2018 Financial Statements

Photographic images: **Hydroelectric Landscape** - Archive Dolomiti Energia Group - Ph: Jacopo Salvi

2018
FINANCIAL STATEMENTS

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 2018

Index

Letter to Shareholders

Dear Shareholders,

The year that just ended was rich in growing complexities that your Company had to face, demonstrating its ability to address the issues that characterise the current energy context that is constantly and quickly evolving toward smart and digitalised distribution networks, increasingly marked electricity consumption, especially in new commodity sectors, and more aware customers.

The macroeconomic context

In 2018, even though the **global economy continued to grow**, there were signs of reversal of the positive cycle in many advanced and emerging economies.
The growth rate in the United States settled at about 2.9%, up also due to the expansionary effect of the tax measures introduced in 2017, and despite the uncertainties tied to the Brexit, growth in the United Kingdom remains stable, while the Chinese economy slowed down, however remaining at far higher values than the OECD countries.
The **Eurozone** economy showed signs of hardship, closing the year, also in the aftermath of stagnated exports, with a growth rate a little higher than 1% and an average annual inflation of 1.7% down also because of the decelerated pricing of oil and energy products that distinguished the last quarter.
In 2018, the ECB reference interest rates remained stable and held steady at historic lows, with a significant increase in the level of spread regarding the Italian government securities that offset the worsening outlook of our country's national economic system.
In this context, **Italy's economy** recorded a diversified trend. GDP grew slightly in the first half, while in the second half the economy went into a technical recession, interrupting a growth phase, which, albeit with reduced values, had continued for approximately three years. In particular, of note is a significant drop in industrial production in the final months of the year accompanied by a reduction in capital expenditure in operating assets by businesses, in part caused by the non-adoption of several tax incentives. Growth in household demand appears fragile and lower than that of the previous year, discouraged by a weak labour market. In this context of reference, forecasts for 2019 in general prove to be conditioned by the unknown factors regarding the trade negotiations in progress between the USA and China and the monetary policy of the Central Banks, while by now a perspective scenario of basic stagnation for the Italian economy appears evident.

The energy market

Oil recorded an average price up by 36% compared to the previous year on the international markets in 2018. The increased prices of crude oil contributed to increasing the prices of natural gas, whose growth was recorded at over 20%.

Following three years in a row of growth, in Italy natural **gas consumption** in 2018 fell by 3.3% due to the 8% decrease in thermoelectric consumption, in line with the **drop in the production of electricity** from thermal sources and the 1% drop in industrial and household consumption due to a milder winter.

National gas production of the last decade fell by over 40% and imports dropped by 3% after a three-year period of increases. On the other hand, **LNG imports** are growing, reaching 13% of national import with an 11% increase in the last ten years.

Electricity consumption in Italy increased by 0.4% compared to the previous year, although remaining more than 5% lower than the maximum figures recorded in 2007 when they exceeded 340 billion kWh, with an average price trend by and large up except for the last quarter, and making an average increase of 14% on an annual basis be recorded, although in the presence of considerable volatility.
In 2018, 87% of **electricity demand** was met with domestically generated energy and the remainder from the energy traded abroad: net domestic output decreased by 2% compared to 2017. Electricity generated from renewable sources - including biomass - amounted to 35% of demand, while last year it was 32%. Among renewable sources, the greatest contribution came from hydroelectric, which rose from 37% in 2017 to 44% in 2018, followed by photovoltaic (20%), by biomass (16%), by wind (15%) and by geothermal (5%). Hydroelectric productions went up 31% due to the increased rainfall that allowed 49.3 TWh to be produced from hydroelectric sources, a slightly higher figure than the 48.5 TWh average of the last 10 years.

The economic results

As regards the financial results, the Group consolidated financial statements posted a total of **1,460 million euro in revenue and other income** (1,426 million euro in 2017), highlighting a considerable increase in gross operating margin and the resulting increase of the net profit.
Specifically, **EBITDA went up to 216.2 million euro** with a 72.6% increase, representing 14.8% of total revenue and other income (8.8% in 2017).

The **net operating result** (EBIT) amounted to 155.4 million euro, up by 114.6%.
The cost of financial management decreased from 8.1 million euro in 2017 to 7 million euro in 2018. **Consolidated net profit**, net of minority interests, was 78.2 million euro (34.9 million euro in 2017).
The Group's **net financial position** changed from 414 million euro at the beginning of the year to 321 million euro at year-end.

The increase in profitability is mainly attributable to the good performance of production, assisted by rainfall in line with the ten-year historical average.
The results of the other **operating activities** were positive overall for the gas distribution and electricity networks, which posted higher economic results, while the **electricity and gas trading activity** was affected by the competition and paid for the market conditions that did not allow the results of the previous years to be fully repeated. Specifically, although an effective sales strategy that increased the number of customers served, the pressure applied by the competition led to lower unitary margins.
The positive results obtained in 2018, coupled with a sound financial structure, enable to propose the distribution of a dividend of 0.09 euro per share for a total of about 34 million euro, with a ratio of dividends over net profit of the Parent Company equal to 83.7%. As everyone knows, dividends will mostly benefit the communities and the economic fabric of Trentino.

Main events

As regards **industrial activity**, during the year Dolomiti Energia Holding acquired 100% of Centraline Trentine srl, a company engaged in managing equity investments in the field of hydroelectric energy production, in this way allowing the Group to expand the perimeter relating to "generation from renewable sources" which is essential leverage common to many of the activities and services that the Group offers to the market.

The growth process continued through **local integration and business transactions** with: the merger by absorption of Nesco into Dolomiti Energia Rinnovabili, forming Dolomiti Energia Solutions, which will be engaged in the energy efficiency activities, in managing public lighting and in the marketing of photovoltaic plants; the union of the Set Distribuzione and STET networks; the acquisition by Dolomiti Energia of the sales activities of the electricity market subject to additional safeguards, managed with the Trenta trademark, in the Municipality of Isera and the gas customers.

In order to promote **greater accessibility to energy** also in areas devoid of methanisation, extension of the gas distribution networks was completed in some municipalities, including Predaia, Valfloriana and Zambana, during the year.

The commitment to **reduce greenhouse emissions** led Dolomiti Energia Holding to lastly acquire 40% of Dolomiti GNL, a company operating in the liquefied natural gas sector, in this way increasing the stake to 100%.

In the perspective of **smart electricity distribution network management**, in 2018 a technological evolution plan was commenced. It will progressively make new functions for monitoring the networks and managing them; participation in the European project aimed at studying the impact of electric mobility on the electricity distribution network and at validating innovative communication solutions for collecting information from the plants and the activity relating to the replacement of the traditional gas meters with the new electronic generation meters continued.

In line with the local and national **electric mobility** plans, and the EU objectives of reducing carbon dioxide emissions generated by vehicles, in 2018 the foundations for widespread expansion of the current Group recharging station infrastructure in the region and in Italy were also laid. The signature of the agreement with the Alperia group will lead to the establishment of Neogy following the positive conclusion of the antitrust procedure. The goals of infrastructure and sales development supporting sustainable mobility to guarantee utmost interoperability with the broadest European platforms and the development of E-mobility services will be attributed to this new joint venture.

In order to **stand up to the weather changes of recent years**, the replacement of the pipeline trunks was started in the Trento Municipality with the concurrent construction of a new plant for pipeline pressure regulation; while in the Rovereto Municipality an innovative plant was built to mitigate flood waves resulting from exceptionally intense rainfalls.

As regards the **operations services**, the new organisational structure for customer management was fully implemented, and is now divided up by customer type and no longer by contract channel.

With regard to the **public lighting** sector, the energy efficiency activity of the Rovereto, Commezzadura

and Brentonico Municipalities commenced at the end of the year and its completion is scheduled in 2019, together with that relating to the Volano, Mori, Dro, Bussolengo and Val di Zoldo Municipalities.
The investments made in 2018 amounted to 51.2 million euro and regard: initiatives to improve the distribution networks throughout the territory served by the Group, the generating plants and the activities directed at enhancing the services available to the end customers, in addition to those required to ensure compliance of all Group companies with industry regulations.
These **investments**, combined with the constant fine-tuning of measurement and data transmission techniques, the installation of cutting edge technological systems for the verification, simulation and optimisation of network structures, have allowed the Group to obtain **constant improvements in service quality**, as proven by the continuity bonuses constantly received from the distribution companies. These investments have also contributed to limiting the impact **of the exceptional weather event** that took place in the fall of 2018, which involved a large portion of the Trentino territory, with extraordinary rainfall and above all strong wind, causing a serious emergency phase, particularly for the electricity system (networks and plants). The methods with which the Group was able to **handle the emergency** and to limit the damages sustained in all of its sectors once again confirm the correctness of the investment policies implemented in the past, and the solidity and professional competence of the corporate organisation.

