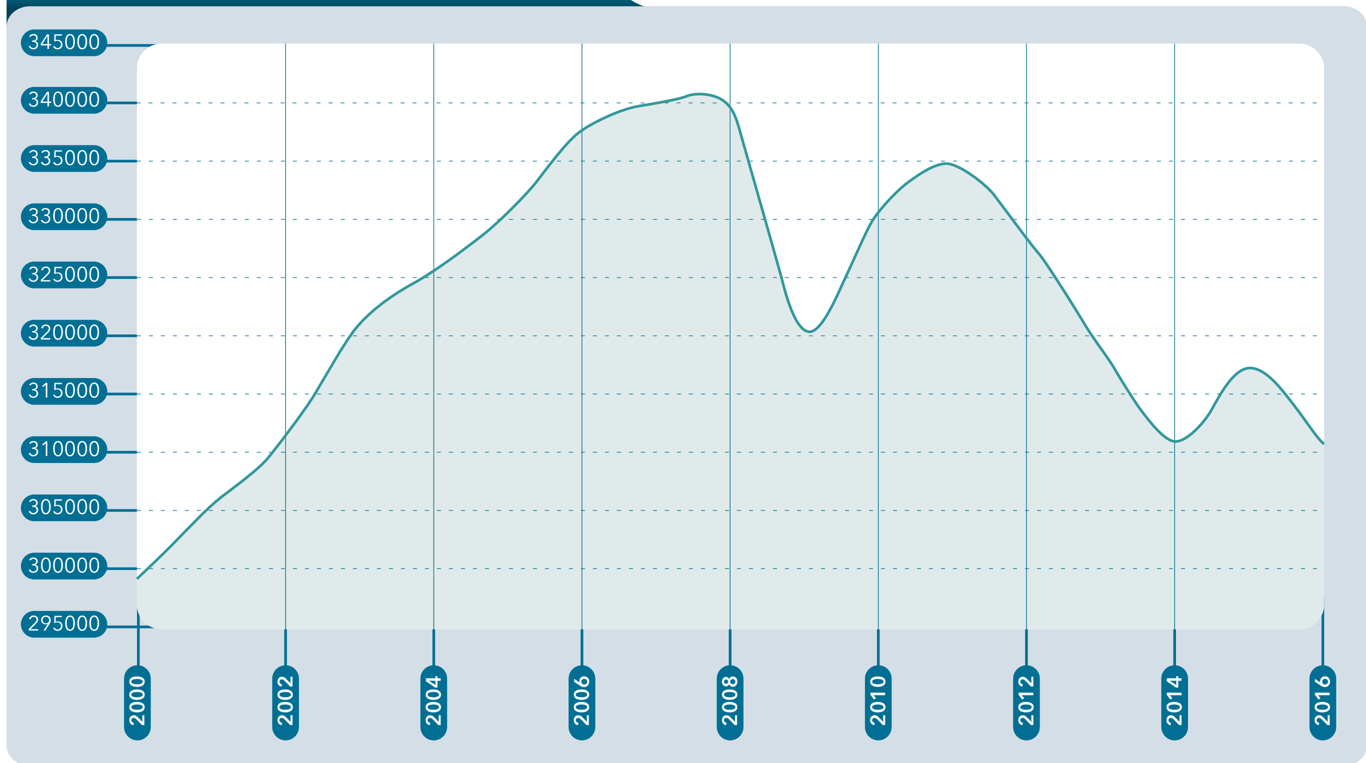
THE ENERGY, MARKET AND REGULATORY SCENARIO

PERFORMANCE OF THE ENERGY MARKETS

According to the provisional data made available by Terna S.p.A., in 2016 electricity consumption in Italy amounted to 310,251 million kWh, down by 2.1% compared to the previous year, reaching a substantially similar value to that of 2014. As is readily apparent in the following chart, this value is still nearly 9% lower than the highs recorded in 2007. Attesting the challenges to the market's recovery, after the setbacks of recent years, it should be stressed that similar consumption levels had already been reached in 2002.

This contraction in consumption seems to be distributed in a substantially similar manner throughout Italy, with the exception of Sicily, where the decline was more marked, i.e. -4.5%, while in the Triveneto area the drop in consumption was limited to -0.9%.

ELECTRICITY CONSUMPTION IN ITALY (GWh)



In spite of this decline in consumption, domestic output increased by 1.2%, while the foreign balance (import minus exports) decreased by over 20%, as a result of the drastic reduction in imports in the final months of 2016, coinciding with the prolonged and unforeseen maintenance outages of the French nuclear plants. The consequent contraction in electricity output in France led, in certain days in December, not only to the interruption of imports, but also to the reversal of the flows, with energy being exported to France. This situation also persisted in January 2017, partly as a result of the cold spell that hit Europe, significantly affecting the entire Italian market, as is better described below.

The domestic electricity output (calculated net of auxiliary services for pumping output and consumptions met 89% of demand (86% in 2015) and 61.5% of it was generated from thermoelectric sources (60.2% in 2015), 15.4% from hydroelectric sources (16.5% in 2015), for the remaining 23.2% from other renewable sources (biomass, geothermoelectric, wind and photovoltaic) with a similar contribution to 2015. Hence, 2016 exhibited a further decrease by 9% in the energy generated by hydroelectric plants (a 25% decrease had already been experienced in 2015 relative to 2014) due to significantly lower rain conditions than the thirty-year average (in 2014, they had been 25% higher than the average). This decrease was substantially offset by the increase in the electricity generated by thermoelectric plants, in particular by methane gas-fuelled CCGT plants.

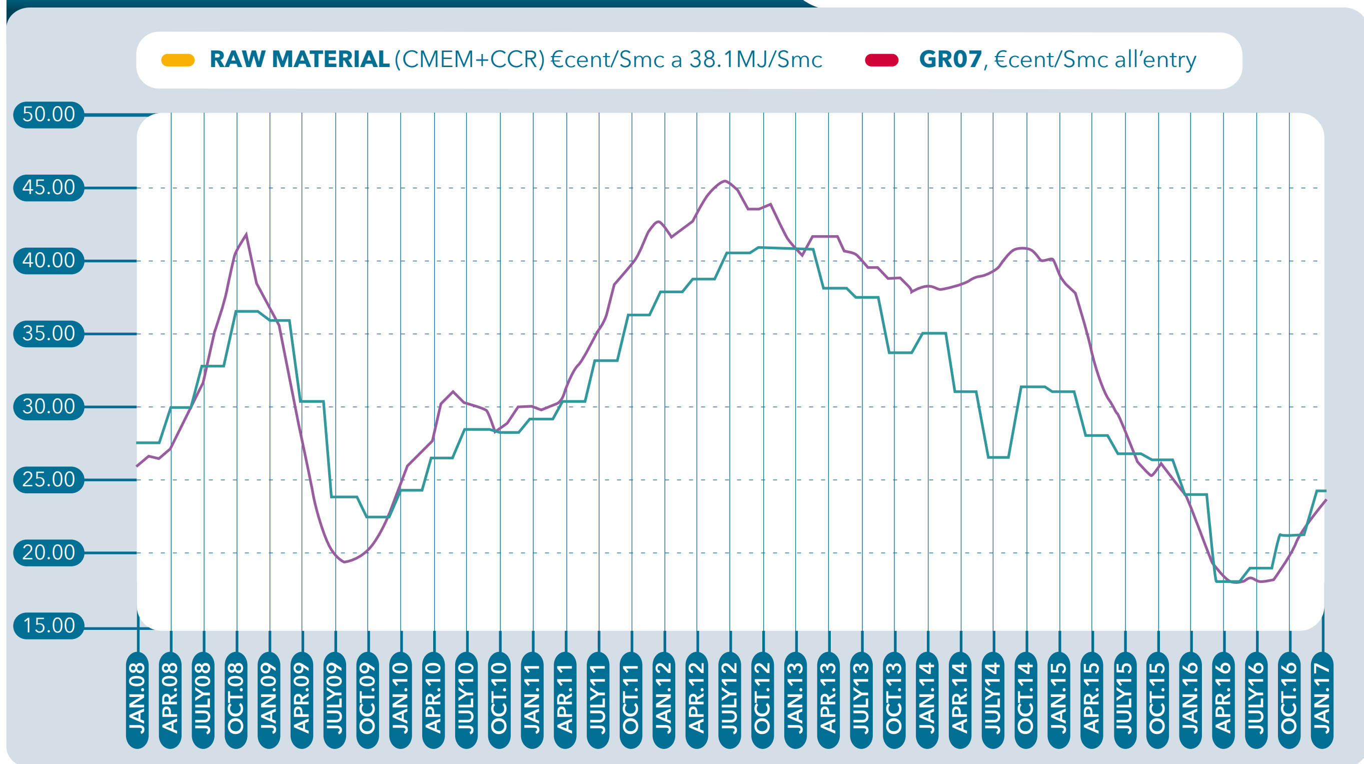
Driven by demand from the thermoelectric sector (+12.1%), consumption of methane gas, unlike the electricity market, thus confirmed its growth for the second consecutive year, exceeding 70 billion Sm3. A contribution to this result also came from growth in industrial consumption (+4.4%), while distribution network consumption remained substantially stable (-0.5%), highly influenced, as is well known, by weather trends, with temperatures again being warmer than average in 2016.

With regard to procurement, of note is a strong recovery of imports from Algeria (which rose from 7 to 19 billion Sm3, growing by 160%) tied presumably to commercial reasons (renegotiation of the prices and reduction of the prices of petroleum products to which these prices are linked) and consequently the imports from the other markets contracted. LNG grew slightly (+9%), substantially as a result of the use, very limited though it was, of the Panigallia and Livorno terminals, which had been practically inactive in 2015. As a whole, the gas supplied to the network by the regasification terminals amounted to 6.4 billion Sm3, i.e. approximately 9.1% of domestic consumption. Domestic output, instead, declined, and in 2016 its recorded values were lower than the LNG (5.5 billion Sm3), covering only 8% of consumption.

In 2016, oil recorded an average price of 43.7 $/barrel on international markets, with a further decline compared to the previous year, caused above all by the very low level recorded in the first half of the year (below 40 $/barrel). In the second half of the year, partly as a result of the agreements reached by the producers with a view to supporting the price, prices recorded a rising trend and, for the moment, they appear to be stabilised on values between 52 and 54 $/barrel, similar to those recorded in 2015. It should be pointed out that the euro weakened significantly relative to the dollar which, in particular since September 2016, progressively declined, reaching a rate of 1.05 at the end of the year (December average).

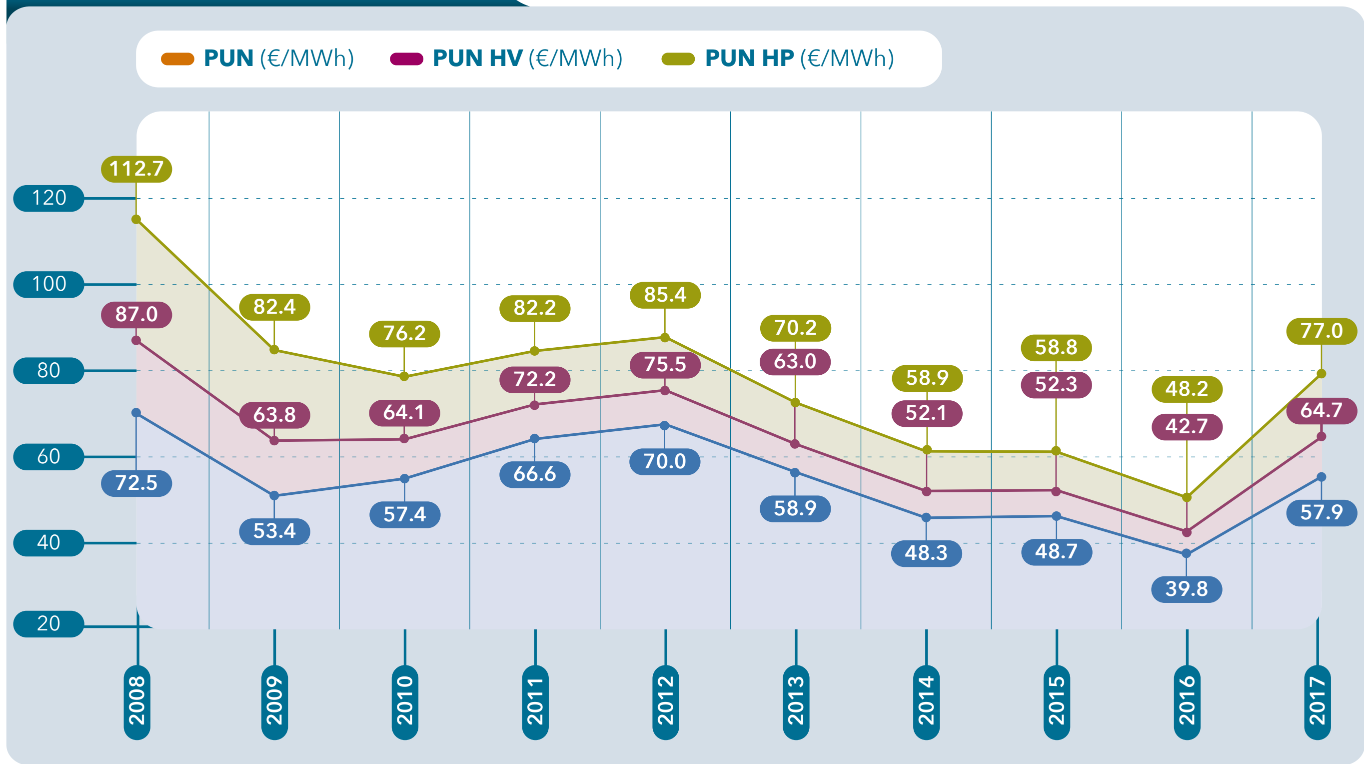
The carry-over effect of the prices of petroleum products, and the abundant availability of gas as a result of the reduced heating consumption recorded in the early months of the year, led to a significant reduction in methane gas prices in the summer, bringing the annual average to 20.7 €/Sm3, with a significantly lower value (-27%) relative to last year. However, as is readily apparent in the following chart, the declining trend of the prices was interrupted starting from the 2016/2017 winter season with a recovery of prices, which, in the first quarter of 2017, reached similar values to those recorded in the first quarter of 2016. This rise is due both to seasonal factors, tied to the usual increase in demand in the winter months, and to other contingent factors including the significant growth of demand, both in Italy and in Europe, driven by CCGT plants, called upon to increase their output to make up for the shortfall in the energy supplied by the nuclear plants.

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



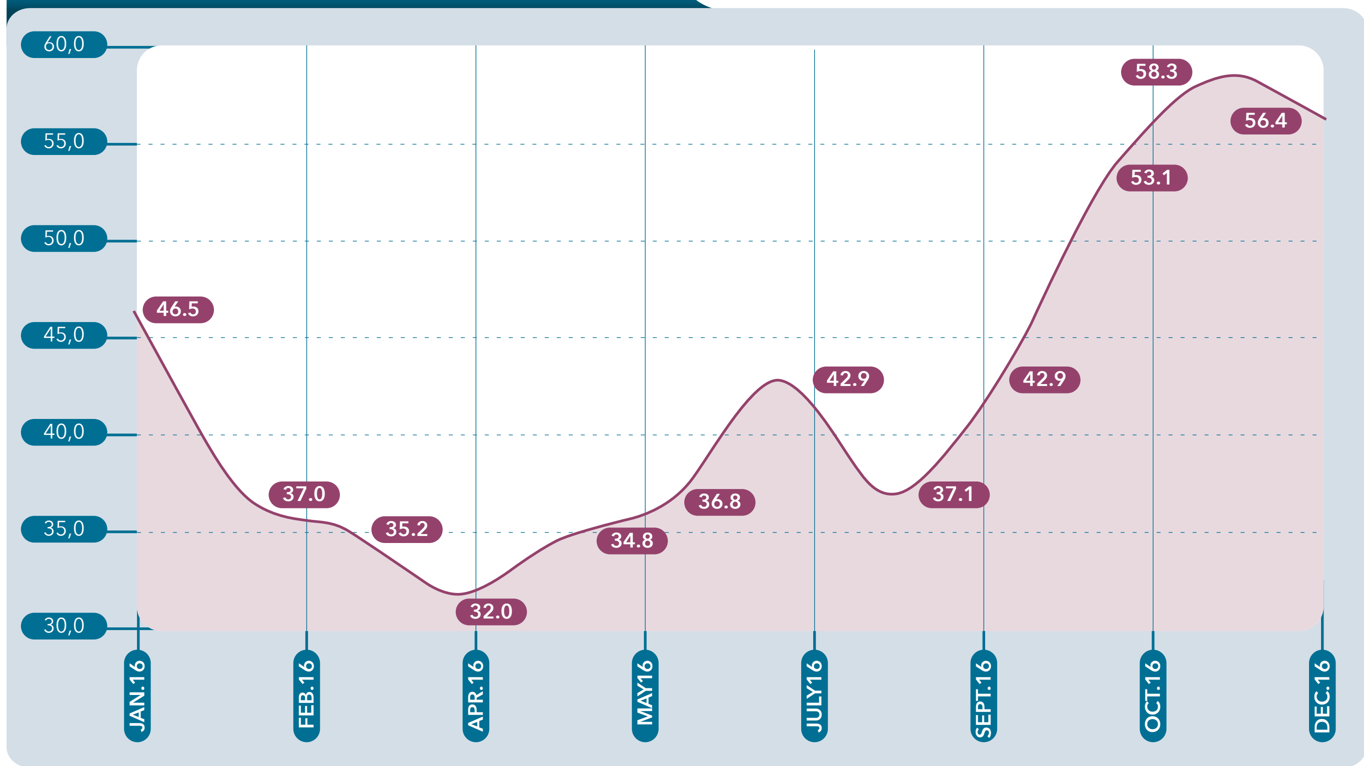
Regarding the electricity market, the average value of the PUN (single national price) for 2016 was 42.7 €/MWh, a new low, significantly reduced relative to the value of 2015 (-18.3%), both as a result of the persistence of a situation of substantial overcapacity of the system and of the reduction, discussed above, of the prices of energy commodities, in particular in the initial part of the year. Of note is the marked increase recorded in the early months of 2017, especially in January, when the PUN exceeded 70 €/MWh for the first time since September of 2012, reaching 72.2 €/MWh, as a result of certain economic factors, such as the persistently low output of the French market caused by the unavailability of all plants, the weather conditions recorded in the month (severe cold spell on most of Europe) and the rise of the spot prices of natural gas.

PRICE OF ELECTRICITY (NATIONAL
STANDARD PRICE PUBLISHED BY GME)



Of note is the high price volatility recorded during the year, which were at extremely low levels in the first part of the year and in particular in the second quarter, reaching 32 €/MWh in April, i.e. the record low since the establishment of the Electricity Exchange (2004), while in the second half, in particular starting from September, especially as a result of the above referenced difficulties of the French nuclear generation plants, prices rose above 55 €/MWh in November and December.

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



REFERENCE REGULATORY ENVIRONMENT

THE UNBUNDLING REGULATION

In 2016, the Dolomiti Energia Group, as a Vertically Integrated Enterprise (VIE), carried out the activities directed at fulfilling the obligations to separate the brand and the communication policies established by Article 17 of the new integrated text of the provisions pertaining to functional separation obligations for enterprises operating in the sectors of electricity and gas (TIUF), per Resolution 296/2015/R/COM, adopted by the AEEGSI on 22 June 2015. The goal of the provisions contained in the aforementioned Article 17 is to avoid the risk of confusion for the public when, from a global evaluation relating to the visual, auditory or conceptual resemblance of the communication policies, of the corporate name, of the brand or of the other distinctive signs of the distribution enterprise, the public may be induced to believe that they are connected to the same vertically integrated enterprise or to other companies that belong thereto. In this sense, the rule obligates the Independent Operator to ensure that the communication policies, the brand, the logo and every other distinctive sign of the distribution enterprise are used exclusively by that enterprise and contain no textual or graphic element that may be connected in any way to the selling activities carried out by other companies of the VIE.

With regard, in particular, to the change of the name and of the brand, the initiatives carried out in the various Companies of the Group concerned mainly the Parent Company (formerly Dolomiti Energia S.p.A., now Dolomiti Energia Holding S.p.A.), the selling Company (formerly Trenta S.p.A., now Dolomiti Energia S.p.A.) and Dolomiti Reti S.p.A. which from 1 July 2016 changed its name to Novareti S.p.A.

On the operational front, the year 2016 saw the Company engaged in the execution of the experimental phase of the "self audit" project per AEEGSI Resolution No. 507/2016. In this regard, it should be briefly recalled that the Authority, with this resolution, started an experimental phase, allowing interesting companies to submit, on a voluntary basis, a draft strengthened self-auditing form, in order to obtain a reorganisation and rationalisation of the current set-up of the structural functional separation restrictions.

This alternative solution, if it is evaluated positively at the end of the experimental phase, should provide companies with the advantage of having the structural and organisational restrictions prescribed by the TIUF markedly reduced.

Within this experimental phase, expected to be completed in the first half of 2017, the Dolomiti Energia Group, through the subsidiaries Novareti S.p.A. and Set Distribuzione S.p.A. submitted to the AEEGSI, in nearly mirror-like form, two distinct draft self-auditing procedures, both accepted by the Authority and being implemented.

To carry out this activity, the Company relied on the advice and supervision of the Company ILM S.r.l. of Milan, which devised the Project now submitted to the Authorities' evaluation, which was also appointed as Compliance Manager in accordance with and pursuant to Title IV of the TIUF.

LOCAL PUBLIC SERVICES WITH ECONOMIC RELEVANCE

The year 2016 is characterised by the regulatory production activity carried out by the Government and directed at implementing Law No. 124/2015 introducing "Powers delegated to the Government for the reorganisation of public administrations", better known as the Madia Law for Public Administration Reform.

The measure contains important delegated law-making powers, including the reform of local public services, whose enacting decree was approved by the Council of Ministers on 24 November 2016.

However, this reforming activity was abruptly interrupted as a result of the Constitutional Court's decision No. 251/2016, filed on 25 November 2016, which, allowing the challenge by the Veneto Regional Government, declared the Madia delegated law to be unconstitutional in the parts that provide that implementation through legislative decrees may take place after obtaining only the opinion of the State-Regions Conference and not on the basis of an agreement therewith.

Therefore, the definitive outline of the enacting decree relating to local public services with economic relevance (approved by the Council of Ministers, but not yet transmitted to the President of the Republic of Italy for signature) was withdrawn as well.

In the early months of 2017, the texts of the enacting decrees are undergoing revision, by the Government, in light of the Constitutional Court's disapproval of the delegated Law.

ELECTRICITY DISTRIBUTION

In 2016, the reference regulations of the electricity distribution system did not undergo any particular changes or significant interventions. However, it should be pointed out that a series of measures were adopted by the AEEGSI at the end of 2015 and enforced during the reference year.

With its Resolution No. 654/2014, the Authority, concurrently with the publication of the mandatory network tariffs to be applied to end customers in 2016, defined the criteria for the new tariff period of the distribution and measurement of electricity, which shall be in force for the following eight years (2016-2023).

The current tariff period was divided in two sub-periods of four years each (NPR1 for 2016-2019 and NPR2 for 2020-2023) with an intermediate revision thus planned in 2020.

With reference to the first sub-period, the Authority substantially confirmed the general regulatory framework with certain changes relating to the method for recognising new investments in the tariff and the useful regulatory life of the assets.

With its Resolution No. 583/2015, the Authority revised the method for determining the rate of return of the invested capital and set, for the 2016-2018 three-year time interval, a rate of 5.6% for electricity distribution and measurement activities.

The Authority also prescribed the extension, by five years, of the useful life of the assets of the low and medium voltage in operation after 31 December 2007.

With reference to the second sub-period, the Authority announced the shift to a tariff regulation based on total costs (so-called "TOTEX Regulation") whose specific aspects are being analysed by your Company in collaboration with the Utilitalia association.

With its Resolution No. 582/2015, the Authority, implementing the provisions of Italian Legislative Decree No. 102 of 2014 transposing the EU energy efficiency directive, started, from 1 January 2016, the reform of electricity tariffs for household customers. The goal of the reform is to overcome the progressiveness of the network tariff and of system costs, in order to incentivise efficient consumption, and to eliminate the current system of crossed subsidies between categories of household customers, in order to make the tariff adhere to the real costs of the service. The reform is to be implemented gradually and it will be fully enforced from 1 January 2018 onwards. The Authority also prescribed that, starting from 1 January 2017, the granularity of the contractually committed power levels shall be increased, in order to provide end customers with a broader range of options of the level that best suits their needs. In addition, a period of at least 2 years is provided (also starting from 1 January 2017), in which the size of the connection contributions and of the fixed fees to be paid by the customer to the distribution company for power changes made remotely shall be reduced compared to today.

In parallel, to eliminate any tariff increase for customers in economic distress, the Authority revised the amount of the social bonus from 1 January 2016.

In 2016, the AEEGSI took action several times to amend and revise the Integrated Text on Selling, which, inter alia, sets the methods whereby distributor enterprises are to recognise (i) the income statement entries relating to the procurement of the electricity used for their own distribution and transmission purposes and (ii) the difference between the actual losses and the standard losses recognised on the distribution network (so-called "loss delta").

With regard to the second point, the TIV provides a specific equalisation mechanism to regulate the value of the difference between actual losses and standard losses, the latter being defined by applying standard loss factors to the electricity that is supplied and withdrawn. The purpose of this mechanism is to incentivise each distribution company to contain losses. Through this equalisation mechanism, the (positive or negative) difference between actual losses and standard losses, valued at the electricity sale price charged by the Sole Purchaser to operators subject to additional safeguards, shall be allocated to the distribution companies.

With its Resolution No. 377/2015, the Authority completed the regulations of the losses on distribution networks, revising the conventional loss percentages starting from 1 January 2016 and the loss equalisation mechanism to be applied to distribution companies starting from the year 2015. In particular, the equalisation mechanism takes into consideration the territorial diversification of losses on distribution networks.

NATURAL GAS DISTRIBUTION

In the reference year, the gas distribution sector was the subject of two distinct regulatory initiatives, adopted respectively at the national and provincial level, both directed at changing, i.e. extending, the terms for carrying out the area tenders for contracting the service.

Reference is made, in particular, to Law No. 21 of 25 February 2016, converting Law Decree No. 210 of 30 December 2015, introducing "Extension of terms prescribed by legal provisions", whose Article 3 extends the terms for the publication of calls for tenders pertaining to the area tenders for the licensing of the natural gas service, of all areas, while eliminating the monetary penalty for non-compliant administrations. The terms per Article 3, Paragraph 1, of the regulation pursuant to the decree of the Minister of Economic Development and of the Minister for Relations with the Regions and Territorial Cohesion No. 226 of 12 November 2011, relating to the failure to publish the call for tenders, were extended respectively by twelve months for the areas of the first grouping (which includes Trento), by fourteen months for the areas of the second grouping, by thirteen months for the areas of the third, fourth and fifth grouping, by nine months for the areas of the sixth and seventh grouping and by five months for the areas of the eighth grouping, in addition to the extensions in place at the date of the entry into force of the law converting the present decree.

With the 2017 budget law, approved on 22 December 2016, the Trento Autonomous Province, by virtue of the law-making powers recognised to it in this sector, introduced a rule that further extends the ultimate deadline for publishing the call for tender to contract the methane gas distribution service within the sole area of the province to 31 December 2018.

In 2016, the distribution and measurement tariffs continued to be applied according to the principles introduced for the fourth regulation period (2014-2019), partly amended with resolution 583/2015/R/com of 2 December 2015, with particular reference to the revision of the methods for defining the rate of return of the invested capital (WACC), which involved all regulated infrastructural services of the electricity and gas sectors. By effect of these new provisions, the WACC for the distribution and measurement of natural gas for the 2016-2018 three-year time interval amounts respectively to 6.1% and 6.6%.

The option exercised with Resolution 455/2014/R/gas of the treatment of the so-called "contribution stock" (i.e. contributions received until 2011) continued to be applied on a local basis; two methods of application are possible: according to the first one, the contributions are not subject to degradation and fixed asset depreciation is computed to include contributions; according to the second allowed method, instead, contributions degrade gradually and depreciation is computed excluding the degraded contributions.

This second option was selected by the majority of operators, including your subsidiary Novareti.

At the same time, contributions received after 2011 are deducted from the value of the fixed assets both for the purposes of determining the RAB (Regulatory Asset Base) and of calculating the tariff amortisation rates.

The "definitive" annual recognition of the investments for the purposes of determining the distribution and measurement net investment of the year 2016 shall take place next November, computing the changes of the previous year (year "t-1") and allowing a revision of the value of the RAB determined essentially on the basis of actual or recorded costs for the distribution activity, standard costs for the measurement activity and parameter-based costs for centralised assets.

With reference to the definition of the criteria for the recognition of costs relating to investments, the Authority is oriented towards implementing the regulatory option of valuation on the basis of standard costs, starting from 2019. For this purpose, it initiated a consultation process which contemplates also the possibility of a revision of the method for the recognition of the investments made in locations undergoing initial commissioning, starting from 2018.

In August, the Authority, in response to the requests of the involved associations, published its own final orientation, indicating that it intends to drop the option of using the "price cap" method and to adopt the method based on standard costs, while implementing a monitoring programme to verify its effectiveness.

Application of the method is allowed from 2019 onwards, i.e. to value investments that started operations in 2018.

The annual operating costs recognised on the basis of the initial level of operating costs established in the resolution, measured according to the size of the company and to the density of the service, have been revised for inflation and subjected to a "compression" factor (so-called "x-factor") of 1.7% for the distribution service and 0% for the measurement and marketing service. The x-factor is to be revised starting from 2017.

From the viewpoint of resolutions on tariff matters, in the first half of 2016 the Authority proceeded, with its Resolution 98/2016/R/gas, to redetermine the tariffs of some operators for the years 2009-2014 following the conclusion of the fact-finding study started with Resolution 14/2013/E/gas, pertaining to investments relating to the replacement of cast iron pipes with hemp and lead joints, and of the acceptance of the requests to adjust and supplement financial and physical data, received on or before 15 February 2016.

In addition, resolution 99/2016/R/GAS determined the "definitive" reference tariffs for gas distribution and measurement services for the year 2015. With Resolution 173/2016/R/gas, lastly, the Authority determined the "provisional" reference tariffs for the natural gas distribution and measurement services for the year 2016.

WATER SERVICE

With regard to the water service, there were no particular regulatory changes in 2016. However, of note are the following, rather significant, court decisions concerning cases initiated by the Trento Autonomous Province:

Constitutional Court, decision No. 51 of 10 March 2016

In this decision, the Court - with reference to the decision on the constitutionality of Article 7, Paragraph 1, letter b), No. 2 of Law Decree No. 133/2014, on the exercise of substitute powers in the management of water resources - in confirming the assumption whereby the Trento Autonomous Province has "*primary competence on the organisation of the water service, including its organisation and its planning, as well as the identification of the criteria for determining the tariffs inherent therein*" stated that "*application of the integrated water service management model dictated by Legislative Decree No. 152 of 2006 in autonomous provinces as well (...) undoubtedly encroached on a purview that is precluded to the intervention of national lawmakers by reason of the above referenced statutory competences*".

TAR Lombardy decision No. 1829 of 11 October 2016

The T.A.R. Lombardy of Milan also expressed a decision on similar matters, within the scope of a measure wherein the Trento Autonomous Province had challenged AEEGSI resolution No. 664/2015/R/IDR, concerning the "*approval of the water tariff method for the second period MTI-2*" with reference to point 1.3, whereby "*in the Trento and Bolzano Autonomous Provinces and in Regions with special charters that passed laws pertaining to criteria for the determination of the tariffs of the integrated water service, the "guidelines" of the national tariff method, identified in Article 4 of the present measure, shall apply*".

The T.A.R. Lombardy thus recognised the illegitimacy of the challenged measure, establishing, inter alia, that "*... recognition of a primary law-making power of the Trento Autonomous Province - outlined by the rules of the special charter and by the related enacting rules [...] interpreted in a constitutionally oriented manner [...] - fully entitles the appellant to provide for its own tariff regulation for the integrated water service*".

ELECTRICITY DISTRIBUTION AND GENERATION

Initiatives and investments

Electricity distribution-related investments totalled 15.5 million euro.

Volumes and operating efficiency

Generation is from the hydroelectric plants of S. Colombano (50% investment), Basso Leno, Chizzola, Grottole, Novaline, Tesino and Primiero (19.59% investment); from the 3 turbogas and power-driven cogeneration plants in Rovereto; from the combined cycle turbogas plant of Ponte sul Mincio (5% investment). Three photovoltaic plants are also in operation in Rovereto and Trento, with a total nominal capacity of 80 kWp and monitored in terms of operations and productivity. Following the acquisition of 100% of HDE (through the 60% owned subsidiary HIDE) and 51% of DEE and 50.0% of SFE, the production units available to the Parent Company (to the extent owned) also include these companies' hydroelectric plants.

The total energy generated in 2016 was 2,073.0 GWh (1,797 in 2015), of which 1,970 GWh hydroelectric.

The electricity sold totalled 7,659.5 GWh. In this respect, it should be remembered that the Group manages the sale of electricity generated at plants owned by Primiero Energia S.p.A.. At the end of the year, they amounted to 338 GWh (323 GWh in 2015).

Electricity grid and distribution management is provided by SET Distribuzione in approximately 207 Trentino Municipalities.

The total electricity distributed was 2,432 GWh.

Additional information:

	2016	2015
High voltage grids (km)	0	0
Medium voltage grids (km)	3,308	3,233
Low voltage grids (km)	7,376	7,235
Public lighting points (No.)	12,453	12,378
Total customers conn. to the grid (No.)	**310,315**	**309,880**

NATURAL GAS DISTRIBUTION

Initiatives and investments

The legislative situation in the gas distribution sector does not permit the development of new wide-reaching initiatives (e.g. methanisation of areas and Municipalities still not served) and, therefore, the investments are earmarked primarily for the modernisation of existing infrastructures and completion of works deriving from agreement obligations still in force.

Investments made in the gas sector in 2016 totalled 6.2 million euro, and the main interventions involved:

- extraordinary maintenance of existing plants and distribution networks;
- replacement of classic meters with electronic ones;
- extension of the distribution pipelines to the municipalities of Brentino Belluno, Predaia and others.

It should also be noted that, in 2016, investment activities continued in relation to IT equipment directed at improving the work methods of personnel in the gas sector.

Metering

With regard to gas metering, in 2016 work continued to replace classic meters with new generation, electronic ones. Although there were challenges with the supply of these new devices, in 2016 the programme relating to the G6 and G4 classes continued, as prescribed by Resolution No. 554/2015/R/gas of 20 November 2015 of the Authority for Electricity, Gas and the Water System.

Volumes and operating efficiency

Distribution is carried out in 89 municipalities in the province of Trento, Valle dell'Adige, Valsugana and Tesino, Valle di Non, Valle dei Laghi, the upland of Paganella, the valleys of Cembra, Fiemme and Fassa and the uplands of Folgaria, Lavarone and Luserna; the cogeneration and district heating plant is fuelled in the municipality of Cavalese, where the high pressure pipeline passes. Distribution is also carried out in 2 municipalities outside the province of Trento (Brentino Belluno and Salorno).

Commercial quality

The level of commercial quality is measured by means of a general corporate index that represents the percentage of services performed within the standard times prescribed by AEEGSI, in reference to activations, reactivations, deactivations, cost estimates and the execution of simple work.

In 2016, the general index of the services performed within the standard times, for quality of service parameter purposes, amounted to 99.88%.

Gas distributed during the year totalled 278.9 million m3 (268.3 million in 2015).

Methane gas	2016	2015
Length of the network (km)	2,357	2,342
Total utility contracts (meters) No.	155,056	153,762

COGENERATION AND DISTRICT HEATING

Initiatives and investments

Total investments in this sector came to 0.5 million euro (versus 0.9 million euro in 2015).

Volumes and operating efficiency

Heat is distributed through the district heating network in the municipal area of Rovereto and the "Le Albere" district in Trento; high-temperature steam is supplied to certain industries in Rovereto in relation to their production processes, while chilled water is supplied in the Trento area only. A cogeneration unit is installed in the municipality of Trento at a food company, to supply energy and heat to the production cycle.

In 2016, 73.8 GWh of steam and 68.2 GWh of heating and cooling were supplied, while 101.3 GWh of electricity were generated. The previous year's figures were 80.5 GWh, 66.7 GWh and 108.7 GWh, respectively.

Cogeneration and district heating	2016	2015
Length of the network (km)	31	31
Total utility contracts (meters) No.	209	206

INTEGRATED WATER CYCLE AND WASTE TREATMENT SERVICES

Initiatives and investments

Extraordinary maintenance work was carried out in 2016 on water networks and plants.

Investments in the water management sector in 2016, even in the presence of a not fully defined regulatory framework and of the uncertain outlook for your Company, totalled 3.1 million euro (3.8 million in 2015).

Volumes and operating efficiency

The service is provided in 13 Trentino municipalities (over 200,000 residents), essentially located in the Adige Valley.

The water quantities supplied to the network totalled 34.3 million m3 (31.5 million m3 in 2015).

Additional information:

Water cycle	2016	2015
Length of the network (km)	1,267	1,259
Total utility contracts (meters) No.	81,342	80,700

WASTE MANAGEMENT

Initiatives and investments

In 2016, the Company's activities related to:

- municipal waste collection, including street sweeping and washing and the cleaning of public areas in the municipalities of Trento and Rovereto;
- collection of special waste;
- management of the Ischia Podetti non-hazardous waste landfill in the municipality of Trento, under contract from the Agenzia per la Depurazione della Provincia Autonoma di Trento.

The investments made in 2016 in Urban Hygiene sectors amounted to 2.6 million euro (1.1 million in 2015); of particular note is the purchase of 17 new vehicles, all with Euro 6 engines, with a significant positive effect on the reduction of polluting emissions.

Volumes and operating efficiency

In 2016, 69,492 tons were collected (68,142 in 2015), 119,725 contracts were managed (119,263 in 2015) and 86,392 taxpayers were served (86,275 in 2015).

On the waste front, a minimal increase in the volumes collected, i.e. 1.5%, was observed relative to the forecast.

The percentage of separate waste collection, after deducting the portion of waste collected upon street sweeping, amounted to 81.1% in Trento and 78.4% in Rovereto

OTHER BUSINESS ACTIVITIES

Laboratory and geological office activities: the key laboratory operations concern drinking water quality control, but also important are the monitoring and control of water tables, wastewater and water treatment. In the current year, the crisis of the construction sector caused yet another reduction in the soil and waste analysis activities, offset by the checks carried out on the sediments for HDE (Ponte Pià Basin).

Overall, 18,121 samples were examined, more than 49.2% of which for third parties.

HUMAN RESOURCES

At 31 December 2016, the Group had 1,338 employees (1,327 in 2015). A total increase of 11 employees took place in the year compared to 2015 as illustrated below.

	2015	2016	Difference
Dolomiti Energia Holding	166	163	-3
Dolomiti Ambiente	261	260	-1
Dolomiti Energia	151	171	20
Novareti	215	216	1
Dolomiti Energia Rinnovabili	5	4	-1
Set Distribuzione	283	278	-5
Depurazione Trentino Centrale	68	66	-2
Hydro Dolomiti Enel	162	162	0
Dolomiti Energia Trading	16	18	2
TOTAL	**1,327**	**1,338**	**11**

Comparison of the situation of the Group 2015 – 2016 by grade

	executives	mana-gers	employees	manual workers	total
Position as at 31 Dec. 2015	16	50	653	608	1,327
Position as at 31 Dec. 2015	18	52	659	609	1,338
Change 2016 vs. 2015	**2**	**2**	**6**	**1**	**11**

During 2016, 872 courses were held (863 in 2015) for a total of 28,822 hours (23,536 hours in 2015) of which 540 in favour of leased staff, interns and other co-workers, for an overall total of 1,083,486 euro (855,433 in 2015) inclusive of the cost of workers under training and teaching staff.

As in the previous years, legislative obligations and the constant commitments of the Group to ensure high standards in the performance of work activities meant that training on safety and on-going/recurrent training of the technical Division represented the most important initiatives in terms of hours provided.

Being consolidated is the pilot project launched within Set Distribuzione on conduct-related training regarding safety (so-called Behaviour Based Safety) which will also continue in 2017.

Particular care was dedicated to customer care personnel, who went through a curriculum, in 2016 as well, to enhance their relational/behavioural skills.

RESEARCH AND DEVELOPMENT

In 2016, activities with high innovation content continued, on one hand with the reservation of strategic relationships and on the other with the implementation of real solutions in support of corporate processes, of the operation and advanced management of the networks of the near future, also in compliance with the indications of AEEGSI.

Recharging stations: after the experimental activities carried out in the previous years, the network of electric vehicle recharging stations was built throughout the served area.

Work Force Management: during the year, the first phase of the WFM project was completed; it entailed providing all technical personnel with mobile IT instruments on which are installed appropriate applications for the digitalisation and optimisation of work processes.

Remote Management of Meters: in 2016, the subsidiary Set Distribuzione worked on the optimisation of the remote control operation technique, obtaining excellent quality results, among the best in Italy.

The in-depth studies carried out at withdrawal points that could not be reached by the remote management system confirmed the tendency to the increase in interference with the propagation of the waves conveyed on the low voltage grid, caused by user devices owned by the end customers. Important resources were dedicated to the search and elimination of interference sources, with the goal of limiting the already perceptible degradation of the performance levels reached, considering that the new TIF (Integrated Text for Invoicing) prescribes, from January 2017 onwards, significant automatic indemnities which the distributor must pay to end customers in case of prolonged use of estimated readings.

The LV voltage monitoring plan prescribed by the TIQE (Integrated Text for regulating the Quality of Electricity distribution and measurement services) was prepared, and starting from 2017 it will promptly highlight, through the electronic meters and the remote management system, the cases of non-conforming voltage values, making it possible to prevent any complaints from end customers or producers.

With reference to the measurement of natural gas, remote reading to class >G16 meters was consolidated, with the activities to manage and make available the daily withdrawal data for approximately 5,000 redelivery points that provide for this treatment.

Another important result to be pointed out in the gas sector is the full achievement of the remote reading objective for 3% of mass market utilities (class G4-G6), imposed by the regulation, through two different experimental remote management systems, based on point-multipoint technique via radio at 169 MHz, one of which is particularly interesting because it exploits a major part of the telecommunication infrastructure already in operation for the remote management of electricity.

In 2016, moreover, work continued on the challenging implementation of data flows towards Integrated Information System (IIS) of the Sole Purchaser, intended to be the lynchpin of the information flows between participants in the markets of electricity and gas.

Water supply network management: work continues for the optimisation of the management of water pipelines by means of advanced simulation and control instruments. The first calculation models for sewers are also being implemented.

Gas network management: on the Mori network, testing is ongoing on an innovative automatic remote management of the withdrawal and measurement booth and of the end reduction sets; this system automatically regulates the setting of reducers in order exactly to follow the actual consumption profiles.

The Group promotes and participates in a variety of research initiatives in the energy and waste management fields. The main aim is to identify new instruments to contribute to protecting the environment and improving the service offered to customers.

In this phase, the Group companies in particular collaborate in the following projects:

Sunshine Project: during the year, the Sunshine project was successfully completed; it saw the Company engaged in a stimulating international environment, in which a system was implemented for real-time monitoring and programming of certain public lighting systems in the Rovereto Municipality.

ene.field project: this is a European project for the testing of micro-cogeneration system, with the use of fuel cell technologies, through the installation of approximately 1,000 units within the EU territory. Dolomiti Energia participates in partnership with Solidpower, a Trentino-based company that is developing fuel cell technology, directly installing some units with end customers, as well as at the via Fersina site. The units are fully monitored and the measurements, in terms of production, yield and reliability, shall provide, at the end of the observation phase, the database for the results of the project.

Stardust Project: SET Distribuzione and Dolomiti Energia Rinnovabili contributed to draft a research project that entails the application of some advanced technologies in the field of energy savings and in general in the activities connected with the Smart City project. The project leader is the Municipality of Trento, and it is currently under evaluation by the European Union.

APC Project: this is a project for the advanced, real time management of the Trento water supply pipeline with the purpose of optimising pipeline pressure, in order to reduce water losses and electricity consumption, and generally to boost the efficiency of the water system. The system shall be managed by an advanced controller coupled to a real-time model, which will assess, in addition to the normal (real and virtual) water parameters of the pipeline, also external factors such as temperature, solar irradiation and the weather forecast: hence, use will be maximised of the renewable energies obtained from dedicated solar plants, and the management of tanks and pumping systems will be optimally exploited. The project, managed by the Water Service of Novareti, in collaboration with Bartucci S.p.A. and iProcess, is of extremely importance and it is an international innovation.

Energy efficiency: pilot projects were activated, both to raise end users' level of awareness of energy consumption (ZeroUno project, with the collaboration of Habitech), and to verify the level of interest of business and residential customers in certain products/services directed at optimising energy consumption.

With the contribution of the different companies of the Group, lastly, participation continues in technical committees and strategic working groups both in Italy and in Europe, to analyse the technological and market evolutions in the various sectors of activity of your Company and promptly ready the development initiatives that derive from such evolutions.

RELATED PARTY TRANSACTIONS

Dolomiti Energia Holding S.p.A. relations with the Local Authorities

The major Municipalities are Trento, Rovereto, Mori, Ala, Volano, Calliano and Grigno. Over 60 other Trentino Municipalities are shareholders of Dolomiti Energia Holding, most of which have assigned local public service management to the Company and its subsidiaries.

Two leases are in force between the Municipality of Rovereto and Dolomiti Energia Holding S.p.A. in relation to the property used as the Group's registered office. The contract of these leases expires in 2027 and involves lease payments at arm's length conditions.

Infra-group relations

Detailed below are the main service agreements in force within the Group:

Service agreement between Dolomiti Energia Holding and Dolomiti Energia (former Trenta). Governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding. The fee payable to Dolomiti Energia Holding is proportionate to the cost of providing the service and to market prices.

Service agreement between Dolomiti Energia Holding and Novareti. Governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding. The fee payable to Dolomiti Energia Holding is proportionate to the cost of providing the service and to market prices.

Service agreement between Dolomiti Energia Holding and Dolomiti Energia Rinnovabili. Governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding. The fee payable to Dolomiti Energia Holding is proportionate to the cost of providing the service and to market prices.

Service agreement between Dolomiti Energia Holding and Set Distribuzione. Governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding. The fee payable to Dolomiti Energia Holding is proportionate to the cost of providing the service and to market prices.

Service agreement between Dolomiti Energia Holding and HDE. Governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding. The fee payable to Dolomiti Energia is proportionate to the cost of providing the service and to market prices.

Service agreement between Dolomiti Energia Holding and Dolomiti Energia Trading (former Multiutility). Governs administrative services, personnel management and the management of the IT services provided by Dolomiti Energia Holding. The fee payable to Dolomiti Energia Holding is proportionate to the cost of providing the service and to market prices.

As part of the agreements described, the leases granted by Dolomiti Energia Holding to Dolomiti Energia, to Set Distribuzione and to Novareti on property used as their registered offices in Trento and Rovereto are also governed.

Business lease agreement between Set Distribuzione and Dolomiti Energia regarding the customer management business unit leased from Set to Dolomiti Energia. The fee is set to 570,000 euro.

Financial and tax services

Agreements are in force governing economic and organisational relations with authorities for the tax consolidation, Group VAT and cash pooling, stipulated with the subsidiaries Dolomiti Energia, SET, Novareti, Dolomiti Energia Rinnovabili, Dolomiti Energia Trading, Depurazione Trentino Centrale, HDE, HIDE and DEE.

Infra-Group debit/credit and purchase/sales relations and such relations with subsidiaries are illustrated in detail in Note 10 of Notes to the Separate Financial Statements and in Note 11 of the Notes to the Consolidated Financial Statements.

BUSINESS OUTLOOK

With regard to the general macroeconomic environment, strong signs of uncertainty remain, due both to the fragility of the current economic recovery, and to the unknowns tied to the important elections that in the next 12 months will renew the political bodies in the 3 largest countries of the European Union (France, Germany and Italy).

These uncertainties are also reflected on the performance of the energy markets, which after a first part of the year in which electricity and gas prices rose markedly as a result of economic factors, returned to values slightly above those of the year that just ended, with negative repercussions on hydroelectric generation. The medium term outlook is also burdened by the unknown deriving from the continued viability of the agreements reached by oil producing countries, to assure sufficient price stability.

With regard to the Group, the economic and financial forecasts for 2017, approved by the Board of Directors last December, point to a positive result for all the business segments managed by the Group, substantially in line, at least at the EBITDA level, with the results of 2016.

However, it should be stressed that this year, once again, the low rainfall that characterised the winter that has just ended will lead, in all likelihood, to a reduced electricity output, at least for the first half, with consequent difficulty in fully achieving the expected results.

TREASURY SHARES

As at 31 December 2016, Dolomiti Energia Holding owned 33,286,658 treasury shares with a nominal value of 33,286,658. The percentage of this shareholding comes to 8.09%.

At 31 December 2016, Dolomiti Energia Holding did not own, either directly or through trust companies or third parties, any shares in parent companies.

Rovereto, 29 March 2017

on behalf of the BOARD OF DIRECTORS
Dolomiti Energia Holding S.p.A.

The Chairman
Rudi Oss

Dolomiti Energia Holding
Financial Statements

as at **31 December 2016**

Hydroelectric power plant Cogolo

Equity **and financial position**

(figures in Euro)	NOTE	As at 31 December 2016	As at 31 December 2015	As at 1 January 2015
ASSETS				
Non-current assets				
Other intangible assets	8.1	13,285,706	11,590,211	11,115,490
Property, Plant and Equipment	8.2	48,379,802	48,144,059	42,607,407
Equity investments	8.3	766,815,323	699,795,001	705,742,931
Deferred tax assets	8.4	5,006,640	8,110,165	9,184,033
Other non-current assets	8.5	9,779,567	10,259,570	13,430,186
Total Other non-current assets		**843,267,038**	**777,899,006**	**782,080,047**
Current assets				
Trade receivables	8.6	13,365,357	11,564,577	34,162,564
Inventories	8.7	277,372	60,145	62,814
Cash and cash equivalents	8.8	2,498,445	15,228,670	58,070
Income tax credits	8.9	18,222,668	11,567,424	2,811,048
Other current assets	8.10	94,574,168	35,099,753	68,361,178
Total Current assets		**128,938,010**	**73,520,569**	**105,455,674**
Assets held for sale and Discontinued operations	8.11	-	7,002,867	-
TOTAL ASSETS		**972,205,048**	**858,422,442**	**887,535,721**

(figures in Euro)	NOTE	As at 31 December 2016	As at 31 December 2015	As at 1 January 2015
SHAREHOLDERS' EQUITY				
Share capital	8.12	411,496,169	411,496,169	411,496,169
Reserves	8.12	43,161,783	31,656,982	73,251,310
Reserve - IAS 19	8.12	273,817	245,892	-
Net profit for the year	8.12	46,710,985	41,761,562	-
Total Shareholders' Equity		**501,642,754**	**485,160,605**	**484,747,479**
LIABILITIES				
Non-current liabilities				
Provisions for risks and non-current charges	8.13	1,495,053	1,495,053	1,600,040
Employee benefits	8.14	3,848,912	3,922,298	4,272,258
Deferred tax liabilities	8.4	242,198	525,763	688,112
Non-current financial liabilities	8.15	168,705,506	208,322,446	238,906,335
Other non-current liabilities	8.16	1,087,309	1,299,864	704,671
Total Non-current liabilities		**175,378,978**	**215,565,424**	**246,171,416**
Current liabilities				
Trade Payables	8.17	11,842,455	9,217,109	12,806,856
Current financial liabilities	8.15	262,178,774	137,678,957	128,346,034
Other current liabilities	8.16	21,162,087	10,800,347	15,463,936
Total Current liabilities		**295,183,316**	**157,696,413**	**156,616,826**
Liabilities held for sale and Discontinued operations	-	-	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**972,205,048**	**858,422,442**	**887,535,721**

Income **Statement**

(figures in Euro)	NOTE	As at 31 December 2016	As at 31 December 2015
Revenue	9.1	**17,035,711**	**17,845,062**
Other revenue and income	9.2	24,279,857	26,285,883
Total Revenue and other income		**41,315,568**	**44,130,945**
Raw materials, consumables and merchandise	9.3	(6,314,096)	(8,616,873)
Service costs	9.4	(16,604,773)	(15,792,559)
Personnel costs	9.5	(10,994,197)	(10,807,727)
Amortisation, depreciation and write-downs	9.6	(7,727,426)	(8,677,006)
Other operating costs	9.7	(2,298,301)	(2,579,665)
Total Costs		**(43,938,793)**	**(46,473,830)**
Equity investments income and charges	9.8	50,814,258	47,410,561
Result of operations		**48,191,033**	**45,067,676**
Financial income	9.9	4,874,804	4,990,801
Financial charges	9.9	(6,774,128)	(8,581,539)
Profit before tax		**46,291,709**	**41,476,938**
Taxes	9.10	419,276	284,624
Net profit/(loss) for the year (A) of continuing operations		**46,710,985**	**41,761,562**
Discontinuing operations	-	-	-
Net profit/(loss) for the year (B) of discontinuing operations		**-**	**-**
Profit/(loss) for the period		**46,710,985**	**41,761,562**
Comprehensive income statement components that will not be subsequently reclassified in income statement			
Actuarial profit/(loss) for employee benefits		39,136	344,628
Tax effect on actuarial profit/(loss) for employee benefits		(11,211)	(98,736)
Total Comprehensive income statement components that will not be subsequently reclassified in income statement (C1)		**27,925**	**245,892**
Comprehensive income statement components that might be subsequently reclassified in income statement			
Profit/(loss) on cash flow hedge instruments		-	-
Tax effect on change in fair value changes in cash flow hedge derivatives		-	-
Other components		-	-
Total Comprehensive income statement components that might be subsequently reclassified in income statement (C2)		**-**	**-**
Total other comprehensive profit (loss), net of tax effect (C)= (C1)+(C2)		**27,925**	**245,892**
Total Aggregate result for the year (A)+(B)+(C)		**46,738,910**	**42,007,454**

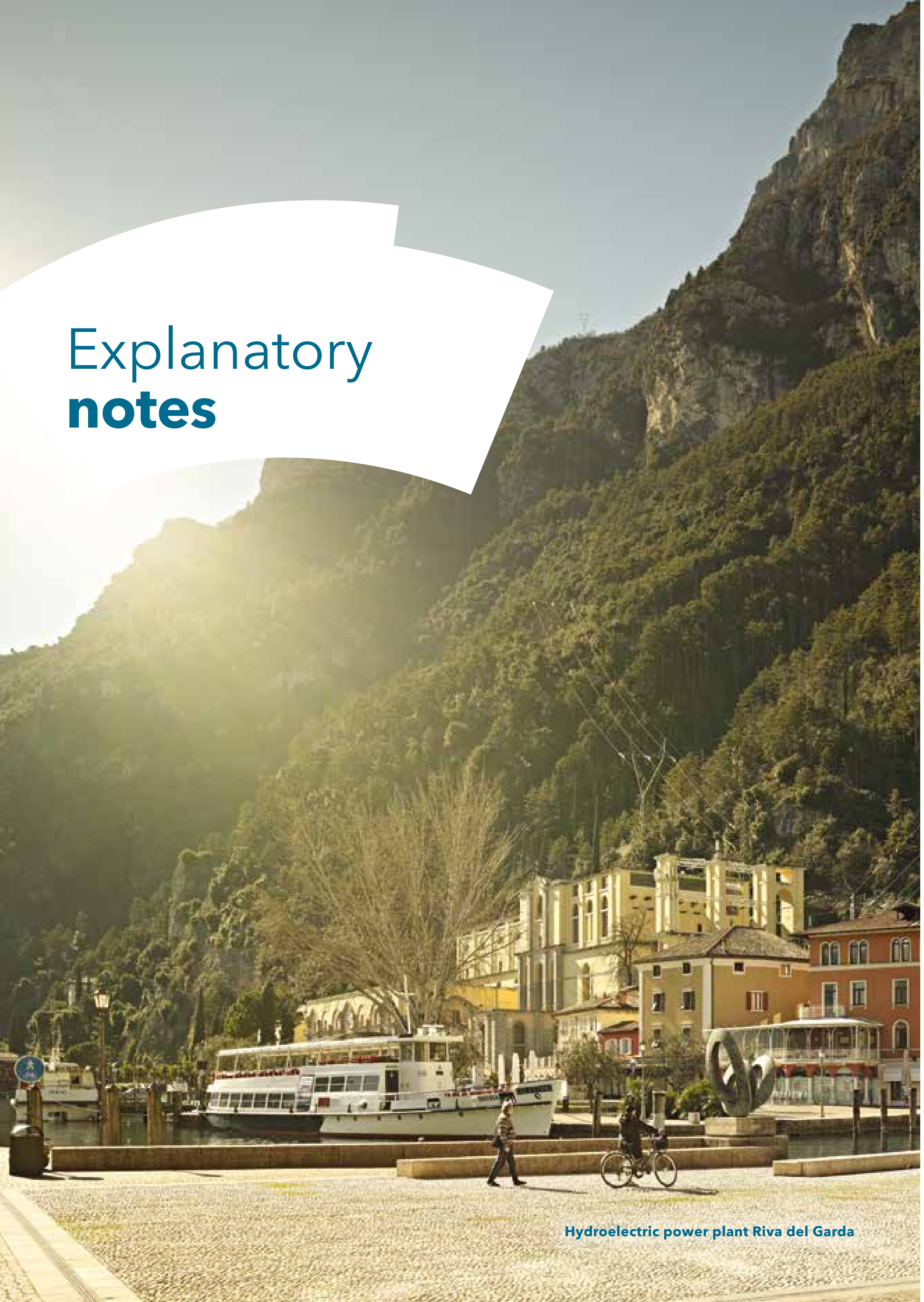
Cash Flow **Statement**

(in thousands of Euro)	For the year ended 31 December 2016	For the year ended 31 December 2015
Profit before tax	**46,292**	**41,478**
Adjustments for:		
Amortisation/ depreciation of:		
- intangible assets	3,976	3,396
- property, plant and equipment	2,268	2,117
Write-downs	1,481	3,164
Fair value of derivatives on commodities	795	118
Gains and expenses from equity investments	(50,814)	(47,410)
Financial (income)/ and charges	2,259	3,749
Cash flow from operations before changes in net working capital	6,257	6,612
Increase /(Decrease) of employee benefits	(45)	(351)
Increase /(Decrease) of inventories	(217)	3
Increase /(Decrease) of trade receivables	(1,771)	22,612
Increase /(Decrease) of other assets/liabilities, deferred tax assets and liabilities	18,478	28,676
Increase /(Decrease) of trade payables	2,625	(3,590)
Dividends collected	49,655	74,005
Interest and other financial income collected	1,480	1,114
Interest and other financial expenses paid	(6,774)	(8,581)
Utilisation of provisions for risks and charges	(29)	(119)
Taxes paid	(10,978)	(26,632)
Cash flows from operations (a)	**58,681**	**93,749**
Net investments in intangible assets	(5,672)	(3,869)
Net investments in property, plant and equipment	(2,504)	(7,654)
Net investments in equity investments	(71,422)	(27,650)
(Increase)/Decrease in other investment assets	(49,475)	19,486
Cash flows from investment/divestment assets (b)	**(129,073)**	**(19,687)**
Financial payables (new issues of long-term loans)	100,000	-
Financial payables (reimbursements and other net changes)	(12,082)	(17,534)
Dividends paid	(30,257)	(41,357)
Cash flows from investment activities (c)	**57,661**	**(58,891)**
Increase/(Decrease) of cash and cash equivalents (a+b+c)	(12,731)	15,171
Cash and cash equivalents at beginning of the year	**15,229**	**58**
Cash and cash equivalents at year end	**2,498**	**15,229**

Statement of changes **in Shareholders' Equity**

(in thousands of Euro)	Share capital	Legal reserve	Share premium reserve	Treasury shares reserve	Other reserves and retained earnings	Net profit for the year	Total Shareholders' Equity
BALANCE AS AT 01 JANUARY 2015	**411,496**	**20,828**	**994**	**(67,552)**	**118,990**	**-**	**484,756**
Transactions with shareholders:	-	-	-	-	(41,603)	-	(41,603)
Dividend distribution	**-**	**-**	**-**	**-**	**(41,603)**	**-**	**(41,603)**
Total Transactions with shareholders	**-**	**3,396**	**-**	**-**	**(3,396)**	**-**	**-**
Allocation to reserves of profit for the year							
Aggregate profit for the year:							
Net profit (loss)	-	-	-	-	-	41,762	41,762
Actuarial profit/(loss) for employee benefits, net of tax effect	-	-	-	-	246	-	246
Total Aggregate result for the year	-	-	-	-	246	41,762	42,008
BALANCE AS AT 31 DECEMBER 2015	**411,496**	**24,224**	**994**	**(67,552)**	**74,237**	**41,762**	**485,161**
Transactions with shareholders:							
Dividend distribution	-	-	-	-	-	(30,257)	(30,257)
Total Transactions with shareholders	**-**	**-**	**-**	**-**	**-**	**(30,257)**	**(30,257)**
Allocation to reserves of profit for the year	**-**	**1,751**	**-**	**-**	**9,754**	**(11,505)**	**-**
Aggregate profit for the year:							
Net profit (loss)	-	-	-	-	-	46,711	46,711
Actuarial profit/(loss) for employee benefits, net of tax effect	-	-	-	-	28	-	28
Total Aggregate result for the year	-	-	**-**	**-**	**28**	**46,711**	**46,739**
BALANCE AS AT 31 DECEMBER 2016	**411,496**	**25,975**	**994**	**(67,552)**	**84,019**	**46,711**	**501,643**

Explanatory **notes**



Hydroelectric power plant Riva del Garda

General **information**

1. GENERAL INFORMATION

Dolomiti Energia Holding S.p.A. (the "**Company**" of "**DEH**") mainly operates in the management of equity investments and, in a marginal way, in the production of energy from hydroelectric sources. Dolomiti Energia Holding S.p.A. is a company established and domiciled in Italy and organised according to legislation of the Italian Republic, with registered office in Rovereto, via Alessandro Manzoni 24.
As at 31 December 2016, the Company's share capital was held by:

SHAREHOLDER	NO. OF SHARES	%
PUBLIC ENTITIES		
FINDOLOMITI ENERGIA S.r.l.	196,551,963	47,77%
TRENTO MUNICIPAL AUTHORITY	24,008,946	5,83%
ROVERETO MUNICIPAL AUTHORITY	17,852,031	4,34%
BIM ADIGE	3,322,260	0,81%
BIM SARCA MINCIO GARDA	3,322,260	0,81%
BIM BRENTA	819,407	0,20%
BIM CHIESE	819,407	0,20%
OTHER PUBLIC AUTHORITIES	12,086,621	2,94%
UTILITY		
AGS RIVA DEL GARDA	4,861,800	1,18%
STET	7,378,514	1,79%
AIR	4,085,912	0,99%
ACSM PRIMIERO	823,006	0,20%
PRIMIERO ENERGIA	2,430,900	0,59%
CONS, ELETTRICO INDUSTRIALE DI STENICO	2,293,658	0,56%
CONSORSIO ELETTRICO DI STORO	2,291,118	0,56%
AZIENDA SERVIZI MUNIC. DI TIONE	14,622	0,00%
PRIVATE ENTITIES		
FT ENERGIA	48,861,683	11,87%
I.S.A. - IST. ATESINO SVILUPPO S.p.A.	17,175,532	4,17%
FONDAZIONE CARITRO	21,878,100	5,32%
ENERCOOP S.r.l.	7,303,825	1,77%
MONTAGNA Sig.ra ERMINIA	27,540	0,01%
ELETTROMETALLURGICA TRENTINA S.r.l.	203	0,00%
POMARA dott.ssa LUCIANA	203	0.00%
TREASURY SHARES	33,286,658	8,09%
TOTAL	**411,496,169**	**100,00%**

2. SUMMARY OF THE ACCOUNTING STANDARDS ADOPTED

The main accounting standards and criteria adopted in preparing and drawing up the Company's financial statements (the "**Financial Statements**") are reported hereunder. The main accounting standards were applied consistently for all financial years disclosed herein.

2.1 Preparation basis

The EU Regulation (EC) No. 1606/2002 of 19 July 2002, introduced the obligation to apply the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), as endorsed by the European Union ("EU IFRS" or "International Accounting Standards"), as from accounting periods beginning in 2005, for the preparation of financial statements of companies with shares and/or bonds listed in one of the regulated markets of the European Community. Following the above-mentioned European Regulation, on 28 February 2005 the Legislative Decree No. 38 was issued, then amended by Decree Law No. 91 of 24 June 2014, which also governed the possible adoption of International Accounting Standards by unlisted companies for the drawing up of their consolidated financial statements.
The Company elected to adopt the above-mentioned option for the drafting of its financial statements as at 31 December 2016, by identifying the day 01 January 2015 as transition date to IFRSs ("**Transition Date**"). The Company had already prepared the financial statements for the year ended 31 December 2015 in compliance with the accounting standards issued by the Italian Accounting Profession, as amended by the OIC (Italian Accounting Body) ("**Italian Accounting Standards**"). In Note 16 "First adoption of IFRS" the information required is reported for the purposes of IFRS 1, as regards the first adoption of EU IFRSs.
The Financial Statements were drawn up in compliance with EU IFRS standards in force at the approval date of the same. It should be noted that the wording EU IFRS means all "International Financial Reporting Standards", all "International Accounting Standards" (IAS), as well as all interpretations of "International Reporting Interpretations Committee" (IFRIC), previously called "Standing Interpretation Committee" (SIC) which, at the date of approval of the Financial Statements had been endorsed by the European Union according to the procedure envisaged by (EC) Regulation No. 1606/2002, approved by the European Parliament and the European Council on 19 July 2002.
The Financial Statements were drafted on an ongoing basis and based on the conventional criterion of the historical cost, except for some accounting items that were recognised at fair value, pursuant to provisions set out in the International Accounting Standards.
These Financial Statements were drawn up based on the best knowledge of IFRSs and taking account of the best knowledge on the matters. Any future guidelines and interpretation updates will be reflected in the following years, according to the modalities envisaged from time to time by reference accounting standards.
These draft Financial Statements were approved by the Company's Board of Directors on 29 March 2017.

2.2. Form and content of accounts

As regards the form and content of the statements, the Company elected the following:

i) the Statement of Financial Position (Balance Sheet) discloses current and non-current assets, separately and, similarly, current and non-current liabilities;

ii) the Comprehensive Income Statement includes the profit or loss for the year, as well as changes in Shareholders' Equity related to financial items that, as expressly envisaged by the International Accounting Standards, are recognised in the Shareholders' Equity components; and

iii) the Cash Flow Statement is disclosed according to the indirect method.

The formats used, as described above, are those that better describe the equity and financial position, as well as the economic result of the Company.

These financial statements were drawn up in Euro, functional currency of the Company.
The figures reported in the statements, as well as in the tables included in the Notes to the Financial Statements, are expressed in thousands of Euro, unless otherwise indicated.
The Financial Statements are audited by the Independent Auditors PricewaterhouseCoopers S.p.A..

2.3 Relations with Subsidiaries

With reference to service agreements signed with certain Group companies, note that:

a) a cash pooling agreement was signed between Dolomiti Energia Holding S.p.A. and a number of subsidiaries for centralised cash and supplier payments management (Cash Pooling);

b) the Company benefited from the regulations envisaged by Article 73, last paragraph, of the Presidential Decree 633/72 (Group VAT) for VAT payments;

c) the Company opted for tax consolidation with regard to direct taxes.

2.4 Measurement criteria

Other intangible assets
Concessions and other intangible assets include non-monetary elements and are identifiable assets lacking physical substance, controlled by the company and able to produce future economic benefits. Concessions and other intangible assets are recognised at purchase and/or production cost, including directly attributable expenses incurred to prepare the asset for use, net of accumulated amortisation and possible impairment losses.
Other intangible assets are amortised from the time at which the asset becomes available for use. Their amortisation is apportioned systematically in relation to the residual possible use, i.e. based on their estimated useful life.
The useful life estimated by the Company for concessions and other intangible assets is as follows:

	% RATE
Concessions	20 years
Patent and software rights	20%
Other intangible assets	---

Property, plant and equipment
Property, plant and equipment are measured at purchase or production cost, less accumulated depreciation and any impairment loss. The cost includes charges that are directly incurred to permit their use, as well as any possible costs of disassembly and removal that will be borne pursuant to contract obligations requiring to reinstate the original conditions of the asset.
Financial charges, directly attributable to the acquisition, construction and production of an asset, which justify a capitalisation pursuant to IAS 23, will be capitalised on the asset itself as part of its cost.
Charges borne for ordinary and/or cyclical maintenance and repairs are directly charged to income statement, when incurred. The capitalisation of costs related to the expansion, modernisation or improvement of the structural elements whether owned or leased is made within the limits established to be separately classified as assets or part of an asset.
Improvements on third-party assets include costs borne for the set up and modernization of real estates that are not owned.
Assets are depreciated on a straight-line basis, with rates that allow for depreciation of assets until the end of their useful life.
The useful life estimated by the Company for each single category of property, plant and equipment is as follows:

ELECTRICITY	% RATE
hydroelectric power plants	2,0%
thermal power plants	2,5%
hydroelectric fittings	8,3%
photovoltaic plants	5,0%
OTHER	
office buildings	3,3%
Motor vehicles	12,5%
electronic machines	16,7%

With regard to property, plant and equipment acquired from the merger of SIT S.p.A. and A.S.M. S.p.A. on 16 December 2002, the accounting treatment is as follows:

Assets from A.S.M. S.p.A., acquired before 31 December 1997
Assets acquired prior to the above date are amortised/depreciated over their average residual useful life, as indicated in the sworn expert report obtained for the transformation of ASM from a Municipal company into a public limited company.

Assets from SIT S.p.A. acquired prior to 31 December 1997
Assets acquired prior to 31 December 1997 are amortised/depreciated over their average residual useful life, as indicated in the sworn expert report obtained for the transfer of SIT shares to Dolomiti Energia (now Dolomiti Energia Holding S.p.A.).

Assets acquired after 31 December 1997
Assets acquired after 31 December 1997 are amortised/depreciated according to their useful life, as indicated in the sworn expert report obtained for the transformation of ASM from a Municipal company into a public limited company.

Revaluation of assets as at 01 January 2003 as a result of the merger
The capital gain of 44,276,481 euro emerging from assessment of the extraordinary transaction for the merger by absorption of SIT and ASM into Dolomiti Energia (now Dolomiti Energia Holding S.p.A.), confirmed by the expert appointed by the Court President, was allocated as described below:
8,107,734 euro to Dolomiti Energia S.p.A. assets
- land 5,907,256 euro
- new office building 2,200,478 euro

per euro 36.168.747 sui beni del ciclo idrico
36,168,747 euro on the assets of the water and gas cycle contributed to Dolomiti Reti S.p.A. (now Novareti S.p.A.).
These capital gains were amortised according to the average residual lives of individual asset classes as defined by the expert report obtained to determine the merger share swaps.

Leasing - Leased assets
Property, plant and equipment acquired under financial leasing contracts, according to which all rights and benefits related to the ownership of the asset are substantially transferred to the Company, are recognised as Company assets at the lower of their current value and the amount of the minimum payments outstanding under the lease, including any amount payable in the year for the purchase option. Assets are depreciated by applying the above-mentioned criterion and rates for property, plant and equipment, except when the duration of the lease contract is shorter than the useful life represented by said rates and there is not the reasonable certainty that the ownership of the leased asset will be transferred at the expiration of the contract. In this case, the depreciation period will be equal to the duration of the lease contract.
Lease contracts in which the lessor substantially preserves all the risks and rewards of ownership are classified as operating leases. The minimum guaranteed fees, related to the operating leases, are charged to the income statement on a straight-line basis according to the contract's duration, taking also account of any renewal periods, when since the beginning of the contract it is reasonably certain that the lessor will exercise the option. The possible lease fees are instead recognised in the income statement, when paid.

Impairment of non-financial assets
At each reporting date of the financial statements, the non-financial assets are tested for impairment. When events occur that indicate impairment of non-financial assets, their recoverability is assessed by comparing the book value with the related recoverable value, represented by the fair value, less disposal charges, and the value in use, whichever higher. The value in use is determined by discounting the expected cash flows resulting from the use of the assets and, if significant and reasonably determined, from their disposal at the end of their useful life, net of disposal charges. Expected cash flows are determined based on reasonable assumptions that can be demonstrated and represent the best estimate of future economic conditions that will occur in the residual useful life of the asset, giving greater importance to external indications. Expected cash flows, used to determine the value in use, are based on the latest business plan, approved by the management and including forecasts on revenues, operating costs and investments.
As regards assets that do not generate widely independent cash flows, the recoverable value is determined in relation to the Cash Generating Unit (i.e. the smallest independent CGU resulting from the continuous use), to which they belong. Discounting is carried out at a rate that reflects current market measurements of the time value of money and the specific risks of the asset, which are not already included in the 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, as this method produces values that are substantially equivalent to those that can be obtained by discounting the cash flows, including taxes at a discount rate before taxes resulting from the post-tax measurement. The measurement is performed by each single asset or by Cash Generating Unit. When the reasons for impairment no longer exist, the value of assets is recovered and the adjustment is recognised in the income statement as write-up (value write-back). The write-back is carried out at the lower between recoverable value and book value, inclusive of prior write-downs and less amortisation instalments that would have been allocated if the asset were not impaired.

Equity investments
If equity investments in subsidiaries, associated companies and joint ventures are not listed on a regulated market and the fair value cannot be reliably determined, they are measured at cost and adjusted to reflect impairment losses. Dividends from equity investments are recognised in the income statement when shareholders are entitled to receive the payment.

Trade receivables and other current and non-current assets
Trade receivables and other current and non-current assets include financial instruments, mainly related to accounts receivable from customers, not resulting and not listed on any active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified in the Shareholders' Equity, under current assets, except for those with a contract expiry term after twelve months from the reporting date of the financial statements, which are classified under non-current assets.
These financial assets are recognised under Assets when the Company becomes a party in the contracts related therewith, and are derecognised from Assets, when the right to receive cash flows is transferred together with all risks and benefits associated to the transferred asset.
Trade receivables and other current and non-current assets are originally recorded at their fair value and then at amortised cost, by using the effective interest rate, less impairment losses. Impairment losses in receivables are recognised in the income statement when there is objective evidence that the Company will not be able to recover the receivables based on contract terms. The amount of the write-down is measured as the difference between the book value of the asset and the current value of expected future cash flows.
Receivables are shown net of the relevant provisions for write-downs.

Financial assets held to maturity

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments that are not listed on an active market and that the Company intends to keep until maturity. These financial assets are stated under current assets if their maturity term is within 12 months; otherwise, they are stated under non-current assets.

Financial assets are recognised initially at fair value, inclusive of ancillary costs related to the transaction. After the initial recognition, financial assets held to maturity are measured at amortised cost, based on the effective interest rate method and tested for impairment.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets are being impaired. A financial asset or a group of financial assets is impaired or should be written-down if and only if there is objective evidence of impairment, resulting from events following the first accounting of assets and that the impairment loss has an impact on future cash flows that can be reliably estimated. The objective evidence of impairment of assets can result from the following circumstances:

i) significant financial difficulties of the debtor;
ii) contract breaches, as non-payment of interest or principal;
iii) the creditor, for economic or legal reasons connected with the financial difficulties of the debtor, grants the debtor facilities that would not be considered in other cases;
iv) it is probable that the debtor be bankrupt or be subject to a composition procedure with creditors; or
v) the active market of financial assets no longer exists.

Inventories

Inventories of raw, ancillary and consumable materials and merchandise are measured at the lower between average weighted cost and market value at the financial statement date. The average weighted cost is determined by reference period in relation to each inventory code. The average weighted cost includes the direct costs of labour and materials as well as (variable and fixed) indirect costs. Inventories are constantly monitored and, when necessary, obsolete materials are written-down and charged to the Income Statement.

Financial derivatives

All derivative financial instruments (including embedded derivatives) are measured at fair value.

Consistently with the approach established by IAS 39, derivative instruments can be accounted for using the hedge-accounting approach only when:

- at inception of the hedging, the hedging relationship is formally defined and documented;
- hedging is assumed to be highly effective;
- effectiveness can be reliably measured;
- the hedge itself can be highly effective during the various accounting periods for which it is designated.

When derivative instruments qualify for hedge accounting, the following accounting treatment is applied:

i) *Fair value hedge* – If a financial derivative is designated as a hedge for exposure to the changes in the current value of a recognised asset or liability, the change in fair value of the hedging derivative is recognised in the income statement, consistently with the fair value measurement of hedged assets and liabilities.

ii) *Cash flow hedge* – If a financial derivative is designated as a hedge for exposure to the variability of cash flows of an asset or liability, or of an expected, highly probable transaction that may affect profit and loss, the effective portion of profit or losses on the financial instrument is recognised in the Shareholders' Equity. The cumulated profit or loss is written-off from the Shareholders' Equity and recognised in the income statement in the same period when the hedged transaction is recognised. The profit or loss related to a hedge or to any ineffective portion, is recognised in the income statement, when the ineffective portion is recognised.

When the conditions for hedge accounting are not present, changes in fair value of the derivative are charged to the income statement.

Determination of *fair value* of financial instruments

Fair value of financial instruments listed on an active market is based on market prices at the reporting date. *Fair value* of financial instruments unlisted on an active market is instead determined by using valuation techniques based on methods and assumptions linked to market conditions at the reporting date.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank current accounts and deposits repayable on demand and other short-term financial investments with high liquidity that are readily convertible into cash, or can be transformed in cash within 90 days from the original acquisition, and are subject to an insignificant risk regarding their change in value.

Treasury shares

The repurchase of treasury shares, as instruments representing the transferred capital, are deducted from equity. No profit or loss is recognised in the comprehensive income statement upon purchase, sale, issue or derecognition of equity instruments of an entity. The consideration paid or received is recognised directly to Shareholders' Equity.

The amount of treasury shares owned is disclosed separate in the Notes to the Financial Statements, pursuant to provisions set out by IAS 1 - Presentation of Financial Statements. An entity discloses supplementary information, pursuant to IAS 24 - Related Party Disclosures, if the entity repurchases its equity instruments from related parties.

Financial liabilities, trade and other payables

Financial payables (excluding derivative instruments), trade payables and other payables are initially recorded at fair value, less directly attributable ancillary costs, and they are then measured at amortised cost, by applying the effective interest rate method. If a determined change in estimated cash flows occurs, the value of liabilities is recalculated to reflect this change, based on the actual value of the expected new cash flows and the internal yield rate that has been initially determined.

Financial liabilities are classified under current liabilities, except in the event the Company has an unconditional right to defer payment for at least twelve months from the reference date.

Financial liabilities are derecognised from the financial statements upon redemption and when the Company has transferred all related risks and charges to the instrument itself.

Provisions for risks and charges

Provisions for risks and charges include losses and liabilities of a specific nature whose existence is certain or probable, but whose timing and extent are unknown.

Provisions are recognised only when there is a current (statutory or implied) obligation for a future outgoing of resources, resulting from a past event, and it is likely to be necessary to use such resources to fulfil the obligation. This amount represents the best estimate of the charge required to settle the obligation. The rate used to determine the current value of the liability reflects the current market values and considers the specific risk attributable to each single liability.

When the financial effect of the passing of time is significant and the payment dates of the obligations can be reliably estimated, the provisions are measured at the current value of the disbursement envisaged by using a rate that would reflect market conditions, the change in the cost of money over time and the specific risk connected with the obligation. The increase in the provision value, determined by changes in the cost of money over time, is accounted for as financial charge.

The risks for which the occurrence of a liability is merely possible are possibly indicated in the special section on possible liabilities and no allocation is provided.

Personnel-related provisions

Personnel-related provisions include: i) defined-contribution plans and ii) defined-benefit plans
With reference to defined-contribution plans, costs related to these plans are recognised in the income statement, when incurred.
With reference to defined-benefit plans, Company net liabilities are determined separate for each plan, by estimating the current value of future benefits that employees have accrued over the year and prior years, and deducting fair value of any plan assets. The current value of obligations is based on the use of actuarial methods, which assign the benefit deriving from the plan to the periods in which the obligation arises (Projected Unit Credit Method) and is based on actuarial assumptions that are objective and comparable. Plan assets are measured and recognised at fair value.
If the above calculation reports a possible asset, the amount to be paid is limited to the actual value of each economic benefit available, under the form of reimbursements or reductions of future contributions to the plan (asset threshold).
The cost components of defined benefits are recognised as follows:

- costs related to service performance are recognised in the income statement, under item "personnel costs", while
- net financial charges on liabilities or defined-benefit assets are recognised in the income statement under item "Financial income/(charges)", and are calculated by multiplying the value of net liabilities/(assets) by the rate used to discounting obligations, taking account of payments of contributions made and benefits during the period;
- the remeasuring components of net liabilities, including actuarial gains and losses, the yield of assets (excluding interest income recognised in the income statement), as well as any change in the asset threshold, are immediately recognised in the statement of comprehensive income, under changes in Shareholders' Equity related to financial items. These components must not be reclassified under the financial components in a subsequent period.

Public grants

Public grants are recognised at their fair value when there is the reasonable certainty that all conditions required to their achievement be fulfilled and that they will be received. Grants received for specific expenses are recognised as liabilities and systematically charged to the income statement over the years, as a counter-balance of related expenses.
Investment grants, including non-monetary grants measured at fair value, are recorded as deferred income, systematically and rationally charged as income over the useful life of the asset.

Assets and liabilities held for sale and discontinued operations

Non-current and current assets of disposal groups are classified as held for sale if the related book value is recovered mainly through the sale. This condition is deemed as fulfilled when the sale is highly probable and the asset, or disposal group, is available for immediate sale in its current conditions. Non-current assets held for sale, current and non-current assets related to disposal groups and liabilities directly attributable are recognised in the statement of financial position, separate from other assets and liabilities.
Non-current assets held for sale are not amortised and are measured at the lower of their book value and the related fair value, less the costs of sale.
Any difference between book value and fair value, less the costs of sale, is charged to the income statement as write-down. Any recoveries in value are recognised until recovery of the previously recorded write-downs, including those that were recognised before the classification of the asset as held for sale.
Non-current assets, as well as current and non-current assets of disposal groups, classified as held for sale, represent a discontinued operation if, either of the following occurs:

- they represent a business unit of core business or a geographical area of core business; or
- they are part in a disposal program of an important business unit of core business or a geographical area of core business; or
- they are a subsidiary acquired exclusively to be sold.

The results of the discontinued operations, as well as any capital gain/loss from the sale, are disclosed separate in the income statement, under a special item, less all related tax effects. The financial values of discontinued operations are also disclosed for years considered for comparison purpose.
In the event of a sales program of a subsidiary, which involves the loss of control, all assets and liabilities of this investee are classified as held for sale.

Revenues recognition

Revenues from sales of goods are recognised in the statement of comprehensive income upon transfer of risks and benefits related to the product sold, which normally coincides with the delivery or the shipment of goods to the customer. Revenues from services are recognised in the accounting period in which these services are rendered.
Revenues are recognised at fair value of the payment received. The Company recognises revenues when their amount can be estimated in a reliable way and their future economic benefits are likely to be recognised.
According to the type of transaction, revenues are recognised based on the following specific criteria:

i. revenue from the sale and distribution of electricity, thermal energy, gas, heat and steam is recognised upon the transfer of ownership, which mainly occurs when the good is supplied or the service rendered, albeit still not invoiced, and is determined by supplementing the consumption read through meters with adequate estimates, ancorché non fatturati, e sono determinati integrando con opportune stime quelli rilevati mediante lettura dei consumi.
ii. revenue for the sale of certificates is recorded upon transfer thereof.
iii. revenue from services rendered is recorded upon supply, or according to contract clauses.

Recognition of costs

Costs are recognised upon acquisition of an asset or service.

Taxes

Current taxes are calculated based on the taxable income for the year, by applying tax rates in force at the reporting date.
Prepaid and deferred taxes are calculated based on all differences that arise between tax value of an asset or liability and the related book value.
Prepaid taxes, including those related to prior tax losses, are recognised to the extent that it is probable that there will be future taxable income to which that tax loss can be applied. Prepaid and deferred taxes are determined by using the tax rate that it is estimated will be applicable in the years in which the differences will be realised or extinguished, based on the enacted or substantially enacted tax tare at the reporting date.
Current, prepaid and deferred taxes are recognised in the income statement, except for those related to items directly debited or credited to Shareholders' Equity; in this case, also the related tax effect will be recognised directly to Shareholders' Equity.

3. ESTIMATES AND ASSUMPTIONS

Preparation of financial statements requires directors to apply accounting principles and methodologies that, in some cases, are based on valuations and estimates, which in turn are based on historic experience and assumptions considered reasonable and realistic according to circumstances at any given time. The application of such estimates and assumptions affects the amounts reported in financial statements, as well as the information disclosed. The ultimate actual amounts of accounting items, for which these estimates and assumptions have been used, might differ from those reported in the financial statements, showing the effects of the occurrence of the estimated item, due to the uncertainty characterising the assumptions and conditions on which estimates are based.

Below a short list is provided of the accounting items related to the Company that require greater subjectivity on the part of directors in developing estimates and for which any change in conditions underlying assumptions made could have a significant impact on the Company's financial results.

a) ***Impairment Test:*** the book value of property, plant and equipment and intangible assets is periodically tested for impairment and whenever circumstances or events require a more frequent assessment.
Whenever it is deemed that a book value of a group of fixed assets has suffered an impairment loss, the same is written-down to the related recoverable value, estimated based on the use and future sale of the asset, in relation to provisions set out in the latest business plans. It is deemed that estimates of these recoverable values are reasonable. However, possible changes in the estimate factors, on which the calculation of the aforesaid recoverable values is based, might result in different valuations

.

b) **Provision for write-downs:** the provision for write-downs reflects the best estimate made by directors on doubtful receivables from customers. This estimate is based on expected losses incurred by the Company, determined according to past experience made for similar receivables, current and historic overdue amounts, the careful monitoring of creditworthiness and projections on economic and market positions.

c) **Prepaid taxes:** accounting for prepaid taxes takes place on the basis of expectations of taxable income in future years to be used for their recovery. The valuation of the taxable revenue expected for the purposes of accounting for prepaid taxes depends on factors that can vary over time and significantly affect the recoverability of the receivables from prepaid taxes.

d) **Provisions for risks and charges: with** respect to legal risks, allocations are recognised representing the risk of an unfavourable outcome of disputes. The value of provisions in the financial statements related to these risks represents the best estimate to date made by directors. This estimate entails the adoption of assumptions depending on factors that might change over time and that might therefore have a significant impact on current estimates made by directors in the drafting of Company financial statements.

e) ***Fair value* of derivative instruments:** fair value of unlisted financial assets, such as derivatives, is determined through financial measurement methods generally used and that require basic assumptions and estimates. These assumptions might not occur in the expected times and modalities. Estimates made by the Company might therefore differ from closing figures.

4. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BY IASB AND ENDORSED BY THE EUROPEAN UNION, WITH COMPULSORY ADOPTION FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2016.

The accounting standards, the measurement criteria and estimates adopted are consistent with those used to prepare the financial statements as at 31 December 2015, disclosed for comparison purpose, except for provisions described in the following standards and amendments, effective as from 01 January 2016, as they became compulsory following the completion of the related endorsement procedures by the competent Authorities. These standards and amendments entailed relevant impacts on the Company financial statements.

Title of document	Issue date	Effective date	Endorsement date	EU Regulation and publication date
Defined benefit plans – employee contributions (amendments to IAS 19)	November 2013	1 February 2015 (for IASB: 1 July 2014)	17 December 2014	(UE) 2015/29 9 January 2015
Improvements to International Financial Reporting Standards (2010-2012 cycle)	December 2013	1 February 2015 (for IASB: 1 July 2014)	17 December 2014	(UE) 2015/28 9 January 2015
Agriculture: Bearer Plants (amendments to IAS 16 and IAS 41)	June 2014	1 January 2016	23 November 2015	(UE) 2015/2113 24 November 2015
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	May 2014	1 January 2016	24 November 2015	(UE) 2015/2173 25 November 2015
Clarification of Acceptable Methods of Depreciation and Amortisation (amendments to IAS 16 and IAS 38)	May 2014	1 January 2016	02 December 2015	(UE) 2015/2231 03 December 2015
Improvements annual cycle to 2012-2014 IFRS	September 2014	1 January 2016	15 December 2015	(UE) 2015/2343 16 December 2015
Disclosure Initiative (amendments to IAS 1)	December 2014	1 January 2016	18 December 2015	(UE) 2015/2406 19 December 2015
Equity method in separate financial statements (amendments to IAS 27)	August 2014	1 January 2016	18 December 2015	(UE) 2015/2441 23 December 2015
Investment Entity: applying the exception to consolidation (amendments to IFRS 10, IFRS 12 and IAS 28)	December 2014	1 January 2016	22 September 2016	(UE) 2016/1703 23 September 2016

5. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS, WHICH ARE NOT YET APPLICABLE AND HAVE NOT BEEN ADOPTED IN ADVANCE BY THE COMPANY

The main international accounting standards, interpretations and amendments to already existing accounting standards and interpretations, or specific provisions included in the standards and interpretations approved by IASB are shown hereunder, with indication on those endorsed or not endorsed for adoption in Europe at the date of approval of this document. IAS/IFRS and related IFRIC interpretations applicable to financial statements for accounting periods beginning on or after 1 January 2016, Documents endorsed by EU as at 31 December 2016:

Title of document	Issue date	Effective date	Endorsement date	EU Regulation and publication date
IFRS 15 - Revenue from Contracts with Customers	May 2014	1 January 2018	22 September 2016	(UE) 2016/1905 29 October 2016
IFRS 9 - Financial Instruments	July 2014	1 January 2018	22 November 2016	(UE) 2016/2067 29 November 2016

It is noted that early application was not adopted of accounting standards and/or interpretations whose application would be mandatory for accounting periods beginning after 31 December 2016.

6. ACCOUNTING STANDARDS STILL NOT ENDORSED BY THE EUROPEAN UNION

IAS/IFRS and related IFRIC interpretations applicable to financial statements for accounting periods beginning after 01 January 2016:

Title of document	Issue date by IASB	Effective date of IASB document
Standards		
IFRS 14 Regulatory Deferral Accounts	January 2014	The IFRS 14 became effective on 01 January 2016. Nevertheless, the European Commission decided to suspend the endorsement process to await for the new accounting standard on "rate-regulated activities"
IFRS 16 Leases	January 2016	1 January 2019
Amendments		
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 2014	Postponed until completion of the IASB project on the Equity method.
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	January 2016	1 January 2017
Amendments to IAS 7: Disclosure Initiative	January 2016	1 January 2017
Clarifications to IFRS 15 Revenue from Contracts with Customers	April 2016	1 January 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	June 2016	1 January 2018
Amendments to IFRS 4: Regarding the implementation of IFRS 9 Financial Instruments	September 2016	1 January 2018
Amendments to IAS 40: relating to transfers of investment property	December 2016	1 January 2018
Annual Improvements 2014-2016	December 2016	01 January 2018
IFRIC 22 Foreign currency transactions and advance consideration	December 2016	01 January 2018

At the drafting date of this document, the Group was evaluating the impact resulting from the application of the aforesaid new accounting standards, while assessing whether their adoption will have a future material impact on its financial statements or the interim consolidated financial statements.