The future

In a year marked by transactions denoting constant evolution and growth, the positive results posted in 2018 were possible thanks to the ability of your Group to assess the overall context in which it is found and to act, making choices and carrying out initiatives that confirm greater and greater solidity and ability to generate value.
The activities of putting in place the technical and financial elements and the competencies necessary for participating in the tenders scheduled for renewal of the **concession for gas distribution** within the Trento Province and for assignment of the **concessions for the large hydroelectric connections** will continue during 2019. In parallel, the analysis of the opportunities present on the market to expand the Group's scope of activity with the participation in other local tenders and/or with extraordinary transactions such as acquisitions and corporate agreements will continue.
Concerning, instead, the **energy markets**, the medium-long term **scenarios** appear to be improving compared to the recent past and the prices of the main energy commodities appear to have consolidated their growth of the past 12/18 months. However, it should be pointed out that **price volatility** on the markets remains far greater than in the past, as demonstrated both by electricity and by gas price trends in the first months of 2018. This volatility will have to be monitored very carefully, to increase the ability to manage the risks deriving from this evolution of the market and to exploit the related opportunities.
The result of the **appeals lodged by Novareti and Set Distribuzione** with the Lazio Regional Administrative Court (TAR) to annul and/or reverse the resolution of the National Anti-Corruption Authority that enforces holders, custodians of concessions of works, public services or supplies to outsource to third

parties, via procedures with public disclosure, 80% of all services covered by the concession that are necessary for its execution, will be monitored.
As a consequence of the new technical-commercial context, **the optimum industrial structure for the cogeneration and district heating** in Rovereto will also be defined, with the goal of identifying the technical solutions for the economic optimisation of the activity.
In addition to the activities to rebuilding the electricity distribution infrastructure damaged by the bad weather of year-end 2018, during 2019 the investments in plants aimed at the continuous improvement of the quality supplied to the users, **to the enhancement of the resilience of the network and the development of digitalisation** will be increased. The measures to revise the operating processes aimed at increasing the overall efficiency, also by adopting IT systems to manage the operations personnel, will also be intensified.
A ten-year massive **water meter replacement** programme will be launched in 2019, with the installation of 85,000 new generation meters that will provide new functions such as remote reading.
The satisfaction of the shareholders, that of our customers, employees, and of all the stakeholders, 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 in the constant commitment of the entire organisation in order to **generate sustainable value**.

Dear Shareholders, on behalf of the entire Board of Directors, I would like to express my sincerest thanks to you for your support and for the climate of trust, fundamental for serenely tackling the future with the challenges and opportunities that it holds in store for us.

Il Presidente
Massimo De Alessandri

Report on Operations

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 of the Notes to the Financial Statements.

Significant events during the year

General economic trend

In recent years, the global economy continued to grow, but there were several signs of reversal of the positive cycle in many advanced and emerging economies. In particular, the general trend is affected by some risk factors such as the outcome of the trade negotiations between the United States and China and the manner in which, in these very weeks, the process whereby the United Kingdom will leave the European Union (Brexit) may be completed.

The rate of growth in the United States in 2018 should be approximately 2.9% (source: Bank of Italy Bulletin no. 1-2019, Table 2), up from the previous years in part as a result of the expansionary effect of the fiscal measures introduced at the end of 2017. The forecasts for 2019 are less sanguine, affected as they are by the doubts surrounding the ongoing complex trade negotiations between USA and China and by the expectations on the monetary policy of the Federal Reserve, which in December 2018 raised the federal funds rate by 25 basis points.

In spite of the uncertainties tied to Brexit, at present growth in the United Kingdom remains stable, while the growth path of the Chinese economy seems to be slowing down partially, even in the presence of fiscal stimulus measures introduced, but it still remains at far higher values than the OECD countries. The outlook remains uncertain also in view of the aforementioned ongoing trade dispute with the USA.

The economy of the Euro area instead appears to be slowing down and, in recent months, also as a result of somewhat stagnating exports, has exhibited several difficulties. In particular, the GDP growth rate was negative or stable starting from the third quarter in Germany and in Italy (Eurostat data) and in the Euro area as a whole, growth in 2018 appears to be slightly above 1%, mostly concentrated in the first six months of the year. These values were affected by stagnating imports and in particular in Germany and in Italy they were burdened by the slowdown of the sector tied to the production of motor vehicles, which was also negatively impacted by the new regulations on emissions. Inflation declined in the last part of the year, partly as a result of the deceleration of the prices of energy products, and its average for the year was 1.7%, substantially in line with the forecast for 2019. It should be recalled that in 2018 the

ECB ended its net purchases of assets within its monetary expansion programme. However, the ECB itself confirmed the importance of the monetary stimulus for medium-term price trends and announced its intention of reinvesting the repaid principals of the securities purchased on the market (amounting to approximately 200 billion euro for 2019) for as long as it will be necessary to avoid draining liquidity from the system. In this scenario, the reference interest rates remained stable and they will stay that way, according to ECB statements, at least until the summer of 2019.

Concerning the financial markets, of note is a general reduction of the interest rates of government bonds after the increase recorded in October 2018. In Italy, this phenomenon was wholly offset by an increase of the risk premium, with a significant increase of the spread level starting from the second quarter.

In this context, the Italian economy recorded mixed performance between the first part of the year and the following months. In particular, GDP grew slightly in the first half, while in the second half the economy went into a technical recession with declining GDP both in the third and in the fourth quarter (-0.1%) and zero growth on an annual basis (source: ISTAT note of 5 March 2019), interrupting a growth phase, which, albeit with reduced values, had continued for approximately three years. This is confirmed by the deterioration of the confidence indicators for businesses and consumers, which, while remaining on significant values, showed a strong trend reversal starting from the first months of the year (source: Bank of Italy Bulletin no. 1-2019, Figure A and Figure B).

In this context, of note is a significant drop in industrial production in the final months of the year and a reduction in capital expenditure in operating assets by businesses (-2.8%), versus the increase of the previous period (+6.9%). This phenomenon is certainly due, in part, to the end of the stimulating action of some fiscal incentives tied to this capital expenditure. Growth in household demand also appears weak, certainly lower than in 2017, also as a result of the unencouraging expectations from the labour market which, after a few years characterised by a progressive reduction in the unemployment rate, experienced a trend reversal in the final part of the year.

Some positive signs are coming from the credit sector, where the reduction of non-performing loan continues and growth is recorded, albeit not accentuated by loans issued to businesses. However, in the last quarter of the year the sector, too, has shown signs that the conditions are becoming harsher and the criteria for the offer of new investments are becoming more rigid.

Group activities

In the year that just ended, there were some important changes with respect to the organisational structure of the Dolomiti Energia Group. In particular, with the shareholders' meeting for the approval of the 2017 financial statements, held on 27 April 2018, the term of office of the previous Board of Directors ended and the shareholders' meeting appointed a new Board, leading to a change in the office of the Chairman, for which Massimo De Alessandri was appointed to replace Rudi Oss, who was confirmed as a Director and member of the Executive Committee. Subsequently, the Board resolved to change the organisational set-up, removing the position of General Manager to rationalise the governance of the Parent Company and of the main subsidiaries.

The Board wishes to thank the outgoing directors and Mr. Quaglino for their contribution, in their respective position, to the development of the Group and to the achievement of the results obtained.

With regard to the consolidated economic-financial results, the year ended with very positive results, markedly higher than the previous year's, whose outcome had been affected by hydroelectric generation that in 2017 recorded its historical lows. Consolidated EBITDA amounted to 216.2 million euro, up by 72.6% compared to the value of the previous year, equal to 125.2 million euro, but also up by 17.7% compared to the 2016 figure (183.7 million euro). Consequently, the Group's profit increased markedly as well, from 34.9 million euro to 78.2 million euro (+124%). The significant improvement of the results obtained is due mainly to the fact that in 2018, unlike in 2017, the Group's plant recorded hydroelectric generation in line with historical averages, with the consequent increase of the contribution to Group EBITDA of the production activities, which for 2018 amounted to 109.1 million euro. A positive contribution to the achievement of the consolidated result came from non-recurring income of 8.6 million euro recorded by SET as a result of the positive outcome of a dispute with the Revenue Agency dating back to the inception of the Company itself, the accounting effect of the transfer of the electrical distribution business unit from STET to SET (4.9 million euro) and the non-recurring income recorded by Dolomiti Energia following the approval, by ARERA, of the compensation criteria for natural gas sale prices in the 2010-2012 time interval (2.2 million euro).

The results of the other operating activities were positive overall, and they were better for the distribution network management activities (gas and electric power), whose economic results were stable or increased. The performance of trading activities for electric power and gas was positive, although it remains negatively affected by the severe fluctuations of the markets and, in particular, by the generalised rise of the prices of gas and electricity which, also as a result of the severe competitive pressure present on the market, could not be fully transferred to end customers.