7. INFORMATION ON FINANCIAL RISKS

With regard to business risks, the main risks that have been identified and monitored and, for the extent described hereunder, managed by the Company, are as follows:

- market risk (defined as interest rate risk and commodity price risk);
- credit risk (both in relation with normal trade relations with customers and financing activities); and
- liquidity risk (with reference to the availability of cash resources and to the access to credit facilities and financial instruments in general).

The Company's objective is to maintain a balanced management over time of its financial exposure that would ensure a structure where liabilities are balanced with assets in the financial statements, as well as the necessary operating flexibility through the use of cash flows generated by current operating assets and bank credit facilities.

The management of the related financial risks is governed and monitored at centralised level. In particular, the dedicated department is in charge of assessing and approving the provisional financial requirements, while monitoring their performance and implementing adequate correction measures, if applicable.

The following section supplies quality and quantity reference information on the impact of these risks on the Company.

7.1 Market risk

7.1.1 Interest rate risk

The Company utilises external financial resources in the form of credit facilities, and uses cash on hand in bank deposits. Changes in market interest rates affect the cost and the yield of the various credit facilities and uses, therefore affecting the amount of Company financial income and charges.

With regard to the measurement of financial charges related to indebtedness, the Company, which is exposed to interest rate fluctuations, regularly assesses its exposure to the interest rate risk and manages it by adopting less onerous credit facilities.

As at 31 December 2016, the Company's indebtedness also included a bond loan amounting to 23,200,000 euro.

The Company also entered floating rate loans, benchmarked mainly to Euribor rate +1 spread for the period, according to the type of credit line used. The applied margins are comparable with the best market standards. In order to limit the risk of interest rate fluctuations, on some loans the Company uses derivatives, mainly interest rate swaps, with the aim of mitigating, at economically feasible terms, the possible impact of interest rate fluctuations on the economic result.

The main characteristics of derivatives subscribed by the Company and in place as at 31 December 2016 and 2015 to hedge interest rate fluctuations are summarised as follows:

As at 31 December 2016 - IRS				
Date of transaction	02/01/2014	02/01/2014	02/01/2014	02/01/2014
Company	Dolomiti Energia Holding S.p.A.	Dolomiti Energia Holding S.p.A.	Dolomiti Energia Holding S.p.A.	Dolomiti Energia Holding S.p.A.
Counterparty	Mediobanca	Intesa San Paolo	Unicredit	Unicredit
Maturity	31/12/2020	31/12/2020	31/12/2020	31/12/2020
Notional in Euro	22,857,143	22,857,143	22,857,143	22,857,143
Floating interest rate	1M Euribor	1M Euribor	1M Euribor	1M Euribor
Fixed interest rate	3,4000%	3,4450%	3,5214%	3,7190%
Fair value	-1,764,294	-1,788,598	-1,823,844	-1,917,684

As at 31 December 2015 - IRS				
Date of transaction	02/01/2014	02/01/2014	02/01/2014	02/01/2014
Company	Dolomiti Energia Holding S.p.A.	Dolomiti Energia Holding S.p.A.	Dolomiti Energia Holding S.p.A.	Dolomiti Energia Holding S.p.A.
Counterparty	Mediobanca	Intesa San Paolo	Unicredit	Unicredit
Maturity	31/12/2020	31/12/2020	31/12/2020	31/12/2020
Notional in Euro	28,571,429	28,571,429	28,571,429	28,571,429
Floating interest rate	1M Euribor	1M Euribor	1M Euribor	1M Euribor
Fixed interest rate	3,4000%	3,4450%	3,5214%	3,7190%
Fair value	-2,580,875	-2,614,199	-2,674,542	-2,820,207

Sensitivity Analysis related to interest rate risk

The Company's exposure to the interest rate risk was measured through a sensitivity analysis that considered current and non-current financial liabilities as well as bank deposits. Within the hypotheses made, the effects on the Company's Income Statement and Shareholders' Equity as at 31 December 2016 were evaluated with respect to a possible change in market rates, which discounted 50bps write-up and write-down, respectively. The calculation method applied the hypothesis of changes in both balances of the gross bank indebtedness and interest rate paid during the year to remunerate these floating rate liabilities. This analysis is based on the assumption of a general and prompt change in the reference interest rate level.

The result of this hypothetical, immediate and unfavourable (favourable) change in interest rates in the short-term, applicable to the Company's floating rate financial liabilities are shown in the following tables:

(in thousands of Euro)	Impact on profit, net of tax effect		Impact on Shareholders' Equity, net of tax effect	
	- 50 bps	+ 50 bps	- 50 bps	+ 50 bps
Year ended 31 December 2016	194	-642	194	-642
Year ended 31 December 2015	348	-450	348	-450

7.1.2 Commodity risk

The price risk of commodities, related to price volatility of energy commodities (gas, electricity, fuel oil, etc.), as well as of environment certificates (incentive tariffs, white certificates, etc.), consists in possible negative effects that changes in market prices of one or more commodities might determine on cash flows and Company income prospects.
The "Finance and Risk Management" department is in charge of monitoring risks resulting from price fluctuations and, to this purpose, the Company uses derivative instruments, mainly peaks, with the aim of mitigating, at economically acceptable terms, the possible impact of price volatility on the economic result.
The main characteristics of derivatives subscribed by the Company and in place as at 31 December 2015 to hedge commodity price risk are summarised as follows:

As at 31 December 2015 - Commodity								
Date of transaction	18/08/2015	10/09/2015	18/08/2015	18/08/2015	18/08/2015	10/09/2015	10/09/2015	10/09/2015
Company	Dolomiti En. Holding	Dolomiti En. Holding	Dolomiti En. Holding	Dolomiti En. Holding	Dolomiti En. Holding	Dolomiti En. Holding	Dolomiti En. Holding	Dolomiti En. Holding
Counterparty	Dolomiti Trading S.r.l.	Dolomiti Trading S.r.l.	Dolomiti Trading S.r.l.	Dolomiti Trading S.r.l.	Dolomiti Trading S.r.l.	Dolomiti Trading S.r.l.	Dolomiti Trading S.r.l.	Dolomiti Trading S.r.l.
Underlying	Power	Power	Power	Power	Power	Power	Power	Power
Maturity	30/06/2016	30/06/2016	30/09/2016	31/12/2016	31/03/2016	30/09/2016	31/03/2016	31/12/2016
Notional in Euro	3.475.000	3.222.252	2.332.000	1.831.000	1.658.000	2.230.644	1.513.512	2.528.064
Fair value	244.522	197.303	134.071	126.179	69.113	32.536	28.754	-37.212

As at 31 December 2016, no derivatives on commodities had been entered by the Company.

7.2 Credit risk

The credit risk represents the Company's exposure to possible losses resulting from the non-fulfilment of obligations undertaken by the counterparties. This type of risk is managed by the Company through special procedures and mitigation measures, aimed at both assessing creditworthiness of the counterparty and constantly checking that the exposure thresholds be complied with, as well as through adequate guarantees.
Trade receivables are recognised in the financial statements net of any write-downs determined on the basis of the default risk of the counterparties, taking into account the information available on solvency of the customer and the historical data.
The overall exposure to credit risk as at 31 December 2016 and 31 December 2015 is represented by the sum of financial assets recorded in the financial statements, summarised as follows:

(in thousands of Euro)	As at 31 December 2016	As at 31 December 2015
Trade receivables	14,092	12,322
Other assets (current and non-current)	104,354	45,360
Provision for write-downs	(727)	(757)
Total	**117,719**	**56,925**

7.3 Liquidity risk

The liquidity risk can be represented by the inability to obtain the necessary financial resources, at acceptable economic terms, for the Company's operations. The two main factors that affect Company's liquidity are as follows:
- financial resources generated or absorbed by operating or investing activities;
- maturity or renewal terms of the financial debt.

Una gestione prudente del rischio di liquidità
A prudent management of the liquidity risk originated by normal operations involve the maintenance of an adequate level of cash and cash equivalents, short-term securities and the availability of provisions that could be obtained through an adequate amount of credit lines. The Company's liquidity requirements are monitored by a centralised department, in view of securing the finding of financial resources and adequate investment/yield of liquidity.
The following table analyses the financial liabilities (including trade and other payables) that are expected to be redeemed within the year, in a period between one and five years and after five years:

(in thousands of Euro)	As at 31 December 2016		
	Maturity		
	Within 1 years	Between 1 and 5 years	Beyond 5 years
Trade Payables	11,842	-	-
Trade pay. due to banks and other lenders	262,179	70,789	97,917
Other accounts payable	21,162	1,087	-
Total	**295,183**	**71,876**	**97,917**

(in thousands of Euro)	As at 31 December 2015		
	Maturity		
	Within 1 years	Between 1 and 5 years	Beyond 5 years
Trade Payables	9,217	-	-
Trade pay. due to banks and other lenders	137,679	144,850	63,473
Other liabilities	10,800	1,300	-
Total	**157,696**	**146,150**	**63,473**

7.4 *Fair value* estimate

As regards financial instruments measured at fair value, the following table shows information on the method adopted to determine the fair value. The possible methods are broken down in the following levels, based on the source of available information, as described hereunder:

- Level 1: *fair value* is measured with reference to prices quoted (unadjusted) in active markets for identical financial instruments:
- Level 2: *fair value* is measured based on measurement techniques taking benchmark parameters that are observable on the markets;
- Level 3: *fair value* is measured based on measurement techniques taking benchmark parameters that are not observable on the market.

Company financial instruments recognised at fair value are classified under level 2 and the general criterion used to calculate the same is the current value of future cash flows envisaged by the instrument being measured.
The following table shows assets and liabilities measured at fair value as at 31 December 2016 and 31 December 2015:

(in thousands of Euro)	As at 31 December 2016		
	Level 1	Level 2	Level 3
Assets Financial derivatives (commodities)	-	-	-
Liabilities Derivative instruments (interest rate swap)	-	7,294	-

[this amount includes the fair value of all derivatives that, under an accounting viewpoint, are classified as both hedging and not hedging].*

(in thousands of Euro)	As at 31 December 2015		
	Level 1	Level 2	Level 3
Assets Financial derivatives (commodities)	-	795	-
Liabilities Derivative instruments (interest rate swap)	-	10,690	-

It should be noted that trade receivables and payables were measured at book value, as the latter is deemed as similar to the current value. Financial assets and liabilities as at 31 December 2016 and 31 December 2015 are broken down by category:

(in thousands of Euro)	Financial assets/ liabilities measured at fair value with changes recognised in income statement	Loans and receivables	Assets/ liabilities available for sale	Liabilities measured at amortised cost	Total
	As at 31 December 2016				
CURRENT ASSETS					
Cash and cash equivalents	-	2,498	-	-	2,498
Trade receivables	-	13,365	-	-	13,365
Other rec. and other current financial assets	-	94,574	-	-	94,574
NON-CURRENT ASSETS					
Other receivables and other non-current financial assets	-	9,780	-	-	9,780
CURRENT LIABILITIES					
Trade Payables	-	-	-	11,842	11,842
Current pay. due to banks and other lenders	-	-	-	262,179	262,179
Other current payables	-	-	-	21,162	21,162
NON-CURRENT LIABILITIES					
Non-current payables due to banks and other lenders	7,294	-	-	161,412	168,706
Other non-current payables	-	-	-	1,087	1,087
	As at 31 December 2015				
CURRENT ASSETS					
Cash and cash equivalents	-	15,229	-	-	15,229
Trade receivables	-	11,565	-	-	11,565
Other current assets	795	34,305	-	-	35,100
NON-CURRENT ASSETS					
Other non-current assets	-	10,260	-	-	10,260
CURRENT LIABILITIES					
Trade Payables	-	-	-	9,217	9,217
Current financial liabilities	-	-	-	137,679	137,679
Other current payables	-	-	-	11,250	11,250
NON-CURRENT LIABILITIES					
Non-current financial liabilities	10,690	-	-	197,632	208,322
Other non-current liabilities	-	-	-	1,300	1,300

8. NOTES TO THE STATEMENT OF FINANCIAL POSITION

8.1 Other intangible assets

Changes in item "Other intangible assets" are shown hereunder for the years ended 31 December 2016 and 2015:

(in thousands of Euro)	Concessions	Industrial patent and intellectual property rights	Other	Total
Balance as at 01 January 2015	**5,490**	**5,466**	**160**	**11,116**
of which:				
Historical cost	*7,325*	*25,522*	*2,253*	*35,100*
Accumulated amortisation	*(1,835)*	*(20,056)*	*(2,093)*	*(23,984)*
Increases	-	3,866	3	3,869
Amortisation	(366)	(2,923)	(106)	(3,396)
Balance as at 31 December 2015	**5,124**	**6,409**	**57**	**11,590**
of which:				
Historical cost	*7,325*	*29,388*	*2,256*	*38,969*
Accumulated amortisation	*(2,201)*	*(22,979)*	*(2,200)*	*(27,380)*
Increases	-	5,672	-	5,672
Net decreases	-	-	-	-
Reclassifications	-	-	-	-
Amortisation	(366)	(3,561)	(49)	(3,976)
Change in consolidation area	-	-	-	-
Balance as at 31 December 2016	**4,758**	**8,520**	**8**	**13,286**
of which:				
Historical cost	*7,325*	*35,060*	*2,256*	*44,641*
Accumulated amortisation	*(2,567)*	*(26,540)*	*(2,249)*	*(31,356)*

The item **Concessions** refers to charges on franchises on small water diversions in reference to acquisition of the Mini Idro plants from Hydro Dolomiti Energia. Amortisation of the concession is based on its duration (twenty years), with maturity term in 2029.
Industrial patent and intellectual property rights fully include the costs relating to the acquisition, implementation and development of

software serving the activities carried out by the companies belonging to the Dolomiti Energia Group.
The item "Other" includes **intangible assets in progress and advances** that, at year end, amounted to 6 thousand euro.

8.2 Property, plant and equipment

Changes in item "Property, plant and equipment" are shown hereunder for the years ended 31 December 2015 and 2016:

(in thousands of Euro)	Land and buildings	Plant and equipment	Industrial and commercial fittings	Other assets	Work in progress and advance payments	Total
Balance as at 01 January 2015	**18,038**	**16,807**	**1,299**	**734**	**5,728**	**42,606**
of which:						
Historical cost	*25,947*	*35,981*	*3,847*	*8,697*	*5,728*	*80,200*
Accumulated depreciation	*(7,909)*	*(19,174)*	*(2,548)*	*(7,963)*	*-*	*(37,594)*
Increases	6,885	299	166	545	-	7,895
Net decreases	-	(241)	-	-	-	(241)
Write-downs	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Depreciation	(753)	(939)	(195)	(229)	-	(2,116)
Balance as at 31 December 2015	**24,170**	**15,926**	**1,270**	**1,050**	**5,728**	**48,144**
of which:						
Historical cost	*32,832*	*36,039*	*4,013*	*9,242*	*5,728*	*87,854*
Accumulated depreciation	*(8,662)*	*(20,113)*	*(2,743)*	*(8,192)*	*-*	*(39,710)*
Increases	461	103	67	590	1,285	2,506
Net decreases	-	-	-	(2)	-	(2)
Reclassifications	-	-	-	-	-	-
Depreciation	(868)	(946)	(190)	(264)	-	(2,268)
Change in consolidation area	-	-	-	-	-	-
Balance as at 31 December 2016	**23,763**	**15,083**	**1,147**	**1,374**	**7,013**	**48,380**
of which:						
Historical cost	*33,293*	*36,142*	*4,080*	*9,830*	*7,013*	*90,358*
Accumulated depreciation	*(9,530)*	*(21,059)*	*(2,933)*	*(8,456)*	*-*	*(41,978)*

With regard to **property, plant and equipment,** costs have been capitalised for services provided by internal staff for 173 thousand euro.
The item **office buildings** also includes capitalisations of improvements made in the offices in Rovereto, which are rented from the Municipality, for a residual value of 1,177 thousand euro, as well as of improvements made over the year in the offices in Trento, equal to 409 thousand euro.
The item **plants and machinery** includes machinery for the power plants and transferable works related to the hydroelectric power plants of S. Colombano, Sorne, Tesino and Mini Idro, for the residual value of 14,020 thousand euro, in addition to transmission lines and other property photovoltaic plants.
The item **industrial and commercial fittings** include the equipment for the chemical-bacteriological laboratory (residual value of 580 thousand euro), as well as remote-control systems and other equipment for the hydroelectric sector (residual value of 567 thousand euro).
The item **other assets** concerns furniture and office equipment, mostly hardware, for a residual value of 1,356 thousand euro, with an increase of 261 thousand euro, over the year.
The item **tangible assets in progress**, at year end, amounted to 7,013 thousand and concerns feasibility studies and projects regarding the Company's headquarters, in addition to a project for the technological updating of the IT facilities, which was started in 2016 (1,285 thousand euro).

8.3 Equity investments

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

(in thousands of Euro)	As at 31 December		As at 01 January 2015
	2016	2015	
Equity investments in subsidiaries	689,028	270,383	270,383
Equity investments in ass. companies and joint ventures	71,949	423,573	426,298
Equity investments in other companies	5,838	5,838	9,061
TOTAL EQUITY INVESTMENTS	**766,815**	**699,794**	**705,742**

Changes in equity investments in subsidiaries, associated companies, joint ventures and other companies for the year ended 31 December 2015 and 2016 are shown hereunder:

DESCRIPTION OF EQUITY INVESTMENTS (in thousand of Euro)	Percentage owned	Book value as at 1 January 2015	Changes in 2015	Reclassifica-tions in 2015	Book value in 2015	Prov. for write-downs as at 01 January 2015	Changes	Provision for write-downs as at 31 December 2015	Net value as at 31 December 2015	Net value as at 01 January 2015
DOLOMITI TRADING S.r.l. (former Trentino Trading S.r.l.)	100.00%	1,618	-	-	1,618	-	-	-	1,618	1,618
DOLOMITI ENERGIA RINNOVABILI S.r.l.	*100.00%*	*30*	-	-	*30*	-	-	-	*30*	*30*
NOVARETI S.p.A. (former Dolomiti Reti S.p.A.)	*100.00%*	*139,266*	-	-	*139,266*	-	-	-	*139,266*	*139,266*
DOLOMITI ENERGIA S.p.A. (former Trenta S.p.A.)	81.19%	19,258	-	-	19,258	-	-	-	19,258	19,258
S.E.T.Distribuzione S.p.A.	74.52%	85,801	-	-	85,801	-	-	-	85,801	85,801
DOLOMITI ENERGIA TRADING S.p.A. (f. Multiutility S.p.A.)	98.72%	8,334	-	-	8,334	-	-	-	8,334	8,334
DEP.TRENTINO CENTRALE S. CONS. A R.L.	57.00%	6	-	-	6	-	-	-	6	6
DOLOMITI GNL S.r.l.	60.00%	60	-	-	60	-	-	-	60	60
DOLOMITI AMBIENTE S.r.l.	100.00%	16,010	-	-	16,010	-	-	-	16,010	16,010
Total Subsidiaries		**270,383**	**-**	**-**	**270,383**	**-**	**-**	**-**	**270,383**	**270,383**
DOLOMITI ENERGY SAVING S.r.l.	51.00%	51	-	-	51	-	-	-	51	51
DOLOMITI EDISON ENERGY S.r.l.	51.00%	32,109	-	-	32,109	-	-	-	32,109	32,109
HYDRO DOLOMITI ENERGIA S.r.l.	51.00%	374,010	-	-	374,010	-	(24,921)	(24,921)	349,089	374,010
GIUDICARIE GAS S.p.A.	43.35%	838	-	-	838	-	-	-	838	838
BONIFICHE TRENTINE Sc.ar.l.	30.00%	6	-	-	6	-	-	-	6	6
SF Energy S.r.l.	50.00%	45	27,500	-	27,545	-	-	-	27,545	45
PVB POWER BULGARIA S.p.A.	23.13%	10,624	-	-	10,624	-	(5,304)	(5,304)	5,320	10,624
BIOENERGIA TRENTINO S.r.l.	24.90%	1,520	-	-	1,520	-	-	-	1,520	1,520
AGS S.p.A.	20.00%	7,095	-	-	7,095	-	-	-	7,095	7,095
Total Associated companies and joint ventures		**426,298**	**27,500**	**-**	**453,798**	**-**	**(30,225)**	**(30,225)**	**423,573**	**426,298**
PRIMIERO ENERGIA S.p.A.	19.94%	4,614	-	-	4,614	-	-	-	4,614	4,614
MC-LINK S.p.A. (former Alpikom S.p.A.)	1.61%	475	-	-	475	(270)	-	(270)	205	205
BIO ENERGIA FIEMME S.p.A.	9.76%	475	150	-	625	-	-	-	625	475
C.LE TERMOEL. DEL MINCIO S.r.l.	5.00%	1	-	-	1	-	-	-	1	1
DISTR. TECNOL. TRENTINO S.CONS.A R.L.	1.77%	5	-	-	5	-	-	-	5	5
A2A (former-ASM Brescia)	0.22%	7,003	(7,003)	-	-	(3,630)	3,630	-	-	3,373
ISTITUTO ATESINO SVIL.S.p.A.	0.32%	387	-	-	387	-	-	-	387	387
CONS.ASSINDUSTRIA ENERGIA	0.00%	1	-	-	1	-	-	-	1	1
CASSA RURALE ROVERETO	0.00%	-	-	-	-	-	-	-	-	-
Total Other companies		**12,961**	**(6,853)**	**-**	**6,108**	**(3,900)**	**3,630**	**(270)**	**5,838**	**9,061**
TOTAL EQUITY INVESTMENTS		**709,642**	**20,647**	**-**	**730,289**	**(3,900)**	**(26,595)**	**(30,495)**	**699,794**	**705,742**

DESCRIPTION OF EQUITY INVESTMENTS (in thousand of Euro)	Percentage owned	Book value as at 31 December 2015	Changes in 2016	Reclassifications in 2016	Book value in 2016	Prov. for write-downs as at 31 December 2015	Changes	Provision for write-downs as at 31 December 2016	Net value as at 31 December 2016	Net value as at 31 December 2015
DOLOMITI TRADING S.r.l. (former Trentino Trading S.r.l.)	0%	1,618	(1,618)	-	-	-	-	-	-	1,618
DOLOMITI ENERGIA RINNOVABILI S.r.l.	*100.00%*	*30*	-	-	*30*	-	-	-	*30*	*30*
NOVARETI S.p.A. (former Dolomiti Reti S.p.A.)	*100.00%*	*139,266*	-	-	*139,266*	-	-	-	*139,266*	*139,266*
DOLOMITI ENERGIA S.p.A. (former Trenta S.p.A.)	83.87%	19,258	13,361	-	32,619	-	-	-	32,619	19,258
S.E.T.Distribuzione S.p.A.	74.52%	85,801	-	-	85,801	-	-	-	85,801	85,801
DOLOMITI ENERGIA TRADING S.p.A. (f. Multiutility S.p.A.)	98.72%	8,334	-	-	8,334	-	-	-	8,334	8,334
DEP.TRENTINO CENTRALE S. CONS. A R.L.	57.00%	6	-	-	6	-	-	-	6	6
HYDRO INVESTIMENTS DE S.r.l.	60.00%	-	406,602	-	406,602	-	-	-	406,602	-
DOLOMITI GNL S.r.l.	60.00%	60	300	-	360	-	-	-	360	60
DOLOMITI AMBIENTE S.r.l.	100.00%	16,010	-	-	16,010	-	-	-	16,010	16,010
Total Subsidiaries		**270,383**	**418,646**	**-**	**689,028**	**-**	**-**	**-**	**689,028**	**270,383**
DOLOMITI ENERGY SAVING S.r.l.	51.00%	51	-	-	51	-	-	-	51	51
DOLOMITI EDISON ENERGY S.r.l.	51.00%	32,109	-	-	32,109	-	-	-	32,109	32,109
HYDRO DOLOMITI ENERGIA S.r.l.	0%	374,010	(374,010)	-	-	-24,921	24,921	-	-	349,089
GIUDICARIE GAS S.p.A.	43.35%	838	-	-	838	-	-	-	838	838
BONIFICHE TRENTINE Sc.ar.l.	0%	6	(6)	-	-	-	-	-	-	6
SF Energy S.r.l.	50.00%	27,545	-	-	27,545	-	-	-	27,545	27,545
PVB POWER BULGARIA S.p.A.	23.13%	10,624	-	-	10,624	(5,304)	(2,778)	(8,082)	2,542	5,320
BIOENERGIA TRENTINO S.r.l.	24.90%	1,520	249	-	1,769	-	-	-	1,769	1,520
AGS S.p.A.	20.00%	7,095	-	-	7,095	-	-	-	7,095	7,095
Total Associated companies and joint ventures		**453,798**	**(373,767)**	**-**	**80,031**	**(30,225)**	**22,143**	**(8,082)**	**71,949**	**423,573**
PRIMIERO ENERGIA S.p.A.	19.94%	4,614	-	-	4,614	-	-	-	4,614	4,614
MC-LINK S.p.A. (former Alpikom S.p.A.)	1.61%	475	-	-	475	(270)	-	(270)	205	205
BIO ENERGIA FIEMME S.p.A.	9.76%	625	-	-	625	-	-	-	625	625
C.LE TERMOEL. DEL MINCIO S.r.l.	5.00%	1	-	-	1	-	-	-	1	1
DISTR. TECNOL. TRENTINO S.CONS.A R.L.	1.77%	5	-	-	5	-	-	-	5	5
ISTITUTO ATESINO SVIL. S.p.A.	0.32%	387	-	-	387	-	-	-	387	387
FEDAIA INVESTMENTS S.r.l.	0%	-	-	-	-	-	-	-	-	-
CONS.ASSINDUSTRIA ENERGIA	0%	1	-	-	1	-	-	-	1	1
CASSA RURALE ROVERETO	0%	-	-	-	-	-	-	-	-	-
Total Other companies		**6,108**	**-**	**-**	**6,108**	**(270)**	**-**	**(270)**	**5,838**	**5,838**
TOTAL EQUITY INVESTMENTS		**730,289**	**44,878**	**-**	**775,167**	**(30,495)**	**22,143**	**(8,352)**	**766,815**	**699,794**

SUBSIDIARIES

DOLOMITI TRADING S.r.l. – Rovereto.
Fully paid-up Share Capital of 2,000,000 euro, represented by 2,000,000 shares with a value of 1 euro each; Dolomiti Energia Holding held 100% of the Share Capital; on 30 June 2016, the Company was put into liquidation and on 30 September 2016 it discontinued its operations.

DOLOMITI ENERGIA RINNOVABILI S.r.l. - Trento.
Fully paid-up Share Capital of 30,000 euro, represented by 30,000 holdings of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The financial year ending 31 December 2016 recorded a loss of 461,003 euro. The company is involved in creating photovoltaic and geothermal plants and in heat management.

NOVARETI S.p.A.
(former DOLOMITI RETI S.p.A.) - Rovereto
Fully paid-up Share Capital of 28,500,000 euro, represented by 28,500,000 holdings of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The financial year ending 31 December 2016 recorded a profit of 10,593,594 euro. The company is engaged in the distribution of gas, cogeneration and district heating as well as in the management of the complete integrated water cycle.

DOLOMITI ENERGIA S.p.A.
(former TRENTA S.p.A.) – Trento.
Fully paid-up Share Capital of 20,200,000 euro, represented by 20,200,000 shares of 1 euro each; Dolomiti Energia Holding holds 83.87% of the Share Capital equal to 16,942,700 shares with a nominal value of 16,942,700 euro. In 2016, a share capital increase of 2,883,700 euro was resolved, with payment obligation of a total share premium of 10,476,903 euro. This increase was fully subscribed and released by the related party Multiutility S.p.A. (now Dolomiti Energia Trading S.p.A.), through transfer of the business unit related to the sale of electricity and gas to end users. Moreover, the Company sold to Dolomiti Energia Trading the business unit related to the electricity and gas wholesale purchase and sale.
The financial year ending 31 December 2016 recorded a profit of 26,927,406 euro. The company is engaged in the sale of electricity, gas, heat to end users and in the invoicing management and customer service for water and municipal waste services.

SET DISTRIBUZIONE S.p.A. - Rovereto.
Fully paid-up Share Capital of 112,241,777 euro, represented by 112,241,777 shares with a value of 1 euro each; Dolomiti Energia Holding holds 74.52% of the Share Capital, equal to 83,645,346 shares with a nominal value of 83,645,346 euro. The financial year ending 31 December 2016 recorded a profit of 10,696,150 euro. The company carries out the electricity distribution business in the Trentino Province.

DOLOMITI ENERGIA TRADING S.p.A.
(ex MULTIUTILITY S.p.A.) – Trento.
Fully paid-up Share Capital of 2,478,429 euro, represented by 2,478,429 shares with a value of 1 euro each; Dolomiti Energia Holding holds 98.72% of the Share Capital, equal to 2,446,829 shares with a nominal value of 2,446,829 euro. During 2016, the Company transferred the business unit, related to the sale of electricity and gas to end users, to the related party Trenta S.p.A. (now Dolomiti Energia S.p.A.), and purchased from the same the business unit related to the electricity and gas wholesale purchase and sale. The financial year ending 31 December 2016 recorded a loss of 4,257,375 euro. The company is a Group wholesaler in charge of the wholesale marketing of electricity from renewable sources and natural gas.

DEPURAZIONE TRENTINO CENTRALE
S. Cons. a r.l. – Trento.
Fully paid-up Share Capital of 10,000 euro, represented by 10,000 holdings of 1 euro each; Dolomiti Energia Holding holds 57% of the Share Capital equal to 5,700 holdings with a nominal value of 5,700 euro. The company manages sewerage treatment plants and ended the financial year at breakeven.

HYDRO INVESTMENTS DOLOMITI ENERGIA
S.r.l. – Rovereto.
Fully paid-up Share Capital of 2,000,000 euro, represented by 2,000,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 60% of the Share Capital, equal to 1,200,000 shares with a nominal value of 1,200,000 euro.
The company, established on 15 February 2016, indirectly operates, through the purchase of equity investments, in production, purchase and sale of hydroelectric energy, as well as in the management of electricity power plants. As at 31 December 2016, it ended the first financial year with a profit of 47,533,096 euro.
During 2016, Enel Produzione decided to sell its equity investment in Hydro Dolomiti Enel. This investment was sold, at the end of a structured sale process, to Fedaia Holdings, wholly owned by the Macquarie Infrastructure Fund 4 ("MEIF4"), managed by Macquarie Infrastructure and Real Asset Europe Limited ("MIRAEL").
The sale of the entire equity investment owned by Enel was however subordinated to the waive of the pre-emption right by Dolomiti Energia Holding (hereinafter also "DEH"). This right had not been exercised as DEH and Fedaia Holdings made an agreement which, amongst other, envisaged the joint purchase of 49% of Hydro Dolomiti Enel, divided in two (40% to Fedaia Holdings and 9% to DEH).
The finalisation of the sale of Enel interests occurred on 29 February 2016.
To execute the above-mentioned agreements, the establishment of Hydro Investments Dolomiti Energia (hereinafter also "HIDE") was agreed upon, as well as the following acquisition, through various transactions, of 100% of Hydro Dolomiti Energia (former Hydro Dolomiti Enel and hereinafter also "HDE").
To achieve this result, the following transactions were carried out:

- on 8 February 2016 - establishment of a newco (HIDE S.r.l.), with registered office in Rovereto, wholly owned by DEH, with transfer, by DEH, of 51% of HDE equity investments, already owned by the company;
- on 12 February 2016 - establishment by DEH and Fedaia Holdings of a newco (Fedaia Investments S.r.l.) with the transfer, by shareholders, of financial resources that were required for the acquisition, from Enel Produzione, of 9% and 40%, respectively, of HDE's share capital. This company was indicates as purchasing entity in the agreement signed for the purchase of 49% of HDE's share capital;
- on 29 February 2016 - acquisition by Fedaia Investments of 49% of HDE's share capital from Enel Produzione;
- following the finalisation of the purchase, Fedaia Investments was merged by absorption into HIDE, effective on 12 December 2016. Following this transaction, HIDE now wholly owns HDE and your Company is an investee of DEH (60%) and Fedaia Holdings (40%).

DOLOMITI GNL S.r.l. - Trento.
Fully paid-up Share Capital of 600,000 euro, represented by 600,000 holdings of 1 euro each; Dolomiti Energia Holding holds 60% of the Share Capital equal to 360,000 holdings with a nominal value of 360,000 euro. As at 31 December 2016, the Company reported a loss of 104,733 euro. It is involved in the storage of liquid natural gas and the building of infrastructures for the distribution and supply of gnl to users not reached by the methane gas distribution network.

DOLOMITI AMBIENTE S.r.l. – Rovereto.
Fully paid-up Share Capital of 2,000,000 euro, represented by 2,000,000 holdings of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. As at 31 December 2016, the company reported a loss of 2,165,837 euro. The company operates in the municipal waste services segment of Trento and Rovereto.

ASSOCIATED COMPANIES AND JOINT VENTURES

DOLOMITI ENERGY SAVING S.r.l. – Rovereto.
Fully paid-up Share Capital of 100,000 euro, represented by 100,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 51% of the Share Capital, equal to 51,000 shares with a nominal value of 51,000 euro. The company was established on 3 November 2014 and in the second accounting period reported a loss of 343 euro. Stemmed from the partnership between Dolomiti Energia Holding and Bartucci S.p.A., the company is addressed to the energy efficiency market, being involved in the promotion, diagnosis and realization of projects related to energy efficiency for the industrial companies in the Trentino region.

DOLOMITI EDISON ENERGY S.r.l. – Trento.
Fully paid-up Share Capital of 5,000,000 euro, represented by 5,000,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 51% of the Share Capital, equal to 2,550,000 shares with a nominal value of 2,550,000 euro. The financial year ending 31 December 2016 recorded a profit of 3,757,068 euro. The company produces electricity from renewable sources through the management of five hydroelectric plants.

HYDRO DOLOMITI ENERGIA S.r.l. – Trento.
Fully paid-up Share Capital 3,000,000 euro, divided into 3,000,000 holdings of 1 euro each. In February 2016, the minority shareholder Enel Produzione sold its equity investment in HIDE (49%). This equity investment was jointly purchased by DEH (9%) and Fedaia Holdings (40%), which then transferred these equity investments into the newco Hydro Investments Dolomiti Energia S.r.l.. As at 31 December 2016, the latter therefore entirely controlled the company HDE. The company operates in the sector of electricity generation from hydroelectric sources.

GIUDICARIE GAS S.p.A. – Tione di Trento.
Fully paid-up Share Capital of 1,780,023 euro, represented by 36,327 shares with a value of 49 euro each; Dolomiti Energia Holding holds 43.35% of the Share Capital, equal to 15,746 shares with a nominal value of 771,554 euro. The Company provides the methane gas distribution service in the Valli Giudicarie District.

BONIFICHE TRENTINE S.c.a.r.l. – Trento in liquidazione.
Fully paid-up Share Capital of 20,000 euro, represented by 20,000 holdings of 1 euro each; Dolomiti Energia Holding held 30.00% of the Share Capital equal to 6,000 holdings with a nominal value of 6,000 euro. The company, in liquidation since February 2011, discontinued its operations in October 2016.

SF ENERGY S.r.l. – Bolzano.
Fully paid-up Share Capital of 7,500,000 euro, represented by 7,500,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 50.00% of the Share Capital, equal to 3,750,000 shares with a nominal value of 3,750,000 euro. The company is the concession holder of the hydroelectric power plant of San Floriano (Egna).

PVB POWER BULGARIA – Sofia (Bulgaria).
Fully paid-up Share Capital of 38,346,891 euro, represented by 750,000 shares with a value of 51.13 euro each; Dolomiti Energia Holding holds 23.13% of the Share Capital, equal to 173,467 shares with a nominal value of 8,869,227 euro. During the year, this equity investment was written down by 2,778,000 euro, following losses and expected losses resulting from the impairment of equity investments of the associated company. The company operates in Bulgaria and is planning to build some energy production plants from renewable sources.

BIOENERGIA TRENTINO S.r.l. – Trento.
Fully paid-up Share Capital of 190,000 euro, represented by 190,000 holdings with a value of 1 euro each; Dolomiti Energia Holding holds 24.90% of the Share Capital, equal to 47,310 holdings with a nominal value of 47,310 euro. The company was established with the aim of producing renewable energy by using biomass derived from waste.

ALTO GARDA SERVIZI S.p.A. – Riva del Garda.
Fully paid-up Share Capital of 23,234,016 euro, represented by 446,808 shares with a value of 52 euro each; Dolomiti Energia Holding holds 20% of the Share Capital, equal to 89,362 shares with a nominal value of 4,646,824 euro. The company is a multi-service firm that manages the distribution of electricity, gas methane, drinking water and district heating in the Alto Garda and Ledro areas.

OTHER COMPANIES

PRIMIERO ENERGIA S.p.A. – Fiera di Primiero.
Fully paid-up Share Capital of 9,938,990 euro, represented by 993,899 shares with a value of 10 euro each; Dolomiti Energia Holding holds 19.94% of the Share Capital, equal to 198,177 shares with a nominal value of 1,981,770 euro. The company is engaged in the production of hydroelectric energy and manages 4 hydroelectric plants in the Primiero valley.

MC-LINK S.p.A. – Trento.
Fully paid-up Share Capital of 3,236,225 euro, represented by 3,236,225 shares with a value of 0.87 euro each; Dolomiti Energia Holding holds 1.61% of the Share Capital, equal to 51,954 shares with a nominal value of 45,200 euro. This investment was written down by 269,991 euro. The company provides telecommunication services.

BIO ENERGIA FIEMME S.p.A. – Cavalese.
Fully paid-up Share Capital of 7,058,964 euro, represented by 1,176,494 shares with a value of 6 euro each; Dolomiti Energia Holding holds 9.76% of the Share Capital, equal to 114,800 shares with a nominal value of 688,800 euro. The company is engaged in the cogeneration and district heating sector.

CENTRALE TERMOELETTRICA DEL MINCIO S.r.l. – Ponti sul Mincio.
Fully paid-up Share Capital of 11,000 euro, represented by 11,000 holdings with a value of 1 euro each; Dolomiti Energia Holding holds 5% of the Share Capital, equal to 550 holdings with a nominal value of 550 euro. The company produces thermoelectric energy.

DISTRETTO TECNOLOGICO TRENTINO S. Cons. a r.l. – Rovereto.
Fully paid-up Share Capital of 282,000 euro, represented by 282,000 holdings with a value of 1 each; Dolomiti Energia Holding holds 1.77% of the Share Capital, equal to 5,000 holdings with a nominal value of 5,000 euro. The company is committed to environmental sustainability.

ISA – ISTITUTO ATESINO DI SVILUPPO S.p.A. – Trento.
Fully paid-up Share Capital of 79,450,676 euro, represented by 79,450,676 shares with a unit value of 1 euro each; Dolomiti Energia Holding holds 0.32% of the Share capital equal to 252,653 shares with a nominal value of 252,653 euro. ISA is a holding company that participates in various companies in the environmental, insurance, banking, real estate and industrial energy segment.

FEDAIA INVESTMENTS S.r.l. – Milano.
Fully paid-up Share Capital 14,700 euro, divided into 14,700 units of 1 euro each. The company was established with Deed of 11 February 2016 and Dolomiti Energia Holding subscribed 2,700 holdings, equal to 18.37% of the Share Capital, i.e. a nominal value of 2,700 euro. With merger resolution of 09 September 2016, the company was merged into Hydro Investments Dolomiti Energia S.r.l..

CONSORZIO ASSINDUSTRIA ENERGIA TRENTO – Trento.
Dolomiti Energia Holding holds an interest of 516 euro.

CASSA RURALE DI ROVERETO S.c.a r.l. – Rovereto.
Dolomiti Energia Holding holds an interest of 160 euro.

Pursuant to Article 2427, Paragraph 5 of the Italian Civil Code, the following table summarises the main information relating to the investee companies:

		Percentage owned	Registered office	Share Capital 2016	Shareholder's Equity 2016	Profit/(Loss) 2016	Cost	Actual
Subsidiaries								
DOLOMITI TRADING (sold)	S.r.l.	100.00%	Via Manzoni 24 - 38068 Rovereto	-	-	-	-	-
DOLOMITI ENERGIA RINNOVABILI	S.r.l.	100.00%	Via Fersina 23 - 38123 Trento	30,000	2,162,891	-461,003	30,000	30,000
NOVARETI	S.p.A.	100.00%	Via Manzoni 24 - 38068 Rovereto	28,500,000	195,773,293	10,593,594	139,266,500	139,266,500
DOLOMITI ENERGIA	S.p.A.	83.87%	Via Fersina 23 - 38123 Trento	20,200,000	103,200,647	26,927,406	32,619,062	32,619,062
SET DISTRIBUZIONE	S.p.A.	74.52%	Via Manzoni 24 - 38068 Rovereto	112,241,777	161,062,168	10,696,150	85,800,504	85,800,504
DOLOMITI ENERGIA TRADING	S.p.A.	98.72%	Viale del Lavoro 33 - 37135 Verona	2,478,429	10,518,276	-4,257,375	8,334,259	8,334,259
DEPUR. TRENTINO CENTR. S. Cons.	S.r.l.	57.00%	Via Fersina 23 - 38123 Trento	10,000	10,000	-	5,700	5,700
HYDRO INVESTMENTS DOL.ENERGIA	S.r.l.	60.00%	Via Manzoni 24 - 38068 Rovereto	2,000,000	709,701,592	47,533,096	406,602,210	406,602,210
DOLOMITI GNL	S.r.l.	60.00%	Via Fersina 23 - 38123 Trento	600,000	462,651	-104,733	360,000	360,000
DOLOMITI AMBIENTE	S.r.l.	100.00%	Via Manzoni 24 - 38068 Rovereto	2,000,000	19,682,125	2,165,837	16,010,000	16,010,000
Total Subsidiaries							689,028,236	689,028,236

Associated companies and joint ventures		Percentage owned	Registered office	Share Capital 2015	Shareholder's Equity 2015	Profit/(Loss) 2015	Cost	Actual
DOLOMITI ENERGY SAVING	S.r.l.	51.00%	Via Manzoni 24 - 38068 Rovereto	100,000	107,466	7,466	51,000	51,000
DOLOMITI EDISON ENERGY	S.r.l.	51.00%	Via Fersina 23 - 38123 Trento	5,000,000	21,923,872	4,078,538	32,108,741	32,108,741
HYDRO DOLOMITI ENERGIA	S.r.l.	0.00%	Viale Trieste 43 - 38122 Trento	3,000,000	201,269,529	45,249,762	-	-
GIUDICARIE GAS	S.p.A.	43.35%	Via Stenico 11 - 38079 Tione-Trento	1,780,023	2,795,262	154,987	838,789	838,789
BONIFICHE TRENTINE (sold)	SCARL	0.00%	Via Lung'Adige S. Nicolò - 38122 Trento	-	-	-	-	-
SF ENERGY	S.r.l.	50.00%	Via Canonico M. Gamper 9-39100 Bolzano	7,500,000	30,036,362	1,242,076	27,545,000	27,545,000
PVB POWER BULGARIA AD	S.p.A.	23.13%	Blvd. 411592 Sofia - Bulgaria	38,346,891	37,336,000	-6,742,000	10,624,057	2,542,057
BIOENERGIA TRENTINO	S.r.l.	24.90%	Via Verdi 19 - 38122 Trento	190,000	3,930,928	485,091	1,768,935	1,768,935
AGS	S.p.A.	20.00%	Via Ardaro 27 - 38066 Riva d/Garda	23,234,016	41,862,418	3,046,781	7,094,721	7,094,721
Total Associated companies and joint ventures							80,031,243	71,949,243

Other companies		Percentage owned	Registered office	Share Capital 2015	Shareholder's Equity 2015	Profit/(Loss) 2015	Cost	Actual
PRIMIERO ENERGIA	S.p.A.	19.94%	Via Guadagnini 31 - 38054 Fiera di Primiero	9,938,990	42,286,593	1,287,201	4,614,702	4,614,702
MC-LINK	S.p.A.	1.61%	Via Fersina 23 - 38123 Trento	2,815,516	7,472,988	167,762	474,962	204,971
BIO ENERGIA FIEMME	S.p.A.	9.76%	Via Pillocco, 4 38033 Cavalese	6,417,240	9,184,554	548,990	624,639	624,639
C,LE TERMOEL. DEL MINCIO	S.r.l.	5.00%	Via S. Nicolò 24 - Ponti Sul Mincio MN	11,000	8,998	2,006	657	657
DISTR. TECNOL. TRENT. S. Cons.	S.r.l.	1.77%	Piazza Manifattura 1 - 38068 Rovereto	282,000	373,548	27,195	5,000	5,000
ISTITUTO ATESINO SVILUPPO	S.p.A.	0.32%	Via Grazioli 25 - 38122 Trento	79,450,676	136,252,000	4,402,318	387,200	387,200
CONS.ASSINDUSTRIA ENERGIA	CONS.	0.00%	Via Degasperi 77 - 38123 Trento	-	-	-	516	516
CASSA RURALE ROVERETO	SCARL	0.00%	Via Manzoni 1 - 38068 Rovereto	-	-	-	160	160
Total Other companies							6,107,836	5,837,845
TOTAL EQUITY INVESTMENTS							**775,167,315**	**766,815,324**

8.4 Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities as at 31 December 2016, 31 December 2015 and 01 January 2015 are broken down by type of temporary differences as follows:

(in thousands of Euro)	As at 31 December 2016	As at 31 December 2015	As at 01 January 2015
Property, plant and equipment	890	1,095	1,436
Provision for write-downs	121	121	139
Production bonuses	-	255	310
Provisions for risks and charges	400	400	449
Fair value of derivatives	-	2,940	4,006
Non-deductible interest expense	1,336	1,336	1,531
Real estate fund write-down	1,676	1,321	644
Other differences, Ita Gaap - IFRS	123	170	112
Other	13	14	17
Employee termination benefits	20	13	60
Other employee benefits	428	445	480
TOTAL PREPAID TAXES	**5,007**	**8,110**	**9,184**
Property, plant and equipment	179	202	250
Provision for write-downs	63	63	145
Fair value of derivatives	-	256	294
Other differences, Ita Gaap - IFRS	-	5	-
TOTAL DEFERRED TAXES	**242**	**526**	**689**

The following table highlights changes in deferred tax assets and liabilities, divided by type of temporary differences, determined based on tax rates envisaged by regulations in force.

(in thousands of Euro)	31.12.2015	Increases/ (Decreases) in Income Statement	Increases/ (Decreases) in Shareholders' Equity	Other changes in Income Statement	Other changes in Shareholders' Equity	31.12.2016
Deferred tax assets:						
Property, plant and equipment	1,095	(204)	-	(1)	-	890
Provision for write-downs	121	-	-	-	-	121
Production bonuses	255	(255)	-	-	-	-
Provisions for risks and charges	400	-	-	-	-	400
Fair value of derivatives	2,940	(2,940)	-	-	-	-
Non-deductible interest expense	1,336	-	-	-	-	1,336
Real estate fund write-down	1,321	355	-	-	-	1,676
Other differences, ITA GAAP - IFRS	170	(32)	-	(15)	-	123
Other	14	(1)	-	-	-	13
Employee termination benefits	13	8	(1)	-	-	20
Other employee benefits	445	(7)	(10)	-	-	428
TOTAL PREPAID TAXES	**8,110**	**(3,076)**	**(11)**	**(16)**	**-**	**5,007**
Property, plant and equipment	202	(23)	-	-	-	179
Provision for write-downs	63	-	-	-	-	63
Fair value of derivatives	256	(256)				-
Other differences, Ita Gaap - IFRS	5	(5)				-
TOTAL DEFERRED TAXES	**526**	**(284)**	**-**	**-**	**-**	**242**

The aforesaid prepaid taxes in the income statement differ from the actual value in the income statement due to the prepaid tax, equal to 1,763 thousand euro, transferred to the tax consolidation and therefore not recognised under deferred tax assets but under income tax credits.

8.5 Other non-current assets

The item "Other receivables and other non-current financial assets" as at 31 December 2016 and 2015 and 01 January 2015 is broken down as follows:

(in thousands of Euro)	As at 31 December		As at 01 January
	2016	2015	2015
Securities at the Clesio Real Estate Fund	8,694	10,175	13,338
Other	1,086	85	93
TOTAL OTHER NON-CURRENT ASSETS	**9,780**	**10,260**	**13,431**

The total amount of the units of the property fund came to 15,678 thousand euro and derives from the subscription of 322 holdings of the Clesio Real Estate Fund, of which 101 units received by way of dividend in kind from Urbin S.p.A. for 5,512 thousand euro in 2008 and 221 units purchased during 2011 for 10,166 thousand euro after the liquidation of the same company. As at 31 December 2016, the value of the provision was written-down by a total amount of 6,984 thousand euro, to align the value of each single quotas to the Net Asset Value. The write-down for the year amounted to 1,481 thousand euro.
The item Other non-current receivables mainly includes guarantee deposits for sales and purchases and tented bankrupt.

8.6 Trade receivables

The item "Trade receivables" as at 31 December 2016 and 2015 and 01 January 2015 is broken down as follows:

(in thousands of Euro)	As at 31 December		As at 01 January
	2016	2015	2015
Accounts receivable - customers	6,681	6,933	17,267
Accounts receivable - subsidiaries	7,310	5,292	16,733
Accounts receivable - parent companies	101	97	933
Provision for write-downs	-727	-757	-771
TOTAL	**13,365**	**11,565**	**34,162**

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

The adjustment criteria of receivables at the estimated realisable value take account of different valuations based on the status of the dispute.

The provision for write-downs reported the following changes during the years 2016 and 2015:

(in thousands of Euro)	Provision for write-downs
As at 01 January 2015	771
Allocations	-
Utilisation	-14
As at 31 December 2015	757
Allocations	-
Utilisation	-30
As at 31 December 2016	727

8.7 Inventories

The item "Inventories" as at 31 December 2016 and 2015 and 01 January 2015 is broken down as follows:

(in thousands of Euro)	As at 31 December		As at 01 January
	2016	2015	2015
Raw materials and consumables	277	60	63
TOTAL	**277**	**60**	**63**

Inventories of raw materials, equal to 277 thousand euro, include meters for 261 thousand euro and other sundry inventory material amounting to 16 thousand euro.

8.8 Cash and cash equivalents

The item "Cash and cash equivalents" as at 31 December 2016 and 2015 and 01 January 2015 is broken down as follows:

(in thousands of Euro)	As at 31 December		As at 01 January
	2016	2015	2015
Banks and postal current accounts	2,493	15,224	54
Cash on hand	6	5	4
TOTAL	**2,499**	**15,229**	**58**

The item includes cash on hand and bank deposits effectively available and readily convertible into cash as at the end of the financial year.

8.9 Receivables for current taxes

The item "Receivables for current taxes" as at 31 December 2016 and 2015 and 01 January 2015 is broken down as follows:

(in thousands of Euro)	As at 31 December		As at 01 January 2015
	2016	2015	
IRES	17,676	10,421	2,742
IRAP	547	1,146	69
TOTAL	**18,223**	**11,567**	**2,811**

The IRES credit includes the rebate requested in 2012 on the basis of the so-called "Salva Italia" and "Semplificazioni" decrees for 1,902 thousand euro, plus the credit arising during the last two years in the presence of additional payments on account (15,763 thousand euro).

8.10 Other current assets

The item "Other current assets" as at 31 December 2016 and 2015 and 01 January 2015 is broken down as follows:

(in thousands of Euro)	As at 31 December		As at 01 January 2015
	2016	2015	
Accounts receivable from Bio Energia Trentino	1,500	2,410	2,560
VAT credit	3,086	-	2,837
Other tax credits	1	1	1
Current securities	-	155	155
Prepayments and accrued income	323	947	687
Other accounts receivable	133	192	10,525
Accounts receivable - CCSE	52	52	60
Renewable source certificates	829	1,010	5,170
Advances/Deposits	162	150	181
Accounts receivable - Social security institutions	7	6	33
Accounts receivable - Public authorities for contributions	-	-	3
Accounts receivable - cash pooling	70,048	20,574	40,060
Accounts receivable - tax consolidation and Group VAT	9,316	2,964	4,813
Accounts receivable - bank guarantees	288	138	132
Shareholders' loan to DEE subsidiary	8,450	5,610	-
Accounts receivable - cash pooling interest	281	96	231
Accounts receivable - other financial income	98	-	-
Derivatives	-	795	914
TOTAL OTHER CURRENT ASSETS	**94,574**	**35,100**	**68,362**

The accounts receivable granted to Bio Energia Trentino are entirely referable to an interest bearing, shareholders' loan, entered at arms' length, to be redeemed in the short term.
The item Renewable Source Certificates refers to the receivable deriving from the right to receive Green Certificates further to the production of energy from hydroelectric sources pertaining to 2016. This item reflects the climate trends and the decrease is due to lower energy production, affected by shortage of rainfall in the last two years.
Receivables from subsidiaries also include receivables deriving from the compliance of the subsidiaries in the national tax consolidation scheme and Group VAT (9,316 thousand euro), receivables for charges on bank guarantees and parent company (386 thousand euro), receivables for cash pooling and related interest (70.329 thousand euro) and a shareholders' loan granted to Dolomiti Edison Energy on a short term (8.450 thousand euro). Also included are receivables on invoices issued and to be issued for general services provided by the Company as defined in the Report on Operations, to which reference is made for a more in-depth description of the dealings between related parties.

Tax consolidation
Detailed below are the main characteristics of the contract governing relations between Dolomiti Energia Holding and its subsidiaries as part of the "national tax consolidation" (SET Distribuzione, Novareti, Dolomiti Energia, Dolomiti Energia Rinnovabile and Dolomiti Energia Trading):

- term of the transaction: three years;
- transfer of taxable income: if the consolidated company records positive taxable income, it must pay the tax to the consolidating company with a settlement date no later than the deadline for payments to the tax authorities;
- transfer of tax losses: if a negative taxable income is recorded (tax loss), the consolidating company agrees to recognise a final amount equal to the amount of the loss less 3% for discounting purposes.
- - transfer of surplus in A.C.E.: in the event of a surplus of A.C.E, and if the Group requires it, the consolidating company undertakes to grant a remuneration equal to the IRES tax rate in force, multiplied by the transferred ACE amount, deducted 3% for discounting.

8.11 Assets and liabilities held for sale and discontinued operations

At the end of the year 2016, no values of assets and liabilities held for sale were recognised. The value as at 31 December 2015 is referred to 6,739,824 shares of A2A S.p.A., with a unit nominal value of 0.52 euro.
During 2015, the Parent Company reclassified the values of these shares, which were sold in the first months of 2016 as Assets held for sale.

8.12 Shareholders' Equity

Changes in equity reserves were shown in the tables of these financial statements for the year.
As at 31 December 2016, the Company's share capital amounted to 411,496,169 euro and comprised 411,496,169 ordinary shares, with a nominal value of 1 euro each.
The Shareholders' Equity is broken down as follows:

Shareholders' Equity (in thousand of Euro)	31/12/2016	31/12/2015	01/01/2015
Share capital	411,496	411,496	411,496
Legal reserve	25,975	24,224	20,828
Share premium reserve	994	994	994
Treasury shares reserve	-67,552	-67,552	-67,552
OTHER RESERVES AND RETAINED EARNINGS			
Revaluation reserve	1,128	1,128	1,128
Contributions reserve	13,177	8,364	8,364
Extraordinary reserve	88,296	22,547	-
Deferred tax reserve	19,437	19,437	19,437
Merger surplus from share swap reserve	33,866	33,866	33,866
FTA reserve	-78,903	-78,903	-78,912
Reserve for retained earnings and losses carried forward	6,744	67,552	135,098
Reserve - IAS 19	274	246	
OTHER RESERVES	**84,019**	**74,237**	**118,981**
Net profit for the year	46,711	41,762	
TOTAL SHAREHOLDERS' EQUITY	**501,643**	**485,161**	**484,747**

The Revaluation Reserve was set up following the merger by absorption of the former companies SIT S.p.A. and A.S.M. S.p.A.; this reserve is subject to tax deferment.
The Contribution Reserve was set up by resolution of the Shareholders' Meeting and refers to the transfer of business activities to Dolomiti Energia S.p.A. (former Trenta S.p.A.).
The FTA reserve includes the equity effect of the passage to IFRS standards, determined at the transition date of 01 January 2015.
The Deferred Tax Reserve reflects the positions below:

Consideration reserve	Balance as at 31.12.2016
Pre-1993 contributions reserve - water	2,734
Pre-1993 contributions reserve - gas	9,602
Pre-1993 contributions reserve - Reg. Laws	30
Pre-1993 contributions reserve - alt. sources	5
Pre-1993 contributions reserve - substation meter reading	51
Pre-1993 Contributions Reserve	12,422
Post-1993 contributions reserve	7,015
TOTAL CONTRIBUTIONS RESERVE	**19,437**

The merger surplus reserve derives from the merger by absorption of Dolomiti Energia into Trentino Servizi (now Dolomiti Energia Holding), the subsequent elimination of the investment previously held by Trentino Servizi in Dolomiti Energia Holding (elimination surplus), and the overlap between the increase in Minority interest capital and their portion of equity (share swap surplus) generated the following "Reserves":

- Elimination surplus of € 4,271,946 (*)
- Swap surplus of € 34,092,454

(*) the merger elimination surplus reserve was distributed in 2009. In the same year, a portion of the share swap surplus reserve was distributed for 227 thousand euro.

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

(in thousands of Euro)	31/12/16	Possibility of use	Available portion	Usage summary for past three years	
				to cover losses	for other reasons
I) SHARE CAPITAL	411,496				
EQUITY RESERVES					
SHARE PREMIUM RESERVE	994	A,B,C	994	-	-
REVALUATION RESERVES	1,128	A,B,C	1,128	-	-
MERGER SURPLUS FROM SHARE SWAP/ELIMINATION RESERVE	33,866	A,B	33,866	-	-
PROFIT RESERVES					
LEGAL RESERVE	25,975	B	-	-	-
TREASURY SHARES RESERVE	-67,552	-	-	-	-
CONTRIBUTIONS RESERVE	13,177	A,B,C	13,177	-	-
EXTRAORDINARY RESERVE	88,296	A,B,C	88,296	-	-
DEFERRED TAX RESERVE	19,437	A,B,C	19,437	-	-
FTA RESERVE	-78,903				
RETAINED EARNINGS OR LOSSES CARRIED FORWARD	6,744				
RESERVE - IAS 19	274				
TOTAL	**454,932**	**0**	**156,898**	**0**	**0**
NON-DISTRIBUTABLE PORTION			**-34,859**		
RESIDUAL DISTRIBUT. PORTION			**51,476**		

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

Pursuant to Article 2431 of the Italian Civil Code, the "Share premium reserve" can be distributed only if the legal reserve has reached the limit established by Article 2430 of the Italian Civil Code. Likewise, the portion resulting from share swaps of the merger surplus reserve is considered similar to the share premium reserve, and is therefore not distributable until the legal reserve has reached the limit of one fifth of the share capital.
The Revaluation reserve and Deferred tax reserve, if distributed, would lead to the payment of related taxes.

8.13 Provisions for risks and charges

The item "Provisions for risks and charges" amounted to 1,495 thousand euro as at 31 December 2016 and is broken down as follows:

(in thousands of Euro)	As at 31 December		As at 01 January 2015
	2016	2015	
Provision for risks and charges	1,495	1,495	1,600
TOTAL	**1,495**	**1,495**	**1,600**

Provision for plant risks

The provision as at 31 December 2016, amounted to 1,395 thousand euro and was provided over the years to cover the risk of charges deriving from the management of plants and associated areas. There were no changes in the provision during the year.

Provision for charges - Guardia di Finanza inspection

The provision amounted to 100 thousand euro and referred to the amount set aside for the 2004 Customs and Exercise Police (Guardia di Finanza) assessment, in relation to which steps had immediately been taken to make a prudent allocation estimated as 100 thousand euro. In 2007 and 2008, the Company had taken steps to pay the Italian Tax Authority's claim for 84 thousand euro, by using part of the existing provision; subsequently, in 2010 the Trento Tax Authority accepted that the amounts paid were not in effect due and reimbursed the sum of 84 thousand euro. To-date, an appeal of the Guardia di Finanza (Customs and Excise Police) is still pending before the Supreme Court of Cassation.

Provision for tax moratorium

In accordance with the combined provisions of Article 66, Paragraph 14 of Italian Legislative Decree No. 331/93, converted by means of Italian Law No. 427/93, and Article 3, Paragraph 70 of Italian Law No. 549/95, the absorbed company ASM Rovereto S.p.A. had benefited from the "tax moratorium" regime, consisting in income tax exemption (due to non-qualification as a taxpayer) until 31 December 1999.
With regard to the notice of instigation

of proceedings, served upon the Italian Government in May 1999 by the European Commission, in relation to tax privileges of companies providing local services to public authorities established as public limited companies pursuant to Italian Law 142/90, on 2 August 1999 the Italian Government replied to the Commission claiming that, first and foremost, the measures referred to in the notice served by the Commission could not be considered State Aid.
Based on Notice No. IP/02/817 of 5 June 2002, the Commission's decision was partly negative; in particular, the Commission considered that the option of benefiting from loans at preferential rates and income tax exemption (tax moratorium) constitute State Aid. In the light of this decision the Company could therefore have been forced to pay all or part of the income tax that would have been due were it not for the tax privileges concerned, i.e. from the start-up of company operations (1 July 1997) to the end of the tax moratorium (31 December 1999).
The Commission later ordered that Italy, as addressee of the measures contained in the decision, should adopt all measures necessary to recover the aid from its beneficiary entities and that the sums should be plus interest, though without prejudice to the option that individual aid could be considered, wholly or in part, compatible with the European market for reasons established on a case-by-case basis. This means that, in certain individual cases, it is not excluded that the aid need not be materially recovered if it is deemed, albeit to a limited extent, that the order offers discretional power to the Italian Government in relation to the implementation method adopted for the obligation implicit in the order.
The Italian Government and a trade association appealed against the Commission's decision, at the same time launching legal initiatives to demonstrate that the recovery action had begun. Specifically, Article 27, Law No. 62 of 18 April 2005 stated that the method for recovering tax relating to benefits received, also prescribing beneficiary obligations calling for the submission of special tax returns confirming the extent of the benefits (i.e. tax privileges) enjoyed in relation to the State Aid.
In full compliance with this obligation, on 11 July 2005 the Company submitted the related income tax returns, indicating in attached statements that no recovery action could be claimed as the business segments of the absorbed company ASM Rovereto S.p.A. in the years concerned were not open to competition, and therefore the tax benefits in question could not be considered State Aid under the terms of the related Treaty of Rome. In addition, the Company pointed out that the overriding definition pursuant to Article 9, Italian Law 289/2002, precluding any form of investigation, had been perfected.
Law 62/2005 was later amended by the 2006 Finance Act (Article 1, Paragraph 132 of Law 266/05), significantly changing the procedure for the recovery of what is now defined as "aid equivalent to taxes not paid under the terms of a tax exemption regime".
As part of its duties, the Italian Home Office was empowered to recover the benefits received, without setting a deadline, and also illustrating certain cases of non-application of the recovery (cases always possible according to the Treaty of Rome and the aforementioned Commission Decision 2003/193/EC).
On 1 June 2006, the First Division of the European Court of Justice issued sentence of sect. 1, 1.6.2006 in the case C-207/2005 condemning Italy for not having adopted the measures necessary to recover the State Aid in question by the prescribed deadlines. 2006 ended with no recovery procedure being launched in any form. After the end of the year, in order to avoid a further European sentence for failure to comply with obligations imposed by Commission Decision 2003/193/EC, the Italian Government issued the Law Decree of 15 February 2007 (converted with amendments to Law 46/2007) by which power of recovery was transferred back to the Tax Authority from the Home Office, and redefining the implementation of recovery procedures.
In material terms, according to the final regulatory measure, within 90 days of entry into force of the aforementioned decree the Tax Authority should arrange:

1) payment of taxes based on notices submitted by local authorities and tax returns submitted by beneficiary Companies under regulations in force prior to the amendments introduced by Article 1, Paragraph 132, Italian Law No. 266 of 23 December 2005.
2) within 90 days of entry into force of the decree, service of a special notice which for each tax year concerned orders payment of the sums due and arranging final assessment of any case in which payment is not made within thirty days of the date the notice is served.

The new procedure expressly prohibits payment by instalments and suspension at administrative level, establishing Tax Commission Authority to accept appeals against the payment orders, which can be suspended as a precautionary measure only in specifically listed situations and subject to confirmation of the serious and irreparable harm that would be suffered by the appellant. On 20 March 2007, the Rovereto Tax Authority served three separate payment orders upon the Company for a total of 5.6 million euro in taxes, interest included. The Company considers that Commission Decision 2003/193/EC does not apply in its own specific case, given that the business segments of the absorbed company ASM Rovereto S.p.A. in the aforementioned tax years were not open to competition and therefore the tax privileges in question could not be considered State Aid under the terms of the Treaty of Rome, and consequently the amounts claimed were not payable. The Company also considers that - even regardless of the final definition for tax purposes of the "amnesty" - elements relating to the three years in question (1997, 1998 and 1999) offer separate evaluation for the purpose of deciding the likelihood of recovery, if attribution is demonstrated as such by the relevant authorities that the elements refer to "taxes".
The Company has therefore arranged a series of actions to confirm non-application of recovery procedures in the specific case. However, as the law (Decree Law 10/2007) envisaged that recovery involves profiles of unacceptable restriction of the Company's right of defence, assigning powers to the Tax Commissions and recovery action already began with service of the payment orders on 20 March that year, though the final legal decision may be that recovery in this specific case and the legal measures adopted for recovery are inapplicable, in 2006 as a precautionary measure the Company felt it was appropriate to allocate a provision of 2,000 thousand euro to meet costs incurred to instigate suitable defence action and costs deriving from the compulsory tax collection procedures. This estimate is considered fair given that, against a possible final sentence calling for full compulsory reimbursement of the amount requested, i.e. approximately 5.6 million euro, the Company will begin specific legal action against the Italian Government claiming damages for violation of the principle of protection of legitimate expectations. On 15 November 2007, a public hearing was held at the First Instance Tax Commission of Trento to discuss the appeal submitted by Dolomiti Energia Holding. On 29 April 2008, the First Instance Tax Commission of Trento served notice of the decision upholding Dolomiti Energia Holding's appeal. In February 2009, the Second Instance Tax Commission of Trento accepted the counter-appeal submitted by the Tax Authority and that same month Dolomiti Energia Holding received the order to pay the entire amount of 6,023 thousand euro. For this reason, during 2010 a provision for risks was allocated for 4,023 thousand euro to reach a specific provision of 6,482 thousand euro. This provision was offset against the tax credit due from the Tax Authority recognised in previous years. The company has now lodged an appeal with the Court of Cassation against the Tax Commission's decision. During 2016, the dispute was settled with an unfavourable outcome for the Company as per sentence No. 9532, 8.02-11.05.2016, of the Cassation Court, Tax section.

The changes of provisions for the years ended 31 December 2016 and 2015 and 01 January 2015, are shown hereunder:

(in thousands of Euro)	Provision for risks and charges
As at 01 January 2015	1,600
Utilisation	(105)
As at 31 December 2015	1,495
Allocations	-
Utilisation	-
Releases	-
As at 31 December 2016	1,495

8.14 8.14 Employee benefits

The item "Employee benefits", as at 31 December 2016, included 2,347 thousand euro related to the Provision for employee termination benefits and 1,502 thousand euro related to other employee benefits.
Other benefits include additional monthly wages for achieved age limits or for accrued right to pension, loyalty bonuses and golden medals for the achievement of determined age requirement in the company, discounts on the supply price of household electricity, limited to some former employees during pension.
Changes in the Provision for employee termination benefits and other employee benefits, for the years ended 31 December 2016 and 31 December 2015, are broken down as follows:

(in thousands of Euro)	As at 31 December 2015					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Electricity discounts	Medals	Total
Liabilities at beg. of the year	**2,596**	**233**	**328**	**1,007**	**109**	**4,273**
Current cost of service	-	11	13	10	6	518
Interest to be discounted	64	3	5	15	2	89
Benefits paid	(43)	(26)	(5)	(56)	(5)	(110)
Actuarial losses/(profits)	(249)	(11)	(36)	(43)	(6)	(345)
Liabilities at year end	**2,368**	**210**	**305**	**933**	**106**	**3,922**

(in thousands of Euro)	As at 31 December 2016					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Electricity discounts	Medals	Total
Liabilities at beg. of the year	**2,368**	**210**	**305**	**933**	**106**	**3,922**
Current cost of service	-	10	12	8	5	35
Interest to be discounted	47	4	6	19	2	78
Benefits paid	(65)	(27)	-	(49)	(7)	(148)
Actuarial losses/(profits)	(3)	15	(3)	(47)	-	(38)
Liabilities at year end	**2,347**	**212**	**320**	**864**	**106**	**3,849**

The assumptions used for actuarial evaluations are shown hereunder

	As at 31 December		As at 01 January
	2016	2015	2015
Discount rate	1.75%	2.03%	1.50%
Inflation rate	1.60%	1.75%	1.75%
Annual rate of total compensation increase	2.60%	2.75%	2.75%
Rate of increase in post-employment benefits (TFR)	2.70%	2.81%	2.81%

A sensitivity analysis, as at 31 December 2016, related to the main actuarial assumptions included in the calculation model is shown hereunder, considering the base line scenario described above and increasing and decreasing the annual average discount 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 2016					
	Discount rate +0-50%	Discount rate -0-50%	Inflation rate +0-25%	Inflation rate -0-25%	Turnover rate +2%	Turnover rate -0-50%
Employee termination benefits	886	995	955	922	931	940

8.15 Current and non-current financial liabilities

The table hereunder shows current and non-current financial liabilities as at 31 December 2016 and 2015 and 01 January 2015:

(in thousands of Euro)	As at 31 December				As at 01 January 2015	
	2016		2015			
	Current	Non-current	Current	Non-current	Current	Non-current
Due to banks	153,221	150,471	63,986	174,433	55,684	198,240
Bond loans	15,660	7,540	2,900	23,200	2,900	26,100
IRS derivatives	-	7,295	-	10,690	-	14,567
Payables for cash pooling to subsidiaries	66,271	-	70,765	-	69,680	-
Other financial payables to subsidiaries	27,026	3,400	28	-	82	-
TOTAL	**262,178**	**168,706**	**137,679**	**208,323**	**128,346**	**238,907**

Bond loan

As at 31 December 2016 and 31 December 2015, the Company had the following bond loans in place:

(in thousands of Euro)	As at 31 December 2016							
					Accounting balance			
	Company	Taking out	Maturity	Opening balance (original currency)	Total	within 1 year	between 1 and 5 years	beyond 5 years
Bond loans Fondazione CARITRO	Dolomiti Energia Holding S.p.A.	10/02/2010	10/02/2017	€ 30,000,000	23,200	15,660	7,540	-
	As at 31 December 2016							
Bond loans Fondazione CARITRO	Dolomiti Energia Holding S.p.A.	10/02/2010	10/02/2017	€ 30,000,000	26,100	2,900	23,200	-

The following table shows the breakdown of net financial indebtedness of the company Dolomiti Energia as at 31 December 2016 and 2015, determined according to provisions set out by Consob Communication of 28 July 2006 and according to Recommendations ESMA/2013/319:

(in thousands of Euro)	As at 31 December	
	2016	2015
A. Cash	6	5
B. Other cash and cash equivalents	2,492	15,224
C. Securities held for trading	-	-
D. Cash and cash equivalents (A+B+C)	**2,498**	**15,229**
E. Current financial receivables	**79,165**	**27,212**
F. Current payables due to banks and other lenders	(128,899)	(40,018)
G. Current portion of non-current payables	(39,982)	(26,867)
H. Other current payables	(93,297)	(70,793)
I. Current financial position (F+G+H)	**(262,178)**	**(137,678)**
J. Current net financial position (I+E+D)	**(180,515)**	**(95,237)**
K. Non-current payables due to banks and other lenders	(153,872)	(174,433)
L. Bonds issued	(7,540)	(23,200)
M. Other non-current payables	(7,294)	(10,690)
N. Non-current financial position (K+L+M)	**(168,706)**	**(208,323)**
O. Net financial position (J+N)	**(349,221)**	**(303,560)**
Non-current financial assets	9,780	10,260
Net financial position of the Company	**(339,441)**	**(293,300)**

8.16 Other liabilities (current and non-current)

The items “Other non-current liabilities” and “Other current liabilities” as at 31 December 2016, 2015 and 01 January 2015 are broken down as follows:

(in thousands of Euro)	As at 31 December		As at 01 January
	2016	2015	2015
Accrued liabilities and deferred income	1,087	1,300	705
TOTAL OTHER NON-CURRENT LIABILITIES	**1,087**	**1,300**	**705**

The multi-year deferred income refers to the rental payments to MC-LINK S.p.A. to be due in 2022 (1,032 thousand euro).
Grants include the discount of contributions collected by GSE for the Photovoltaic plant at the Company’s registered office (55 thousand euro).

(in thousands of Euro)	As at 31 December		As at 01 January
	2016	2015	2015
Social security and welfare payables	748	726	996
Accrued liabilities and deferred income	340	358	1,229
VAT	-	236	-
IRPEF	292	383	567
Other tax payables	53	66	76
Other accounts payable	467	332	416
Accounts payable - employees	1,400	1,230	890
Sewerage charge	-	-	799
Payables for direct and indirect taxes to subsidiaries	17,862	7,469	7,966
Pay. for purchase of green certificates from subsidiaries	-	-	2,524
TOTAL OTHER CURRENT LIABILITIES	**21,162**	**10,800**	**15,463**

The social security payables mainly concern charges and withholding taxes to employees, paid in the following month. Similarly, payables for IRPEF concern withholding taxes for December, paid in January 2017.
The accounts payable to employees include payables related to the results bonus (921 thousand euro) and leave accrued and not taken (476 thousand euro).
The parent company also recognises payables to various subsidiaries due to VAT credit (4,064 thousand euro) and IRES credit (13,798 thousand euro).

8.17 Trade Payables

The item “Trade payables” includes amounts due for the supply of goods and services, and amounts to 11,843 thousand euro as at 31 December 2016, 9,217 thousand euro as at 31 December 2015 and 12,807 thousand euro as at 01 January 2015.

9. NOTES TO THE INCOME STATEMENT

9.1 Revenue

The item “Revenue” for the years ended 31 December 2016 and 2015 is broken down as follows:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
Electricity production	14,470	16,387
Commercial and trading	33	103
Derivative effect on commodities	1,268	0
Distribution and grids	63	60
Other minor services	1,202	1,295
TOTAL	**17,036**	**17,845**

As regards revenue from electricity, the decrease is mainly due to lower sales prices, while production stood at previous year’s values.
Other minor services regarded sales of laboratory chemical analyses for third parties (1,202 thousand euro).
All revenues were achieved in Italy.

9.2 Other revenue and income

The item "Other revenue and income" for the years ended 31 December 2016 and 2015 is broken down as follows:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
Other revenues	129	124
Management of S.Colombano	426	538
Real estate income	367	355
Gains from standard operations	-	1
Other revenues and income	1,532	1,893
Software user license revenue	749	822
Services to third parties	74	74
Purification management	2,907	2,949
Revenue from services to subsidiaries	16,426	14,249
Seconded personnel	548	305
Standard contingent assets	-12	3,404
Contributions for plant	6	6
Operating grants	1,128	1,566
TOTAL	**24,280**	**26,286**

This item includes mainly:

- other revenues and income mainly include the sales of materials and meters, which the Company purchases and resells to the Subsidiaries and other customers (1,296 thousand euro), income from the Hydrotour project (96 thousand euro), revenues from the management of the Mincio thermoelectric power plant (95 thousand euro);
- the item Purification management includes considerations paid by the Trento Autonomous Province (PAT) for the management of purification plants of the Central basin (2,907 thousand euro);
- the revenue with subsidiaries, mostly referred to service contracts entered into to regulate the administrative, logistic and IT services between the Parent Company and Subsidiaries (15,340 thousand euro), and advisory and other services charged to the Subsidiaries (1,086 thousand euro);
- Operating grants refer to the GRIN incentive tariff, which replaced the green certificates and it is granted by the Italian National Grid Operator (GSE) to producers of renewable energy (1,121 thousand euro as at 31 December 2016, compared to 1,499 thousand as at 31 December 2015).

9.3 Raw materials, consumables and merchandise

The item "Raw materials, consumables and merchandise" for the years ended 31 December 2016 and 2015 is broken down as follows:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
Purchases of elect. raw materials	4,528	5,263
Purchases of gas raw materials	105	1,227
Purchased of inventories	1,294	1,510
Purchase of fuels and vehicle spare parts	92	100
Purchases of laboratory and chemicals	186	180
Changes in inventories of raw mat., consum. and merch.	-217	3
Derivative effect on commodities	0	118
Other purchases	326	215
TOTAL	**6,314**	**8,616**

During the year, the production, and therefore the purchase cost of electricity from the Taio and Santa Giustina plants decreased, managed by the subsidiary DEE, (4,528 thousand euro in place over 5,157 euro in 2015), while a considerably decrease was seen in purchases in gas due to the inactivity of the Mincio thermoelectric power plant (105 thousand euro in 2016 over 1,227 thousand euro in 2015). Among the purchases of materials managed in stock, the purchase of meters intended for subsequent sale to subsidiaries, equal to 1,294 thousand euro, is to be recognised and is reduced by around 15% compared to values recorded in 2015 (1,510 thousand euro). The item "Other purchases" includes sundry materials not managed in stock and costs for the purchase of personal protective equipment (PPE).

9.4 Service costs

The item "Service costs" for the years ended 31 December 2016 and 2015 is broken down as follows:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
External maintenance services	7,420	6,742
Insurance, banking and financial services	1,104	1,152
Other services	2,019	1,526
Commercial services	1,769	2,019
General services	1,647	1,717
Financial statement certification	49	50
Board of Statutory Auditors	88	88
Directors	438	444
Miscellaneous costs	46	36
Rental expense	620	611
Rental fees	284	279
Water diversion charges	1,121	1,129
TOTAL	**16,605**	**15,793**

External maintenance services essentially concern the operation and maintenance of the systems, the costs to manage the hydroelectric and thermal power plants, the hardware and software payments and the maintenance of the vehicle fleet (4,660 thousand euro). Cost tipping of purification plants managed through the subsidiary Depurazione Trentino Centrale (2,760 thousand euro) is also included.
The item "Other services" includes costs for technical and IT services, consultancy services, training costs and canteen for employees, cleaning and security of the Company's headquarters.
The commercial services include transmission, modulation and balancing services, customer acquisition services, sponsorship and advertising.
General services include telephone costs, utility bills and annual membership fees.
Fees were duly paid during the year to the Board of Statutory Auditors in compliance with Shareholders' Meeting resolutions. The fees paid to the Board of Directors were decided by the Shareholders' Meeting, and for special offices by the Board of Directors

9.5 Personnel costs

The item "Personnel costs" for the years ended 31 December 2016 and 2015 is broken down as follows:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
Wages and salaries	7,597	7,530
Social security costs	2,421	2,427
Employee termination benefits	505	520
Other costs	471	331
TOTAL	**10,994**	**10,808**

As at 31 December 2016, 163 employees resulted on the Company's payroll.

9.6 Amortisation, depreciation and write-downs

The item "Amortisation, depreciation and write-downs" for the years ended 31 December 2016 and 2015 is broken down as follows:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
Amortisation of intangible assets	3,977	3,396
Depreciation of property, plant and equipment	2,269	2,117
Write-downs of financial fixed assets	1,482	3,164
TOTAL	**7,728**	**8,677**

During the year, the Company wrote-down the value of securities held in a real estate fund in the amount of 1,482 thousand euro (3.164 thousand euro in the previous year), as described in Note 8.5.

9.7 Other operating costs

The item "Other operating costs" for the years ended 31 December 2016 and 2015 is broken down as follows:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
Miscellaneous costs	1,914	1,361
IMU (property tax)	285	375
TOSAP/COSAP	1	1
Standard contingent liabilities	2	575
Losses from standard operations	2	234
Postal charges	2	8
Other taxes	92	26
TOTAL	**2,298**	**2,580**

Sundry charges include stamp and registry tax, vehicle circulation tax, stationary costs and other sundry charges for the Company's ordinary management, equal to 337 thousand euro. Charges related to the dispatching of electricity produced by SF Energy, invoiced by Dolomiti Energia are also included (1,577 thousand euro). Contingent liabilities refer mainly to the differences between estimated costs of previous years and the actual costs recorded in the accounts.
Capital losses mainly concern the scrapping of fixed assets included in the disposal forms.
Other taxes include the annual contribution to the AEEGSI and AGCM and the annual plant security contribution to the Ministry for Economic Development amounting to 50 thousand euro.

9.8 Gains and expenses from equity investments

The item "Gains and expenses from equity investments" for the years ended 31 December 2016 and 2015 is broken down as follows:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
Dividends from subsidiaries	45,047	13,454
Dividends form associated companies and joint ventures	7,298	59,455
Dividends and income from other Companies	1,257	1,096
Write-ups of equity investments and securities	0	3,630
Write-downs of equity investments and securities	-2,788	-30,224
TOTAL	**50,814**	**47,411**

Dividends collected over the year and recognised in the income statement result from subsidiaries Novareti (20,000 thousand euro), Dolomiti Energia (14,059 thousand euro), SET Distribuzione (5,019 thousand euro) and Dolomiti Energia Trading (2,040 thousand euro). Moreover, following the winding up of the subsidiary Dolomiti Trading, the Company reported a capital gain of 3,929 thousand euro, equal to the difference between the higher shareholders' equity value of the wound up company and the book value of the equity investment held. Dividends from associated companies were paid by SF Energy, in the amount of 7,000 thousand euro, by Alto Garda Servizi, in the amount of 250 thousand euro, and by Bioenergia Trentino, in the amount of 48 thousand euro. The item Dividends and income from other companies includes the income from the sale of 6,739,824 A2A shares, equal to 987 thousand euro.
The item Write-downs of equity investments and securities includes, in the amount of 2,778 thousand euro, the write-down of the equity investment in the associated company PVB Power Bulgaria.

9.9 Financial income and charges

The item "Financial income and charges" for the years ended 31 December 2016 and 2015 is broken down as follows:

Financial income (in thousands of Euro)	For the year ended 31 December	
	2016	2015
Financial income from subsidiaries	1,396	903
Financial income from other companies	84	211
Fair value changes in IRS derivatives	3,395	3,877
TOTAL	**4,875**	**4,991**

Financial charges (in thousands of Euro)	For the year ended 31 December	
	2016	2015
Financial charges due to subsidiaries, associates and joint ventures	-110	-214
Financial charges due to other companies	-6,585	-8,279
Interest to be discounted	-79	-89
TOTAL	**-6,774**	**-8,582**

The item "Financial income from subsidiaries" includes interest accrued on cash pooling balances (962 thousand euro) and commissions related to funds (434 thousand euro).
The item "Financial charges due to other companies" includes interest expense on bank current accounts and mortgages (5,620 thousand euro), in addition to interest on the bond loan (965 thousand euro).

9.10 Taxes

The item "Taxes" for the years ended 31 December 2016 and 2015 is broken down as follows:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
Current taxes	-	434
Deferred taxes	-284	-173
Prepaid taxes	1,329	995
Tax consolidation income	-1,493	-1,494
Taxes from prior years	29	-46
TOTAL	**-419**	**-284**

The following table shows the reconciliation between actual and theoretical tax charge, determined by applying the tax rate in force to the profit before tax.

(in thousands of Euro)	For the year ended 31 December			
	2016	%	2015	%
Profit before tax	**46,292**		**41,477**	
Theoretical income taxes	12,730	27.5%	11,406	27.5%
IRAP	458	4.65%	541	4.65%
Tax effect of permanent and other differences	-12,769	-27.6%	-11,663	-28.0%
TOTAL	**419**	**0.9%**	**284**	**1.0%**

10. RELATED-PARTY TRANSACTIONS

Related parties are defined as the parties that share with the Company the same controlling entity, the companies that directly or indirectly control it, are controlled or are subjected to joint control, as well as companies in which the Parent Company holds an equity investment able to exercise a significant influence.
For the years ended 31 December 2016 and 2015, the main transactions with related parties concerned the following:

(in thousands of Euro)	As at 31 December							
	Trade receivables	Financial receivables	Trade payables	Loans payable	Trade receivables	Financial receivables	Trade payables	Loans payable
	2016				2015			
DTC	286	1,737	1,566	-	560	883	825	-
Dolomiti Trading	-	-	-	-	2	-	110	4,161
Dolomiti Energia	935	14,437	657	103	1,604	592	755	24,356
Dolomiti Energia Rinnovabili	137	15	81	318	142	329	127	163
Set Distribuzione	791	1,499	87	68,281	850	975	90	49,215
Novareti	732	2,890	79	1,385	877	2,256	103	167
Hydro Dolomiti Energia	615	36,704	1,485	8,482	428	-	286	-
Dolomiti Edison Energy	23	7,650	446	477	15	5,610	828	-
Dolomiti Energia Trading	3,473	22,101	837	2,483	233	14,742	33	-
SF Energy	23	-	-	-	-	-	-	-
Dolomiti GNL	6	805	-	-	22	-	-	-
Dolomiti Energy Saving	-	-	-	-	-	-	80	-
Hydro Investments Dolomiti En.	-	17	27,003	2,598	-	-	-	-
Dolomiti Ambiente	292	624	50	32	560	3,993	21	201

(in thousands of Euro)	For the year ended 31 December 2016							
	Revenue			Purchases			Financial income	Financial charges
	Goods	Services	Other	Goods	Services	Other		
DTC	-	128	-	-	(2,760)	-	49	-
Dolomiti Trading	-	-	-	-	-	-	-	-
Dolomiti Energia	281	3,731	-	-	(215)	(1,951)	-	(60)
Dolomiti Energia Rinnovabili	-	297	-	-	(284)	-	1	-
Set Distribuzione	-	3,941	-	-	(430)	-	-	(50)
Novareti	-	4,664	-	(106)	(40)	(51)	23	-
Hydro Dolomiti Energia	-	2,898	-	-	(1,048)	(420)	462	-
Dolomiti Edison Energy	-	-	-	(4,528)	-	(14)	102	-
Dolomiti Energia Trading	5,226	2,076	-	-	(123)	95	701	-
SF Energy	-	-	-	-	-	-	-	-
Dolomiti GNL	-	11	-	-	-	-	8	-
Dolomiti Energy Saving	-	-	-	-	-	-	-	-
Hydro Investments Dol.En.	-	-	-	-	(2)	-	1	-
Dolomiti Ambiente	-	1,526	-	-	(15)	(45)	55	-

(in thousands of Euro)	For the year ended 31 December 2015							
	Revenue			Purchases			Financial income	Financial charges
	Goods	Services	Other	Goods	Services	Other		
DTC	-	131	-	-	(2,642)	-	41	-
Dolomiti Trading	-	27	-	-	-	-	1	-
Dolomiti Energia	4,540	3,714	126	-	(434)	(1,259)	-	(109)
Dolomiti Energia Rinnovabili	-	298	-	-	(342)	-	3	-
Set Distribuzione	-	4,051	-	-	(420)	-	-	(88)
Novareti	-	4,913	-	(16)	(60)	(45)	211	-
Hydro Dolomiti Energia	-	481	-	-	(420)	-	321	-
Dolomiti Edison Energy	-	50	-	(5,157)	-	(69)	-	-
Dolomiti Energia Trading	-	1,303	-	-	(38)	(38)	282	-
SF Energy	-	18	-	-	-	-	-	(17)
Dolomiti GNL	-	10	-	-	-	-	-	-
Dolomiti Energy Saving	-	-	-	-	(80)	-	-	-
Hydro Investments Dol.En.								
Dolomiti Ambiente	-	1,541	-	-	(15)	(17)	43	-

For further detail on transactions with related parties, reference is made to the Directors' report.

11. GUARANTEES AND COMMITMENTS

The Guarantees and commitments in favour and undertaken by the Company as at 31 December 2016 and 2015 and 01 January 2015 are broken down as follows:

Guarantees and commitments in favour of third parties (in thousands of Euro)	As at 31 December		As at 01 January
	2016	2015	2015
Third party guarantees	309,455	326,147	318,721
Financial commitments in favour of third parties	2,043	2,394	2,394
TOTAL	**311,498**	**328,541**	**321,115**

Other third party guarantees (in thousands of Euro)	As at 31 December		As at 01 January
	2016	2015	2015
Guarantees received by third parties in favour of banks for loans	57,500	50,000	50,000
Usage of signature facilities to issue bank/insurance guarantee	1,975	2,602	3,632
TOTAL	**59,475**	**52,602**	**53,632**

12. FEES TO DIRECTORS AND STATUTORY AUDITORS

The fees to directors and statutory auditors of the Company, for the years ended 31 December 2016 and 2015 are broken down as follows:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
Fee to Directors	438	444
Fee to Statutory Auditors	88	88
TOTAL	**526**	**532**

Remunerations are substantially in line with the previous year.

13. INDEPENDENT AUDITORS' FEES

The following table shows the remuneration received by the auditing company PricewaterhouseCoopers S.p.A. for the auditing services of the financial statements for the years ended 31 December 2016 and 2015:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
Independent auditor's fees	49	50
TOTAL	**49**	**50**

Remunerations are in line with the previous year.

14. SIGNIFICANT EVENT OCCURRED AFTER YEAR END

On 23 March 2017, in view of an overall reorganization of customer-addressed energy efficiency services, Dolomiti Energia Holding acquired 49% of Dolomiti Energy Saving, therefore becoming its sole shareholder.

15. PROPOSED ALLOCATION OF PROFITS OR LOSS COVERAGE

We propose to the Shareholders' Meeting that profit for the year of 46,710,985 euro be allocated as follows:

- 2,335,549 euro, i.e. 5%, to the legal reserve;
- 26,474,666 euro distributed as an ordinary dividend to shareholders, corresponding to 0.07 euro per share, and also proposing that the dividend be paid from 15 June 2017;
- 17,900,770 euro to FTA (First Time adoption) reserve.

16. FIRST TIME ADOPTION OF IFRS

Information required by IFRS 1 is included herein, in particular the description of the impact that transition to EU IFRSs had on the Company's financial statements. To this purpose, the following was prepared:

- the reconciliation statement between the Company's statement of financial positions as at 01 January 2015 and 31 December 2015, prepared based on the Italian Accounting Standards ("**Italian Accounting Standards**") and the those prepared based on EU IFRS standards;
- the reconciliation statement between comprehensive income statement for the year ended 31 December 2015, prepared based on the Italian Accounting Standards and the one prepared based on EU IFRS standards;
- the reconciliation statement of Shareholders' Equity as at 01 January 2015 and 31 December 2015, determined according the Italian Accounting Standards, with the one determined based on EU IFRS standards;
- the reconciliation statement of the aggregate net result for the year ended 31 December 2015, determined according the Italian Accounting Standards, with the one determined based on EU IFRS standards;
- the Notes to the Financial Statements, related to adjustments and reclassifications included in the aforesaid reconciliation statements, which describe the significant effects of the transition to EU IFRS, both with regard to the classification of the various financial statements items and their different measurement and, therefore, the consequent effects on the equity and financial position and the economic result.

The statement of financial position as at the Transition Date to EU IRFSs was drawn up based on the following criteria:

- recognition was carried out for all assets and liabilities whose recognition was required by EU IFRS standards;
- no recognition was carried out for all assets and liabilities whose recognition was not permitted by EU IFRS standards;
- EU IFRS standards were adopted in measuring all recognised assets and liabilities.

The International Accounting Standards envisage the retrospective application of all standards in force at the reporting date of the first financial statements prepared based on the EU IFRS standards. For the companies that adopt the EU IFRS standards for the first time, the IFRS 1 standard envisages some mandatory and voluntary exemptions to this retrospective application. The applicable exemptions are described hereunder.