The Group's net financial position, calculated as the algebraic sum of the nominal value of financial receivables and payables (without considering the items relating to derivatives trading), changed from 414 million euro at the end of 2017 to 326 million euro at the end of 2018. This figure was positively impacted by the excellent results of the year. Based on the positive experience of the Parent Company, with a view to strengthening the financial structure of the Group and to assessing the possibility of using alternative financing channels, in February two bonds issued respectively by SET spa and by Dolomiti Energia spa were listed on the Irish Stock Exchange, thus bringing the number of Group securities listed on this market to three.

As part of the constant development and strengthening of its own organisational and control system as the complex of safeguards implemented to prevent, mitigate and manage the risks connected with the business activities of the Companies of the Group, in 2018 the Internal Audit department implemented the plan of activities approved by the Board of Directors and directed on one hand to pursue the adequacy of the control system with respect to the evolution of the Group, on the other hand to verify its effectiveness through specific audits, informing the Board of Directors and the Board of Statutory Auditors about the observations that emerged, the improvement initiatives promoted and the related results. In addition, in 2018 an activity was completed for the definition and implementation of a methodology for the mapping and overall assessment of the Group's risks at the basis of the internal audit model.

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 the corporate design activities, carefully following regulatory changes.

In particular, during the year the organisation and control model under Legislative Decree no. 231/01 was revised to take into account the new whistleblowing provisions in line with Law no. 179/2017, for the prevention of computer crimes, of market abuse as a consequence of the listing of the bond by Dolomiti Energia Holding and some of its subsidiaries, as well as of the new expected offence of racism and xenophobia.

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:

In the first quarter, 40% of Dolomiti GNL was acquired, bringing the Group's interest to 100% of the Company, as a result of the intention expressed by the private shareholder with whom the disengagement initiative was activated, to focus on other activities. In recent weeks, the second plant for the distribution of LNG to an industrial facility (in the Fiavè municipality) was activated and the important role the company may perform in the development of small scale LNG plant is confirmed.

With a view to contributing to the development of the initiatives in the hydroelectric field carried out by the public authorities of the Trento Province, in September the purchase of 100% of Centraline Trentine srl was completed, which in turn is the owner of some minority interests in hydroelectric companies controlled by some Municipalities in the Trento province.

In the first months of 2019, an agreement was also signed with Alperia to share the initiatives of the two Groups in the field of electric mobility with the objective of giving a determining contribution to the infrastructure in the territory of the Region but also to develop connected activities in the rest of Italy. The implementation of this agreement, which will give origin to a new company called Neogy, equally held by Dolomiti Energia Holding and Alperia, is subject to the authorisation by the AGCM followed by the related notification made.

NOVARETI:

During the year, both the activity of the working group established to set up all that is necessary for participation in the tender for the renewal of the natural gas distribution concession for the Trento Province, and the interaction with the contracting authority (Trento Autonomous Province), to provide the required data regarding in particular the size of the networks, continued. In this regard, the date for calling the tender was further postponed to 31 December 2019 and this delay required a revision of the data provided, which now must refer to 31 December 2017.

Of note is the emergency intervention to repair the feeder of Val di Fiemme and Fassa as a result of the damages caused by adverse weather at the end of October 2018.

SET DISTRIBUZIONE:

Partly as a result of the changes made to provincial regulations in 2017, which defined the criteria with which the electric grid has to be valued in case of sale of the asset by a distributor, with effect 1 July 2018 an important integration operation was completed with the transfer by STET spa of its own business unit regarding the electric distribution sector to SET. This transaction will definitely bring about significant benefits in terms of rationalisation of the networks in the involved areas, with the consequent improvement of the level of service and reduction of the necessary investments. Following the same path, it should be recalled that on 1 January 2019 the transfer of the assets of the Molveno Municipality, resolved by the SET shareholders' meeting at the end of December 2018, took effect.

It should be recalled that, as a result of an exceptional meteorological event that affected the Trento province at the end of October, with severe rains and winds of unprecedented strength, the distribution network had significant damages and the entire structure was engaged to minimise customers' inconvenience, demonstrating excellent operational capability even in a context of extreme hardship, exacerbated by concurrent outages recorded also by the high voltage grid operated by Terna, tied to the same atmospheric phenomena. At the end of the emergency phase, work for the full restoration of the lines will continue at least for the first half of 2019 with the goal, when possible, of enhancing the network's resilience with respect to these events, which appear to be more frequent and violent than in the past.

DOLOMITI ENERGIA/DOLOMITI ENERGIA TRADING:

During the year, the initiative called "Etika" continued with good results; it was developed in collaboration with Federazione Trentina della Cooperazione, SAIT and Casse Rurali, and it innovatively couples market activities with support to social initiatives.

In August 2018, the business unit pertaining to the sale of natural gas in the Isera Municipality was acquired and, following the sale of the network to SET by the Molveno Municipality, mentioned above, starting from 1 January 2019 Dolomiti Energia will manage the related utility contracts previously managed by the Molveno Municipality under additional safeguards.

HYDRO DOLOMITI ENERGIA/DOLOMITI EDISON ENERGY:

The year that just ended was characterised, as mentioned above, by a production level in line with historical averages, albeit with inconsistent performance during the year. In particular, as has already been reported for SET, in the final week of October there was a flood that involved the entire provincial territory and that in many territories was comparable to the dramatic events of the 1966 flood. In this context, the essential contribution provided by the reservoirs of hydroelectric plants for civil protection purposes in emergency situation was confirmed, and both Hydro Dolomiti Energia and Dolomiti Edison Energy were called to manage their reservoirs to contribute to flood control in order to mitigate the effects of that meteorological situation as far as possible. As a result of these events, limited outages were recorded at the times of greatest intensity of the phenomenon and there were some, fortunately minor, damages to the plants; the structures will work on their definitive repair, in some cases, during the spring/summer of 2019.

DOLOMITI ENERGIA SOLUTIONS:

With the objective of rationalising the Group's activities pertaining to energy efficiency, public lighting and ancillary services, the merger of Nesco in Dolomiti Energie Rinnovabili was resolved with effect from 1 January 2019; Dolomiti Energie Rinnovabili changed its company name to Dolomiti Energia Solutions.

Dolomiti Energia Group

Summary of economic, equity and financial positions

ECONOMIC POSITION

The consolidation area of the Dolomiti Energia Group comprises 12 companies, which in detail are: in addition to the Parent Company Dolomiti Energia Holding, the subsidiaries Dolomiti Energia Solutions srl (resulting from the merger by absorption of Nesco in DER), Novareti SpA, Dolomiti Ambiente srl, Dolomiti Energia Trading SpA, Dolomiti Energia SpA, SET Distribuzione SpA, Depurazione Trentino Centrale Scarl, Hydro Investments Dolomiti Energia srl, Hydro Dolomiti Energia srl, Dolomiti GNL srl and Centraline Trentine srl.

The consolidated financial statements of the Group show a sharp increase in the EBITDA and consequently an increase in net profit compared to 2017. This change is due mainly to the abundant rainfall of the year and to the positive solution of the dispute concerning registration tax with the Revenue Agency.

During the year, DEH acquired 100% of Centraline Trentine srl, a company that is active in the management of equity investments in companies that generate hydroelectric energy in the Trento province.

In relation to the economic data, the following information is provided.

The total revenue and other income amounted to 1,460 million euro (1,426 million euro in 2017).

Production costs amounted to 1,310 million euro (1,352 million euro in 2017).

Personnel costs amounted to 65.7 million euro (66.8 million euro in 2017).

The EBITDA improved sharply compared to the previous year and amounted to 216.2 million euro (125.3 in 2017). In percentage terms compared to total revenue and other income, it amounts to 14.8% (8.8% in 2017).

The total amount of depreciation and amortisation, allocations and write-downs of fixed assets amounted to 60.8 million euro (52.9 million euro in 2017), with a 14.9% increase relative to the previous year, mainly deriving from the complete write-down of the goodwill relating to Dolomiti Energia Trading and to the additional write-down of the units of the Clesio real estate fund.

The result of equity investments was positive by 5.7 million euro, compared to the negative result of 1.5 million euro in 2017.

The EBIT obtained amounted to 155.4 million euro, versus 72.4 million euro in 2017.

The cost of financial management decreased from 8.1 million euro in 2017 to 7.0 million euro in 2018. The main components are represented by the interest on bonds and on the uses of bank credit facilities.

Income taxes for the year totalled 39.4 million euro (18.5 million euro in 2017) 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 78.2 million euro (34.9 million euro in 2017).

EQUITY AND FINANCIAL POSITION

The Group's technical investments made in 2018, net of the transfer of the assets of the STET business unit, totalled 51.2 million euro (42.5 million euro in 2017).

Net invested capital as at 31 December 2018 increased by 10.4 million euro compared to the previous year.

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.

Table of Contents	Formula	2018	2017	difference
ROE	Net profit/Equity	11.00%	5.28%	5.72%
ROI	EBIT/Invested capital	7.49%	3.55%	3.94%
ROS	EBIT/Turnover	10.64%	5.08%	5.56%
EBITDA	Gross operating margin (thousands of euro)	216,228	125,263	90,965
EBIT	Net operating margin (thousands of euros)	155,381	72,393	82,988

All indicators improved compared to the previous year, for the reasons expressed above.