VOLUNTARY EXEMPTIONS TO THE FULL RETROSPECTIVE ADOPTION OF EU IFRS STANDARDS

The Company did not apply retrospectively provisions set out by IFRS 3 with reference to business combinations established before the Transition Date. Therefore, the accounting treatment for business combination transactions that occurred before 01 January 2015 had not been changed.
The other voluntary exemptions set out by IFRS 1 had not been applied as they related to cases that were not applicable to the Company.

MANDATORY EXEMPTIONS TO THE FULL RETROSPECTIVE ADOPTION OF EU IFRS

The first mandatory exemption that is applicable to the Company concerns the measurement criteria used to process, at the Transition Date, information that are consistent with those used to prepare the related financial statements, according to the previous accounting standards (after the necessary adjustments made to reflect any differences in the accounting standards).
The second mandatory exemption that is applicable to the Company concerns the recognition criteria of hedging transactions, which envisage that all derivatives that had been subscribed before the Transition Date be measured at fair value.
The other mandatory exemptions set out by IFRS 1 had not been applied as they related to cases that were not applicable to the Company.

ACCOUNTING CRITERIA ADOPTED WITHIN THE OPTIONS SET OUT BY IFRS STANDARDS

The only accounting criterion adopted within the options set out by IFRS standards is as follows:

- measurement of property, plant and equipment and intangible assets: following the initial recognition at cost, IAS 16 and IAS 38 envisage that these assets can be measured either at cost, less amortisation/depreciation, or at fair value. The Company elected to adopt the recognition at cost.

EQUITY AND FINANCIAL POSITION AS AT 01 JANUARY 2015

Schedule 1 shows the reconciliation between Company statement of financial position as at 01 January 2015, drawn up in compliance with Italian Accounting Standards and reclassified based on the classification criteria adopted by the Company for the EU IFRS financial statements, and the statement of financial position drawn up in compliance with EU IFRS standards.

EQUITY AND FINANCIAL POSITION AS AT 31 DECEMBER 2015

Schedule 2 shows the reconciliation between Company statement of financial position as at 31 December 2015, drawn up in compliance with Italian Accounting Standards and reclassified based on the classification criteria adopted by the Company for the EU IFRS financial statements, and the statement of financial position drawn up in compliance with EU IFRS standards.

COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

Schedule 3 shows the reconciliation between Company comprehensive income statement for the year ended 31 December 2015, drawn up in compliance with Italian Accounting Standards and reclassified based on the classification criteria adopted by the Company for the EU IFRS financial statements, and the comprehensive income statement drawn up in compliance with EU IFRS standards.

SHAREHOLDERS' EQUITY AS AT 01 JANUARY 2015 AND AS AT 31 DECEMBER 2015 AND TOTAL NET RESULT FOR THE YEAR ENDED 31 DECEMBER 2015

Reconciliation between Company Shareholders' Equity as at 01 January 2015 and 31 December 2015, and the total net result for the year ended 31 December 2015, drawn up in compliance with Italian Accounting Standards, with the corresponding values presented in compliance with EU IFRS are shown as follows.

(in thousands of Euro)	Note	Share-holder's 01 January 2015	Net profit for the year as at 31 December 2015	Other components of the com-prehensive income statement	Other changes	Share-holder's Equity as at 31 December 2015
Financial Statements for the year of Dolomiti Energia Holding S.p.A. - Italian Accounting Standards		**631,211**	**35,017**	**-**	**-41,603**	**624,625**
IAS 39 - IRS derivatives	A	-10,561	2,811	-	-	-7,750
IAS 39 - Commodity derivatives		620	-80	-	-	540
IAS 39 - Measurement of loans at amortised cost	B	-106	-17	-	-	-123
IAS 38 - Start-up and expansion costs	C	-2	2	-	-	-
IAS 38 - Research and Develop-ment costs (Hydrotour project)	D	-169	-83	-	-	-252
IAS 39 - Treasury shares	E	-67,552	-	-	-	-67,552
IAS 39 - Dividends	F	-67,340	4,153	-	-	-63,187
IAS 19 - Employee termination and other benefits	G	-1,345	-41	246	-	-1,140
Financial Statements for the year of Dolomiti En. Hold. S.p.A. - EU IFRS		**484,747**	**41,762**	**246**	**-41,603**	**485,161**

NOTES TO THE STATEMENT OF RECONCILIATION OF SHAREHOLDERS' EQUITY AS AT 01 JANUARY 2015 AND AS AT 31 DECEMBER 2015 AND TOTAL NET RESULT FOR THE YEAR ENDED 31 DECEMBER 2015

Adjustments to Shareholders' Equity as at 01 January 2015 and 31 December 2015, as well as to the aggregate net result for the year ended 31 December 2015, for the purpose of adopting EU IFRS, are described hereunder.
It is noted that for each of the adjustments described hereunder the related tax effect was recognised, if applicable.

A) FINANCIAL DERIVATIVES

The application of the IAS 39 International accounting standard required the recognition, in the statement of financial position, of the fair value of IRS derivatives and commodities subscribed by the Company. After the first recognition, the derivatives were not accounted for according to modalities envisaged by the hedge accounting by reason of the fact that conditions envisaged by IAS 39 had not been fulfilled. As a consequence, the fair value of IRS derivatives was recognised under financial liabilities for an amount of 14,567 thousand euro as at 01 January 2015 and 10,690 thousand as at 31 December 2015, while the change in fair value, equal to 3,877 thousand euro was recognised in the income statement, under item financial income, with a tax effect of 1,066 thousand euro.
Moreover, the fair value of derivative instruments on commodities was recorded under financial assets, in the amount of 914 thousand euro as at 01 January 2015 and 795 thousand euro as at 31 December 2015, while changes in fair value, equal to 119 thousand euro, with tax effect of 38 thousand, euro was recognised in the income statement under costs for raw materials, consumables and merchandise, due to the fact that derivatives were subscribed in order to reduce the risk related to the price of commodities.

B) APPLICATION OF THE AMORTISED COST METHOD

The application of the IAS 39 International Accounting Standard required the application of the amortised cost method for the recoding of financial liabilities represented by bank loans in place. The amortised cost is calculated by using the effective interest rate criterion, i.e. the rate that relates the carrying amount to future payments, along the useful life of the financial instrument. All contract aspects of the financial instrument have to be taken into account for the purpose of calculating the effective interest rate, while including all commissions, transaction costs and any possible benefits or discounts. At the Transition Date, this method was applied to bank loans in place at the reporting dates, as well as to bond loans. In particular, ancillary charges related to loans were derecognised from equity Assets. Pursuant to Italian Accounting Standards, they were capitalised under item intangible assets. Related amortisation in the income statement was written-off accordingly. These costs have been initially deducted from the related financial liabilities and then charged to the income statement, as financial charges, with the effective interest method.

C) DERECOGNITION OF CAPITALISED START-UP, EXPANSION AND ADVERTISING COSTS

Start-up, expansion and advertising costs that can be capitalised according to the Italian Accounting Standards do not fulfil the capitalisation requirements envisaged by IAS 38. Therefore, these costs were written-off from the assets in the statement of financial position drawn up according to EU IFRS.

D) DERECOGNITION OF RESEARCH AND DEVELOPMENT COSTS (HYDROTOUR PROJECT)

Charges capitalised with respect to the Hydrotour project do not fulfil the capitalisation requirements set out by the IAS 38 accounting standard. Therefore, these costs were written-off from the assets in the statement of financial position drawn up according to EU IFRS.

E) TREASURY SHARES

The adoption of the IAS 32 International Accounting Standard required that treasury shares owned by the Company be reclassified in a special equity reserve.

F) DIVIDENDS

According to IAS 18, dividends must be accounted for under income only when their distribution is reasonably certain, that is to say, when resolved by the Shareholders' Meeting, regardless of the recognition method applied while drawing up the financial statements according to the Italian accounting standards that

envisage the possible recognition of dividends on an accrual basis.
The receivables for dividends recorded in assets were therefore written-off and the value of gains from dividends was aligned to the value of dividends, as resolved by the investees in 2015.

G) EMPLOYEE BENEFITS (IAS 19)

Pursuant to the Italian Accounting Standards, post-employment benefits are recognised on an accrual basis over the working period of employees, according to legislation and applicable labour contracts.
Pursuant to provisions envisaged by IAS 19, the benefits subsequent to the work relation are included in either "defined-contribution programmes" or "defined-benefit programmes".
The employee termination benefits (hereinafter "TFR"), is comparable to a defined-benefit programme until 31 December 2006, to be measured based on statistical and demographical assumptions, as well as based on actuarial measurement methods. Following the amendment made on the Italian legislation, the Provision for TRF accrued as from 01 January 2007 was compared to a definite-contribution programme, if the conditions precedent envisaged by the regulatory amendments were fulfilled.
In addition to the employee termination benefits, other benefits are granted by the Company, including additional monthly wages for achieved age limits or for accrued right to pension, loyalty bonuses and golden medals for the achievement of determined age requirement in the company, discounts on the supply price of household electricity, limited to some former employees during pension.
For these benefits as well, liabilities are measured based on statistical and demographic assumptions, as well as actuarial measurement methods.

At the Transition Date, the value of the aforesaid provisions was redetermined, as well as the related cost for each single year. In particular, actuarial gains and losses were recorded in the other components of the comprehensive income statement, the service cost was recorded under item "Personnel costs" and the interest cost was recorded under item "Financial charges".

DETAIL ON THE MAIN RECLASSIFICATIONS THAT WERE MADE TO THE STATEMENT OF FINANCIAL POSITION AS AT 01 JANUARY 2015 AND 31 DECEMBER 2015, AS WELL AS TO THE COMPREHENSIVE INCOME STATEMENT FOR THE YEAR 2015

EQUITY AND FINANCIAL POSITION

Improvements to third-party assets
Improvements to third-party assets, which, in application of Italian Accounting Standards, were stated under item intangible assets; according to provisions set out by EU IFRS, they were reclassified under item "Property, plant and equipment".

Assets held for sale
Pursuant to provisions set by the IFRS 5 International Accounting Standard, the equity investment in A2A S.p.A. was reclassified under item "Assets held for sale and discontinued operations", as these shares were sold at the beginning of 2016.

COMPREHENSIVE INCOME STATEMENT

Extraordinary income and charges
Extraordinary income and charges were reclassified under the various items in the income statement, based on the type and reason for their recognition in the financial statements prepared pursuant to the Italian Accounting Standards.

SCHEDULE 1: Reconciliation between Company statement of financial position as at 01 January 2015, drawn up in compliance with Italian Accounting Standards and reclassified based on the classification criteria adopted by the Company for the EU IFRS financial statements, and the statement of financial position drawn up in compliance with EU IFRS standards

(in thousands of Euro)	Equity and financial position as at 01 January 2015, drawn up pursuant to the Italian accounting standards and disclosed based on the EU IFRS format (post transfer into Dolomiti Ambiente S.r.l.)	EU IFRS adjustments			EU IFRS adjustments			Equity and financial position as at 01 January 2015 after EU IFRS adjustments	EU IFRS reclassifications	Equity and financial position as at 01 January 2015 pursuant to EU IFRS provisions
		Disclosure of IRS derivatives	Disclosure of Commodity derivatives	Dividends	Measurement of loans at amortised cost	Employee termination and other benefits	Other			
ASSETS										
Non-current assets										
Other intangible assets	12,805	-	-	-	-280	-	-251	12,274	-1,158	11,116
Property, Plant and Equipment	41,449	-	-	-	-	-	-	41,449	1,158	42,607
Shareholdings measured at equity and other companies	705,743	-	-	-	-	-	-	705,743	-	705,743
Deferred tax assets	4,525	4,006	-	-	40	540	72	9,183	-	9,183
Other non-current assets	14,004	-	-	-	-573	-	-	13,431	-	13,431
Total Other non-current assets	**778,526**	**4,006**	**-**	**-**	**-813**	**540**	**-179**	**782,080**	**-**	**782,080**
Current assets										
Trade receivables	102,441	-	-	-68,279	-	-	-	34,162	-	34,162
Inventories	63	-	-	-	-	-	-	63	-	63
Cash and cash equivalents	58	-	-	-	-	-	-	58	-	58
Income tax credits	2,811	-	-	-	-	-	-	2,811	-	2,811
Other current assets	135,000	-	914	-	-	-	-	135,914	-67,552	68,362
Total Current assets	**240,373**	**-**	**914**	**-68,279**	**-**	**-**	**-**	**173,008**	**-67,552**	**105,456**
Assets held for sale and Discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL ASSETS	**1,018,899**	**4,006**	**914**	**-68,279**	**-813**	**540**	**-179**	**955,088**	**-67,552**	**887,536**
SHAREHOLDERS' EQUITY										
Share capital	411,496	-	-	-	-	-	-	411,496	-	411,496
Reserves	219,715	-10,561	620	-67,340	-106	-1,346	-179	140,803	-67,552	73,251
OCI reserve	-	-	-	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	-	-	-
Total Shareholders' Equity	**631,211**	**-10,561**	**620**	**-67,340**	**-106**	**-1,346**	**-179**	**552,299**	**-67,552**	**484,747**
LIABILITIES										
Non-current liabilities										
Provis. for risks and non-current charges	1,600	-	-	-	-	-	-	1,600	-	1,600
Employee benefits	2,387	-	-	-	-	1,886	-	4,273	-	4,273
Deferred tax liabilities	1,333	-	294	-939	-	-	-	688	-	688
Non-current financial liabilities	225,047	14,567	-	-	-707	-	-	238,907	-	238,907
Other non-current liabilities	705	-	-	-	-	-	-	705	-	705
Total Non-current liabilities	**231,072**	**14,567**	**294**	**-939**	**-707**	**1,886**	**-**	**246,173**	**-**	**246,173**
Current liabilities										
Trade Payables	12,807	-	-	-	-	-	-	12,807	-	12,807
Current financial liabilities	128,346	-	-	-	-	-	-	128,346	-	128,346
Other current liabilities	15,463	-	-	-	-	-	-	15,463	-	15,463
Total Current liabilities	**156,616**	**-**	**-**	**-**	**-**	**-**	**-**	**156,616**	**-**	**156,616**
Liabilities held for sale and Discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,018,899**	**4,006**	**914**	**-68,279**	**-813**	**540**	**-179**	**955,088**	**-67,552**	**887,536**

SCHEDULE 2: Reconciliation between Company statement of financial position as at 31 December 2015, drawn up in compliance with Italian Accounting Standards and reclassified based on the classification criteria adopted by the Company for the EU IFRS financial statements, and the statement of financial position drawn up in compliance with EU IFRS standards

(in thousands of Euro)	Equity and financial position as at 31 December 2015, drawn up pursuant to the Italian accounting standards and disclosed based on the EU IFRS format	EU IFRS adjustments			EU IFRS adjustments			Equity and financial position as at 31 December 2015 after EU IFRS adjustments	EU IFRS reclassifications	**Equity and financial position as at 01 January 2015 pursuant to EU IFRS provisions**
		Disclosure of IRS derivatives	Disclosure of Commodity derivatives	Dividends	Disclosure of IRS derivatives	Disclosure of Commodity derivatives	Dividends			
ASSETS										
Non-current assets										
Other intangible assets	13,352	-	-	-	-240	-	-371	12,741	-1,151	11,590
Property, Plant and Equipment	46,993	-	-	-	-	-	-	46,993	1,151	48,144
Shareholdings measured at equity and other companies	699,795	-	-	-	-	-	-	699,795	-	699,795
Deferred tax assets	4,543	2,940	-	-	50	458	119	8,110	-	8,110
Other non-current assets	10,738	-	-	-	-478	-	-	10,260	-	10,260
Total Other non-current assets	**775,421**	**2,940**	**-**	**-**	**-668**	**458**	**-252**	**777,899**	**-**	**777,899**
Current assets										
Trade receivables	75,632	-	-	-64,068	-	-	-	11,564	-	11,564
Inventories	60	-	-	-	-	-	-	60	-	60
Cash and cash equivalents	15,229	-	-	-	-	-	-	15,229	-	15,229
Income tax credits	11,567	-	-	-	-	-	-	11,567	-	11,567
Other current assets	108,859	-	796	-	-	-	-	109,655	-74,555	35,100
Total Current assets	**211,347**	**-**	**796**	**-64,068**	**-**	**-**	**-**	**148,075**	**-74,555**	**73,520**
Assets held for sale and Discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,003**	**7,003**
TOTAL ASSETS	**986,768**	**2,940**	**796**	**-64,068**	**-668**	**458**	**-252**	**925,974**	**-67,552**	**858,422**
SHAREHOLDERS' EQUITY										
Share capital	411,496	-	-	-	-	-	-	411,496	-	411,496
Reserves	178,112	-10,561	620	-67,340	-106	-1,345	-171	99,209	-67,552	31,657
OCI reserve	-	-	-	-	-	246	-	246	-	246
Net profit for the year	35,017	2,811	-80	4,153	-17	-41	-81	41,762	-	41,762
Total Shareholders' Equity	**624,625**	**-7,750**	**540**	**-63,187**	**-123**	**-1,140**	**-252**	**552,713**	**-67,552**	**485,161**
LIABILITIES										
Non-current liabilities										
Provis. for risks and non-current charges	1,495	-	-	-	-	-	-	1,495	-	1,495
Employee benefits	2,324	-	-	-	-	1,598	-	3,922	-	3,922
Deferred tax liabilities	1,146	-	256	-881	4	-	-	525	-	525
Non-current financial liabilities	198,181	10,690	-	-	-549	-	-	208,322	-	208,322
Other non-current liabilities	1,300	-	-	-	-	-	-	1,300	-	1,300
Total Non-current liabilities	**204,446**	**10,690**	**256**	**-881**	**-545**	**1,598**	**-**	**215,564**	**-**	**215,564**
Current liabilities										
Trade Payables	9,217	-	-	-	-	-	-	9,217	-	9,217
Current financial liabilities	137,679	-	-	-	-	-	-	137,679	-	137,679
Other current liabilities	10,801	-	-	-	-	-	-	10,801	-	10,801
Total Current liabilities	**157,697**	**-**	**-**	**-**	**-**	**-**	**-**	**157,697**	**-**	**157,697**
Liabilities held for sale and Discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**986,768**	**2,940**	**796**	**-64,068**	**-668**	**458**	**-252**	**925,974**	**-67,552**	**858,422**

SCHEDULE 3: Reconciliation between Company comprehensive income statement for the year ended 31 December 2015, drawn up in compliance with Italian Accounting Standards and reclassified based on the classification criteria adopted by the Company for the EU IFRS financial statements, and the consolidated comprehensive income statement drawn up in compliance with EU IFRS standards

(in thousands of Euro)	Comprehensive income statement for the year ended 31 December 2015, drawn up pursuant to the Italian accounting standards and disclosed based on the EU IFRS format	EU IFRS adjustments			EU IFRS adjustments			Comprehensive income statement for the year ended 31 December 2015, drawn up pursuant to the EU IFRS standards
		Disclosure of IRS derivatives	Disclosure of Commodity derivatives	Dividends	Measurement of loans at amortised cost	Employee termination and other benefits	Other	
Revenue	17,845	-	-	-	-	-	-	17,845
Other revenue and income	26,286	-	-	-	-	-	-	26,286
Total Revenue and other income	**44,131**	**-**	**-**	**-**	**-**	**-**	**-**	**44,131**
Raw materials, consumables and merchandise	-8,498	-	-118	-	-	-	-	-8,616
Service costs	-15,657	-	-	-	96	-	-230	-15,791
Personnel costs	-10,840	-	-	-	-	32	-	-10,808
Amortisation, depreciation and write-downs	-8,828	-	-	-	41	-	110	-8,677
Other operating costs	-2,581	-	-	-	-	-	-	-2,581
Total Costs	**-46,404**	**-**	**-118**	**-**	**137**	**32**	**-120**	**-46,473**
Financial income	43,199	-	-	4,211	-	-	-	47,410
Financial charges	**40,926**	**-**	**-118**	**4,211**	**137**	**32**	**-120**	**45,068**
Profit before tax	1,114	3,877	-	-	-	-	-	4,991
Taxes	-8,333	-	-	-	-159	-89	-	-8,581
Net profit/(loss) for the year (A) of continuing operations	**33,707**	**3,877**	**-118**	**4,211**	**-22**	**-57**	**-120**	**41,478**
Discontinuing operations	1,310	-1,066	38	-58	6	16	38	284
Net profit/(loss) for the year (B) of continuing operations	**35,017**	**2,811**	**-80**	**4,153**	**-16**	**-41**	**-82**	**41,762**
Profit/(loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Risultato netto dell'esercizio (B) delle *discontinuing operation*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Risultato dell'esercizio	**35,017**	**2,811**	**-80**	**4,153**	**-16**	**-41**	**-82**	**41,762**
Comprehensive income statement components that will not be subsequently reclassified in income statement								
Actuarial profit/(loss) for employee benefits	-	-	-	-	-	344	-	344
Tax effect on actuarial profit/(loss) for employee benefits	-	-	-	-	-	-98	-	-98
Other components	-	-	-	-	-	-	-	-
Total Comprehensive income statement components that will not be subsequently reclassified in income statement (C1)	**-**	**-**	**-**	**-**	**-**	**246**	**-**	**246**
Comprehensive income statement components that might be subsequently reclassified in income statement								**-**
Profit/(loss) on cash flow hedge instruments		-	-	-	-	-	-	-
Tax effect on change in fair value changes in cash flow hedge deriv.		-	-	-	-	-	-	-
Other components	-	-	-	-	-	-	-	-
Total Comprehensive income statement components that might be subsequently reclassified in income statement (C2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total other comprehensive profit (loss), net of tax effect (C)= (C1)+(C2)	**-**	**-**	**-**	**-**	**-**	**246**	**-**	**246**
TOTAL AGGREGATE RESULT FOR THE YEAR (A)+(B)+(C)	**35,017**	**2,811**	**-80**	**4,153**	**-16**	**205**	**-82**	**42,008**

Rovereto, 29 March 2017

on behalf of the BOARD OF DIRECTORS
Dolomiti Energia Holding S.p.A.

The Chairman
Rudi Oss

San Colombano Dam

Board of Statutory Auditor's Report

TO THE SHAREHOLDERS'S MEETTING OF DOLOMITI ENERGIA HOLDING S.P.A.

Dear Shareholders,

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

Specifically:

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

We attended Shareholders' Meetingaus, Board of Directors' and Executive Committee meetings, all conducted in compliance with governing statutory, legal and regulatory provisions.

During the meetings, we obtained information from the Directors on the general performance of operations and on business outlook, with details of the more significant transactions in terms of size or characteristics performed by the company and its subsidiaries. We can reasonably confirm that the actions decided and taken complied with the law and articles of association and were not overtly imprudent, risky or in potential conflict of interest or incompatible with resolutions of the Shareholders' Meeting or could have jeopardised the integrity of company equity.

In meetings held with the appointed independent auditor, Pricewaterhousecoopers S.p.A., no significant data or information emerged that would warrant mention in this report.

Specifically, we:

a) acquired awareness and monitored the adequacy of the company organisation, also through information obtained from department managers;
b) assessed and monitored the adequacy of the administrative and accounting system, and its reliability in fairly representing operating events, by obtaining information from department managers and from the appointed independent auditor;
c) identified areas of risk by obtaining figures and clarification from management, and provided our recommendations for more efficient risk monitoring.

In relation to the activities described herein, we have no particular points to bring to your attention.

No reports were received pursuant to Article 2408 of the Italian Civil Code.

During the course of our supervision, as described above, no new significant events emerged that would require mention in this report. These supervisory activities were performed in 9 meetings of the Board of Statutory Auditors and by taking part in 8 meetings of the Executive Committee and 6 meetings of the Board of Directors.

The Chairman of the Board of Statutory Auditors met the Internal Auditing Manager on a number of occasions, whereas the entire Board met with the statutory auditors of subsidiaries for exchange of information as appropriate.

The Board of Statutory Auditors acknowledges that the company has updated the Organisational Model under Law 231/2001 and that the Supervisory Body reported to the Board on a six-monthly basis on the activities carried out.

We have examined the financial statements as at 31 December 2016, whose figures are summarised below:

BALANCE SHEET	31/12/2016	31/12/2015
Assets	972,205,048	858,422,442
Liabilities	470,562,294	373,261,837
Shareholders' equity (excluding the result for the year)	454,931,769	443,399,043
Result for the year	46,710,985	41,761,562

INCOME STATEMENT	31/12/2016	31/12/2015
Other revenue and income	41,315,568	44,130,945
Costs	- 43,938,793	- 46,473,830
Difference	**-2,623,225**	**-2,342,885**
Investment income and expenses	50,814,258	47,410,561
Operating profit	**48,191,033**	**45,067,676**
Financial income and charges	-1,899,324	-3,590,738
Profit before tax	**46,291,709**	**41,476,938**
Taxes for the period	419,276	284,624
Result for the year	**46,710,985**	**41,761,562**
Total other profits (losses) that will not be reclassified in the income statement	27,925	245,892
Total comprehensive result of the year	**46,738,910**	**42,007,454**

and with regard to which we wish to report the following.

As we are not responsible for full audit of the financial statements content, we monitored their overall presentation, general compliance with law in relation to its format and structure, including the Report on Operations pursuant to Article 2428 of the Italian Civil Code, and in this respect have no particular comments to make. We point out that the standards for the preparation of the financial statements were changed, inasmuch as the company, starting from the date of the current financial statements, adopted the international accounting standards. For comparability purposes, the financial statements include the data of the previous year, adjusted in accordance with the accounting standards adopted.

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

With reference to the Report on Operations approved by the Board of Directors and submitted to us for our related assessments, we wish to report that the compulsory content pursuant to Article 2428 of the Italian Civil Code and the completeness and clarity of disclosures as required by Law are confirmed.

We have verified that the financial statements duly report the events and information of which we are aware as a result of our duties and we have no comment to make in this respect.

Also in consideration of results of activities performed by the independent auditor, contained in a specific report to accompany the financial statement due to be issued in the near future (as communicated to the Board of Statutory Auditors in the recent meeting with the independent auditors of 11 April 2017), we hereby express our opinion in favour to the Shareholders' Meeting, without reservations, of approval of the financial statements as at 31 December 2015.

The Board of Statutory Auditors thanks the Board of Directors and the administrative department for correctly and transparently holding the relations.

Rovereto, 13 April 2017

The Board of Statutory Auditors:

Giacomo Manzana - *Chairman;*

Barbara Caldera - *Standing Auditor;*

Michele Iori - *Standing Auditor.*

Indipendent Auditor's Report

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

To the shareholders of
Dolomiti Energia Holding SpA

Report on the financial statements

We have audited the accompanying financial statements of Dolomiti Energia Holding SpA., which comprise the statement of financial position as of 31 December 2016, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of Dolomiti Energia SpA are responsible for the preparation of financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union.

Auditors' responsibility

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

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Dolomiti Energia Holding SpA as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union.

Report on compliance with other laws and regulations

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

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

Verona, 13 April 2017

PricewaterhouseCoopers SpA

Signed by

Alexander Mayr
(Partner)

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

Gruppo Dolomiti Energia
Consolidated Financial Statements

as at **31 December 2016**

Lake Molveno

Consolidated equity **and financial position**

(in thousands of Euro)	NOTE	As at 31 December 2016	As at 31 December 2015	As at 01 January 2015
ASSETS				
Non-current assets				
Leased assets	9.1	496,462	493,474	484,429
Goodwill	9.2	37,499	37,499	37,499
Other intangible assets	9.2	57,619	12,088	12,022
Property, Plant and Equipment	9.3	856,079	105,329	103,739
Shareholdings measured at equity and other companies	9.4	71,148	398,990	429,275
Deferred tax assets	9.5	25,924	25,807	29,112
Other non-current assets	9.6	33,215	16,269	15,496
Total Other non-current assets		**1,577,946**	**1,089,456**	**1.1111.572**
Current assets				
Trade receivables	9.7	361,522	262,634	269,503
Inventories	9.8	16,003	12,428	14,526
Cash and cash equivalents	9.9	4,875	23,507	1,283
Receivables for current taxes	9.10	25,042	15,714	7,196
Other current assets	9.11	124,404	40,852	61,195
Total Current assets		**531,846**	**355,135**	**353,703**
Assets held for sale and discontinued operations	9.12	-	7,003	-
TOTAL ASSETS		**2,109,792**	**1,451,594**	**1,464,275**

(in thousands of Euro)	NOTE	As at 31 December 2016	As at 31 December 2015	As at 01 January 2015
SHAREHOLDERS' EQUITY				
Share capital	9.13	411,496	411,496	411,496
Reserves	9.13	174,417	155,230	195,805
Net profit for the year	9.13	65,629	48,965	-
Total Group Shareholders' Equity		**651,542**	**615,691**	**607,301**
Capital and reserves - minority interests		305,280	47,878	51,432
Profit/(Loss) - minority interests		21,564	7,890	-
Total Consolidated Shareholders' Equity		**978,386**	**671,459**	**658,733**
LIABILITIES				
Non-current liabilities				
Provisions for risks and non-current charges	9.14	21,622	4,183	4,700
Employee benefits	9.15	23,255	19,017	21,413
Deferred tax liabilities	9.5	171,351	10,400	11,323
Non-current financial liabilities	9.16	278,540	318,142	348,719
Other non-current liabilities	9.17	111,113	103,964	101,307
Total Non-current liabilities		**605,881**	**455,706**	**487,462**
Current liabilities				
Trade Payables	9.18	284,394	191,956	184,761
Provisions for risks and current charges	9.14	-	1,781	-
Current financial liabilities	9.16	193,058	66,943	75,363
Liabilities for current taxes	9.19	635	919	157
Other current liabilities	9.17	47,438	62,830	58,799
Total Current liabilities		**525,525**	**324,429**	**319,080**
Liabilities held for sale and discontinued operations		-	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,109,792**	**1,451,594**	**1,465,275**

Consolidated **Income Statement**

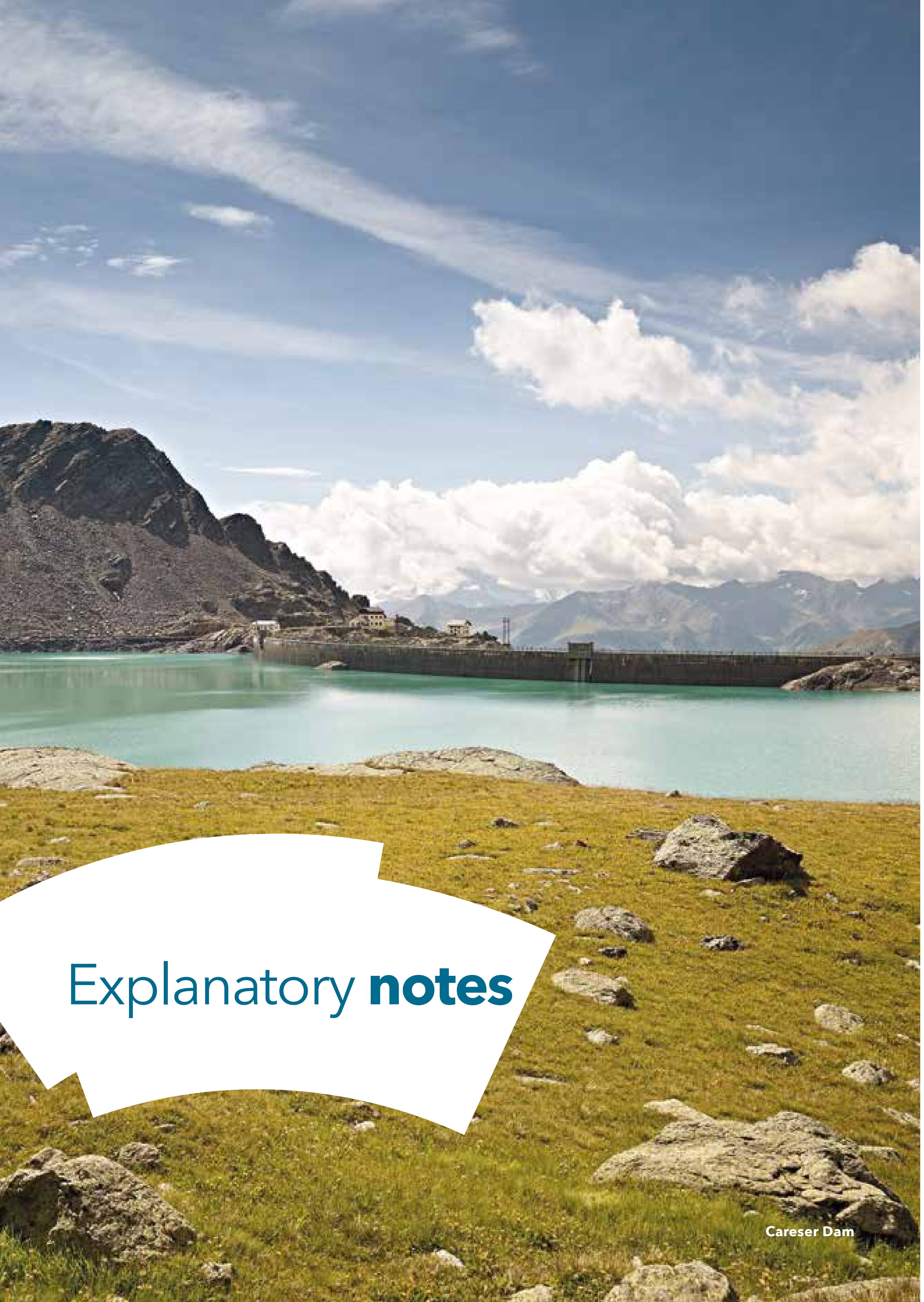
(in thousands of Euro)	NOTE	As at 31 December 2016	As at 31 December 2015
Revenue	10.1	1,297,761	1,176,210
Revenue from works on leased assets	10.2	26,015	29,157
Other revenue and income	10.3	53,870	39,058
Total Revenue and other income		**1,377,646**	**1,244,425**
Raw materials, consumables and merchandise	10.4	(538,095)	(581,123)
Service costs	10.5	(541,758)	(437,158)
Costs from works on leased assets	10.2	(25,464)	(28,529)
Personnel costs	10.6	(64,454)	(56,540)
Amortisation, depreciation and write-downs	10.7	(55,474)	(40,588)
Other operating costs	10.8	(31,507)	(20,835)
Total Costs		**(1,256,752)**	**(1,164,773)**
Result of shareholdings measured at equity and other companies	10.9	7,317	9,610
Result of operations		**128,211**	**89,262**
Financial income	10.10	4,030	4,891
Financial charges	10.10	(14,572)	(13,787)
Profit before tax		**117,669**	**80,366**
Taxes	10.11	(30,476)	(23,513)
Net profit/(loss) for the year (A) of continuing operations		**87,193**	**56,853**
Discontinuing operations		-	-
Net profit/(loss) for the year (B) of continuing operations		**-**	**-**
Profit/(loss) for the period		**87,193**	**56,853**
of which Group		65,629	48,965
of which Minority interests		21,564	7,890
Comprehensive income statement components that will not be subsequently reclassified in income statement			
Actuarial profit/(loss) for employee benefits		189	1,567
Tax effect on actuarial profit/(loss) for employee benefits		(11)	(449)
Other components		-	27
Total Comprehensive income statement components that will not be subsequently reclassified in income statement (C1)		**178**	**1,145**
Comprehensive income statement components that might be subsequently reclassified in income statement			
Profit/(loss) on cash flow hedge instruments		(946)	-
Tax effect on change in fair value changes in cash flow hedge derivatives		-	-
Other components		-	-
Total Comprehensive income statement components that might be subsequently reclassified in income statement (C2)		**(946)**	**-**
Total other comprehensive profit (loss), net of tax effect (C)= (C1)+(C2)		**(768)**	**1,145**
Total Aggregate result for the year (A)+(B)+(C)		**86,424**	**57,998**
of which Group		66,087	49,989
of which Minority interests		20,338	8,009

Consolidated Cash **Flow Statement**

(in thousands of Euro)	As at 31 December 2016	As at 31 December 2015
Profit before tax	**117,669**	**80,366**
Adjustments for:		
Amortisation/Depreciation of:		
- intangible assets	7,540	3,750
- property, plant and equipment	15,291	8,013
- leased assets	23,027	21,497
Write-downs of assets	7,831	7,235
Allocations and released of provisions	304	138
Fair value of derivatives on commodities	795	1,493
Result of shareholdings measured at equity and other companies	(6,491)	(9,610)
Financial (income)/ and charges	10,542	9,063
(Capital gains)/Capital losses and other non-monetary elements	(512)	430
Cash flow from operations before changes in net working capital	***175,996***	***122,375***
Increase/(Decrease) of provisions	-	(1,028)
Increase /(Decrease) of employee benefits	(788)	(2,396)
Increase /(Decrease) of inventories	(3,355)	2,098
Increase /(Decrease) of trade receivables	(88,907)	4,419
Increase /(Decrease) of other assets/liabilities, deferred tax assets and liabilities	(59,085)	26,326
Increase /(Decrease) of trade payables	72,345	7,195
Dividends collected	8,554	60,426
Interest and other financial income collected	635	1,014
Interest and other financial expenses paid	(14,572)	(13,787)
Utilisation of provisions for risks and charges	(14,782)	(655)
Taxes paid	(19,750)	(33,632)
Cash flows from operations (a)	**56,291**	**172,355**
Net investments in intangible assets	(3,168)	(5,059)
Net investments in property, plant and equipment	(13,826)	(8,629)
Net investments in leased assets	(26,015)	(30,542)
Acquisition of control in HDE (net of HDE's cash and cash equivalents)	(54,339)	
Sale of securities	7,003	
Net investments in equity investments	-	(27,515)
(Increase)/Decrease in other investment assets	-	-
Cash flows from investment/divestment assets (b)	**(90,345)**	**(71,745)**
Financial payables (new issues of long-term loans)	100,000	-
Financial payables (reimbursements and other net changes)	(49,331)	(35,287)
Dividends paid	(35,247)	(43,099)
Cash flows from investment activities (c)	**(18,632)**	**(78,386)**
Effect of changes on cash and cash equivalents (d)	-	-
Increase/(Decrease) of cash and cash equivalents (a+b+c+d)	(18,632)	22,224
Cash and cash equivalents at beginning of the year	**23,507**	**1,283**
Cash and cash equivalents at year end	**4,875**	**23,507**

Consolidated statement **of changes in Shareholders' Equity**

(in thousands of Euro)	Share capital	Share premium reserve	Treasury shares reserve	Other reserves and retained earnings	Total Other eserves	Net profit/(loss) pertaining to the Group	Total Group shareholders' equity	Shareholders' equity - minority interests	Total Shareholders' Equity
BALANCE AS AT 01 JANUARY 2015	**411,496**	**994**	**(67,552)**	**262,363**	**195,805**	**-**	**607,301**	**51,432**	**658,733**
Transactions with shareholders:					-		-		-
Dividend distribution				(41,603)	(41,603)		(41,603)	(3,670)	(45,273)
Total Transactions with shareholders	-			**(41,603)**	**(41,603)**	-	**(41,603)**	**(3,670)**	**(45,273)**
Aggregate profit for the year:									
Net profit (loss)					-	48,965	48,965	7,889	56,854
Actuarial profit/(loss) for employee benefits, net of tax effect				1,028	1,028	-	1,028	117	1,145
Total Aggregate result for the year	-			1,028	**1,028**	**48,965**	**49,993**	**8,006**	**57,999**
BALANCE AS AT 31 DECEMBER 2015	**411,496**	**994**	**(67,552)**	**221,788**	**155,230**	**48,965**	**615,691**	**55,768**	**671,459**
Transactions with shareholders:									
Dividend distribution	-			18,708	18,708	(48,965)	(30,257)	(5,000)	(35,257)
Total Transactions with shareholders				(444)	(444)		(444)	707	263
Total Transactions with shareholders	-	-	-	**18,264**	**18,264**	**(48,965)**	**(30,701)**	**(4,293)**	**(34,994)**
Risultato complessivo dell'esercizio:									
Net profit (loss)	-				-	65,629	65,629	21,563	87,192
Change in consolidation area								255,498	255,498
Actuarial profit/(loss) for employee benefits, net of tax effect	-			130	130		130	47	177
Profit/(loss) on cash flow hedge				793	793		793	1,739	(946)
Total Aggregate result for the year	-	-	-	923	**923**	**65,629**	**66,552**	**275,369**	**341,921**
BALANCE AS AT 31 DECEMBER 2016	**411,496**	**994**	**(67,552)**	**240,975**	**174,417**	**65,629**	**651,542**	**326,844**	**978,386**



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Explanatory **notes**

1. GENERAL INFORMATION

Dolomiti Energia Holding S.p.A. (the "**Company**" or "**DEH**") and the companies controlled by the same (the "**Dolomiti Energia Group**" of the "**Group**") operate in six different operating segments, as described hereunder:

1. Electricity production;
2. Heat, Steam and Cooling;
3. Commercial and trading;
4. Distribution and grids;
5. Water cycle and Environment;
6. Other minor services.

Dolomiti Energia Holding S.p.A. is a company established and domiciled in Italy and organised according to legislation of the Italian Republic, with registered office in Rovereto, via Alessandro Manzoni 24.

As at 31 December 2016, the Parent Company's share capital was held by:

SHAREHOLDER	NO. OF SHARES	%
PUBLIC ENTITIES		
FINDOLOMITI ENERGIA S.r.l.	196,551,963	47.77%
TRENTO MUNICIPAL AUTHORITY	24,008,946	5.83%
ROVERETO MUNICIPAL AUTHORITY	17,852,031	4.34%
BIM ADIGE	3,322,260	0.81%
BIM SARCA MINCIO GARDA	3,322,260	0.81%
BIM BRENTA	819,407	0.20%
BIM CHIESE	819,407	0.20%
OTHER PUBLIC AUTHORITIES	12,086,621	2.94%
UTILITY		
AGS RIVA DEL GARDA	4,861,800	1.18%
STET	7,378,514	1.79%
AIR	4,085,912	0.99%
ACSM PRIMIERO	823,006	0.20%
PRIMIERO ENERGIA	2,430,900	0.59%
CONS. ELETTRICO INDUSTRIALE DI STENICO	2,293,658	0.56%
CONSORSIO ELETTRICO DI STORO	2,291,118	0.56%
AZIENDA SERVIZI MUNIC. DI TIONE	14,622	0.00%
PRIVATE ENTITIES		
FT ENERGIA	48,861,683	11.87%
I.S.A. - IST. SVILUPPO ATESINO S.p.A.	17,175,532	4.17%
FONDAZIONE CARITRO	21,878,100	5.32%
ENERCOOP S.r.l.	7,303,825	1.77%
MONTAGNA Sig.ra ERMINIA	27,540	0.01%
ELETTROMETALLURGICA TRENTINA S.r.l.	203	0.00%
POMARA dott.ssa LUCIANA	203	0.00%
TREASURY SHARES	33,286,658	8.09%
TOTAL	**411,496,169**	**100.00%**

2. SUMMARY OF THE ACCOUNTING STANDARDS ADOPTED

The main accounting standards and criteria adopted in preparing and drawing up the Group consolidated financial statements (the "**Consolidated Financial Statements**") are reported hereunder. The main accounting standards were applied consistently for all financial years disclosed herein.

2.1 Preparation basis

The EU Regulation (EC) no. 1606/2002 of 19 July 2002, introduced the obligation to apply the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), as ndorsed by the European Union ("EU IFRS" or "International Accounting Standards"), as from accounting periods beginning in 2005, for the preparation of consolidated financial statements of companies with shares and/or bonds listed in one of the regulated markets of the European Community. Following the above-mentioned European Regulation, on 28 February 2005 the Legislative Decree no. 38 was issued, then amended by Decree Law no. 91 of 24 June 2014, which also governed the possible adoption of International Accounting Standards by unlisted companies for the drawing up of their consolidated financial statements.
The Group elected to adopt the above-mentioned option for the drafting of its consolidated financial statements as at 31 December 2016, by identifying the day 01 January 2015 as transition date to IFRSs ("Transition Date"). The Company had already prepared the consolidated financial statements for the year ended 31 December 2015 in compliance with the accounting standards issued by the Italian Accounting Profession, as amended by the OIC (Italian Accounting Body) ("Italian Accounting Standards"). In Note 15 "First adoption of IFRS" the information required is reported for the purposes of IFRS 1, as regards the first adoption of EU IFRSs.
The Consolidated Financial Statements was drawn up in compliance with EU IFRS standards in force at the approval date of the same. It should be noted that the wording EU IFRS means all "International Financial Reporting Standards", all "International Accounting Standards" (IAS), as well as all interpretations of "International Reporting Interpretations Committee" (IFRIC), previously called "Standing Interpretation Committee" (SIC) which, at the date of approval of the Consolidated Financial Statements had been endorsed by the European Union according to the procedure envisaged by (EC) Regulation no. 1606/2002, approved by the European Parliament and the European Council on 19 July 2002.
The Consolidated Financial Statements were drafted on an ongoing basis and based on the conventional criterion of the historical cost, except for some accounting items that were recognised at fair value, pursuant to provisions set out in the International Accounting Standards.
These Consolidated Financial Statements were drawn up based on the best knowledge of IFRSs and taking account of the best knowledge on the matters. Any future guidelines and interpretation updates will be reflected in the following years, according to the modalities envisaged from time to time by reference accounting standards.
This draft Consolidated Financial Statements were approved by the Company's Board of Directors on 29 March 2017.

2.2 Form and content of accounts

As regards the form and content of the consolidated statements, the Group elected the following:

i) the consolidated Statement of Financial Position (Balance Sheet) discloses current and non-current assets, separately and, similarly, current and non-current liabilities;
ii) the consolidated Comprehensive Income Statement includes the profit or loss for the year, as well as changes in Shareholders' Equity related to financial items that, as expressly envisaged by the International Accounting Standards, are recognised in the Shareholders' Equity components; and;
iii) the consolidated Cash Flow Statement is disclosed according to the indirect method.

The formats used, as described above, are those that better describe the equity and financial position, as well as the economic result of the Group.

These financial statements were drawn up in Euro, functional currency of the Group.
The figures reported in the statements, as well as in the tables included in the Explanatory Notes, are expressed in thousands of Euro, unless otherwise indicated.
The Consolidated Financial Statements are audited by the Independent Auditors PricewaterhouseCoopers S.p.A., auditing company of both the Company and the Group.

2.3 Consolidation area and changes therein

The Consolidated Financial Statements were prepared based on the accounts of both the Company and its subsidiaries, duly adjusted to conform them to the accounting principles of the Parent Company and the EU IFRS Standards.
The list of companies included in the consolidation area as at 31 December 2016, with indication of share capital and consolidation method used in the preparation of the Consolidated Financial Statements, is reported in Attachment A herein.

2.4 Consolidation principles

The criteria adopted by the Group to define the consolidation area and the related consolidation principles are described hereunder.

Subsidiaries
The subsidiaries are the companies controlled by the Group. The Group controls a company when it is exposed to the variable results of the same and has the power to influence such results by exercising its power on the company. In general, the existence of a control is inferred when the Company owns, either directly or indirectly, more than the half of the voting rights, also considering the possible voting rights that can be exercised or converted.
All subsidiaries are consolidated on a line-by-line basis, on the day in which the control has been transferred to the Group. Conversely, these companies are excluded from the consolidation area as from the day in which this control ceases.
Business combinations are recognised by the Group by using the acquisition method. 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 assets transferred and liabilities undertaken by the Group as at the acquisition date, as well as equity instruments issued in exchange of the control of the acquired company. Ancillary costs related to the transaction are recognised in the income statement, when incurred;
ii) as at the acquisition date, identifiable assets acquired and liabilities undertaken are recognised at fair value at the acquisition date. An exception to the above are deferred tax assets and liabilities, assets and liabilities related to employee benefits, liabilities or capital instruments related to share-based payments of the acquired company of share-based payments related to the Group and issued in replacement of previous contracts of the acquired company, as well as assets (or groups of assets and liabilities) held for sale, which are instead measured based on their reference standard;
iii) goodwill is represented by the surplus between the sum of the amount transferred in a business combination, the value of Shareholders' Equity pertaining to minority interests and the fair value of the possible equity investment previously owned in the acquired company, and the fair value of identifiable net assets acquired and liabilities undertaken upon acquisition. If the value of net assets acquired and liabilities undertaken at the acquisition date exceeds the sum of the amounts transferred, the value of Shareholders' Equity pertaining to

minority interests and the fair value of any equity investment previously owned by the company acquired, this surplus is immediately accounted for as income from the transaction and recognised in the income statement;

iv) any payments subject to condition precedent in the business combination agreement are measured at fair value at the acquisition date and are considered in the value of the amounts transferred in the business combination to calculate goodwill.

If business combinations are carried out by steps, the equity investment previously owned in the acquired company is revalued at fair value at the acquisition date of the control and any consequent gains or losses is recognised in the income statement.

If the opening amounts of a business combination are incomplete at the reporting date of the financial statements in which the business combination occurred, the Group will report the provisional amounts of the elements, for which recognition cannot be completed, in its consolidated financial statements. These provisional amounts are adjusted over the adjustment period to take account of new information obtained on events and circumstances existing at the acquisition date which, that if known, would have had an impact on the amount of assets and liabilities recognised at that date.

Joint arrangements

In measuring joint arrangements, the Group applies IFRS 11. Pursuant to provisions envisaged in IFRS 11, a joint arrangement can be classified both as joint operation and as joint venture, based on a substantial analysis of rights and obligations of the parties. A joint venture is a joint control agreement in which the parties holding the joint control (joint ventures) have rights, amongst other, on the net assets of the agreement. A joint operation is a joint control agreement that grant the parties rights on assets and obligations on liabilities related to the agreement itself. Joint ventures are recognised at equity, while equity investments in a joint operation involve the recognition of assets/liabilities and costs/revenues connected with the agreement based on rights/obligations, regardless of the equity investments owned.

2.5 Measurement criteria

Assets under concession (IFRIC 12)

Assets under concession represent the right of the Group to use assets under concession for the management of the electricity distribution service through the subsidiary SET S.p.A. and gas and water distribution services, through the subsidiary Novareti S.p.A., in the pertaining Municipalities in the Trentino Region. The method adopted is the so-called intangible asset method, taking account of the costs borne for the design and building of assets with mandatory return of the assets at expiration of the concession period. The amount corresponds to the fair value of design and building activities, added with financial charges that are capitalised during construction, in compliance with requirements set out by IAS 23. The fair value of building services is determined based on costs actually borne, added by a mark-up representing the best estimate on the remuneration of in-house costs for construction management and design activities carried out by the Group, equal to the mark up that a general third-party constructor would ask to perform the same activity, as envisaged by IFRIC 12. The logics, underlying the way fair value is calculated, result from the fact that the concession-holder must apply provisions set out by paragraph 12 of IAS 18 and therefore, if the fair value of services received (in this case the right to exploit the asset) cannot be reliably determined, the revenue is calculated based on the fair value of the construction services actually rendered.
Assets related to construction services underway at the reporting date are measured based on the actual progress of works, pursuant to IAS 11 and this measurement will be disclosed in the income statement, under item "Revenue from works on assets under service concession".
As it is assumed that the future economic benefits of the asset will be used by the concession-holder, the assets under service concessions will be amortised along the estimated concession or, in the event the concessions are expired, for the duration of the period estimated from the reporting date and the launch of a new tender for the granting of the concession.
The amount to be amortised is represented by the difference between the acquisition value of assets under concession and their residual value, which is expected will be realised at the end of the useful life of the asset, according to regulations currently in force.
If specified in the concession agreement and can be reliably estimated, the residual value is intended as Residual Industrial Value (RIV). Conversely, the residual value is estimated as the net book value of each single concession at the expiry date of the concession, as set out by the Provincial Law no. 6 of 17 June 2004.
When events occur that indicate impairment of these intangible assets, the difference between book value and recovery value is charged to the income statement. According to Group prior experience, the useful life of assets under concession is longer than the duration of the concession itself. Therefore, in estimating the provisions for the recovery charges of assets under concession, it is unnecessary to recognise charges related to recovery or replacement of assets under concession, as set out when the useful life of assets under concession is shorter than the duration of the concession itself.

Goodwill

Goodwill is represented by the surplus between the sum of the amount transferred in a business combination, the value of Shareholders' Equity pertaining to minority interests and the fair value of the possible equity investment previously owned in the acquired company, and the fair value of identifiable net assets acquired and liabilities undertaken upon acquisition. If the value of net assets acquired and liabilities undertaken at the acquisition date exceeds the sum of the amounts transferred, the value of Shareholders' Equity pertaining to minority interests and the fair value of any equity investment previously owned by the company acquired, this surplus is immediately recognised as income in the income statement.
Goodwill is not amortised, but is tested for impairment on a yearly basis. The possible reduction in value of goodwill is recognised in the event the recoverable value of goodwill be lower that its book value. The value of goodwill cannot be recovered in the event of a prior impairment loss.
The impairment test is performed at least every year, or in any case in the presence of impairment indicators.

Other intangible assets

Other intangible assets include non-monetary elements and are identifiable assets lacking physical substance, controlled by the company and able to produce future economic benefits. Other intangible assets are recognised at purchase and/or production cost, including directly attributable expenses incurred to prepare the asset for use, net of accumulated amortisation and possible impairment losses. Other intangible assets are amortised from the time at which the asset becomes available for use. Their amortisation is apportioned systematically in relation to the residual possible use, i.e. based on their estimated useful life. The useful life estimated by the Group for other intangible assets is as follows:

	% RATE
Concessions	Duration of concession
Patent and software rights	20%
Other intangible assets	Duration of reference contracts

Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, less accumulated depreciation and any impairment loss. The cost includes charges that are directly incurred to permit their use, as well as any possible costs of disassembly and removal that will be borne pursuant to contract obligations requiring to reinstate the original conditions of the asset. Financial charges, directly attributable to the acquisition, construction and production of an

asset, which justify a capitalisation pursuant to IAS 23, will be capitalised on the asset itself as part of its cost.
Charges borne for ordinary and/or cyclical maintenance and repairs are directly charged to income statement, when incurred. The capitalisation of costs related to the expansion, modernisation or improvement of the structural elements whether owned or leased is made within the limits established to be separately classified as assets or part of an asset.
Improvements on third-party assets include costs borne for the set up and modernization of real estates that are not owned.
Assets are depreciated on a straight-line basis, with rates that allow for depreciation of assets until the end of their useful life.
The useful life estimated by the Group for each single category of property, plant and equipment is as follows:

ELECTRICITY	% RATE
hydroelectric power plants	2.0%
thermal power plants	2.5%
hydroelectric fittings	8.3%
photovoltaic plants	5.0%
OTHER	
office buildings	3.3%
Motor vehicles	12.5%
electronic machines	16.7%

Leasing - Leased assets

Property, plant and equipment acquired under financial leasing contracts, according to which all rights and benefits related to the ownership of the asset are substantially transferred to the Group, are recognised as Group assets at the lower of their current value and the amount of the minimum payments outstanding under the lease, including any amount payable in the year for the purchase option. Assets are depreciated by applying the above-mentioned criterion and rates for property, plant and equipment, except when the duration of the lease contract is shorter than the useful life represented by said rates and there is not the reasonable certainty that the ownership of the leased asset will be transferred at the expiration of the contract. In this case, the depreciation period will be equal to the duration of the lease contract.
Lease contracts in which the lessor substantially preserves all the risks and rewards of ownership are classified as operating leases The minimum guaranteed fees, related to the operating leases, are charged to the income statement on a straight-line basis according to the contract's duration, taking also account of any renewal periods, when since the beginning of the contract it is reasonably certain that the lessor will exercise the option. The possible lease fees are instead recognised in the income statement, when paid.

Impairment of non-financial assets

At each reporting date of the financial statements, the non-financial assets are tested for impairment. When events occur that indicate impairment of non-financial assets, their recoverability is assessed by comparing the book value with the related recoverable value, represented by the fair value, less disposal charges, and the value in use, whichever higher. The value in use is determined by discounting the expected cash flows resulting from the use of the assets and, if significant and reasonably determined, from their disposal at the end of their useful life, net of disposal charges. Expected cash flows are determined based on reasonable assumptions that can be demonstrated and represent the best estimate of future economic conditions that will occur in the residual useful life of the asset, giving greater importance to external indications. Expected cash flows, used to determine the value in use, are based on the latest business plan, approved by the management and including forecasts on revenues, operating costs and investments.
As regards assets that do not generate widely independent cash flows, the recoverable value is determined in relation to the Cash Generating Unit (i.e. the smallest independent CGU resulting from the continuous use), to which they belong.
Discounting is carried out at a rate that reflects current market measurements of the time value of money and the specific risks of the asset, which are not already included in the 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, as this method produces values that are substantially equivalent to those that can be obtained by discounting the cash flows, including taxes at a discount rate before taxes resulting from the post-tax measurement. The measurement is performed by each single asset or by Cash Generating Unit. When the reasons for impairment no longer exist, the value of assets is recovered and the adjustment is recognised in the income statement as write-up (value write-back). The write-back is carried out at the lower between recoverable value and book value, inclusive of prior write-downs and less amortisation instalments that would have been allocated if the asset were not impaired.

Equity investments

Equity investments in companies other than subsidiaries, associates and joint ventures, recorded under non-current assets, represent financial assets available for sale and are measured at fair value. The effects are charged to the shareholders' equity reserve related to the other components of total profit. Changes in fair value, recognised in the Shareholders' Equity, are charged to income statement upon write-down or disposal. When equity investments are not listed on a regulated market and the fair value cannot be reliably determined, they are measured at cost and adjusted to reflect impairment losses.
Dividends from equity investments are recognised in the income statement, under Gains and expenses from equity investments, when shareholders are entitled to receive the payment following the approval by the Shareholders' Meeting and the Board of Directors of subsidiaries.

Trade receivables and other current and non-current assets

Trade receivables and other current and non-current assets include financial instruments, mainly related to accounts receivable from customers, not resulting and not listed on any active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified in the Shareholders' Equity, under current assets, except for those with a contract expiry term after twelve months from the reporting date of the financial statements, which are classified under non-current assets.
These financial assets are recognised under assets when the company becomes a party in the contracts related therewith, and are derecognised from Assets, when the right to receive cash flows is transferred together with all risks and benefits associated to the transferred asset.
Trade receivables and other current and non-current assets are originally recorded at their fair value and then at amortised cost, by using the effective interest rate, less impairment losses. Impairment losses in receivables are recognised in the income statement when there is objective evidence that the Group will not be able to recover the receivables based on contract terms. The amount of the write-down is measured as the difference between the book value of the asset and the current value of expected future cash flows.
Receivables are shown net of the relevant provisions for write-downs.

Financial assets held to maturity

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments that are not listed on an active market and that the company intends to keep until maturity. These financial assets are stated under current assets if their maturity term is within 12 months; otherwise, they are stated under non-current assets.
Financial assets are recognised initially at fair value, inclusive of ancillary costs related to the transaction. After the initial recognition,

financial assets held to maturity are measured at amortised cost, based on the effective interest rate method and tested for impairment.
At each reporting date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets are being impaired. A financial asset or a group of financial assets is impaired or should be written-down if and only if there is objective evidence of impairment, resulting from events following the first accounting of assets and that the impairment loss has an impact on future cash flows that can be reliably estimated. The objective evidence of impairment of assets can result from the following circumstances:

i) significant financial difficulties of the debtor;
ii) contract breaches, as non-payment of interest or principal;
iii) the creditor, for economic or legal reasons connected with the financial difficulties of the debtor, grants the debtor facilities that would not be considered in other cases;
iv) it is probable that the debtor be bankrupt or be subject to a composition procedure with creditors; or
v) the active market of financial assets no longer exists.

Inventories
Inventories of raw, ancillary and consumable materials and merchandise are measured at the lower between average weighted cost and market value at the financial statement date.¬ The average weighted cost is determined by reference period in relation to each inventory code.¬ The average weighted cost includes the direct costs of labour and materials as well as (variable and fixed) indirect costs. Inventories are constantly monitored and, when necessary, obsolete materials are written-down and charged to the Income Statement.

Financial derivatives
All derivative financial instruments (including embedded derivatives) are measured at *fair value*. Consistently with the approach established by IAS 39, derivative instruments can be accounted for using the hedge-accounting approach only when:

- at inception of the hedging, the hedging relationship is formally defined and documented;
- hedging is assumed to be highly effective;
- effectiveness can be reliably measured;
- the hedge itself can be highly effective during the various accounting periods for which it is designated.

When derivative instruments qualify for hedge accounting, the following accounting treatment is applied:
i) *Fair value hedge* – If a financial derivative is designated as a hedge for exposure to the changes in the current value of a recognised asset or liability, the change in fair value of the hedging derivative is recognised in the income statement, consistently with the fair value measurement of hedged assets and liabilities.
ii) *Cash flow hedge* – If a financial derivative is designated as a hedge for exposure to the variability of cash flows of an asset or liability, or of an expected, highly probable transaction that may affect profit and loss, the effective portion of profit or losses on the financial instrument is recognised in the Shareholders' Equity. The cumulated profit or loss is written-off from the Shareholders' Equity and recognised in the income statement in the same period when the hedged transaction is recognised. The profit or loss related to a hedge or to any ineffective portion is recognised in the income statement, when the ineffective portion is recognised.
When the conditions for hedge accounting are not present, changes in fair value of the derivative are charged to the income statement.

Determination of *fair value* of financial instruments
Fair value of financial instruments listed on an active market is based on market prices at the reporting date. Fair value of financial instruments unlisted on an active market is instead determined by using valuation techniques based on methods and assumptions linked to market conditions at the reporting date.

Segment disclosure
Information on business segments was provided according to provisions set out by IFRS 8 "Operating segments", which envisages disclosures that are consistent with the modalities the management had adopted to make operating decisions. Therefore, operating segments are identified and disclosures are made based on the internal reporting used by the management for the purpose of allocation resources to the various segments and the analysis of the related performance.
According to IFRS 8, an operating sector is a component of an entity that i) undertakes business operations that generate revenues and costs (including revenue and costs concerning operations with other components of the same entity); ii) the operating results of which are reviewed periodically at the entity's highest operational decision-making level for the adoption of decisions on the resources to be allocated to the sector and an assessment of results, and iii) for which separate financial statements information is available.
Operating segments identified by the management, in which all services and products supplied to customers are included, are identified as follows:

1. Electricity production;
2. Heat production, Steam and Cooling;
3. Distribution and grids;
4. Commercial and trading;
5. Water cycle and Environment;
6. Other minor services.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, bank current accounts and deposits repayable on demand and other short-term financial investments with high liquidity that are readily convertible into cash, or can be transformed in cash within 90 days from the original acquisition, and are subject to an insignificant risk regarding their change in value.

Treasury shares
The repurchase of treasury shares, as instruments representing the transferred capital, are deducted from equity. No profit or loss is recognised in the comprehensive income statement upon purchase, sale, issue or derecognition of equity instruments of an entity. The consideration paid or received is recognised directly to Shareholders' Equity.
The amount of treasury shares owned is disclosed separate in the explanatory notes, pursuant to provisions set out by IAS 1 - Presentation of Financial Statements. An entity discloses supplementary information, pursuant to IAS 24 - Related Party Disclosures, if the entity repurchases its equity instruments from related parties.

Financial liabilities, trade and other payables
Financial payables (excluding derivative instruments), trade payables and other payables are initially recorded at fair value, less directly attributable ancillary costs, and they are then measured at amortised cost, by applying the effective interest rate method. If a determined change in estimated cash flows occurs, the value of liabilities is recalculated to reflect this change, based on the actual value of the expected new cash flows and the internal yield rate that has been initially determined.
Financial liabilities are classified under current liabilities, except in the event the Group has an unconditional right to defer payment for at least twelve months from the reference date.
Financial liabilities are derecognised from the financial statements upon redemption and when the Group has transferred all related risks and charges to the instrument itself.

Provisions for risks and charges
Provisions for risks and charges include losses and liabilities of a specific nature whose existence is certain or probable, but whose timing and extent are unknown.
Provisions are recognised only when there is a current (statutory or implied) obligation for a future outgoing of resources, resulting from a past event, and it is likely to be necessary to use such resources to fulfil the obligation. This amount represents the best estimate of the charge required to settle the obligation. The

rate used to determine the current value of the liability reflects the current market values and considers the specific risk attributable to each single liability.
When the financial effect of the passing of time is significant and the payment dates of the obligations can be reliably estimated, the provisions are measured at the current value of the disbursement envisaged by using a rate that would reflect market conditions, the change in the cost of money over time and the specific risk connected with the obligation. The increase in the provision value, determined by changes in the cost of money over time, is accounted for as financial charge.
The risks for which the occurrence of a liability is merely possible are possibly indicated in the special section on possible liabilities and no allocation is provided.

Personnel-related provisions

Personnel-related provisions include: i) defined-contribution plans and ii) defined-benefit plans.
With reference to defined-contribution plans, costs related to these plans are recognised in the income statement, when incurred.
With reference to defined-benefit plans, Group net liabilities are determined separate for each plan, by estimating the current value of future benefits that employees have accrued over the year and prior years, and deducting fair value of any plan assets. The current value of obligations is based on the use of actuarial methods, which assign the benefit deriving from the plan to the periods in which the obligation arises (Projected Unit Credit Method) and is based on actuarial assumptions that are objective and comparable. Plan assets are measured and recognised at fair value.
If the above calculation reports a possible asset, the amount to be paid is limited to the actual value of each economic benefit available, under the form of reimbursements or reductions of future contributions to the plan (asset threshold).
The cost components of defined benefits are recognised as follows:

- costs related to service performance are recognised in the income statement, under item "personnel costs", while
- net financial charges on liabilities or defined-benefit assets are recognised in the income statement under item "Financial income/(charges)", and are calculated by multiplying the value of net liabilities/(assets) by the rate used to discounting obligations, taking account of payments of contributions made and benefits during the period;
- the remeasuring components of net liabilities, including actuarial gains and losses, the yield of assets (excluding interest income recognised in the income statement), as well as any change in the asset threshold, are immediately recognised in the statement of comprehensive income, under changes in Shareholders' Equity related to financial items. These components must not be reclassified under the financial components in a subsequent period.

Public grants

Public grants are recognised at their fair value when there is the reasonable certainty that all conditions required to their achievement be fulfilled and that they will be received. Grants received for specific expenses are recognised as liabilities and systematically charged to the income statement over the years, as a counter-balance of related expenses.
Investment grants, including non-monetary grants measured at fair value, are recorded as deferred income, systematically and rationally charged as income over the useful life of the asset.

Assets and liabilities held for sale and *discontinued operations*

Non-current and current assets of disposal groups are classified as held for sale if the related book value is recovered mainly through the sale. This condition is deemed as fulfilled when the sale is highly probable and the asset, or disposal group, is available for immediate sale in its current conditions. Non-current assets held for sale, current and non-current assets related to disposal groups and liabilities directly attributable are recognised in the statement of financial position, separate from other assets and liabilities.
Non-current assets held for sale are not amortised and are measured at the lower of their book value and the related fair value, less the costs of sale.
Any difference between book value and fair value, less the costs of sale, is charged to the income statement as write-down. Any recoveries in value are recognised until recovery of the previously recorded write-downs, including those that were recognised before the classification of the asset as held for sale.
Non-current assets, as well as current and non-current assets of disposal groups, classified as held for sale, represent a discontinued operation if, either of the following occurs:

- they represent a business unit of core business or a geographical area of core business; or
- they are part in a disposal program of an important business unit of core business or a geographical area of core business; or
- they are a subsidiary acquired exclusively to be sold.

The results of the *discontinued operations*, as well as any capital gain/loss from the sale, are disclosed separate in the income statement, under a special item, less all related tax effects. The financial values of discontinued operations are also disclosed for years considered for comparison purpose.
In the event of a sales program of a subsidiary, which involves the loss of control, all assets and liabilities of this investee are classified as held for sale.

Revenues recognition

Revenues from sales of goods are recognised in the statement of comprehensive income upon transfer of risks and benefits related to the product sold, which normally coincides with the delivery or the shipment of goods to the customer. Revenues from services are recognised in the accounting period in which these services are rendered.
Revenues are recognised at *fair value* of the payment received. The Group recognises revenues when their amount can be estimated in a reliable way and their future economic benefits are likely to be recognised.
According to the type of transaction, revenues are recognised based on the following specific criteria:

i. revenue from the sale and distribution of electricity, thermal energy, gas, heat and steam is recognised upon the transfer of ownership, which mainly occurs when the good is supplied or the service rendered, albeit still not invoiced, and is determined by supplementing the consumption read through meters with adequate estimates.
ii. revenue for the sale of certificates is recorded upon transfer thereof.
iii. revenue from services rendered is recorded upon supply, or according to contract clauses.

Recognition of costs

Costs are recognised upon acquisition of an asset or service.

Taxes

Current taxes are calculated based on the taxable income for the year, by applying tax rates in force at the reporting date.
Prepaid and deferred taxes are calculated based on all differences that arise between tax value of an asset or liability and the related book value.
Prepaid taxes, including those related to prior tax losses, are recognised to the extent that it is probable that there will be future taxable income to which that tax loss can be applied. Prepaid and deferred taxes are determined by using the tax rate that it is estimated will be applicable in the years in which the differences will be realised or extinguished, based on the enacted or substantially enacted tax tare at the reporting date.
Current, prepaid and deferred taxes are recognised in the income statement, except for those related to items directly debited or credited to Shareholders' Equity; in this case, also the related tax effect will be recognised directly to Shareholders' Equity.

3. ESTIMATES AND ASSUMPTIONS

Preparation of financial statements requires directors to apply accounting principles and methodologies that, in some cases, are based on valuations and estimates, which in turn are based on historic experience and assumptions considered reasonable and realistic according to circumstances at any given time. The application of such estimates and assumptions affects the amounts reported in financial statements, as well as the information disclosed. The ultimate actual amounts of accounting items, for which these estimates and assumptions have been used, might differ from those reported in the financial statements, showing the effects of the occurrence of the estimated item, due to the uncertainty characterising the assumptions and conditions on which estimates are based.
Below a short list is provided of the accounting items related to the Group that require greater subjectivity on the part of directors in developing estimates and for which any change in conditions underlying assumptions made could have a significant impact on the Group's financial results.

a) ***Impairment Test***: the book value of property, plant and equipment and intangible assets is periodically tested for impairment and whenever circumstances or events require a more frequent assessment.
Whenever it is deemed that a book value of a group of fixed assets has suffered an impairment loss, the same is written-down to the related recoverable value, estimated based on the use and future sale of the asset, in relation to provisions set out in the latest business plans. It is deemed that estimates of these recoverable values are reasonable¬. However, possible changes in the estimate factors, on which the calculation of the aforesaid recoverable values is based, might result in different valuations.

b) **Provision for write-downs:** the provision for write-downs reflects the best estimate made by directors on doubtful receivables from customers. This estimate is based on expected losses incurred by the Group, determined according to past experience made for similar receivables, current and historic overdue amounts, the careful monitoring of creditworthiness and projections on economic and market positions.

c) **Prepaid taxes:** accounting for prepaid taxes takes place on the basis of expectations of taxable income in future years to be used for their recovery. The valuation of the taxable revenue expected for the purposes of accounting for prepaid taxes depends on factors that can vary over time and significantly affect the recoverability of the receivables from prepaid taxes.

d) **Provisions for risks and charges:** with respect to legal risks, allocations are recognised representing the risk of an unfavourable outcome of disputes. The value of provisions in the financial statements related to these risks represents the best estimate to date made by directors. This estimate entails the adoption of assumptions depending on factors that might change over time and that might therefore have a significant impact on current estimates made by directors in the drafting of Group financial statements.

e) ***Fair value* of derivative instruments:** *fair value* of unlisted financial assets, such as derivatives, is determined through financial measurement methods generally used and that require basic assumptions and estimates. These assumptions might not occur in the expected times and modalities. Estimates made by the Group might therefore differ from closing figures.

f) **Intangible assets:** the fair value of construction services that are included in assets under concession and are accounted for according to IFRIC 12, is determined based on the costs actually incurred, added with a mark-up. The latter represents the best estimate on the consideration of in-house costs for work management and planning performed by the Group, equal to the mark-up that a general third-party constructor might ask to render the same service, as envisaged by IFRIC 12.

g) **Amortisation and depreciation of property, plant and equipment and intangible assets:** property, plant and equipment and intangible assets are depreciated/amortised on a straight-line basis along the useful life of each single asset. The useful life of property, plant and equipment and intangible assets is determined when they are purchased, based on the historic experience on similar assets, market conditions and advances concerning future events that might have an impact, such as changes in technology. The actual economic life might therefore differ from the estimated useful life. The Group assesses segment and technological changes on an annual basis, as well as any changes in contract provisions and in regulations in force related to the use of property, plant and equipment and intangible assets, and the recovery value used to update the residual useful life. The result of these analyses might modify the amortisation/depreciation period and therefore the amortisation/depreciation rate for both the current and future years.

4. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BY IASB AND ENDORSED BY THE EUROPEAN UNION, WITH COMPULSORY ADOPTION FOR ANNUAL PERIODS BEGINNING ON OR AFTER 01 JANUARY 2016.

The consolidation principles, the accounting standards, the measurement criteria and estimates adopted are consistent with those used to prepare the consolidated financial statements as at 31 December 2015, disclosed for comparison purpose, except for provisions described in the following standards and amendments, effective as from 01 January 2016, as they became compulsory following the completion of the related endorsement procedures by the competent Authorities. These standards and amendments entailed relevant impacts on the consolidated financial statements.

Title of document	Issue date	Effective date	Endorsement date	EU Regulation and publication date
Defined benefit plans - employee contributions (amendments to IAS 19)	November 2013	1 February 2015 (for IASB: 1 July 2014)	17 December 2014	(UE) 2015/29 9 January 2015
Improvements to International Financial Reporting Standards (2010-2012 cycle)	December 2013	1 February 2015 (for IASB: 1 July 2014)	17 December 2014	(UE) 2015/28 9 January 2015
Agriculture: Bearer Plants (amendments to IAS 16 and IAS 41)	June 2014	1 January 2016	23 November 2015	(UE) 2015/2113 24 November 2015
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	May 2014	1 January 2016	24 November 2015	(UE) 2015/2173 25 November 2015
Clarification of Acceptable Methods of Depreciation and Amortisation (amendments to IAS 16 and IAS 38)	May 2014	1 January 2016	02 December 2015	(UE) 2015/2231 03 December 2015
Improvements annual cycle to 2012-2014 IFRS	September 2014	1 January 2016	15 December 2015	(UE) 2015/2343 16 December 2015
Disclosure Initiative (amendments to IAS 1)	December 2014	1 January 2016	18 December 2015	(UE) 2015/2406 19 December 2015
Equity method in separate financial statements (amendments to IAS 27)	August 2014	1 January 2016	18 December 2015	(UE) 2015/2441 23 December 2015
Investment Entity: applying the exception to consolidation (amendments to IFRS 10, IFRS 12 and IAS 28)	December 2014	1 January 2016	22 September 2016	(UE) 2016/1703 23 September 2016

5. 5. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS WHICH ARE NOT YET APPLICABLE AND HAVE NOT BEEN ADOPTED IN ADVANCE BY THE GROUP

The main international accounting standards, interpretations and amendments to already existing accounting standards and interpretations, or specific provisions included in the standards and interpretations approved by IASB are shown hereunder, with indication on those endorsed or not endorsed for adoption in Europe at the date of approval of this document.
IAS/IFRS and related IFRIC interpretations applicable to financial statements for accounting periods beginning on or after 1 January 2016, Documents endorsed by EU as at 31 December 2016:

Title of document	Issue date	Effective date	Endorsement date	EU Regulation and publication date
IFRS 15 - Revenue from Contracts with Customers	May 2014	1 January 2018	22 September 2016	(UE) 2016/1905 29 October 2016
IFRS 9 - Financial Instruments	July 2014	1 January 2018	22 November 2016	(UE) 2016/2067 29 November 2016

It is noted that early application was not adopted of accounting standards and/or interpretations whose application would be mandatory for accounting periods beginning after 31 December 2016.

6. ACCOUNTING STANDARDS STILL NOT ENDORSED BY THE EUROPEAN UNION

IAS/IFRS and related IFRIC interpretations applicable to financial statements for accounting periods beginning after 01 January 2016:

Title of document	Issue date by IASB	Effective date of IASB document
Standards		
IFRS 14 Regulatory Deferral Accounts	January 2014	The IFRS 14 became effective on 01 January 2016. Nevertheless, the European Commission decided to suspend the endorsement process to await for the new accounting standard on "rate-regulated activities"
IFRS 16 Leases	January 2016	01 January 2019
Amendments		
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 2014	Postponed until completion of the IASB project on the Equity method.
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	January 2016	01 January 2017
Amendments to IAS 7: Disclosure Initiative	January 2016	01 January 2017
Clarifications to IFRS 15 Revenue from Contracts with Customers	April 2016	01 January 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	June 2016	01 January 2018
Amendments to IFRS 4: Regarding the implementation of IFRS 9 Financial Instruments	September 2016	01 January 2018
Amendments to IAS 40: relating to transfers of investment property	December 2016	01 January 2018
Annual Improvements 2014-2016	December 2016	01 January 2018
IFRIC 22 Foreign currency transactions and advance consideration	December 2016	01 January 2018

At the drafting date of this document, the Group was evaluating the impact resulting from the application of the aforesaid new accounting standards, while assessing whether their adoption will have a future material impact on its financial statements or the interim consolidated financial statements.

7. INFORMATION ON FINANCIAL RISKS

With regard to business risks, the main risks that have been identified and monitored and, for the extent described hereunder, managed by the Group, are as follows:

- market risk (defined as interest rate risk and commodity price risk);
- credit risk (both in relation with normal trade relations with customers and financing activities); and
- liquidity risk (with reference to the availability of cash resources and to the access to credit facilities and financial instruments in general).

The Group's objective is to maintain a balanced management over time of its financial exposure that would ensure a structure where liabilities are balanced with assets in the financial statements, as well as the necessary operating flexibility through the use of cash flows generated by current operating assets and bank credit facilities.
The management of the related financial risks is governed and monitored at centralised level. In particular, the dedicated department is in charge of assessing and approving the provisional financial requirements, while monitoring their performance and implementing adequate correction measures, if applicable.
The following section supplies quality and quantity reference information on the impact of these risks on the Group.

7.1 Market risk

7.1.1 Interest rate risk

The Group utilises external financial resources in the form of credit facilities, and uses cash on hand in bank deposits. Changes in market interest rates affect the cost and the yield of the various credit facilities and uses, therefore affecting the amount of Group financial income and charges. In view of reducing financial charges, the Group is continuously striving to negotiate less onerous credit facilities. It also regularly assesses its exposure to the interest rate risk.
As at 31 December 2016, the Group financial indebtedness included the following:

- bond loan, amounting to Euro 110,000,000, issued by the subsidiary SET S.p.A.
- bond loan, amounting to Euro 23,200,000, issued by the parent company Dolomiti Energia Holding S.p.A.
- floating rate loans, benchmarked mainly to Euribor rate +1 spread for the period, according to the type of credit line used. The applied margins are comparable with the best market standards. In order to limit the risk of interest rate fluctuations, on some loans the Group uses derivatives, mainly interest rate swaps, with the aim of mitigating, at economically feasible terms, the possible impact of interest rate fluctuations on the economic result.

The main characteristics of derivatives subscribed by the Group and in place as at 31 December 2016 and 31 December 2015 to hedge interest rate fluctuations are summarised as follows:

(in thousands of Euro)	As at 31 December 2016 IRS			
Date of transaction	02/01/2014	02/01/2014	02/01/2014	02/01/2014
Company	Dolomiti Energia Holding S.p.A.	Dolomiti Energia Holding S.p.A.	Dolomiti Energia Holding S.p.A.	Dolomiti Energia Holding S.p.A.
Counterparty	Mediobanca	Intesa San Paolo	Unicredit	Unicredit
Maturity	31/12/2020	31/12/2020	31/12/2020	31/12/2020
Notional in Euro	22,857,143	22,857,143	22,857,143	22,857,143
Floating interest rate	1M Euribor	1M Euribor	1M Euribor	1M Euribor
Fixed interest rate	3.4000%	3.4450%	3.5214%	3.7190%
Fair value	(1,764,294)	(1,788,598)	(1,823,844)	(1,917,684)

(in thousands of Euro)	As at 31 December 2015 IRS			
Date of transaction	02/01/2014	02/01/2014	02/01/2014	02/01/2014
Company	Dolomiti Energia S.p.A.	Dolomiti Energia S.p.A.	Dolomiti Energia S.p.A.	Dolomiti Energia S.p.A.
Counterparty	Mediobanca	Intesa San Paolo	Unicredit	Unicredit
Maturity	31/12/2020	31/12/2020	31/12/2020	31/12/2020
Notional in Euro	28,571,429	28,571,429	28,571,429	28,571,429
Floating interest rate	1M Euribor	1M Euribor	1M Euribor	1M Euribor
Fixed interest rate	3.4000%	3.4450%	3.5214%	3.7190%
Fair value	(2,580,875)	(2,614,199)	(2,674,542)	(2,820,207)

Sensitivity Analysis related to interest rate risk
The Group exposure to the interest rate risk was measured through a sensitivity analysis that considered current and non-current financial liabilities as well as bank deposits. Within the hypotheses made, the effects on the Group's Income Statement and Shareholders' Equity as at 31 December 2016 were evaluated with respect to a possible change in market rates, which discounted 50bps write-up and write-down, respectively.
The calculation method applied the hypothesis of changes in both balances of the gross bank indebtedness and interest rate paid during the year to remunerate these floating rate liabilities. This analysis is based on the assumption of a general and prompt change in the reference interest rate level.
The result of this hypothetical, immediate and unfavourable (favourable) change in interest rates in the short-term, applicable to the Group's floating

rate financial liabilities are shown in the following tables:

(in thousands of Euro)	Impact on profit net of tax effect		Impact on Shareholders' Equity, net of tax effect	
	- 50 bps	+ 50 bps	- 50 bps	+ 50 bps
Year ended 31 December 2016	194	-642	194	-642
Year ended 31 December 2015	348	-450	348	-450

7.1.2 Commodity risk

The price risk of commodities, related to price volatility of energy commodities (gas, electricity, fuel oil, etc.), as well as of environment certificates (incentive tariffs, white certificates, etc.), consists in possible negative effects that changes in market prices of one or more commodities might determine on cash flows and Group income prospects.
The "Finance and Risk Management" department is in charge of monitoring risks resulting from price fluctuations and, to this purpose, the Group uses derivative instruments, mainly peaks, with the aim of mitigating, at economically acceptable terms, the possible impact of price volatility on the economic result.
The main characteristics of derivatives subscribed by the Group and in place as at 31 December 2016 and 31 December 2015 to hedge commodity price risk are summarised as follows:

in thousands of Euro	As at 31 December 2016 - Commodity			
Date of transaction	Miscellaneous	Miscellaneous	Miscellaneous	Miscellaneous
Company	Dolomiti Energia Trading	Dolomiti Energia Trading	Dolomiti Energia Trading	Dolomiti Energia Trading
Counterparty	Unicredit	BNP	IMI	ECC_EEX
Underlying	Power/GN	Power/GN	Power/GN/emission	Power
Maturity	Miscellaneous	Miscellaneous	Miscellaneous	Miscellaneous
Notional in Euro	12,967	2,210	8,478	145,789
Fair value	100	503	(838)	(1,010)

(in thousands of Euro)	As at 31 December 2015 - Commodity					
Date of transaction	03/11/2015	03/11/2015	03/11/2015	02/12/2015	15/09/2015	19/02/2015
Company	Dolomiti Trading S.r.l.	Dolomiti Trading S.r.l.	Dolomiti Trading S.r.l.	Dolomiti Trading S.r.l.	Dolomiti Trading S.r.l.	Dolomiti Trading S.r.l.
Counterparty	Banca IMI	Banca IMI	Enel Trade	Unicredit	Banca IMI	Unicredit
Underlying	Power	Power	Power	Power	Power	Power
Maturity	31/12/2016	31/12/2016	31/12/2016	31/12/2016	31/12/2016	31/12/2016
Notional in Euro	1,627,857	1,627,857	1,628,640	4,106,520	2,090,153	6,337,656
Fair value	(20,163)	(20,163)	(9,591)	25,365	62,944	216,095

7.2 Credit risk

The credit risk represents the Group's exposure to possible losses resulting from the non-fulfilment of obligations undertaken by the counterparties.
This type of risk is managed by the Group through special procedures and mitigation measures, aimed at both assessing creditworthiness of the counterparty and constantly checking that the exposure thresholds be complied with, as well as through adequate guarantees.
Trade receivables are recognised in the financial statements net of any write-downs determined on the basis of the default risk of the counterparties, taking into account the information available on solvency of the customer and the historical data.
The overall exposure to credit risk as at 31 December 2016 and 31 December 2015 is represented by the sum of financial assets recorded in the financial statements, summarised as follows:

(in thousands of Euro)	As at 31 December		As at 01 January
	2016	2015	2015
Accounts receivable - customers	377,347	280,882	286,534
Accounts receivable - subsidiaries (not consolidated)	51		
Accounts receivable - associates		6,054	4,783
Accounts receivable - parent companies	101	97	1,351
Accounts receivable - sister companies	2,541		
Provision for write-downs	(18,518)	(24,399)	(23,165)
TOTAL	**361,522**	**262,634**	**269,503**

7.3 Fair value estimate

The liquidity risk can be represented by the inability to obtain the necessary financial resources, at acceptable economic terms, for the Group's operations. The two main factors that affect Group's liquidity are as follows:

- financial resources generated or absorbed by operating or investing activities;
- maturity or renewal terms of the financial debt.

A prudent management of the liquidity risk originated by normal operations involve the maintenance of an adequate level of cash and cash equivalents, short-term securities and the availability of provisions that could be obtained through an adequate amount of credit lines. The Group's liquidity requirements are monitored by a centralised department, in view of securing the finding of financial resources and adequate investment/yield of liquidity.
The following table analyses the financial liabilities (including trade and other payables) that are expected to be redeemed within the year, in a period between one and five years and after five years:

(in thousands of Euro)	As at 31 December 2016		
	Maturity		
	Within 1 years	Between 1 and 5 years	Beyond 5 years
Trade Payables	284,394	-	-
Trade pay. due to banks and other lenders	182,275	191,406	97,917
Liabilities for current taxes	635		
Other accounts payable	47,438	111,113	-
TOTAL	**514,742**	**302,519**	**97,917**
(in thousands of Euro)	As at 31 December 2015		
Trade Payables	191,956	-	-
Trade pay. due to banks and other lenders	66,943	144,669	173,473
Other liabilities	62,830	103,964	
Liabilities for current taxes	919		
TOTAL	**322,648**	**248,633**	**173,473**

7.4 *Fair value* estimate

As regards financial instruments measured at fair value, the following table shows information on the method adopted to determine the fair value. The possible methods are broken down in the following levels, based on the source of available information, as described hereunder:

- Level 1: fair value is measured with reference to prices quoted (unadjusted) in active markets for identical financial instruments:
- Level 2: fair value is measured based on measurement techniques taking benchmark parameters that are observable on the markets;
- Level 3: fair value is measured based on measurement techniques taking benchmark parameters that are not observable on the market.

Group financial instruments recognised at *fair value* are classified under level 2 and the general criterion used to calculate the same is the current value of future cash flows envisaged by the instrument being measured.
The following table shows assets and liabilities measured at *fair value* as at 31 December 2016 and 31 December 2015:

(in thousands of Euro)	As at 31 December 2016		
	Level 1	Level 2	Level 3
Assets Derivative instruments *(interest rate swap)*	-	(7,294)*	-
Liabilities Financial derivatives *(commodities)*	-	-*	-
	As at 31 December 2016		
Assets Financial derivatives *(commodities)*	-	254*	-
Liabilities Derivative instruments *(interest rate swap)*	-	(10,690)*	-

** This amount includes the fair value of all derivatives that, under an accounting viewpoint, are classified as both hedging and not hedging.*

It should be noted that trade receivables and payables were measured at book value, as the latter is deemed as similar to the current value. Financial assets and liabilities as at 31 December 2016 and 31 December 2015 are broken down by category:

	As at 31 December 2016					
(in thousands of Euro)	Financial assets/ liabilities measured at fair value with changes recognised in income statement	Financial assets/ liabilities measured at fair value with changes recognised in income statement	Loans and receivables	Assets/ liabilities available for sale	Liabilities measured at amortised cost	Total
CURRENT ASSETS						
Cash and cash equivalents			4,875	-	-	4,875
Trade receivables	-		361,522	-	-	361,522
Other current assets	-	9,538	-	-	114,866	124,404
NON-CURRENT ASSETS						
Other non-current assets	-		33,215	-	-	33,215
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	-		-	-	-	-
CURRENT LIABILITIES						
Trade Payables	-		-	-	284,394	284,394
Current financial liabilities	-	10,784	-	-	171,491	182,275
Other current payables	-		-	-	47,438	47,438
NON-CURRENT LIABILITIES						
Non-current payables due to banks and other lenders	7,294		-	-	282,029	289,323
Other non-current payables	-		-	-	111,113	111,113

	As at 31 December 2015				
(in thousands of Euro)	Financial assets/ liabilities measured at fair value with changes recognised in income statement	Loans and receivables	Assets/ liabilities available for sale	Liabilities measured at amortised cost	Total
CURRENT ASSETS					
Cash and cash equivalents	-	23,507	-	-	23,507
Trade receivables	-	262,634	-	-	262,634
Other current assets	254	40,597	-	-	40,851
NON-CURRENT ASSETS					
Other non-current assets	-	16,269	-	-	16,269
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	-	-	7,003	-	7,003
CURRENT LIABILITIES					
Trade Payables	-	-	-	191,956	191,956
Current financial liabilities	-	-	-	66,943	66,943
Other current payables	-	-	-	62,830	62,830
NON-CURRENT LIABILITIES					
Non-current financial liabilities	10,690	-	-	307,452	318,142
Other non-current liabilities	-	-	-	103,964	103,964

8. INFORMATION ON OPERATING SEGMENTS

The identification of the operating segments and the related information reported herein were based on the elements that the management used in operational decision-making. In particular, the internal reporting, periodically reviewed and used by the Group top management refers to the following operating segments:

1. Electricity production;
2. Heat production, Steam and Cooling;
3. Distribution and grids;
4. Commercial and trading;
5. Water cycle and Environment;
6. Other minor services.

The results of the operating segments are measured through the analysis of EBITDA (defined as profit for the period before amortisation/depreciation, allocations to provision for risks, write-downs of assets, financial income and charges and taxes) and EBIT performance. In particular, the management deems that EBITDA is a good performance indicator, as it is not affected by tax regulations and amortisation/depreciation policies:

(in thousands of Euro)	Electricity production	Heat production, Steam and Cooling	Distribution and grids	Commercial and trading	Water cycle and Environment	Corporate services and Other	Total
EBITDA	71,877	4,269	60,011	43,513	7,119	(3,103)	183,686
EBIT	59,136	565	40,555	36,639	1,383	(10,067)	128,211

9. NOTES TO THE STATEMENT OF FINANCIAL POSITION

9.1 Leased assets

Changes in item "Assets under concession" are shown hereunder for the years ended 31 December 2016 and 2015:

(in thousands of Euro)	Electric grid	Gas network	Water network	Total
Balance as at 01 January 2015	**264,904**	**156,635**	**62,890**	**484,429**
of which:				
Historical cost	610,022	253,636	116,300	979,958
Accumulated depreciation	(345,118)	(97,001)	(53,410)	(495,529)
Increases	18,722	8,723	3,839	31,284
Decreases	(326)	-	(416)	(742)
Depreciation	(13,595)	(4,674)	(3,228)	(21,497)
Balance as at 31 December 2015	**269,705**	**160,684**	**63,085**	**493,474**
of which:				
Historical cost	627,762	261,592	119,696	1,009,050
Accumulated depreciation	(358,057)	(100,908)	(56,611)	(515,576)
Increases	16,040	6,539	3,436	26,015
Depreciation	(14,509)	(4,878)	(3,640)	(23,027)
Balance as at 31 December 2016	**271,236**	**162,345**	**62,881**	**496,462**
of which:				
Historical cost	643,802	268,131	123,132	1,035,065
Accumulated depreciation	(372,566)	(105,786)	(60,251)	(538,603)

Impairment test
on rights on assets under concession

At the Transition Date, the Group performed impairment tests in order to assess the existence of any impairment loss with reference to the amounts accounted for under item Rights on assets under concession, for the distribution of electricity.