FINANCIAL AND EQUITY INDICATORS

Table of Contents	Formula	2018	2017	difference
Hedging of net fixed assets	Equity+medium/long-term liabilities/ net fixed assets	0.81	0.81	0.00
Debt ratio	Liabilities/Equity	1.91	2.08	0.17
Secondary liquidity ratio	Short-term assets/short-term liabilities	1.09	1.04	0.05

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

Risk analysis – group objectives and policies on risk management

Financial risks

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 2018 is broken down as follows:

- 35.23% at fixed rate
- 14.00% hedged with derivative instruments (IRS plain vanilla)
- 50.77% at floating rate

COMMODITY PRICE RISK

Monitoring the price of commodities is fundamental to avoid that its fluctuations mean significant changes in the Group's operating margins.

Using a control system is thus fundamental to limit 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, as well as from the environmental certificates (in particular White Certificates, Guarantees of Origin and EUA - European Emissions Allowances) that make up the Group's source and commitment portfolio.

The objective of the "Finance and Risk Management" department is to monitor the operations of the Group's companies in the commodities market, to ensure compliance with the limits set to the assumption of economic-financial risks.

Based on these directives, the department was provided with instruments useful to measure exposure to the variability of commodity prices: among them, a fundamental role is played by the ETRM software, which allows automatically to generate numerous indicators, such as Value at Risk and Profit at Risk, which allow to assess the risk of the activity on one or more markets, as well as to prevent the potential negative impacts of future price fluctuations.

CREDIT RISK

Credit risk is identified with the potential economic-financial impact deriving from the non-compliance of the companies with which the Dolomiti Energia Group stipulates purchase and/or sale agreements. The process for the management of this risk consists of a preliminary phase of assessing the creditworthiness and the soundness of the counterparty, and a second control phase directed at causing the emergence of critical issues in the commercial dealings that can make it necessary to revise the allowed exposure limits.

In this way the Group aims at minimising credit risk, while trying to support the pursuit of the commercial objectives in coordination with the corporate departments that manage the process.

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.

The main regulatory risks identified can be summarised as follows:

- risks deriving from the stipulation of partnership and joint venture agreements for the management of new entities and businesses, in which management is not exclusive and may lead to significantly different results from the expected ones;
- risks relating to seasonality and atmospheric conditions, whose variability can significantly influence the generation of hydroelectric energy, as well as the demand for electricity and natural gas;
- risks tied to the concentration of the Group’s business mainly in the Trento Province and hence the strong influence which the economic conditions of the reference geographic area can have on the performance of the entity.

Operational risks

The Group has also identified the following main operational risks:

- risks deriving from the stipulation of partnership and joint venture agreements for the management of new entities and businesses, in which management is not exclusive and may lead to significantly different results from the expected ones;
- risks relating to seasonality and atmospheric conditions, whose variability can significantly influence the generation of hydroelectric energy, as well as the demand for electricity and natural gas;
- risks tied to the concentration of the Group’s business mainly in the Trento Province and hence the strong influence which the economic conditions of the reference geographic area can have on the performance of the entity.

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 workplace health and safety according to the model defined by the standard BS OHSAS 18001:2007 continued in 2018 and the process of transition to the standard UNI ISO 45001:2018 was started.

The system is supported by the development and implementation of a specific software adopted for management (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.

In the companies SET Distribuzione, Dolomiti Ambiente and in the operating sectors of the Holding Company (Laboratory and Warehouse), models for promoting safe behaviours, based on the BBS (Behavior Based Safety) method, were implemented.

Injury prevention figures

The evaluation of injury figures for 2018 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) = $\frac{\text{no. of injuries x 1,000}}{\text{average number of workers}}$

FREQUENCY INDICATOR (If) = $\frac{\text{no. of injuries x 1,000,000}}{\text{no. hours worked}}$

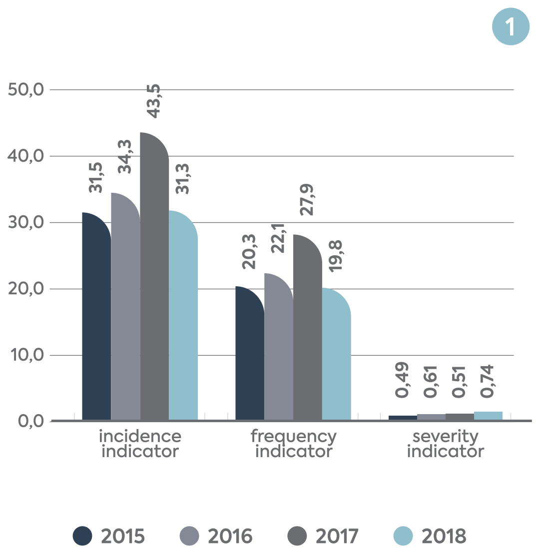
SEVERITY INDICATOR (Ig) = $\frac{\text{no. workdays missed due to injury x 1,000}}{\text{no. hours worked}}$

In accordance with the indications of UNI 7249:2007, in the determination of the number of injuries, the injuries that did not cause any missed workdays in addition to the day when they occurred are not considered.

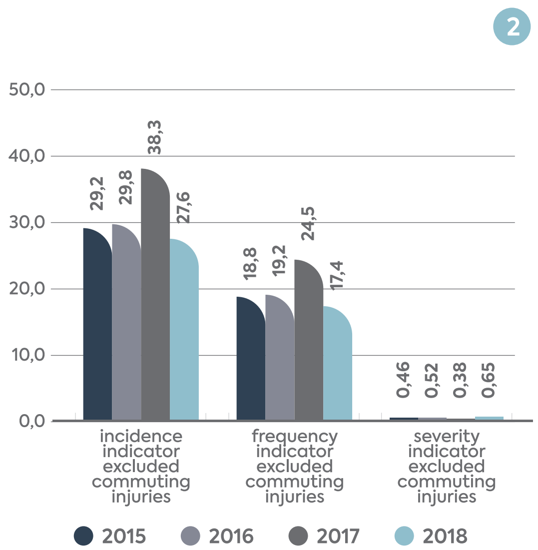
For 2018, the procedure adopted for the calculation of workdays missed due to injury is "accrual in the year"; therefore, the workdays missed due to injury that were considered are those actually measured during the year and thus include also a portion of those injuries that, although they occurred in 2017, ended in 2018.

The main indicators (frequency and incidence) recorded in 2018 point to an improvement compared to 2017, while the severity indicator worsened as a result of some long-duration injuries (Chart 1). The trend is also confirmed when injuries that took place when commuting are excluded (Chart 2).

Injury indicators (including commuting injuries)



Injury indicators (excluded commuting injuries)

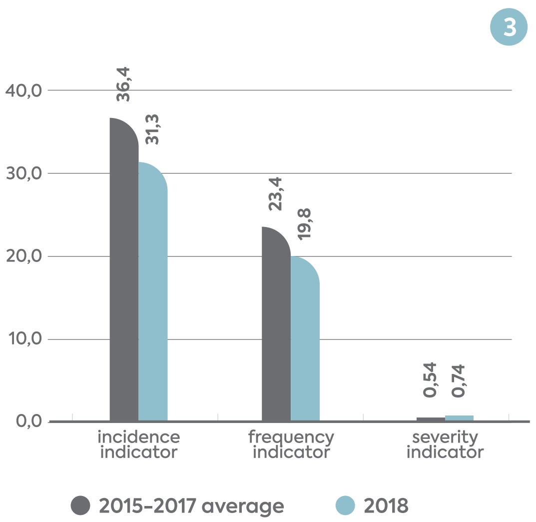


As shown in the following figure (Chart 3), the frequency and incidence indicators improved also with reference to the average of the data of the previous three-year period (2015-17), while the deterioration of the severity indicator was confirmed.

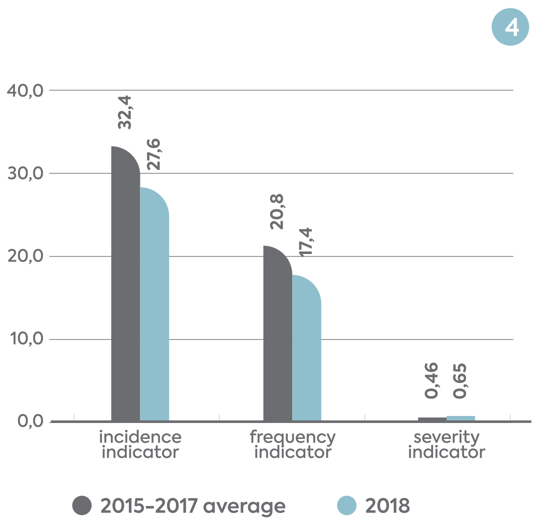
Considering all events (including commuting injuries), the 2018 incidence and frequency indicators were lower, respectively by 5.1 and 3.6 points, than the average value of the previous three-year period.