The test is performed by comparing the carrying value of the asset, or group of assets, included in the Cash Generating Unit, with the recoverable value of the same asset, resulting from the higher value between fair value (less any sales cost) and the value of net discounted cash flows that are estimated will be generated by the asset or the group of assets included in the CGU (value in use). For impairment testing, cash flows were used for the duration of the Concession, as inferred from the economic-financial plan developed by the Group, as well as the estimated residual value of works and assets built during the concession period that the Group expects to obtain at expiration of the Concession.

For impairment testing, the Group determined one single CGU coinciding with the subsidiary SET.

The cash flow discount rate used (WACC), which reflects market valuations of the cost of money and the specific risks of the business sector, net of taxes, is equal to 4.3%.

The impairment test performed highlighted no impairment losses with respect to amounts accounted for under rights on assets under concession at the transition date. Therefore, no write-downs were therefore made on these assets.

As regards assets under concession for gas distribution, the agreements with the Public Authority envisage that, upon expiry and consequent purchase of assets under concession, the consideration for the concession holder (Novareti) be equal to the Residual Industrial Value (RIV), which is higher than the Net Carrying Amount of assets.

As regards assets under concession for water distribution, regulations in force (Province Law no. 6 of 17 June 2004 "Provisions on organization of personnel and public services") envisage that (Art. 10, par. 5) "*upon expiry of concession, assets acquired or possibly realized by the contractor of the service, while implementing the investment plan, shall be made available to the new contractor who shall pay an indemnity, to be determined, to the prior contractor, except for special segment regulations, to the extent equal to the value of the non-amortised portion, net of any already paid considerations*".

In light of the above provisions, the impairment test was passed by reason of the fact that, upon discontinuation of a concession, the Residual Industrial Value, related to concessions concerning gas distribution, and the Net Carrying Amount of assets under concession concerning water distribution were entirely fulfilled.

9.2 Goodwill and other intangible assets

Changes in item “Goodwill and other intangible assets” are shown hereunder for the years ended 31 December 2016 and 2015:

(in thousands of Euro)	Goodwill	Concessions	Industrial patent and intellectual property rights	Other	Total
Balance as at 01 January 2015	**37,499**	**5,519**	**5,969**	**534**	**49,521**
of which:					
Historical cost	37,499	7,586	28,849	5,340	79,274
Accumulated amortisation	-	(2,067)	(22,880)	(4,806)	(29,753)
Increases	-	8	3,957	93	4,058
Net decreases	-	-	(242)	-	(242)
Amortisation	-	(383)	(3,039)	(328)	(3,750)
Balance as at 31 December 2015	**37,499**	**5,144**	**6,645**	**299**	**49,587**
of which:					
Historical cost	37,499	7,594	31,146	5,433	81,672
Accumulated amortisation	-	(2,450)	(24,501)	(5,134)	(32,085)
Increases	-	30	2,504	634	3,168
Net decreases	-	-	-	-	-
Reclassifications	-	-	-	-	-
Amortisation	-	(6,477)	(385)	(678)	(7,540)
Change in consolidation area	-	49,903	-	-	49,903
Balance as at 31 December 2016	**37,499**	**48,600**	**8,764**	**255**	**95,118**
of which:					
Historical cost	37,499	57,527	33,650	6,067	134,743
Accumulated amortisation	-	(8,927)	(24,886)	(5,812)	(39,625)

Impairment test
on goodwill as at 31 December 2016

As envisaged by IAS 36, the Group performed impairment tests to verify the possible recovery in value of goodwill in the financial statements, for the companies SET, Dolomiti Energia and Dolomiti Energia Trading.

For each year of impairment testing, one single CGU was identified, as each single Company operates in one single operating sector, i.e. electricity distribution for SET, commercial and trading of energy products for Dolomiti Energia and Dolomiti Energia Trading. The recoverable value was defined as value in use, determined by applying the discounted cash flow method and discounting the unlevered free cash flows related to the Group and resulting from the strategic plans related to the 2017-2021 period, respectively.

The growth rate results from the evolution estimated in the strategic plans. The discount rate of cash flows used (WACC), which reflects market conditions of the cost of money and the specific risks of both the business segment and the reference geographical area, net of taxes, is equal to 4.33% for SET (electricity distribution) and 8% for DE and DET (energy marketing and wholesale).

No necessity for write-downs was highlighted by the testing.

9.3 Property, plant and equipment

Changes in item "Property, plant and equipment" are shown hereunder for the years ended 31 December 2015 and 2016:

(in thousands of Euro)	Land and buildings	Plant and equipment	Industrial and commercial fittings	Other assets	Work in progress and advance payments	Total
Balance as at 01 January 2015	32,352	54,169	3,468	5,916	7,833	103,739
of which:						
Historical cost	42,104	110,288	10,938	21,948	7,833	193,111
Accumulated depreciation	(9,752)	(56,119)	(7,470)	(16,032)		(89,373)
Increases	7,005	1,453	356	1,423	252	10,489
Decreases (historical cost)	(4)	(395)	(659)	(1,016)		(2,074)
Decreases (accumulated depreciation)	-	32	659	911		1,602
Net decreases	(4)	(363)	-	-		(472)
Write-downs	-	-	-	-	(414)	(414)
Reclassifications	13	665	(45)	45	(678)	-
Depreciation	(984)	(5,001)	(559)	(1,469)	-	(8,013)
Balance as at 31 December 2015	38,382	50,923	3,220	5,915	6,993	105,329
of which:						
Historical cost	49,118	112,011	10,590	22,400	6,993	201,526
Accumulated depreciation	(10,736)	(61,088)	(7,370)	(16,485)		(95,784)
Incrementi	1.693	3.691	1.005	2.895	3.970	13.254
Increases	1,693	3,691	1,005	2,895	3,970	13,254
Decreases (historical cost)	(2)	-	(5)	(482)	0	(489)
Decreases (accumulated depreciation)			5	399		404
Reclassifications	110	2,162		246	(2,518)	-
Depreciation	(1,143)	(12,847)	(547)	(1,158)	-	(15,695)
Change in consolidation area	32,754	718,452	90	105	1,770	753,171
Historical cost	55,838	1,216,547	7,076	1,113	1,770	1,282,344
Balance as at 31 December 2016	71,794	762,381	3,768	7,920	10,215	856,079
of which:						
Historical cost	106,757	1,334,411	18,666	26,172	10,215	1,496,221
Accumulated depreciation	(34,963)	(572,030)	(14,898)	(18,252)	-	(640,142)

Changes for the year are attributable to the ordinary performance of investments and amortisation/depreciation, as well as to the increase in fixed assets due to the inclusion of the subsidiaries HIDE and HDE in the consolidation area.

9.4 Shareholdings measured at equity and other companies

The item "Shareholdings measured at equity and other companies" is broken down as follows:

in thousands of Euro	As at 31 December		As at 01 January 2015
	2016	2015	
Equity investments in ass. companies and joint ventures	65,311	393,148	420,210
Equity investments in other companies	5,837	5,842	9,065
TOTAL EQUITY INVESTMENTS	**71,148**	**398,990**	**429,275**

Subsidiaries and associates include companies measured at equity. It is noted that the subsidiary HDE (owned through the sub-holding HIDE) was measured at equity until acquisition of a further 9% interest (29 February 2016) which increased the portion pertaining to the Group to 60%. Therefore, from 01 March 2016 to 31 December 2016 the company was measured on a line-by-line basis.
For the description of investees, reference is made to the following pages.

Changes in equity investments in associated companies and other companies for the year ended 31 December 2016 and 2015 are shown hereunder:

(in thousands of Euro)	% of share capital as at 31 December 2016	As at 01 January 2015	Acquisitions/ Sales	Other changes	Revaluations	Write-downs	As at 31 December 2015	Acquisitions/ Sales	Other changes	Write-downs, Adjustments	As at 31 December 2016
Associates and Joint Ventures											
HYDRO DOLOMITI ENERGIA	51.00%	361,550	-	(43,114)	-	-	318,436	-	(318,436)	-	-
DOLOMITI EDISON ENERGY	51.00%	24,752	-	(3,103)	-	-	21,649	-	55	-	21,704
SF ENERGY	50.00%	12,600	27,500	(3,711)	-	-	36,389	-	-	(7,362)	29,027
DOLOMITI ENERGY SAVING	51.00%	51	-	4	-	-	55	-	-	-	55
IVI GNL	50.00%							33			33
DOLOMITI AMBIENTE	100.00%	10	-	(10)	-	-	-	-	-	-	-
GIUDICARIE GAS	43.35%	1,145		-	-	(1)	1,144	-	92	-	1,236
BONIFICHE TRENTINE	33.33%	6		-	-	-	6	-	-	(6)	-
AGS	20.00%	8,420		(125)	641	-	8,936	-	316	-	9,252
BIOENERGIA TRENTINO	24.90%	1,243		-	-	(30)	1,213	-	249	-	1,462
PVB POWER BULGARIA AD	23.13%	10,433		-	191	(5,304)	5,320	-	-	(2,778)	2,542
Total Associated companies and joint ventures		**420,210**	27,500	**(50,059)**	**832**	**(5,335)**	**393,148**	33	**(317,724)**	**(10,146)**	**65,311**
Other companies											
PRIMIERO ENERGIA	19.94%	4,615		-	-	-	4,615	-	1	-	4,616
MC-LINK	1.61%	201		-	-	-	201	-	-	-	201
BIO ENERGIA FIEMME	9.76%	475		150	-	-	625	-	-	-	625
C.LE TERMOEL. DEL MINCIO	5.00%	1		-	-	-	1	-	-	-	1
DISTR. TECNOL. TRENT. S. Cons.	1.77%	5		-	-	-	5	-	-	-	5
A2A	-	3,373		(7,003)	3,630	-	-	-	-	-	-
ISTITUTO ATESINO SVILUPPO	0.32%	387		-	-	-	387	-	-	-	387
CO.FA.SE S.r.l.	0.00%	6		-	-	-	6	-	-	(6)	-
COOPERATIVA ENERGYLAND	-	1		-	-	-	1	-	-	-	1
CONS.ASSINDUSTRIA ENERGIA	-	1		-	-	-	1	-	-	-	1
COOPERATIVA SOLE	-	-		-		-	-	-	-	-	-
RETENERGIE COOP.	-	-		-		-	-	-	-	-	-
CASSA RURALE ROVERETO	-	-		-		-	-	-	-	-	-
COOP.EN.VERDE WEFORGREEN	-	-		-		-	-	-	-	-	-
COOP.WEFORGREEN SHARING	-	-		-		-	-	-	-	-	-
Total Other companies		9,065	**-**	**(6,853)**	**3,630**	-	**5,842**	-	**1**	**(6)**	**5,837**

The summary of economic and financial figures for joint ventures and associated companies relevant for the entity, as at 31 December 2016 and 2015, is shown hereunder:

(Thousands of Euro)	Summary data as at 31.12.2016	
	SF Energy S.r.l. 50%	Dolomiti Edison Energy S.r.l. 51%
Dividends received	7,000	-
INCOME STATEMENT		
Revenue	14,494	23,005
Gross operating margin	**1,660**	**8,670**
Amortisation, depreciation and write-downs	(479)	(2,890)
Net operating result	**1,181**	**5,780**
Interest income	51	
Interest expense	(26)	(279)
Income taxes	(299)	(1,744)
Result for the year	**907**	**3,757**
STATEMENT OF FINANCIAL POSITION		
Total assets	47,402	49,974
Shareholders' Equity	(16,943)	(25,681)
Cash and cash equivalents	30,622	4,622
Current financial liabilities		(19,295)
Non-current financial liabilities		

(Thousands of Euro)	Summary data as at 31.12.2015		
	SF Energy S.r.l. 50%	Dolomiti Edison Energy S.r.l. 51%	Hydro Dolomiti Enel S.r.l. 51%
Summary data as at 31.12.2015	4.505	3.825	51.000
INCOME STATEMENT			
Revenue	15,255	22,104	155,838
Gross operating margin	**1,898**	**8,717**	**78,722**
Amortisation, depreciation and write-downs	(485)	(3,352)	(13,554)
Net operating result	**1,413**	**5,365**	**65,168**
Interest income	130	-	94
Interest expense	(1)	(172)	(142)
Income taxes	(300)	(1,114)	(19,870)
Result for the year	**1,242**	**4,079**	**45,250**
STATEMENT OF FINANCIAL POSITION			
Total assets	54,745	47,130	266,706
Shareholders' Equity	(30,036)	(21,956)	(201,270)
Cash and cash equivalents	39,376	483	1,425
Current financial liabilities	-	(3,835)	(7,000)
Non-current financial liabilities	-	(15,286)	-

SUBSIDIARIES

DOLOMITI EDISON ENERGY S.r.l. – Trento.
Fully paid-up Share Capital of 5,000,000 euro, represented by 5,000,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 51% of the Share Capital, equal to 2,550,000 shares with a nominal value of 2,550,000 euro. The financial year ending 31 December 2016 recorded a profit of 3,757,068 euro. The company produces electricity from renewable sources through the management of five hydroelectric plants.

SF ENERGY S.r.l. – Bolzano.
Fully paid-up Share Capital of 7,500,000 euro, represented by 7,500,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 50.00% of the Share Capital, equal to 3,750,000 shares with a nominal value of 3,750,000 euro. The company is the concession holder of the hydroelectric power plant of San Floriano (Egna).

DOLOMITI ENERGY SAVING S.r.l. – Rovereto.
Fully paid-up Share Capital of 100,000 euro, represented by 100,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 51% of the Share Capital, equal to 51,000 shares with a nominal value of 51,000 euro. The company was established on 3 November 2014 and in the second accounting period reported a loss of 343 euro. Stemmed from the partnership between Dolomiti Energia Holding and Bartucci S.p.A., the company is addressed to the energy efficiency market, being involved in the promotion, diagnosis and realization of projects related to energy efficiency for the industrial companies in the Trentino region.

GIUDICARIE GAS S.p.A. – Tione di Trento.
Fully paid-up Share Capital of 1,780,023 euro, represented by 36,327 shares with a value of 49 euro each; Dolomiti Energia Holding holds 43.35% of the Share Capital, equal to 15,746 shares with a nominal value of 771,554 euro. The Company provides the methane gas distribution service in the Valli Giudicarie District.

BONIFICHE TRENTINE S.c.a.r.l. – Trento in liquidazione.
Fully paid-up Share Capital of 20,000 euro, represented by 20,000 holdings of 1 euro each; Dolomiti Energia Holding held 30.00% of the Share Capital equal to 6,000 holdings with a nominal value of 6,000 euro. The company, in liquidation since February 2011, discontinued its operations in October 2016.

ALTO GARDA SERVIZI S.p.A. – Riva del Garda.
Fully paid-up Share Capital of 23,234,016 euro, represented by 446,808 shares with a value of 52 euro each; Dolomiti Energia Holding holds 20% of the Share Capital, equal to 89,362 shares with a nominal value of 4,646,824 euro. The company is a multi-service firm that manages the distribution of electricity, gas methane, drinking water and district heating in the Alto Garda and Ledro areas.

BIOENERGIA TRENTINO S.r.l. – Trento.
Fully paid-up Share Capital of 190,000 euro, represented by 190,000 holdings with a value of 1 euro each; Dolomiti Energia Holding holds 24.90% of the Share Capital, equal to 47,310 holdings with a nominal value of 47,310 euro. The company was established with the aim of producing renewable energy by using biomass derived from waste.

PVB POWER BULGARIA - Sofia (Bulgaria).
Fully paid-up Share Capital of 38,346,891 euro, represented by 750,000 shares with a value of 51.13 euro each; Dolomiti Energia Holding holds 23.13% of the Share Capital, equal to 173,467 shares with a nominal value of 8,869,227 euro. During the year, this equity investment was written down by 2,778,000 euro, following losses and expected losses resulting from the impairment of equity investments of the associated company. The company operates in Bulgaria and is planning to build some energy production plants from renewable sources.

OTHER COMPANIES

PRIMIERO ENERGIA S.p.A. - Fiera di Primiero.
Fully paid-up Share Capital of 9,938,990 euro, represented by 993,899 shares with a value of 10 euro each; Dolomiti Energia Holding holds 19.94% of the Share Capital, equal to 198,177 shares with a nominal value of 1,981,770 euro. The company is engaged in the production of hydroelectric energy and manages 4 hydroelectric plants in the Primiero valley.

MC-LINK S.p.A. - Trento.
Fully paid-up Share Capital of 3,236,225 euro, represented by 3,236,225 shares with a value of 0.87 euro each; Dolomiti Energia Holding holds 1.61% of the Share Capital, equal to 51,954 shares with a nominal value of 45,200 euro. This investment was written down by 269,991 euro. The company provides telecommunication services.

BIO ENERGIA FIEMME S.p.A. - Cavalese.
Fully paid-up Share Capital of 7,058,964 euro, represented by 1,176,494 shares with a value of 6 euro each; Dolomiti Energia Holding holds 9.76% of the Share Capital, equal to 114,800 shares with a nominal value of 688,800 euro. The company is engaged in the cogeneration and district heating sector.

CENTRALE TERMOELETTRICA DEL MINCIO S.r.l. - Ponti sul Mincio.
Fully paid-up Share Capital of 11,000 euro, represented by 11,000 holdings with a value of 1 euro each; Dolomiti Energia Holding holds 5% of the Share Capital, equal to 550 holdings with a nominal value of 550 euro. The company produces thermoelectric energy.

DISTRETTO TECNOLOGICO TRENTINO S. Cons. a r.l. - Rovereto.
Fully paid-up Share Capital of 282,000 euro, represented by 282,000 holdings with a value of 1 each; Dolomiti Energia Holding holds 1.77% of the Share Capital, equal to 5,000 holdings with a nominal value of 5,000 euro. The company is committed to environmental sustainability.

ISA - ISTITUTO ATESINO DI SVILUPPO S.p.A. - Trento.
Fully paid-up Share Capital of 79,450,676 euro, represented by 79,450,676 shares with a unit value of 1 euro each; Dolomiti Energia Holding holds 0.32% of the Share capital equal to 252,653 shares with a nominal value of 252,653 euro. ISA is a holding company that participates in various companies in the environmental, insurance, banking, real estate and industrial energy segment.

CONSORZIO ASSINDUSTRIA ENERGIA TRENTO - Trento.
Dolomiti Energia Holding holds an interest of 516 euro.

CASSA RURALE DI ROVERETO S.c.a.r.l. - Rovereto.
Dolomiti Energia Holding holds an interest of 160 euro.

9.5 Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities as at 31 December 2016, 31 December 2015 and 01 January 2015 are broken down as follows:

(in thousands of Euro)	As at 31 December 2016		As at 01 January 2015
	2016	2015	
Fixed assets	9,798	9,701	10,538
Provision for write-downs	3,263	4,519	5,614
Production bonuses	999	822	639
Provisions for risks and charges	3,219	2,950	3,420
Fair value of derivatives	3,996	2,940	4,006
Non-deductible interest expense	1,336	1,336	1,531
Real estate fund write-down	1,676	1,321	644
Employee benefits	698	1,789	2,202
Other differences, Ita Gaap - IFRS		153	105
Other	939	276	413
Total prepaid taxes	**25,924**	**25,807**	**29,112**

(in thousands of Euro)	As at 31 December 2016		As at 01 January 2015
	2016	2015	
Property, plant and equipment	153,141	9,116	10,611
Intangible assets	2,193		
Goodwill	13,274		
Provision for write-downs		63	145
Differences, Ita Gaap - IFRS		1,221	563
Derivatives	2,289		
Other	454	-	4
Total deferred tax liabilities	**171,351**	**10,400**	**11,323**

9.6 Other non-current assets

The item "Other receivables and other non-current financial assets" as at 31 December 2016 and 2015 and 01 January 2015 is broken down as follows:

(in thousands of Euro)	As at 31 December 2016		As at 01 January 2015
	2016	2015	
Securities at the Clesio real estate fund	8,694	10,175	13,338
Prepayments and accrued income	3,249	1,429	1,450
Other	21,272	4,665	708
TOTAL OTHER NON-CURRENT ASSETS	**33,215**	**16,269**	**15,496**

The total amount of the units of the property fund came to 15,678 thousand euro and derives from the subscription of 322 holdings of the Clesio real estate fund, of which 101 units received by way of dividend in kind from Urbin S.p.A. for 5,512 thousand euro in 2008 and 221 units purchased during 2011 for 10,166 thousand euro after the liquidation of the same company. As at 31 December 2016, the value of the provision was written-down by a total amount of 6,984 thousand euro, to align the value of each single quotas to the Net Asset Value. The write-down for the year amounted to 1,481 thousand euro.
The item Other non-current receivables mainly includes guarantee deposits.

9.7 Trade receivables

The item "Trade receivables" as at 31 December 2016 and 2015 and 01 January 2015 is broken down as follows:

(in thousands of Euro)	As at 31 December 2016		As at 01 January 2015
	2016	2015	
Accounts receivable - customers	377,347	280,882	286,534
Accounts receivable - subsidiaries (not consolidated)	51		
Accounts receivable - associates		6,054	4,783
Accounts receivable - parent companies	101	97	1,351
Accounts receivable - sister companies	2,541		
Provision for write-downs	(18,518)	(24,399)	(23,165)
TOTAL	**361,522**	**262,634**	**269,503**

The item Trade receivables, disclosed net of the related provision for write-downs, mainly includes accounts receivable from customers and allocations for invoices and credit notes to be issued.
The adjustment criteria of receivables at the estimated realisable value take account of different valuations based on the status of the dispute.

The provision for write-downs reported the following changes during the years 2016 and 2015:

(in thousands of Euro)	Provision for write-downs
As at 01 January 2015	23,165
Allocations	3,801
Utilisation	(2,567)
As at 31 December 2015	24,399
Allocations	7,831
Utilisation	(13,712)
As at 31 December 2016	18,518

9.8 Inventories

The item "Inventories" as at 31 December 2016 and 2015 and 01 January 2015 is broken down as follows:

(in thousands of Euro)	As at 31 December 2016		As at 01 January 2015
	2016	2015	
Raw materials and consumables	16,003	12,428	14,200
Commissioned work in progress	-	-	326
TOTAL	**16,003**	**12,428**	**14,526**

Inventories of raw materials increased by 3,575 thousand euro due to the ordinary management of stocks.

9.9 Cash and cash equivalents

The item "Cash and cash equivalents" as at 31 December 2016 and 2015 and 01 January 2015 is broken down as follows:

(in thousands of Euro)	As at 31 December 2016		As at 01 January 2015
	2016	2015	
Banks and postal current accounts	4,863	23,496	1,275
Cash on hand	12	11	8
TOTAL	**4,875**	**23,507**	**1,283**

9.10 Receivables for current taxes

The item "Receivables for current taxes" as at 31 December 2016 and 2015 and 01 January 2015 is broken down as follows:

(in thousands of Euro)	As at 31 December 2016		As at 01 January 2015
	2016	2015	
IRES	23,515	12,753	6,661
IRAP	1,527	2,961	535
TOTALE	**25,042**	**15,714**	**7,196**

9.11 Other current assets

The item "Other current assets" as at 31 December 2016 and 2015 and 01 January 2015 is broken down as follows:

(in thousands of Euro)	As at 31 December 2016		As at 01 January 2015
	2016	2015	
Accounts receivable from Bio Energia Trentino	1,500	2,410	2,560
Financial deposit - Fedaia Holdings	18,000	-	
Elect./gas tax credits	15,738	1,300	8,547
Group VAT credit	10,285	46	2,939
Other tax credits	27	125	54
Current securities	803	938	918
Prepayments and accrued income	13,381	1,465	1,290
Other accounts receivable	2,991	4,408	12,663
Accounts receivable - CSEA	16,708	25,003	22,313
Renewable source certificates	21,901	1,822	6,119
Advances/Deposits	4,459	2,332	1,033
Accounts receivable - Social security institutions	90	67	93
Accounts receivable - Public authorities for contributions	1,129	616	918
Accounts receivable - Other public authorities	204	65	-
Derivatives	9,538	254	1,748
DEE financing	7,650	-	
TOTAL OTHER CURRENT ASSETS	**124,404**	**40,852**	**61,195**

It is worth noting, in particular, that the accounts receivable from the Custom Agency is almost entirely connected to gas excise duties and due to the loss of CONSIP customers, whose tender was connected above all to the Regions of Lombardy, Emilia Romagna, Veneto, Trentino Alto Adige and Friuli VG.

9.12 Assets and liabilities held for sale and *discontinued operations*

The value as at 31 December 2015 is referred to 6,739,824 shares of A2A S.p.A., with a unit nominal value of 0.52 euro.
During 2015, the Parent Company reclassified the value of these shares as Assets held for sale, which were sold during the first months of 2016
.

9.13 Shareholders' Equity

Changes in equity reserves were shown in the tables of these consolidated financial statements. As at 31 December 2016, the Company's share capital amounted to 411,496,169 euro, and comprised 411,496,169 ordinary shares with a nominal value of 1.00 euro each.

9.14 Provisions for risks and charges

The item "Provisions for risks and charges" amounted to 21,622 thousand euro as at 31 December 2016 and is broken down as follows:

(in thousands of Euro)	As at 31 December 2016		As at 01 January 2015
	2016	2015	
Provision for risks and charges	19,715	2,478	2,491
Provision for separate waste collection	319	628	1,167
Provision for coverage of waste disposal charges	1,241	782	792
Pension fund	347	295	250
TOTAL	**21,622**	**4,183**	**4,700**

Provisions for risks and charges
The **provision for plant risks** amounted to 1,395 thousand euro and was provided over the years to cover the risk of charges deriving from the management of plants and associated areas. There were no changes during the year.
The **provision for charges - Guardia di Finanza inspection** amounted to 100 thousand euro and referred to the amount set aside for the 2004 Customs and Excise Police assessment, in relation to which steps had immediately been taken to make a prudent allocation estimated as 100 thousand euro. In 2007 and 2008, the Company had taken steps to pay the Italian Tax Authority claim for 62 thousand euro and 22 thousand euro respectively using part of the existing provision; subsequently, in 2010 the Trento Tax Authority accepted that the amounts paid were not in effect due and reimbursed the sum of 84 thousand euro. To-date, an appeal of the Guardia di Finanza (Customs and Excise Police) is still pending before the Supreme Court of Cassation.

Provision for lower contributions due, equal to 168 thousand euro, created to include lower contributions due compared to amounts disbursed by the Trento Autonomous Province (PAT).
Provision for replacement of gas meters, equal to 840 thousand euro.
The **provision for disputes and litigation** (109 thousand euro) is destined to mainly cover potential liabilities that could derive from pending legal disputes or other litigation.
Provision for IMU (property tax), equal to 15,479 thousand, following an Agreement signed with the cadastral office of the Trento Autonomous Province, was partly reclassified as short-term portion and partly reclassified as payable. In 2012, the provision was reviewed based on the Circular letter 6/2012, issued by the Land Agency and that redetermined the estimate criteria of cadastral income and in particular changes the calculation system to write-down real estate properties. The aforesaid Agreement, in fact, envisaged that, if new criteria for the calculation of the cadastral income were defined at national level, the same had to be reviewed. A new meeting was therefore held on 7 January 2013 with the Trento Cadastral Office, in which it was highlighted that, unlike what was set out in the Agreement, the minimum residual value of plants came from 40% to 50%. In 2013, criteria were reviewed again, based on information received by the management, and a different write-down coefficient was set out, from 60% to 50%, as well as a new residual value, equal to 30%, at the end of the useful life of assets. Given the persistence of the uncertain situation, the entire provision for IMU was classified as a long-term allocation.
In 2016, regardless of the estimate criteria already used in 2013, the Provision for IMU reported changes for utilisations (579 thousand euro).
The **Provision for facilitated energy - irrigation consortia**, equal to 1,581 thousand euro - on 27 March 2012 a formal claim for damage was formulated to HDE, AEEG and CCSSE, and with letter of 23 September 2015, the formal claim for payment was formulated in favour of Consorzio di Bonifica Veronese of the facilitated tariff with reference to an annual quantity of 3 million kWh, for the period in which this amount had no longer been reimbursed by Cassa Conguaglio (Electricity compensation fund), i.e. from 2010 onward, in addition to interests on arrears and ancillary costs until final settlement.
The aforesaid deviation from the original convention agreed upon the assignment of the concession itself, which is now held by HDE (already Sima), envisaged an obligation to supply electricity free of charge in exchange of the equivalent further concession granted to the Consorzio di Bonifica Veronese (CUMA). This obligation was fulfilled directly by Enel until 2004 and was then transferred to Cassa Conguaglio per il Sistema Elettrico as general system charge, pursuant to resolution 148/04 of the Italian Regulatory Authority for Electricity Gas and Water (AEEG).

With letter of 11 December 2015, HDE informed Consorzio di Bonifica Veronese that another legal case was in place (RG 258/2013) having as object matter the cancellation of the further renewal of the concession of the Consortium with Decree GC no. 205/2013 of Verona and, therefore, the facilitated electricity supply would have been effective again only upon settlement of the dispute.
The facilitated tariff for electricity supply was valued equal to the average value of annual electricity, published by AEEG that defined an estimated cost from 2010 to 2016 of 1,581 thousand euro.

Other provisions for 43 thousand euro.

Provision for separate waste collection
The **Provision for future charges on separate waste collection**, equal to 319 thousand euro, includes allocations made pursuant to Art. 71 bis of the Decree no. 1-41/Legisl. of the President of the Provincial Council, issued on 26 January 1987 (Consolidated provincial act on the safeguard of environment from pollution).

This provision, which was mandatory for managers in charge of collecting the fees for the municipal waste services until 2013, is intended to the implementation of initiatives directed to the reduction of waste production, separate waste collection and waste recovery, including the installation of composting platforms and collection centres.

Provision for coverage of waste disposal charges

The **Provision for coverage of waste disposal charges**, equal to 1,241 thousand euro, was allocated in previous years to cover future expenses to be borne for the post-closure management of the landfill in Ischia Podetti, Municipality of Trento, which was then managed by the provider. Pursuant to Art. 102 quinquies of the Decree of the President of the Province Council no. 1-41/Legisl, on 26 January 1987 (Consolidated provincial act on the safeguard of environment from pollution), as from 1 January 2014 the Autonomous Province of Trento is entrusted with the management of landfills for urban waste, as well as their post-closure management. The Province has replaced the municipalities and the Municipality Authorities of Trento in all asset and liability transactions underway. Allocations made until this date by operators were left at the disposal of the same, to cover future charges related to the waste disposal service. During the year, the Company, as per resolution of the Provincial Council, received from the manager of the landfill of Ischia Podetti, the amount of 464 thousand euro, until 31 December 2013, which was allocated to the Provision for coverage of waste disposal charges and that will be used in the future to cover waste disposal charges related to the pertinent areas.

Pension fund

The **Provision for agents' leaving indemnities**, equal to 347 thousand euro, created in relation to the agency relation in place with its agents.

The changes of provisions for the years ended 31 December 2016 and 2015 and 01 January 2015, are shown hereunder:

(in thousands of Euro)	Provision for risks and charges	Provision for separate waste collection	Provision for coverage of waste disposal charges	Pension fund
As at 01 January 2015	**2,491**	**1,167**	**792**	**250**
Allocations	93	-	-	45
Utilisation	(106)	(539)	(10)	-
Releases	-	-	-	-
As at 31 December 2015	**2,478**	**628**	**782**	**295**
Allocations	17,237	-	464	52
Utilisation	-	(309)	(5)	-
Releases	-	-	-	-
As at 31 December 2016	**19,715**	**319**	**1,241**	**347**

The current portion of the provision for risks and charges related to the provision for income taxes, for the year ended 31 December 2015 and amounting to 1,781 thousand euro, concerned the allocation for the tax assessment of the subsidiary Dolomiti Energia Trading. This allocation was fully used during 2016.

During the year 2015, in fact, Tax Authorities carried out tax assessments for the years 2011, 2012 and 2013 at the subsidiary Dolomiti Energia Trading, which were concluded with the issue of a tax assessment report including observations related to VAT, for a taxable amount of 12.5 million euro (and related tax of 1,372 thousand euro), and both IRES, in the amount of 35 thousand euro, and IRAP, in the amount of 75 thousand euro. Dolomiti Energia Trading filed an application to the Veneto Regional Department of the Tax Authority for tax assessment settlement proceedings. While awaiting the issue of a settlement deed, as at 31 December 2015 the company estimated a provision for income taxes of 1,781 thousand euro, related to the higher tax and related fines and interest to be paid.

It is noted that, regarding the dispute concerning the so-called "tax moratorium" the appeal filed by Dolomiti Energia Holding was rejected by the Supreme Court of Cassation.

9.15 Employee benefits

The item "Employee benefits", as at 31 December 2016, included 15,275 thousand euro related to the Provision for employee termination benefits and 7,981 thousand euro related to other employee benefits.
Other benefits include additional monthly wages for achieved age limits or for accrued right to pension, loyalty bonuses and golden medals for the achievement of determined age requirement in the company, discounts on the supply price of household electricity, limited to some former employees during pension.
Changes in the Provision for employee termination benefits and other employee benefits, for the years ended 31 December 2016 and 31 December 2015, are broken down as follows:

(in thousands of Euro)	As at 31 December 2015					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Electricity discounts	Medals	Total
Liabilities at beginning of the year	**14,882**	**950**	**1,607**	**3,636**	**338**	**21,413**
Current cost of service		52	63	61	19	195
Interest to be discounted	267	14	23	55	5	364
Benefits paid	(1,022)	(98)	(146)	(109)	(12)	(1,387)
Actuarial losses/(profits)	(1,027)	(15)	(129)	(378)	(18)	(1,567)
Liabilities at year end	**13,100**	**903**	**1,418**	**3,265**	**332**	**19,017**

(in thousands of Euro)	As at 31 December 2016					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Electricity discounts	Medals	Total
Liabilities at beginning of the year	**13,100**	**903**	**1,418**	**3,265**	**332**	**19,017**
Current cost of service		51	56	48	19	174
Interest to be discounted	259	18	28	66	6	377
Benefits paid	(666)	(124)	(95)	(108)	(26)	(1,019)
Actuarial losses/(profits)	(57)	56	(6)	(20)	(6)	(33)
Change in consolidation area	2,639	199	555	1,346		4,739
Liabilities at year end	**15,275**	**1,103**	**1,956**	**4,597**	**325**	**23,255**

The economic and demographic assumptions used for actuarial evaluations are shown hereunder:

(in thousands of Euro)	As at 31 December 2016		As at 01 January 2015
	2016	2015	
Discount rate	1.75%	2.03%	1.50%
Inflation rate	1.60%	1.75%	1.75%
Annual rate of total compensation increase	2.60%	2.75%	2.75%
Rate of increase in post-employment benefits (TFR)	2.70%	2.81%	2.81%

A sensitivity analysis, as at 31 December 2016, related to the main actuarial assumptions included in the calculation model is shown hereunder, considering the base line scenario described above and increasing and decreasing the annual average discount 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 2016					
	Discount rate +0.50%	Discount rate -0.50%	Inflation rate +0.25%	Inflation rate -0.25%	Turnover rate +2%	Turnover rate -0.50%
Employee termination benefits	12,000	13,256	12,793	12,421	12,521	12,629

9.16 Current and non-current financial liabilities

The table hereunder shows current and non-current financial liabilities as at 31 December 2016 and 2015 and 01 January 2015:

(in thousands of Euro)	As at 31 December				As at 01 January 2015	
	2016		2015			
	Current	Non-current	Current	Non-current	Current	Non-current
Due to banks	166,615	150,472	64,043	174,374	72,463	198,052
Bond loans	15,660	117,374	2,900	133,078	2,900	136,100
Shareholder loans		3,400				
Derivatives (IRS - Commodity)	10,783	7,294	-	10,690	-	14,567
TOTAL	**193,058**	**278,540**	**66,943**	**318,142**	**75,363**	**348,719**

Bond loan
On 01 February 2017, the Regulation on Bond Loans called "Dolomiti Energia – Subordinato

– tasso fisso 2010 – 2017" was modified with the consequent postponement of the maturity term of the same loan from February 2017 to 31 December 2018, for a residual amount of 7,540 thousand euro.
As at 31 December 2016 and 31 December 2015, the Company had the following bond loans in place:

(in thousands of Euro)	As at 31 December 2016							
	Company	Taking out	Maturity	Opening balance (original currency)	Accounting balance			
					Total	within 1 year	between 1 and 5 years	beyond 5 years
Fondazione CARITRO	Dolomiti En. H. S.p.A.	10/02/2010	10/02/2017	€ 30,000,000	23,020	23,020	-	-
Royal Bank of Scotland	Set Distr. S.p.A.	01/08/2006	01/08/2029	€110,000,000	110,000	-	-	110,000
					133,020	23,020	-	110,000

(in thousands of Euro)	As at 31 December 2016							
	Company	Taking out	Maturity	Opening balance (original currency)	Accounting balance			
					Total	within 1 year	between 1 and 5 years	beyond 5 years
Fondazione CARITRO	Dolomiti En. H. S.p.A.	10/02/2010	10/02/2017	€ 30,000,000	25,920	2,900	23,020	-
Royal Bank of Scotland	Set Distr. S.p.A.	01/08/2006	01/08/2029	€110,000,000	110,000	-	-	110,000
					135,920	2,900	23,020	110,000

9.17 Other liabilities (current and non-current)

The items "Other non-current liabilities" and "Other current liabilities" as at 31 December 2016, 2015 and 01 January 2015 are broken down as follows:

(in thousands of Euro)	As at 31 December 2016		As at 01 January 2015
	2016	2015	
Accrued liabilities and deferred income	111,113	103,964	101,307
TOTAL OTHER NON-CURRENT LIABILITIES	**111,113**	**103,964**	**101,307**

Accrued liabilities and deferred income are mainly due to contributions for connections related to natural gas and electricity supplies, as well as contributions for plants related to natural gas.

(in thousands of Euro)	As at 31 December 2016		As at 01 January 2015
	2016	2015	
Social security payables	2,620	3,497	2,894
Accrued liabilities and deferred income	2,611	8,401	8,886
Tax on electricity/gas	3,389	10,733	5,350
VAT	-	241	884
IRPEF	1,331	1,766	1,719
Other tax payables	5	101	129
Other accounts payable	6,377	1,650	1,842
RAI television fee	1,603	-	
Accounts payable - employees	7,977	5,441	4,527
Accounts payable - PAT	228	64	64
Sewerage charge	5,290	4,606	5,201
Guarantee deposits	7,831	10,472	10,275
Accounts payable - carrier services	7,699	11,794	9,900
Accounts payable - associates	476	4,064	7,128
TOTAL OTHER CURRENT LIABILITIES	**47,437**	**62,830**	**58,799**

The performance of items included in other current liabilities follows the ordinary management dynamics of the various businesses.

9.18 Trade Payables

The item "Trade payables" includes amounts due for the supply of goods and services, and amounts to 284,394 thousand euro as at 31 December 2016, 191,956 thousand euro as at 31 December 2015 and 184,761 thousand euro as at 01 January 2015.

9.19 Liabilities for current taxes

The item "Liabilities for current taxes", equal to 635 thousand euro as at 31 December 2016, refers to the debt position to Tax Authorities for IRES and IRAP current taxes, as broken down as follows:

(in thousands of Euro)	As at 31 December 2016		As at 01 January 2015
	2016	2015	
IRES	149	745	-
IRAP	486	174	157
TOTAL	**635**	**919**	**157**

10. NOTES TO THE INCOME STATEMENT

10.1 Revenue

The item "Revenue" for the years ended 31 December 2016 and 2015 is broken down as follows:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
ELECTRICITY REVENUE	1,028,525	854,040
WATER RESOURCE REVENUE	19,135	18,254
GAS REVENUE	198,429	257,168
HEATING REVENUE	8,240	9,212
REVENUE FROM MUNICIPAL WASTE SERVICES	25,591	26,401
OTHER REVENUES	10,338	9,142
REVENUE FROM WATER TREATMENT	2,082	1,993
REVENUE FROM CONTINGENT ASSETS	5,521	
TOTAL	**1,297,761**	**1,176,210**

The decrease in revenues related to the gas line is mainly due to the loss of "CONSIP" customers.

10.2 Revenue and costs from works on assets under concession

The item "Revenue and costs from works on assets under concession" for the years ended 31 December 2016 and 2015 is broken down as follows:

(in thousands of Euro)	For the year ended 31 December			
	2016		2015	
	Revenue	Costs	Revenue	Costs
Electric grid	16,041	(15,649)	18,722	(18,265)
Gas network	6,539	(6,380)	7,013	(6,842)
Water network	3,435	(3,435)	3,422	(3,422)
TOTAL	**26,015**	**(25,464)**	**29,157**	**(28,529)**

This is the fair value of building services is determined based on costs actually borne, added by a mark-up representing the best estimate on the remuneration of in-house costs for construction management and design activities carried out by the Group, equal to the mark-up that a general third-party constructor would ask to perform the same activity, as envisaged by IFRIC 12.

10.3 Other revenue and income

The item "Other revenue and income" for the years ended 31 December 2016 and 2015 is broken down as follows:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
Other revenues	2,719	1,834
Management of S. Colombano	426	538
Real estate income	718	565
Gains from standard operations	138	106
Other revenues and income	1,327	1,582
Software user license revenue	749	822
Revenue from extraordinary maintenance	102	118
Revenue from water plant management	933	956
Services to third parties	3,506	3,093
Purification management	2,907	2,949
Group revenue	2,495	553
Seconded personnel	35	222
Energy efficiency	16,680	7,252
Standard contingent assets	3,529	14,264
Cesspit treatment	433	461
Sundry reimbursements	279	196
Contributions for plant	1,521	1,825
Operating grants	15,373	1,722
TOTAL	**53,870**	**39,058**

The item "Other revenue and income" refers mainly to income from energy efficiency certificates and GRIN certificates.

10.4 Raw materials, consumables and merchandise

The item "Raw materials, consumables and merchandise" for the years ended 31 December 2016 and 2015 is broken down as follows:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
Purchases of elect. raw materials	410,083	398,455
Purchases of gas raw materials	117,613	170,028
Purchased of inventories	1,881	1,905
Purchase of fuels and vehicle spare parts	1,268	1,407
Purchases of laboratory and chemicals	186	659
Changes in inventories of raw mat., cons. and merchand.	(3,575)	1,773
Change in contracts in progress	0	326
Certificates	5,731	2124
Other purchases	3,534	4446
Continent assets	1,374	0
TOTAL	**538,095**	**581,123**

The remarkable decrease is mainly attributable to the decrease in natural gas procurement costs, due to the leave of "CONSIP" customers that in 2016 were no longer supplied by the Group.

10.5 Service costs

The item "Service costs" for the years ended 31 December 2016 and 2015 is broken down as follows:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
External maintenance services	20,573	15,975
Insurance, banking and financial services	5,643	4,120
Other services	8,943	5,484
Commercial services	454,526	400,028
General services	2,660	3,317
Financial statement certification	277	240
Board of Statutory Auditors	302	270
Directors	846	772
Miscellaneous costs	497	628
Rental expense	1,736	1,668
Rental fees	1,878	1,788
Easements	29	20
Service agreement charges	1,693	1,428
Business unit rental	179	179
Water diversion charges	47,472	1,241
Continent liabilities	(5,496)	0
TOTAL	**541,758**	**437,158**

10.6 Personnel costs

The item "Personnel costs" for the years ended 31 December 2016 and 2015 is broken down as follows:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
Wages and salaries	44,334	39,725
Social security costs	15,580	12,677
Employee termination benefits	3,271	2,753
Other costs	1,144	1,385
Continent liabilities	125	0
TOTAL	**64,454**	**56,540**

As at 31 December 2016, the Group had 1,338 employees.

10.7 Amortisation, depreciation and write-downs

The item "Amortisation, depreciation and write-downs" for the years ended 31 December 2016 and 2015 is broken down as follows:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
Amortisation of intangible assets	7,540	3,750
Depreciation of property, plant and equipment	15,291	8,013
Amort. of assets under concession	23,027	21,497
Other asset write-downs	-	270
Write-down of rec. rec. to current assets, cash and cash equiv.	7,831	3,801
Provisions for risks	304	93
Other provisions	-	0
Write-downs of financial fixed assets	1,481	3,164
TOTAL	**55,474**	**40,588**

10.8 Other operating costs

The item "Other operating costs" for the years ended 31 December 2016 and 2015 is broken down as follows:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
Miscellaneous costs	1604	894
ICI (local property tax)	3827	699
TOSAP/COSAP	652	701
Credit losses	372	391
Indemnities	-11	16
Cts/social security fee	703	650
CCSE	346	596
Energy efficiency charges	19,437	7,175
Standard contingent liabilities	2,084	6,892
Losses from standard operations	150	498
Postal charges	80	119
Municipal charges and agreements	1,696	1,683
Other taxes	567	521
TOTAL	**31,507**	**20,835**

The main item of other operating costs refers to energy efficiency costs. These costs include the charges of electricity and gas distributors and fulfils the obligation related to the purchase of Energy Efficiency Certificates, included in the tariff, as envisaged by the provision including the "Determination of national quantity targets of energy saving that shall be achieved by electricity and gas distribution companies for the years from 2017 to 2020, and the approval of the new Guidelines for the preparation, execution and evaluation of the energy efficiency projects".