The severity indicator instead worsened slightly, from 0.54 in the 2015-17 three-year period to 0.74 in 2018.

Injury indicators (including commuting injuries)



Injury indicators (excluded commuting injuries)



Excluding commuting injuries from the calculation, comparison with the previous three-year period confirmed an improvement of the incidence and frequency indicators, respectively by 4.8 and 3.4 points relative to the average value of the previous three years.
In this case, too, the severity index instead deteriorated, from 0.46 in the 2015-17 three-year period to 0.65 in 2018 (Chart 4).

HEALTH SURVEILLANCE

In 2018, workers' health surveillance entailed 1153 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:

	2015	2016	2017	2018
Periodic visit	824	856	839	975
Preventive visit	55	82	94	85
Extraordinary visit	74	49	54	93
TOTAL DOLOMITI ENERGIA GROUP	**953**	**987**	**987**	**1153**

Dolomiti Energia Holding Spa

Summary of economic, equity and financial positions

ECONOMIC POSITION

Total revenue and other income amounted to 36.8 million euro.

Production costs amounted to 43.7 million euro (41.0 million euro in 2017) of which:

- personnel costs amounted to 11.1 million euro;
- amortisation, depreciation, allocations and write-downs amounted to 8.5 million euro.

The EBITDA was 1.6 million euro. In percentage terms compared to total revenue and other income, it amounts to 4.3%.

The EBIT, net of income and expenses from equity investments, had a negative value of 6.9 million euro.

Gains from investments amounted to 45.0 million euro (54.1 million euro in 2017).

Income from financial management was 1.1 million euro.

Income taxes for the year amounted to 1.3 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 40.6 million and euro decreased by 10.9 million euro compared to the result obtained in 2017.

EQUITY AND FINANCIAL POSITION

Investments in fixed assets carried out by the Company in 2018 totalled 6.9 million euro (3.7 in 2017).

Among the sources, shareholders' equity rose by 27.5 million euro in 2018.

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 sold its own production at fixed cost to the subsidiary Dolomiti Energia Trading, which is assigned the task of monitoring and managing the risk of fluctuations in commodity prices;
- 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.ì

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.

Operational risks

RISKS RELATING TO JOINT VENTURE AND PARTNERSHIP AGREEMENTS

The Company has recently signed sharing agreements for the management of significant businesses mainly in the hydroelectric field and in other energy segments. In the future, the Company may enter into other partnerships with the same counterparties or with new ones. The expected return for these transactions imply the use of assumptions and estimates by the management and they may lead to results that are even significantly different from the expectations. In addition, it should be pointed out that in these partnerships the Company may not have an exclusive position in decision-making processes and that risks may also derive from the integration of persons, processes, technologies and products. The above may significantly influence the economic and financial results of the Company.

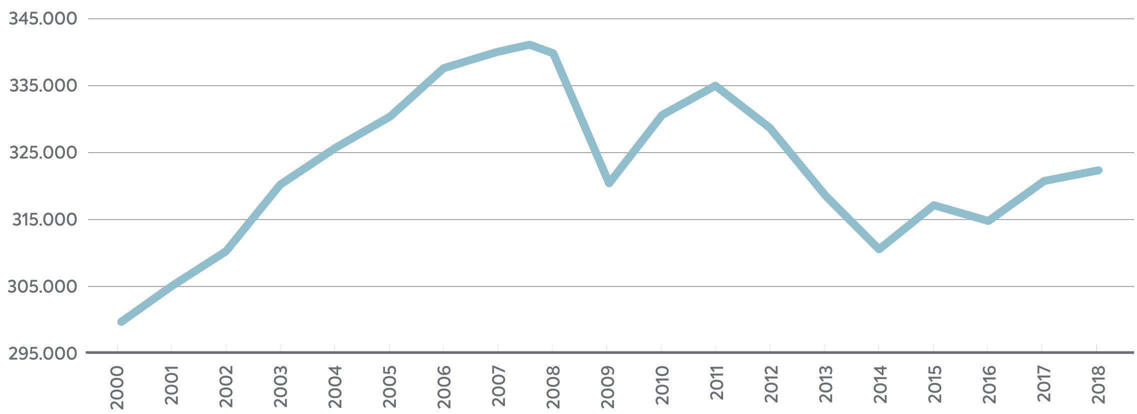
The energy, market and regulatory scenario

Performance of the energy markets

ELECTRICITY

According to the provisional data made available by Terna S.p.A., in 2018 electricity consumption in Italy amounted to 322 billion kWh, up by 0.4% compared to the previous year, in line with the consumption level of 2009 but, as shown in the chart below, still almost 5% lower than the maximum values recorded in 2007 (over 340 billion kWh).

Electricity consumption - Italy (GWh)



At the regional level, the year-on-year change in 2018 was mixed, ranging from +2.2% in the Triveneto to -2.3% in the Northwest.

[GWh]	North West	Lombardy	Triveneto	Tuscany - Emilia Romagna	Central	Southern	Sicily	Sardinia
2018	32,586	69,586	49,970	50,643	44,728	45,804	19,388	9,205
2017	33,337	69,037	48,901	49,732	44,330	46,547	19,575	9,089
DELTA %	-2.3%	0.8%	2.2%	1.8%	0.9%	-1.6%	-1.0%	1.3%

Grouping my macro-areas, the change was positive in the North (+0.6%) and in the Centre (+1.4%), whereas it was negative in the South (-1.6%) and in the Islands (-0.2%):

[GWh]	North	Central	Southern	Islands
2018	152,142	95,371	45,804	28,593
2017	151,275	94,062	46,547	28,664
DELTA %	0.6%	1.4%	-1.6%	-0.2%

In 2018, 87% of electricity demand was met with domestically generated energy (280 billion kWh) and the remainder (13%) from the balance of energy traded abroad (almost 44 billion kWh). The details below show that net domestic output (280 billion kWh) decreased by nearly 2% compared to 2017 (-5 billion kWh).

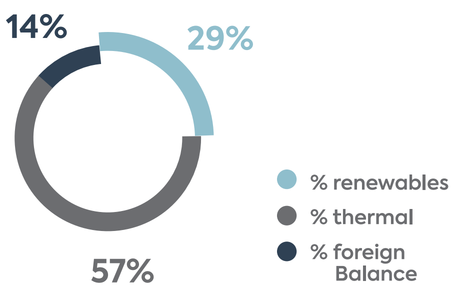
Millions of kWh

	2018	2017	% Change
Hydroelectric	49,275	37,557	31.2%
Thermal	185,046	200,305	-7.6%
of which Biomass	*17,683*	*17,818*	*-0.8%*
Geothermal	5,708	5,821	-1.9%
Wind	17,318	17,565	-1.4%
Photovoltaic	22,887	24,017	-4.7%
TOTAL PRODUCTION, NET	**280,234**	**285,265**	**-1.8%**
Import	47,179	42,895	10.0%
Export	3,270	5,134	-36.3%
FOREIGN BALANCE	**43,909**	**37,761**	**16.3%**
Pumps	2,233	2,478	-9.9%
DEMAND IN ELECTRICITY [1]	**321,910**	**320,548**	**0.4%**

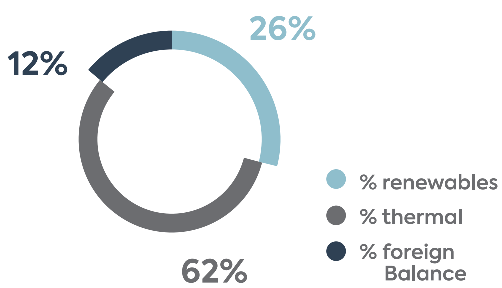
[1] Demand in Electricity = Production + Foreign Balance – Pump consumption.

In 2018, 57% of Demand in Electricity in Italy was met from thermal sources (62% in 2017), 29% from other sources (hydroelectric, wind, photovoltaic, geothermal) (26% in 2017) and 14% from abroad (12% in 2017).

2018



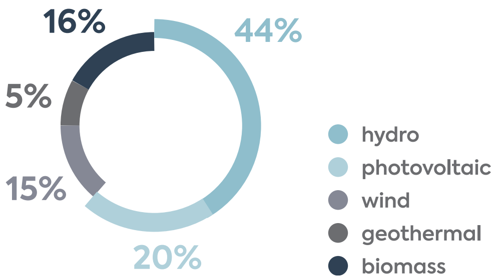
2017



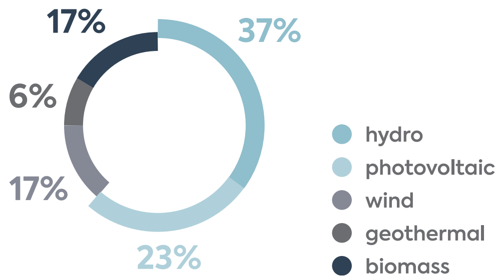
In 2018, electricity generated from renewable sources (including thermal energy produced from biomass) amounted to 112.8 TWh, i.e. 35% of Demand in Electricity. In 2017, it had amounted to 102.8 TWh, i.e. 32%.

Among renewable sources, in 2018 the greatest contribution came from hydroelectric (44% versus 37% in 2017), followed by photovoltaic (20% versus 23% in 2017), by wind (15% versus 17% in 2017), by biomass (16% versus 17% in 2017) and by geothermal (5% versus 6% in 2017).

Detail of Renewable Sources
2018

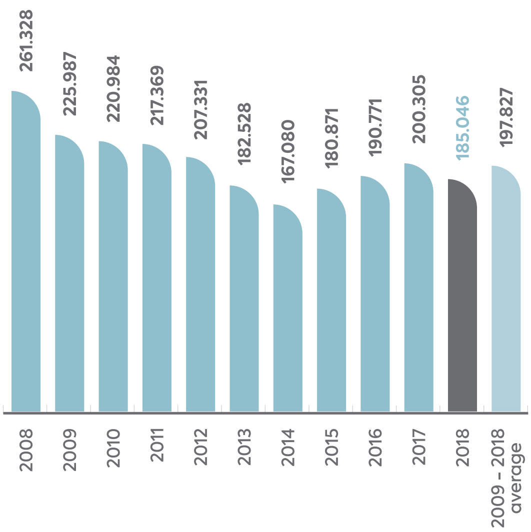


Detail of Renewable Sources
2017

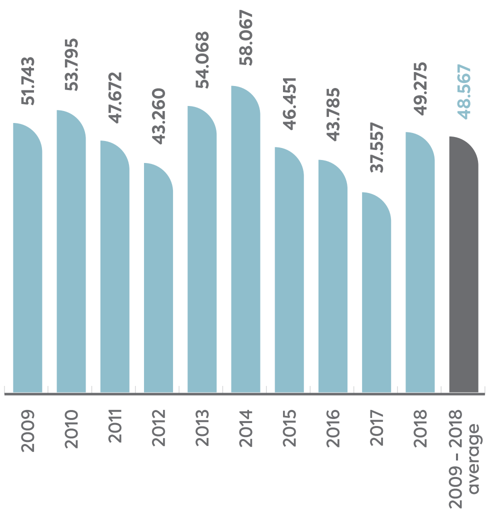


After three consecutive years of growth, electricity output from thermal sources declined by 7.6% compared to 2017 and amounted to 185 billion kWh generated (-15 billion kWh compared to 2017). In 2008, thermal energy output had been 261 billion kWh.

Historical pattern
of thermal production (GWh)



Historical pattern
of hydroelectric production (GWh)

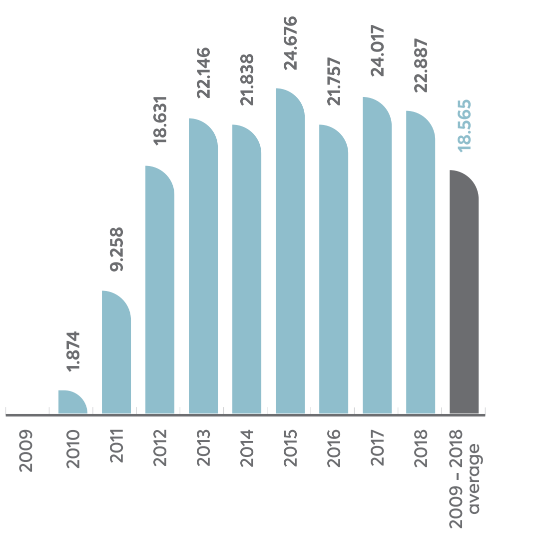


On the contrary, after three consecutive years of decline, in 2018 hydroelectric generation increased markedly (+31% compared to 2017) as a result of the greater rainfall recorded in 2018 compared to 2017. In 2018, hydroelectric output amounted to 49.3 TWh (37.5 TWh in 2017), slightly higher than the average of the last 10 years (48.5 TWh). The past 5 years have included both the year with the highest output (2014, 58 TWh) and the year with the lowest output (2017, 37.5 TWh).

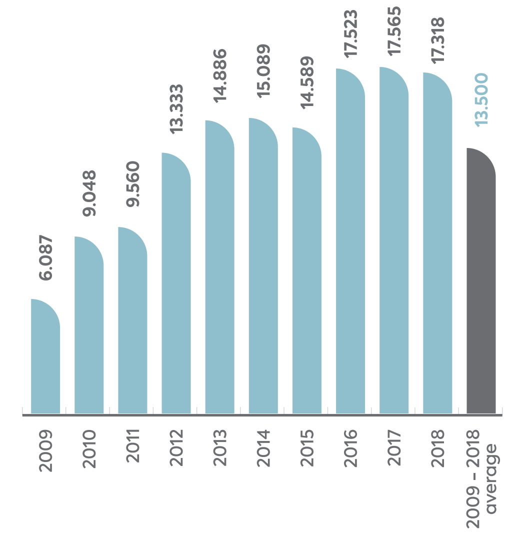
In 2018, photovoltaic output was affected by less favourable irradiation conditions than in 2017, and it decreased by nearly 5% (22.9 billion kWh in 2018, versus 24 TWh in 2017).

Wind power output in 2018 amounted to 17.3 TWh, slightly lower than the output in 2017 (-1.4%), similarly to geothermal output, which amounted to 5.7 TWh (-1.9% compared to 2017).

Historical pattern of photovoltaic production (GWh)

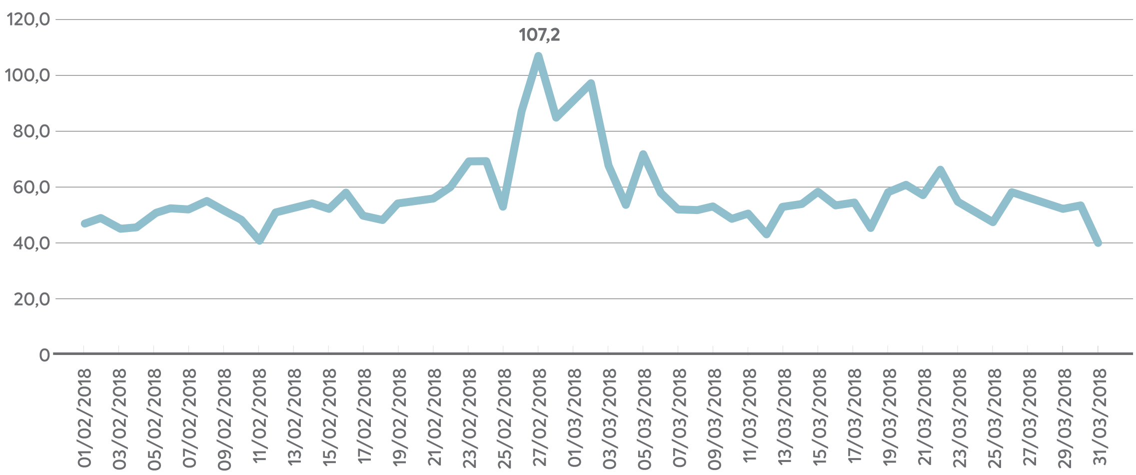


Historical pattern of wind power generation (GWh)



In 2018, peak power demand in Italy was recorded on Wednesday, 1 August at 4 pm and it was equal to 57,567 MW, compared to the peak of 59,353 MW of 21 July 2015 at 4 pm.
Contrary to the final months of 2016 and the early months of 2017 as a result of the problems in French nuclear plants, in 2018 no major critical issues were recorded on the electricity market either in Italy or in Europe. Only during the last week of February and the first days of March 2018 did the Italian electrical system, and the European one in general, experience some critical issues due to the intense cold of the Burian disturbance, as shown by the following chart, which illustrates the daily pattern of the PUN price in that period, which peaked at 107 €/MWh on 27 February 2018.

PUN



NATURAL GAS

After three consecutive years of growth, natural gas consumption in 2018 contracted by 3.3% compared to 2017, at approximately 72.6 bln Smc.

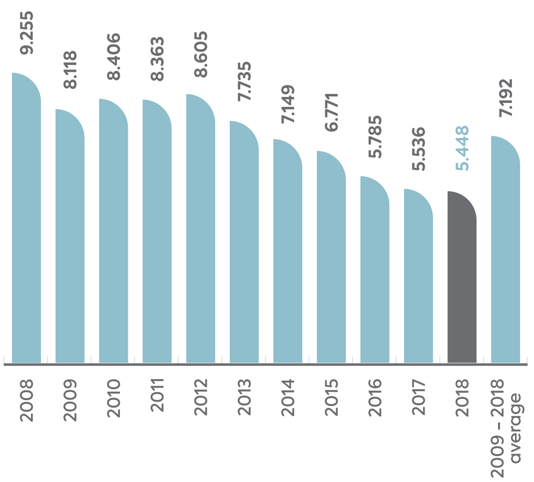
gross natural gas consumption in Italy (millions of Smc)

The result was caused mainly by the sharp decline in thermoelectric consumption (-8%), in line with the decreased electricity output from thermal sources, and the slight decrease in industrial consumption (-1%) and in residential consumption (-1%), due to less rigid winter months than those recorded in 2017. The following tables show the details of monthly consumption for the three types of market in 2017 and in 2018.