10.9 Result of shareholdings measured at equity and other companies

The item "Result of shareholdings measured at equity and other companies" for the years ended 31 December 2016 and 2015 is broken down as follows:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
Dividends and other income from others	269	1,096
Revaluations of equity investments	15,620	4,462
Write-downs of equity investments and securities	(8,870)	(5,335)
Profits from equity investments in associates	298	9,387
TOTAL	**7,317**	**9,610**

Dividends from other companies include dividends of Primiero Energia (240 thousand euro), ISA (12 thousand euro) and Bio Energia Fiemme (17 thousand euro).
The write-up/write-down items related to equity investments and securities mainly include the measurement for the year of equity investments measured at equity and the write-up due to the application of the acquisition method for the accounting of business combinations (13,036 thousand euro) in relation to the increased equity investments in HDE owned by HIDE. According to this method, if business combinations are carried out by steps, the equity investment previously owned in the acquired company is revalued at fair value at the acquisition date of the control and any

consequent gains or losses is recognised in the income statement.
Gains from equity investments in associated companies result from dividends collected by Alto Garda Servizi S.p.A..

10.10 Financial income and charges

The item "Financial income and charges" for the years ended 31 December 2016 and 2015 is broken down as follows:

Financial income (in thousands of Euro)	For the year ended 31 December	
	2016	2015
Financial income from subsidiaries	67	-
Financial income from associates	-	322
Financial income from parent companies	110	-
Financial income from other companies	458	692
Fair value changes in IRS derivatives	3,395	3,877
TOTAL	**4,030**	**4,891**

Financial charges (in thousands of Euro)	For the year ended 31 December	
	2016	2015
Financial charges due to associates	-	(17)
Financial charges due to parent companies		
Financial charges due to other companies	(12,037)	(13,406)
Fair value changes in IRS derivatives	(2,051)	
Financial charges from discounting	(484)	(364)
TOTAL	**(14,572)**	**(13,787)**

10.11 Taxes

The item "Taxes" for the years ended 31 December 2016 and 2015 is broken down as follows:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
Current taxes	27,780	24,389
Deferred taxes	(1,788)	(918)
Prepaid taxes	5,841	2,767
Taxes from prior years	(1,355)	(2,725)
TOTAL	**30,476**	**23,513**

The reconciliation between tax charge as per financial statements and theoretical tax charge is shown hereunder for the years ended 31 December 2016 and 2015:

(in thousands of Euro)	For the year ended 31 December			
	2016	%	2015	%
Profit before tax	**117,669**		**80,366**	
Theoretical income taxes	32,359	27.5%	22,101	27.5%
IRAP	3,502	3.0%	3,775	4.7%
Tax effect of permanent and other differences	(5,385)	-4.6%	(2,363)	-2.9%
TOTAL	**30,476**	**26%**	**23,513**	**29%**

11. RELATED PARTY TRANSACTIONS

Related parties are defined as the parties that share with the Group the same controlling entity, the companies that directly or indirectly control it, are controlled or are subjected to joint control by the Parent Company, as well as companies in which the Parent Company holds an equity investment able to exercise a significant influence.
For the years ended 31 December 2016 and 2015, the main transactions with related parties concerned the following:

(in thousands of Euro)	As at 31 December 2016				
	Trade receivables	Financial receivables	Dividends receivable	Trade payables	Loans payable
Dolomiti Edison Energy	504	7,650		446	477
Dolomiti Energy Saving					
Hydro Dolomiti Energia					
SF Energy	1,015			3,185	
TOTALE	**1,519**	**7,650**	**-**	**3,631**	**477**

(in thousands of Euro)	As at 31 December 2015				
	Trade receivables	Financial receivables	Dividends receivable	Trade payables	Loans payable
Dolomiti Edison Energy	694	5,610		828	
Dolomiti Edison Energy	6			80	
Dolomiti Edison Energy	2,664		22,950	3,113	
SF Energy	10			1,518	
TOTALE	**3,374**	**5,610**	**22,950**	**5,539**	**-**

(in thousands of Euro)	As at 31 December 2016							
	Revenue			Purchases			Financial income	Financial charges
	Goods	Services	Other	Goods	Services	Other		
Dolomiti Edison Energy		2,031		4,528		14	102	
Dolomiti Energy Saving								
Hydro Dolomiti Energia								
SF Energy		1,402						
IVI GNL		8						
TOTALE		**3,441**		**4,528**		**14**	**102**	

(in thousands of Euro)	As at 31 December 2015							
	Revenue			Purchases			Financial income	Financial charges
	Goods	Services	Other	Goods	Services	Other		
Dolomiti Edison Energy		2,347		5,157		69		
Dolomiti Energy Saving		6			80			
Hydro Dolomiti Energia	11,669	515		41,111	420	3	321	
SF Energy	1,635	90		15,224				17
IVI GNL								
TOTALE	**13,304**	**2,958**		**61,492**	**500**	**72**	**321**	**17**

12. GUARANTEES AND COMMITMENTS

The Guarantees and commitments in favour and undertaken by the Group as at 31 December 2016 and 2015 and 01 January 2015 are broken down as follows:

(in thousands of Euro)	Guarantees and commitments in favour of third parties		
	As at 31 December		As at 01 January 2015
	2016	2015	
Third party guarantees	9,524	22,915	6,752
Financial commitments in favour of third parties	2,043	2,190	2,027
TOTAL	**11,567**	**25,105**	**8,779**
	Other third party guarantees		
Guarantees received by third parties in favour of banks for loans	173,000	165,500	165,500
Usage of signature facilities to issue bank/insurance guarantee	106,392	81,373	74,208
TOTAL	**279,392**	**246,873**	**239,708**

13. FEES TO DIRECTORS AND STATUTORY AUDITORS

The fees to directors and statutory auditors of the Group, for the years ended 31 December 2016 and 2015 are broken down as follows:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
Board of Statutory Auditors	302	270
Directors	846	772
TOTAL	**1,148**	**1,042**

14. INDEPENDENT AUDITORS' FEES

The following table shows the remuneration received by the auditing company PricewaterhouseCoopers S.p.A. for the auditing services of the consolidated financial statements for the years ended 31 December 2016 and 2015:

(in thousands of Euro)	For the year ended 31 December	
	2016	2015
Financial statement certification	277	240
TOTAL	**277**	**240**

15. FIRST TIME ADOPTION OF IFRS

Information required by IFRS 1 is included herein, in particular the description of the impact that transition to EU IFRSs had on the financial statements of Dolomiti Energia Group (hereinafter the "**Group**"). To this purpose, the following was prepared:

- the reconciliation statement between the Group consolidated statement of financial positions as at 01 January 2015 and 31 December 2015, prepared based on the Italian Accounting Standards ("**Italian Accounting Standards**") and the those prepared based on EU IFRS standards;
- the reconciliation statement between the consolidated comprehensive income statement for the year ended 31 December 2015, prepared based on the Italian Accounting Standards and the one prepared based on EU IFRS standards;
- the reconciliation statement of the consolidated Shareholders' Equity as at 01 January 2015 and 31 December 2015, determined according the Italian Accounting Standards, with the one determined based on EU IFRS standards;
- the reconciliation statement of the consolidated aggregate net result for the year ended 31 December 2015, determined according the Italian Accounting Standards, with the one determined based on EU IFRS standards;
- the Notes to the Financial Statements, related to adjustments and reclassifications included in the aforesaid reconciliation statements, which describe the significant effects of the transition to EU IFRS, both with regard to the classification of the various financial statements items and their different measurement and, therefore, the consequent effects on the equity and financial position and the economic result.

The statement of financial position as at the Transition Date to EU IRFSs was drawn up based on the following criteria:

- recognition was carried out for all assets and liabilities whose recognition was required by EU IFRS standards;
- no recognition was carried out for all assets and liabilities whose recognition was not permitted by EU IFRS standards;
- EU IFRS standards were adopted in measuring all recognised assets and liabilities.

The International Accounting Standards envisage the retrospective application of all standards in force at the reporting date of the first financial statements prepared based on the EU IFRS standards. For the companies that adopt the EU IFRS standards for the first time, the IFRS 1 standard envisages some mandatory and voluntary exemptions to this retrospective application. The Group applicable exemptions are described hereunder.

VOLUNTARY EXEMPTIONS TO THE FULL RETROSPECTIVE ADOPTION OF EU IFRS STANDARDS

The Group did not apply retrospectively provisions set out by IFRS 3 with reference to business combinations established before the Transition Date. Therefore, the accounting treatment for business combination transactions that occurred before 01 January 2015 had not been changed.
The other voluntary exemptions set out by IFRS 1 had not been applied as they related to cases that were not applicable to the Group.

MANDATORY EXEMPTIONS TO THE FULL RETROSPECTIVE ADOPTION OF EU IFRS

The first mandatory exemption that is applicable to the Group concerns the measurement criteria used to process, at the Transition Date, information that are consistent with those used to prepare the related financial statements, according to the previous accounting standards (after the necessary adjustments made to reflect any differences in the accounting standards).
The second mandatory exemption that is applicable to the Group concerns the recognition criteria of hedging transactions, which envisage that all derivatives that had been subscribed before the Transition Date be measured at fair value with changes in the income statement lacking of formal documentation.
The other mandatory exemptions set out by IFRS 1 had not been applied as they related to cases that were not applicable to the Group.

ACCOUNTING CRITERIA ADOPTED WITHIN THE OPTIONS SET OUT BY IFRS STANDARDS

The only accounting criterion adopted within the options set out by IFRS standards is as follows:

- measurement of property, plant and equipment and intangible assets: following the initial recognition at cost, IAS 16 and IAS 38 envisage that these assets can be measured either at cost, less amortisation/depreciation, or at fair value. The Group elected to adopt the recognition at cost.

CONSOLIDATED EQUITY AND FINANCIAL POSITION AS AT 01 JANUARY 2015

Schedule 1 shows the reconciliation between Group consolidated statement of financial position as at 01 January 2015, drawn up in compliance with Italian Accounting Standards and reclassified based on the classification criteria adopted by the Group for the EU IFRS financial statements, and the consolidated statement of financial position drawn up in compliance with EU IFRS standards.

CONSOLIDATED EQUITY AND FINANCIAL POSITION AS AT 31 DECEMBER 2015

Schedule 2 shows the reconciliation between Group consolidated statement of financial position as at 31 December 2015, drawn up in compliance with Italian Accounting Standards and reclassified based on the classification criteria adopted by the Group for the EU IFRS financial statements, and the consolidated statement of financial position drawn up in compliance with EU IFRS standards.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

Schedule 3 shows the reconciliation between Group consolidated comprehensive income statement for the year ended 31 December 2015, drawn up in compliance with Italian Accounting Standards and reclassified based on the classification criteria adopted by the Group for the EU IFRS financial statements, and the consolidated comprehensive income statement drawn up in compliance with EU IFRS standards.

SHAREHOLDERS' EQUITY AS AT 01 JANUARY 2015 AND AS AT 31 DECEMBER 2015 AND TOTAL NET RESULT FOR THE YEAR ENDED 31 DECEMBER 2015

Reconciliation between Group Shareholders' Equity as at 01 January 2015 and 31 December 2015, and the total net result for the year ended 31 December 2015, drawn up in compliance with Italian Accounting Standards, with the corresponding values presented in compliance with EU IFRS are shown as follows.

(in thousands of Euro)	Note	Shareholder's Equity 01 January 2015	Net profit for the year as at 31 December 2015	Other components of the Comprehensive income statement	Dividend distribution	Shareholder's Equity as at 31 December 2015
Consolidated financial statements Dolomiti Energia Group - Italian Accounting Standards		**753,947**	**50,639**	**-**	**(48,898)**	**755,688**
IFRS 10/11 - Change in consolidation area (effects on third-party shareholders' equity only)	A	(12,418)	(2,002)	-	3,625	(10,795)
IFRIC 12	B	-	3,146	-	-	3,146
IAS 39 - IRS derivatives	C	(10,561)	2,811	-	-	(7,750)
IAS 39 - Commodity derivatives		1,186	(1,013)	-	-	173
IAS 39 - Measurement of loans at amortised cost	D	(82)	(15)	-	-	(97)
IAS 38 - Start-up and expansion costs	E	(5)	(30)	-	-	(35)
IAS 38 - Research and Development costs (Hydrotour project)	F	(178)	(91)	-	-	(269)
IAS 38 - Derecognition of goodwill amortisation	G	-	3,540	-	-	3,540
IAS 39 - Treasury shares	H	(67,552)	-	-	-	(67,552)
IAS 18 - Tax effects on dividends	I	939	(58)	-	-	881
IAS 19 Employee Benefits	J	(6,543)	(74)	1,145	-	(5,472)
Consolidated financial statements Dolomiti Energia Group - EU IFRS		**658,733**	**56,853**	**1,145**	**(45,273)**	**671,459**

NOTES TO THE STATEMENT OF RECONCILIATION OF SHAREHOLDERS' EQUITY AS AT 01 JANUARY 2015 AND AS AT 31 DECEMBER 2015 AND TOTAL NET RESULT FOR THE YEAR ENDED 31 DECEMBER 2015

Adjustments to Shareholders' Equity as at 01 January 2015 and 31 December 2015, as well as to the aggregate net result for the year ended 31 December 2015, for the purpose of adopting EU IFRS, are described hereunder.
It is noted that for each of the adjustments described hereunder the related tax effect was recognised, if applicable.

A) CHANGE IN CONSOLIDATION AREA

Equity investments in Hydro Dolomiti Enel (HDE) and Dolomiti Edison Energy (DEE), consolidated on a line-by-line basis, according to the Italian Accounting Standards, were measured at equity, in application to the accounting rules envisaged by IFRS 11. Moreover, equity investments in SF Energy (SFE) and Dolomiti Energy Saving (DES) can be defined as joint ventures. The consolidation method adopted at the Transition Date is therefore the equity method. For this reason, changes are attributable to the adoption of this method compared to the line-by-line consolidation (DEE and DES) and proportional consolidation (HDE and SFE), as adopted pursuant to the Italian Accounting Standards.

B) IFRIC 12

At the Transition Date, the Group applied the IFRIC 12 International Accounting Standard prospectively, with reference to assets under service concession of the water and gas services (related to the subsidiary Novareti) and the electricity service (related to the subsidiary SET). The main items that were affected by the application of IFRIC 12 are highlighted hereunder:

- recognition of concession rights resulting from construction and/or upgrading services, for an amount of 484,429 thousand euro as at 01 January 2015, and 493,474 thousand euro as at 31 December 2015;
- derecognition of the value of real estate properties, plants and equipment previously recognised as property assets strictly connected with the infrastructure under concession and according to IFRIC 12, are therefore assets under the control of the grantor, for an amount of 484,429 thousand euro as at 01 January 2015 and 489,100 thousand euro as at 31 December 2015;
- recording of amortisation of the rights on assets under concession for the estimated duration of the concession, in the amount of 21,497 thousand euro, and derecognition of depreciation of property, plant and equipment that fall within the scope of IFRIC 12;
- recognition of revenues and costs for construction services related to assets under concession, based on work progress, for an amount of 29,157 thousand euro and 28,529 thousand euro, respectively. The revenues for construction and/or upgrading services are measured at fair value, determined based on total costs actually borne for the building, added by a mark-up representing the best estimate on the remuneration of in-house costs for construction management and design activities carried out by the Group staff.

C) FINANCIAL DERIVATIVES

The application of the IAS 39 International accounting standard required the recognition, in the statement of financial position, of the fair value of IRS derivatives and commodities subscribed by the Group. After the first recognition, the derivatives were not accounted for according to modalities envisaged by the hedge accounting by reason of the fact that conditions envisaged by IAS 39 had not been fulfilled. As a consequence, the fair value of IRS derivatives was recognised under financial liabilities for an amount of 14,567 thousand euro as at 01 January 2015 and 10,690 thousand as at 31 December 2015, while the change in fair value, equal to 3,877 thousand euro was recognised in the income statement, under item financial income, with a tax effect of 1,066 thousand euro. Moreover, the fair value of derivative instruments on commodities was recorded under financial assets, in the amount of 1,748 thousand euro as at 01 January 2015 and 254 thousand euro as at 31 December 2015, while changes in fair value, equal to 1,013 thousand euro was recognised in the income statement under operating costs, net of the related tax effect of 480 thousand euro.

D) APPLICATION OF THE AMORTISED COST METHOD

The application of the IAS 39 International Accounting Standard required the application of the amortised cost method for the recoding of financial liabilities represented by bank loans in place. The amortised cost is calculated by using the effective interest rate criterion, i.e. the rate that relates the carrying amount to future payments, along the useful life of the financial instrument. All contract aspects of the financial instrument have to be taken into account for the purpose of calculating the effective interest rate, while including all commissions, transaction costs and any possible benefits or discounts. At the Transition Date, this method was applied to bank loans in place at the reporting dates, as well as to bond loans. In particular, ancillary charges related to loans were derecognised from equity Assets. Pursuant to Italian Accounting Standards, they were capitalised under item intangible assets. Related amortisation in the income statement was written-off accordingly. These costs have been initially deducted from the related financial liabilities and then charged to the income statement, as financial charges, with the effective interest method.

E) DERECOGNITION OF CAPITALISED START-UP, EXPANSION AND ADVERTISING COSTS

Start-up, expansion and advertising costs that can be capitalised according to the Italian Accounting Standards do not fulfil the capitalisation requirements envisaged by IAS 38. Therefore, these costs were written-off from the assets in the statement of financial position drawn up according to EU IFRS.

F) DERECOGNITION OF RESEARCH AND DEVELOPMENT COSTS (HYDROTOUR PROJECT)

Charges capitalised with respect to the Hydrotour project do not fulfil the capitalisation requirements set out by the IAS 38 accounting standard. Therefore, these costs were written-off from the assets in the statement of financial position drawn up according to EU IFRS.

G) REVERSAL OF GOODWILL AMORTISATION

According to provisions set out by IAS 38, goodwill is not amortised, but it shall be tested for impairment at least on a yearly basis. As from the Transition Date, amortisation of goodwill recorded in the income statement was therefore derecognised.

H) TREASURY SHARES

The application of the IAS 32 International Accounting Standard required that treasury shares owned by the Group be reclassified in a special equity reserve.

I) TAX EFFECTS ON DIVIDENDS

According to IAS 18, dividends must be accounted for under income only when their distribution is reasonably certain, that is to say, when resolved by the Shareholders' Meeting, regardless of the recognition method applied while drawing up the financial statements according to the Italian accounting standards that envisage the possible recognition of dividends on an accrual basis.
Dividends will be netted in the consolidated financial statements, while the effect of this different accounting treatment on deferred tax liabilities is cancelled.

J) EMPLOYEE BENEFITS (IAS 19)

Pursuant to the Italian Accounting Standards, post-employment benefits are recognised on an accrual basis over the working period of employees, according to legislation and applicable labour contracts.
Pursuant to provisions envisaged by IAS 19, the benefits subsequent to the work relation are included in either "defined-contribution programmes" or "defined-benefit programmes". The employee termination benefits (hereinafter "TFR"), is comparable to a defined-benefit programme until 31 December 2006, to be measured based on statistical and demographical assumptions, as well as based on actuarial measurement methods. Following the amendment made on the Italian legislation, the Provision for TRF accrued as from 01 January 2007 was compared to a definite-contribution programme, if the conditions precedent envisaged by the regulatory amendments were fulfilled.
In addition to the Employee termination benefits, the Group grants other benefits to its employees, which include additional monthly wages for achieved age limits or for accrued right to pension, loyalty bonuses and golden medals for the achievement of determined age requirement in the company, discounts on the supply price of household electricity, limited to some former employees during pension.
For these benefits as well, liabilities are measured based on statistical and demographic assumptions, as well as actuarial measurement methods.

At the Transition Date, the value of the aforesaid provisions was redetermined, as well as the related cost for each single year. In particular, actuarial gains and losses were recorded in the other components of the comprehensive income statement, the service cost was recorded under item "Personnel costs" and the interest cost was recorded under item "Financial charges".

DETAIL ON THE MAIN RECLASSIFICATIONS THAT WERE MADE TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 01 JANUARY 2015 AND 31 DECEMBER 2015, AS WELL AS TO THE CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THE YEAR 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Improvements to third-party assets
Improvements to third-party assets, which, in application of Italian Accounting Standards, were stated under, item intangible assets; according to provisions set out by EU IFRS, they were reclassified under item "Property, plant and equipment".

Assets held for sale
Pursuant to provisions set by the IFRS 5 International Accounting Standard, the equity investment in A2A S.p.A. was reclassified under item "Assets held for sale and discontinued operations", as these shares were likely to be sold in a short-term.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

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Extraordinary income and charges were reclassified under the various items in the income statement, based on the type and reason for their recognition in the financial statements prepared pursuant to the Italian Accounting Standards.

SCHEDULE 1: Reconciliation between Group consolidated statement of financial position as at 01 January 2015, drawn up in compliance with Italian Accounting Standards and reclassified based on the classification criteria adopted by the Group for the EU IFRS financial statements, and the consolidated statement of financial position drawn up in compliance with EU IFRS standards.

(in thousands of Euro)	**Equity and financial position as at 01 January 2015** drawn up pursuant to the Italian accounting standards and disclosed based on the IFRS format	**EU IFRS adjustments**			**EU IFRS adjustments**				**Equity and financial position as at 01 January 2015** after EU IFRS adjustments	**EU IFRS reclassifications**	**Equity and financial position as at 01 January 2015** pursuant to EU IFRS provisions
		Change in consolidation area	Disclosure of IRS derivatives	Disclosure of Commodity derivatives	IFRIC 12	Fin. Liabilities at amortised cost	IAS 19	Other			
ASSETS											
Non-current assets											
Leased assets	-	-	-	-	484,429	-	-	-	484,429	-	484,429
Goodwill	37,499	-	-	-	-	-	-	-	37,499	-	37,499
Other intangible assets	241,449	(223,988)	-	-	-	(434)	-	(257)	16,770	(4,748)	12,022
Property, Plant and Equipment	855,978	(272,558)	-	-	(484,429)	-	-	-	98,991	4,748	103,739
Shareholdings measured at equity and other companies	30,372	399,961	-	-	-	-	(1,058)	-	429,275	-	429,275
Deferred tax assets	26,811	(4,012)	4,006	-	-	31	2,202	74	29,112		29,112
Other non-current assets	16,304	(234)	-	-	-	(574)	-	-	15,496	-	15,496
Total Other non-current assets	**1,208,413**	**(100,831)**	**4,006**	**-**	**-**	**(977)**			**1,111,572**		**1,111,572**
Current assets											
Trade receivables	283,384	(13,881)	-	-	-	-	-	-	269,503	-	269,503
Inventories	14,600	(74)	-	-	-	-	-	-	14,526	-	14,526
Cash and cash equivalents	18,458	(17,175)	-	-	-	-	-	-	1,283	-	1,283
Income tax credits	7,593	(397)	-	-	-	-	-	-	7,196	-	7,196
Other current assets	188,566	(61,567)	-	1,748	-	-	-	-	128,747	(67,552)	61,195
Total Current assets	**512,601**	**(93,094)**	**-**	**1,748**	**-**	**-**			**421,255**	**(67,552)**	**353,703**
Assets held for sale and discontinued operations		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL ASSETS	**1,721,014**	**(193,925)**	**4,006**	**1,748**	**-**	**(977)**			**1,532,827**	**(67,552)**	**1,465,275**
SHAREHOLDERS' EQUITY											
Share capital	411,496	-	-	-	-	-	-	-	411,496	-	411,496
Reserves	277,848	-	(10,561)	1,183	-	(88)	(5,364)	756	263,774	(67,552)	196,222
OCI reserve		-	-	-	-	-	(417)	-	(417)	-	(417)
Net profit for the year		-	-	-	-	-	-	-	-	-	-
Total Group Shareholders' Equity	**689,344**	**-**	**(10,561)**	**1,183**	**-**	**(88)**			**674,853**	**(67,552)**	**607,301**
Capital and reserves - minority interests	60,909	(8,724)	-	3	-	6	(762)	-	51,432	-	51,432
Profit/(Loss) - minority interests	3,694	(3,694)	-	-	-	-	-	-	-	-	-
Total Cons. Shareholders' Equity	**753,947**	**(12,418)**	**(10,561)**	**1,186**	**-**	**(82)**			**726,285**	**(67,552)**	**658,733**
LIABILITIES											
Non-current liabilities											
Prov. for risks and non-current charges	25,585	(20,885)	-	-	-	-	-	-	4,700	-	4,700
Employee benefits	15,526	(1,800)	-	-	-	-	7,687	-	21,413	-	21,413
Deferred tax liabilities	118,396	(106,696)	-	562	-	-	-	(939)	11,323	-	11,323
Non-current financial liabilities	343,618	(8,571)	14,567	-	-	(895)	-	-	348,719	-	348,719
Other non-current liabilities	101,307	-	-	-	-	-	-	-	101,307	-	101,307
Total Non-current liabilities	**604,432**	**(137,952)**	**14,567**	**562**	**-**	**(895)**			**487,462**		**487,462**
Current liabilities											
Trade Payables	194,095	(9,334)	-	-	-	-	-	-	184,761	-	184,761
Provisions for risks and current charges	-	-	-	-	-	-	-	-	-	-	-
Current financial liabilities	90,027	(14,664)	-	-	-	-	-	-	75,363	-	75,363
Income tax payables	8,896	(8,739)	-	-	-	-	-	-	157	-	157
Other current liabilities	69,617	(10,818)	-	-	-	-	-	-	58,799	-	58,799
Total Current liabilities	**362,635**	**(43,555)**	**-**	**-**	**-**	**-**			**319,080**	**-**	**319,080**
Liabilities held for sale and discontinued operations		**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**-**
TOTAL SHAR. EQUITY AND LIABILITIES	**1,721,014**	**(193,925)**	**4,006**	**1,748**	**-**	**(977)**			**1,532,827**	**(67,552)**	**1,465,275**

SCHEDULE 2: Reconciliation between Group consolidated statement of financial position as at 31 December 2015, drawn up in compliance with Italian Accounting Standards and reclassified based on the classification criteria adopted by the Group for the EU IFRS financial statements, and the consolidated statement of financial position drawn up in compliance with EU IFRS standards.

(in thousands of Euro)	**Equity and financial position as at 31 December 2015** drawn up pursuant to the Italian accounting standards and disclosed based on the IFRS format	**EU IFRS adjustments**			**EU IFRS adjustments**					**Equity and financial position as at 31 December 2015** after EU IFRS adjustments	**EU IFRS reclassifications**	**Equity and financial position as at 31 December 2015** pursuant to EU IFRS provisions
		Change in consolidation area	Disclosure of IRS derivatives	Disclosure of Commodity derivatives	IFRIC 12	Fin. Liabilities at amortised cost	IAS 19	Netting of goodwill amortisation	Other			
ASSETS												
Non-current assets												
Leased assets	-	-	-	-	493,474	-	-	-	-	493,474	-	493,474
Goodwill	33,959	-	-	-	-	-	-	3,540	-	37,499	-	37,499
Other intangible assets	232,991	(215,955)	-	-	-	(384)	-	-	(421)	16,231	(4,143)	12,088
Property, Plant and Equipment	858,100	(267,815)	-	-	(489,100)	-	-	-	-	101,185	4,143	105,328
Shareholdings measured at equity and other companies	22,462	377,542	-	-	-	-	(1,014)	-	-	398,990	-	398,990
Deferred tax assets	23,551	(2,624)	2,940	-	-	36	1,789	-	117	25,809		25,809
Other non-current assets	17,024	(277)	-	-	-	(478)	-	-	-	16,269	-	16,269
Total Other non-current assets	**1,188,087**	**(109,129)**	**2,940**	**-**	**4,374**	**(826)**	**775**		**(304)**	**1,089,457**		**1,089,457**
Current assets												
Trade receivables	268,000	(5,366)	-	-	-	-	-	-	-	262,634	-	262,634
Inventories	12,608	(180)	-	-	-	-	-	-	-	12,428	-	12,428
Cash and cash equivalents	44,497	(20,990)	-	-	-	-	-	-	-	23,507	-	23,507
Income tax credits	25,798	(10,084)	-	-	-	-	-	-	-	15,714	-	15,714
Other current assets	130,739	(15,587)	-	254	-	-	-	-	-	115,406	(74,555)	40,852
Total Current assets	**481,642**	**(52,207)**	**-**	**254**	**-**	**-**	**-**		**-**	**429,689**	**(74,555)**	**355,135**
Assets held for sale and discontinued operations		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,003**	**7,003**
TOTAL ASSETS	**1,669,729**	**(161,336)**	**2,940**	**254**	**4,374**	**(826)**	**775**		**(304)**	**1,519,146**	**(67,552)**	**1,451,594**
SHAREHOLDERS' EQUITY												
Share capital	411,496	-	-	-	-	-	-	-	-	411,496	-	411,496
Reserves	236,246	-	(10,561)	1,183	-	(88)	(5,364)	-	756	222,172	(67,552)	154,620
OCI reserve	-	-	-	-	-	-	610	-	-	610	-	610
Net profit for the year	41,830	-	2,811	(1,010)	2,656	(16)	(85)	2,958	(179)	48,965	-	48,965
Total Group Shareholders' Equity	**689,572**	**-**	**(7,750)**	**173**	**2,656**	**(104)**	**(4,839)**	**2,958**	**577**	**683,243**	**(67,552)**	**615,691**
Capital and reserves - minority interests	57,307	(8,793)	-	3	-	6	(644)	(1)	-	47,878	-	47,878
Profit/(Loss) - minority interests	8,809	(2,002)	-	(3)	490	1	11	584	-	7,890	-	7,890
Total Cons. Shareholders' Equity	**755,688**	**(10,795)**	**(7,750)**	**173**	**3,146**	**(97)**	**(5,472)**	**3,541**	**577**	**739,011**	**(67,552)**	**671,459**
LIABILITIES												
Non-current liabilities												
Prov. for risks and non-current charges	20,003	(15,820)	-	-	-	-	-	-	-	4,183	-	4,183
Employee benefits	14,956	(2,186)	-	-	-	-	6,247	-	-	19,017	-	19,017
Deferred tax liabilities	103,413	(93,352)	-	81	1,140	-	-	-	(881)	10,400	-	10,400
Non-current financial liabilities	312,466	(4,285)	10,690	-	-	(729)	-	-	-	318,142	-	318,142
Other non-current liabilities	103,876	-	-	-	88	-	-	-	-	103,964	-	103,964
Total Non-current liabilities	**554,714**	**(115,643)**	**10,690**	**81**	**1,228**	**(729)**	**6,247**		**(881)**	**455,706**		**455,706**
Current liabilities												
Trade Payables	199,711	(7,755)	-	-	-	-	-	-	-	191,956	-	191,956
Provisions for risks and current charges	1,781	-	-	-	-	-	-	-	-	1,781	-	1,781
Current financial liabilities	80,188	(13,245)	-	-	-	-	-	-	-	66,943	-	66,943
Income tax payables	919	-	-	-	-	-	-	-	-	919	-	919
Other current liabilities	76,728	(13,898)	-	-	-	-	-	-	-	62,830	-	62,830
Total Current liabilities	**359,327**	**(34,898)**	**-**	**-**	**-**	**-**	**-**		**-**	**324,429**	**-**	**324,429**
Liabilities held for sale and discontinued operations		**-**										**-**
TOTAL SHAR. EQUITY AND LIABILITIES	**1,669,729**	**(161,336)**	**2,940**	**254**	**4,374**	**(826)**	**775**		**(304)**	**1,519,146**	**(67,552)**	**1,451,594**

SCHEDULE 3: Reconciliation between Group consolidated comprehensive income statement for the year ended 31 December 2015, drawn up in compliance with Italian Accounting Standards and reclassified based on the classification criteria adopted by the Group for the EU IFRS financial statements, and the consolidated comprehensive income statement drawn up in compliance with EU IFRS standards.

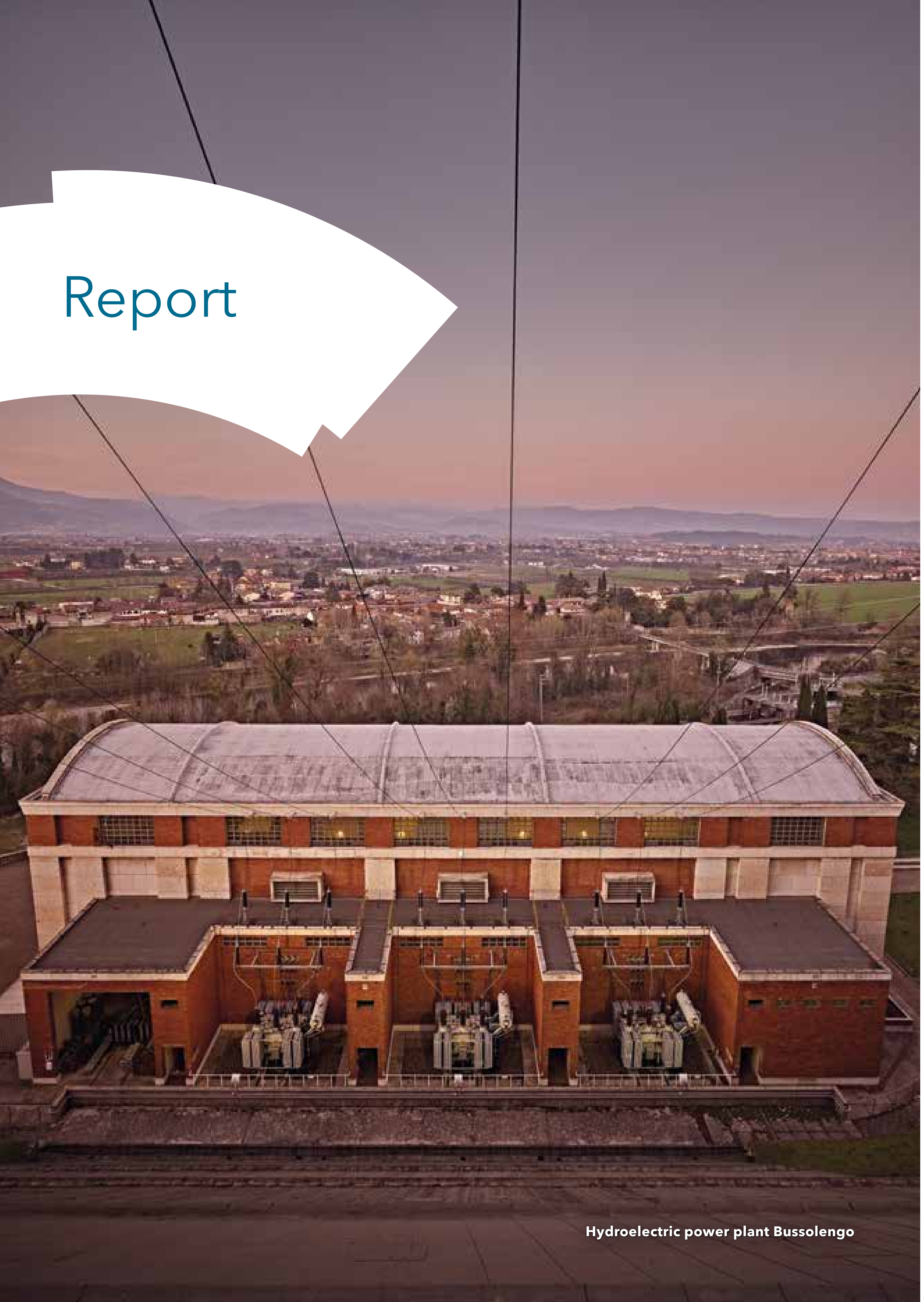
(in thousands of Euro)	Comprehensive income statement for the year ended 31 December 2015, drawn up pursuant to the Italian accounting standards and disclosed based on the EU IFRS format	EU IFRS adjustments								Comprehensive income statement for the year ended 31 December 2015, drawn up pursuant to the EU IFRS standards
		Change in consolidation area	Disclosure of IRS derivatives	Disclosure of Commodity derivatives	IFRIC 12	Fin. Liabilities at amortised cost	IAS 19	Derecognition of goodwill amortisation	Other	
Revenue	1,242,299	(66,089)	-	-	-	-	-	-	-	1,176,210
Revenue from works on leased assets	-	-	-	-	29,157	-	-	-	-	29,157
Other revenue and income	64,318	(25,172)	-	-	(88)	-	-	-	-	39,058
Total Revenue and other income	**1,306,617**	**(91,261)**	**-**	**-**	**29,069**	**-**	**-**	**-**	**-**	**1,244,425**
Raw materials, consumables and merchandise	(555,478)	(24,152)	-	(1,493)	-	-	-	-	-	(581,123)
Service costs	(486,972)	49,948	-	-	-	96	-	-	(230)	(437,158)
Costs from works on leased assets	-	-	-	-	(28,529)	-	-	-	-	(28,529)
Personnel costs	(64,242)	7,530	-	-	-	-	237	-	(65)	(56,540)
Amortisation, depreciation and write-downs	(99,996)	51,940	-	-	3,746	51	-	3,540	131	(40,588)
Other operating costs	(25,301)	4,466	-	-	-	-	-	-	-	(20,835)
Total Costs	**(1,231,989)**	**89,732**								**(1,164,773)**
Result of shareholdings measured at equity and other companies	223	9,362	-	-	-	-	25	-	-	9,610
Result of operations	**74,851**	**7,833**	**-**	**-**	**29,069**	**-**	**25**	**-**	**-**	**89,262**
Financial income	955	59	3,877	-	-	-	-	-	-	4,891
Financial charges	(13,513)	257	-	-	-	(167)	(364)	-	-	(13,787)
Profit before tax	**62,293**	**8,149**	**3,877**	**-**	**29,069**	**(167)**	**(339)**	**-**	**-**	**80,366**
Taxes	(11,654)	(10,151)	(1,066)	480	(1,140)	5	28	-	(15)	(23,513)
Net profit/(loss) for the year (A) of continuing operations	**50,639**	**(2,002)**	**2,811**	**480**	**27,929**	**(162)**	**(311)**	**-**	**(15)**	**56,853**
Discontinuing operations		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit/(loss) for the year (B) of continuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(loss) for the period	**50,639**	**(2,002)**	**2,811**	**480**	**27,929**	**(162)**	**(311)**	**-**	**(15)**	**56,853**
of which Group	41,830	-	2,811	(1,010)	2,656	(16)	(85)	2,958	(179)	48,965
of which Minority interests	8,809	(2,002)	-	(3)	490	1	11	582	-	7,890
Comprehensive income statement components that will not be subsequently reclassified in income statement										
Actuarial profit/(loss) for employee benefits										
Tax effect on actuarial profit/(loss) for employee benefits		-	-	-	-	-	1,567	-	-	1,567
Other components		-	-	-	-	-	(449)	-	-	(449)
Total Comprehensive income statement components that will not be subsequently reclassified in income statement (C1)		**-**	**-**	**-**	**-**	**-**	**27**	**-**	**-**	**27**
Comprehensive income statement components that might be subsequently reclassified in income statement	**-**	**-**	**-**	**-**	**-**	**-**	**1,145**	**-**	**-**	**1,145**
Profit/(loss) on cash flow hedge instruments										
Tax effect on change in fair value changes in cash flow hedge deriv.										
Other components		-	-	-	-	-	-	-	-	-
Total Comprehensive income statement components that might be subsequently reclassified in income statement (C2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total other comprehensive profit (loss), net of tax effect (C)= (C1)+(C2)		**-**	**-**	**-**	**-**	**-**	**1,145**	**-**	**-**	**1,145**
Total Aggregate result for the year (A)+(B)+(C)	**50,639**	**(2,002)**	**2,811**	**480**	**27,929**	**(162)**	**834**	**3,540**	**(15)**	**57,998**
of which Group	41,830	-	2,811	(1,010)	2,656	(16)	942	2,955	(179)	49,989
of which Minority interests	8,809	(2,002)	-	(3)	490	1	129	585	-	8,009

Attachment A to the Consolidated Financial Statements - Consolidation Area

DOLOMITI ENERGIA HOLDING	Type	Share capital	2016	Consolidation Method
DOLOMITI ENERGIA RINNOVABILI	S.r.l.	30,000	100.00%	Line-by-line basis
NOVARETI	S.p.A.	28,500,000	100.00%	Line-by-line basis
DOLOMITI AMBIENTE	S.r.l.	2,000,000	100.00%	Line-by-line basis
DOLOMITI ENERGIA TRADING	S.p.A.	2,478,429	98.72%	Line-by-line basis
DOLOMITI ENERGIA	S.p.A.	20,200,000	83.88%	Line-by-line basis
SET DISTRIBUZIONE	S.p.A.	112,241,777	74.52%	Line-by-line basis
DTC	scarl	10,000	57.00%	Line-by-line basis
sub HIDE	S.r.l.	2,000,000	60.00%	Line-by-line basis
sub HDE	S.r.l.	3,000,000	100.00%	Line-by-line basis
sub DOLOMITI GNL	S.r.l.	600,000	60.00%	Line-by-line basis
sub IVIGNL	S.r.l.	100,000	50.00%	shareholders' equity
DES	S.r.l.	100,000	51.00%	shareholders' equity
DEE	S.r.l.	5,000,000	51.00%	shareholders' equity
SF ENERGY	S.r.l.	7,500,000	50.00%	shareholders' equity
GIUDICARIE GAS	S.p.A.	1,780,023	43.35%	shareholders' equity
BIO ENERGIA TRENTINO	S.r.l.	3,000,000	24.90%	shareholders' equity
PVB BULGARIA	S.p.A.	38,346,891	23.13%	shareholders' equity
AGS RIVA DEL GARDA	S.p.A.	23,234,016	20.00%	shareholders' equity

Trento, 29 March 2017

The Chairman of the Board of Directors
Rudi Oss



Hydroelectric power plant Bussolengo

Board of Statutory Auditors' Report

TO THE SHAREHOLDERS' MEETING OF DOLOMITI ENERGIA HOLDING S.P.A.

Dear Shareholders,

The consolidated financial statements as at 31 December 2016 prepared by your company's Board of Directors comprise the Balance Sheet, Income Statement and Notes to the Financial Statements, and are accompanied by the Board of Directors' Report on Operations.

They have been made available to you and prepared in compliance with provisions of the Italian Civil Code. The standards for the preparation of the financial statements were changed, inasmuch as the company, starting from the date of the current financial statements, adopted the international accounting standards. For comparability purposes, the financial statements include the data of the previous year, adjusted in accordance with the accounting standards adopted.

In summary, the consolidated financial statements as at 31 December 2016 report Group profit for the year of 65,629 thousand euro, total assets of 2,109,792 thousand euro and Group shareholders' equity of 978,386 thousand euro.

The measurements specifically concern.

- the consolidation area;
- the consolidation method;
- the reference date of the consolidated financial statements.

Scope of Consolidation

This includes the financial statements of the parent company Dolomiti Energia Holding S.p.A. and those of its Subsidiaries:

- Dolomiti Energia Rinnovabili S.r.l.
- Novareti S.p.A.
- Dolomiti Ambiente S.r.l.
- Dolomiti Energia Trading S.p.A.
- Dolomiti Energia S.p.A.
- SET Distribuzione S.p.a.
- Depurazione Trentino Centrale S.c.a.r.l.
  - sub Hydro Investment Dolomiti Energia S.r.l.
  - sub Hydro Dolomiti Energia S.r.l.
  - sub DOLOMITI GNL S.r.l.
  - sub IVI GNL S.r.l.
- Dolomiti Energy Saving S.r.l.
- Dolomiti Edison Energy S.r.l.
- SF Energy S.r.l.
- Giudicarie gas S.p.A.
- Bio Energia Trentino S.r.l.
- Pvb Bulgaria S.p.A.
- Ags Riva del Garda S.p. A.

Consolidation Method

The consolidation criteria adopted are those indicated in the Notes to the Financial Statements, to which reference should be made.

Consolidation was performed using the full consolidation method for the associates: Dolomiti Energia Rinnovabili S.r.l., Novareti S.p.A., Dolomiti Ambiente S.r.l., Dolomiti Energia Trading S.p.A., Dolomiti Energia S.p.A., SET Distribuzione S.p.a., Depurazione Trentino Centrale S.c.a.r.l., sub Hydro Investments Dolomiti Energia S.r.l., sub Hydro Dolomiti Energia S.r.l. e sub DOLOMITI GNL S.r.l..

Consolidation instead took place with the equity method for the associates: sub IVI GNL S.r.l., Dolomiti Energy Saving S.r.l., Dolomiti Edison Energy S.r.l., SF Energy S.r.l., Giudicarie gas S.p.A., Bio Energia Trentino S.r.l., Pvb Bulgaria S.p.A., Ags Riva del Garda S.p.A.

Reference Date of Consolidated Financial Statements

The Board of Statutory Auditors has confirmed that the consolidated financial statements were prepared on the basis of draft financial statements as at 31 December 2016 of the consolidated companies, as approved by their respective Boards of Directors.

The independent auditor PriceWaterhouseCoopers, with which the Board of Statutory Auditors has remained in contact, has confirmed the regular nature and correspondence of the consolidated financial position and income statement with accounting entries of the parent company and information submitted by subsidiaries included in the consolidation.

The information and clarification provided in the Notes to the Financial Statements, the Report on Operations and the contents of the consolidated financial statements are confirmed to be fair.

The Shareholders' Meeting need only take the consolidated financial statements and accompanying documents into consideration for information purposes since they are not subject to approval.

The Board of Statutory Auditors:

Giacomo Manzana - *Chairman;*
Barbara Caldera - - *Standing Auditor;*
Michele Iori - *Standing Auditor.*

Indipendent auditor's report

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

To the shareholders of
Dolomiti Energia Holding SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Dolomiti Energia Group, which comprise the statement of financial position as of31 December 2016, the consolidated statement of comprehensive income, the statement of changes in the consolidated shareholders' equity and statement of consolidated cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of Dolomiti Energia Holding SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall

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presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Dolomiti Energia Group as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union.

Report on compliance with other laws and regulations

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

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

Verona, 13 April 2017

PricewaterhouseCoopers SpA

Signed by

Alexander Mayr
(Partner)

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

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