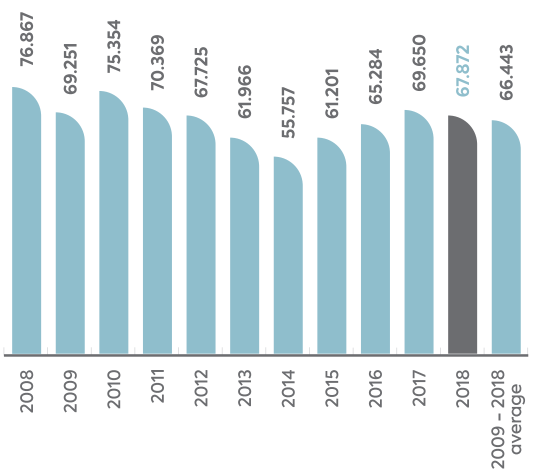
	Industrial			Thermoelectric			Distribution grids		
	2018	2017	DELTA %	2018	2017	DELTA %	2018	2017	DELTA %
January	1,289	1,303	-1%	2,129	2,762	-23%	5,168	6,731	-23%
February	1,276	1,203	6%	2,079	2,164	-4%	5,354	4,470	20%
March	1,335	1,271	5%	1,916	1,864	3%	4,717	3,120	51%
April	1,154	1,125	3%	1,439	1,731	-17%	1,892	1,760	8%
May	1,193	1,182	1%	1,458	1,745	-16%	1,217	1,391	-13%
June	1,140	1,155	-1%	1,598	2,048	-22%	1,016	985	3%
July	1,160	1,200	-3%	2,123	2,234	-5%	994	973	2%
August	890	933	-5%	2,069	2,076	0%	811	806	1%
September	1,163	1,196	-3%	2,183	1,800	21%	1,056	1,134	-7%
October	1,241	1,262	-2%	2,075	2,119	-2%	1,484	1,636	-9%
November	1,264	1,295	-2%	2,175	2,566	-15%	3,223	3,811	-15%
December	1,174	1,240	-5%	2,107	2,333	-10%	5,390	5,814	-7%
TOTAL	14,278	14,365	-1%	23,352	25,442	-8%	32,320	32,630	-1%

Concerning gas procurement sources, the decline in domestic production was confirmed, with a reduction by over 40% from 2008 to 2018. Imports declined once again (-2.6%) after three consecutive years of increases.

Domestic production of natural gas, MSmc



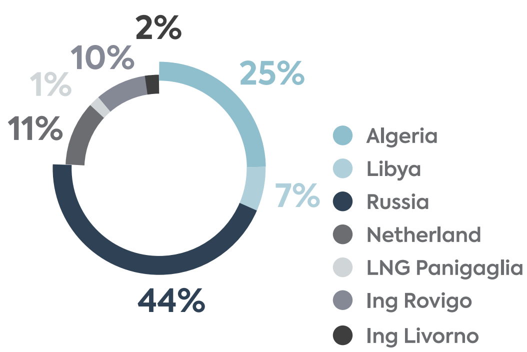
Import of natural gas, MSmc



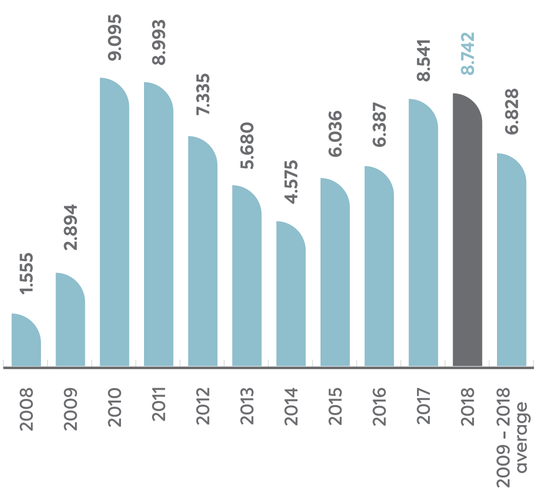
In country terms, Russia is still the largest supplier with 44%, followed by Algeria with 25%.

LNG imports grew, reaching a total of 8.7 bln Smc and accounting for 13% of national imports (2% in 2008).

Mix of import of natural gas, 2018



Import of LNG, MSmc



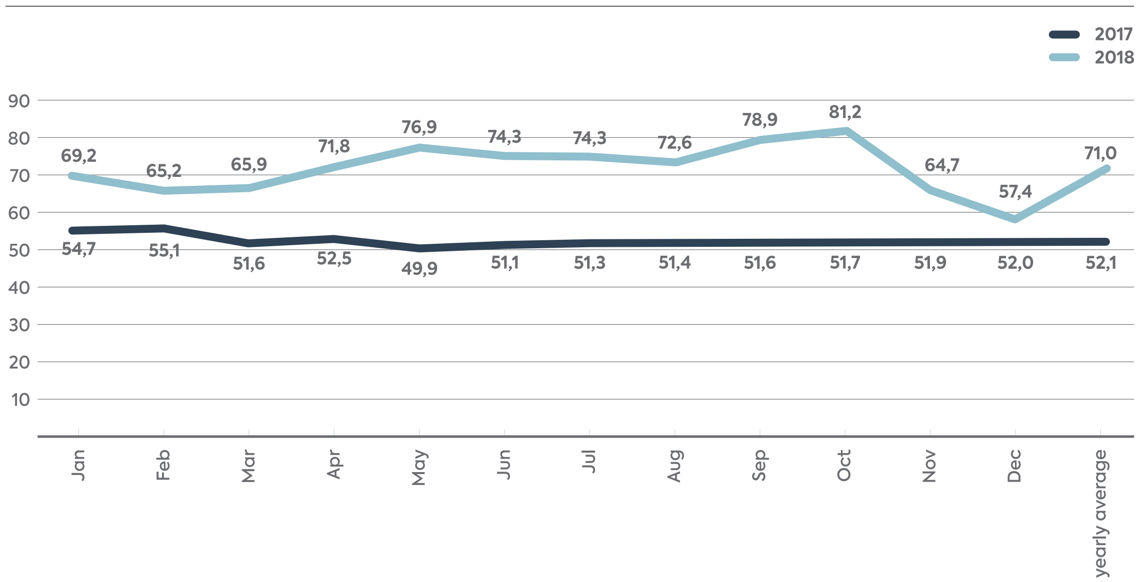
The details of the domestic production and of the imports of natural gas from 2008 to 2018 are provided below.

[MSmc]	Domestic generation	Imports	*Algeria*	*Libia*	*Russia*	*Olanda*	*LNG Panigaglia*	*LNG Rovigo*	*LNG Livorno*
2008	9,255	76,867	*24,437*	*9,872*	*24,585*	*15,693*	*1,555*	-	-
2009	8,118	69,251	*21,371*	*9,168*	*22,917*	*12,022*	*1,344*	*1,549*	-
2010	8,406	75,354	*25,945*	*9,410*	*22,492*	*7,828*	*2,012*	*7,083*	-
2011	8,363	70,369	*21,309*	*2,339*	*26,451*	*10,859*	*1,925*	*7,068*	-
2012	8,605	67,725	*20,632*	*6,470*	*23,851*	*9,034*	*1,131*	*6,204*	-
2013	7,735	61,966	*12,460*	*5,704*	*30,265*	*7,495*	*39*	*5,377*	*264*
2014	7,149	55,757	*6,774*	*6,512*	*26,154*	*11,433*	*70*	*4,447*	*57*
2015	6,771	61,201	*7,244*	*7,107*	*29,918*	*10,635*	*34*	*5,942*	*60*
2016	5,785	65,284	*18,873*	*4,807*	*28,267*	*6,697*	*207*	*5,670*	*510*
2017	5,536	69,650	*18,880*	*4,641*	*30,180*	*7,248*	*632*	*6,966*	*944*
2018	5,448	67,872	*17,095*	*4,467*	*29,688*	*7,760*	*895*	*6,743*	*1,105*

OIL

In 2018, oil recorded an average price of 71 $/barrel on international markets, up by 36% compared to the previous year. After the October peak, above 80 $/barrel, the value of Brent crude progressively declined, reaching approximately 60 $/barrel, which was also confirmed in the first months of 2019.

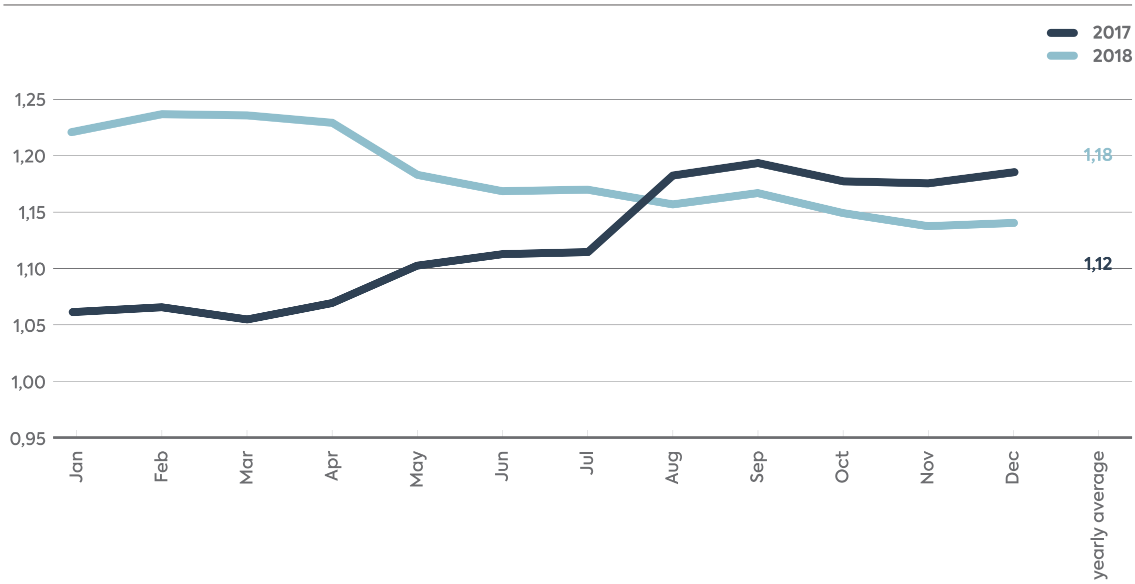
Dated Brent, $/bbl



EURO/US DOLLAR EXCHANGE RATE

Of note is also a significant appreciation of the Euro relative to the US Dollar, with a 2018 average of 1.18, versus 1.12 in 2017.

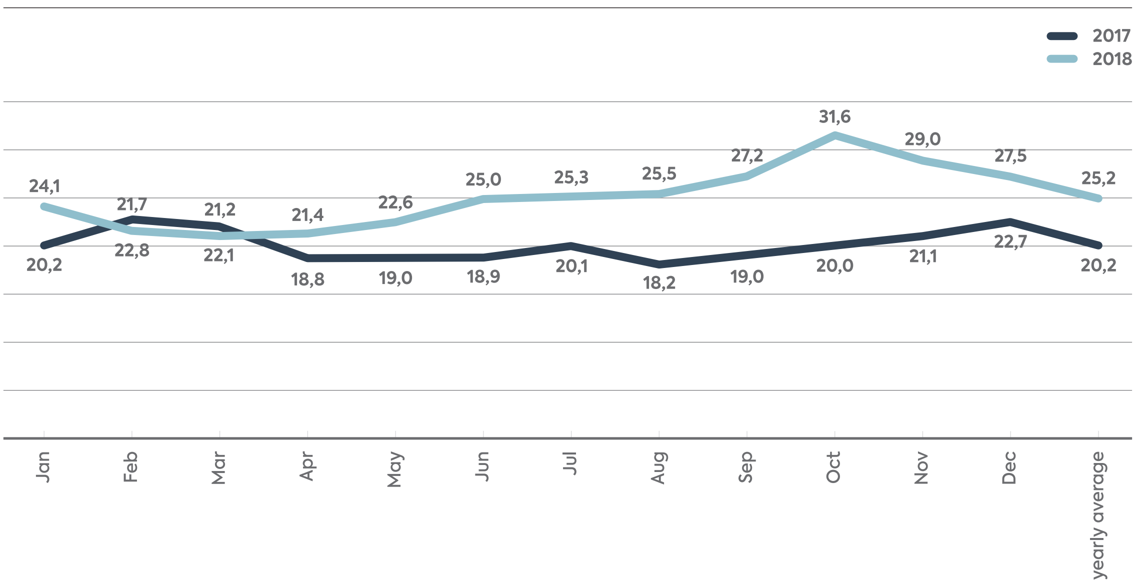
€/$ exchange rate



NATURAL GAS PRICES

The increase in crude oil prices led to a rise in natural gas prices, which on average grew by 24% in Italy at the PSV, while the PFOR price (the benchmark price of the protected market) rose by 21% relative to 2017.

PSV Price €cent/Smc

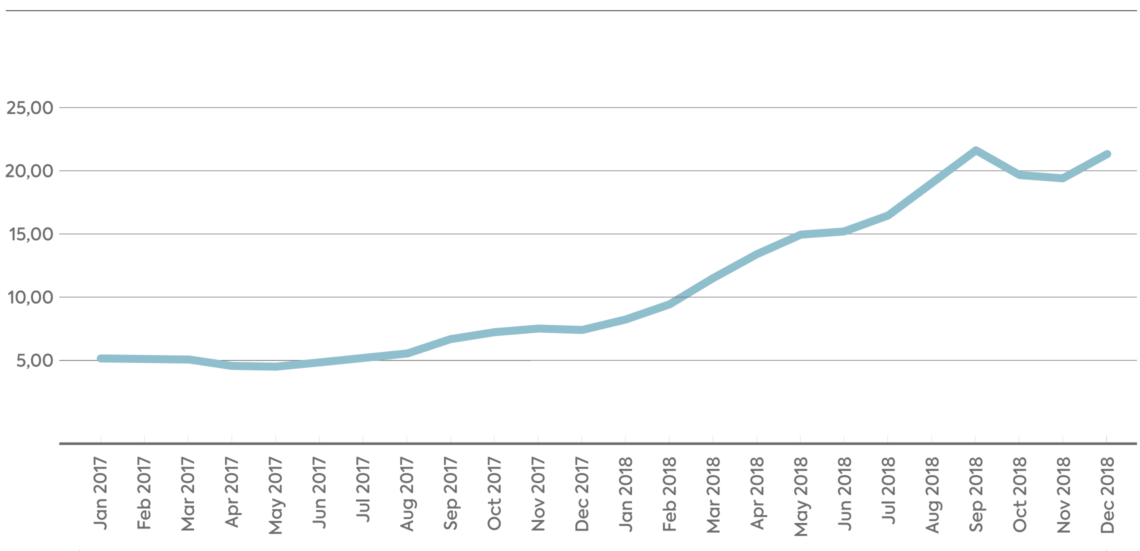


Price PFOR €cent/Smc

CO_2 PRICES

The price of CO2 significantly increased in 2018 compared to 2017: the average of the 2018 prices, i.e. over 15 €/ton, was 166% higher than in 2017, amounting to approximately 6 €/ton.
The rise in the price of CO2 contributed to the increase in the prices of energy generated from fossil sources (gas and coal in particular), throughout Europe in general, but above all in Germany, where the production mix is more imbalanced on fossil sources (coal) compared to other European countries. The price in Germany then contributed to drive energy prices upwards in Italy, as we will see in the following charts.

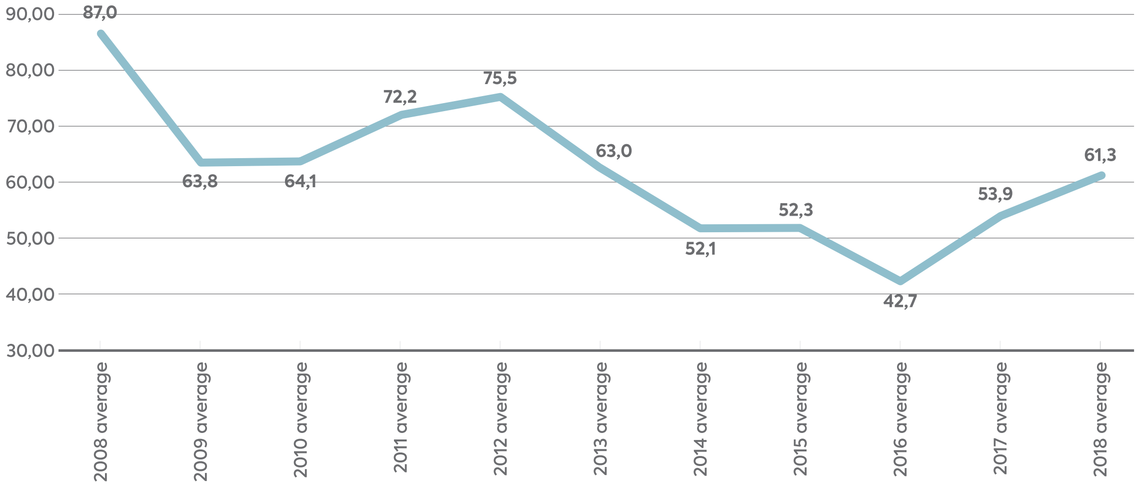
EUA €/ton



ELECTRICITY PRICES

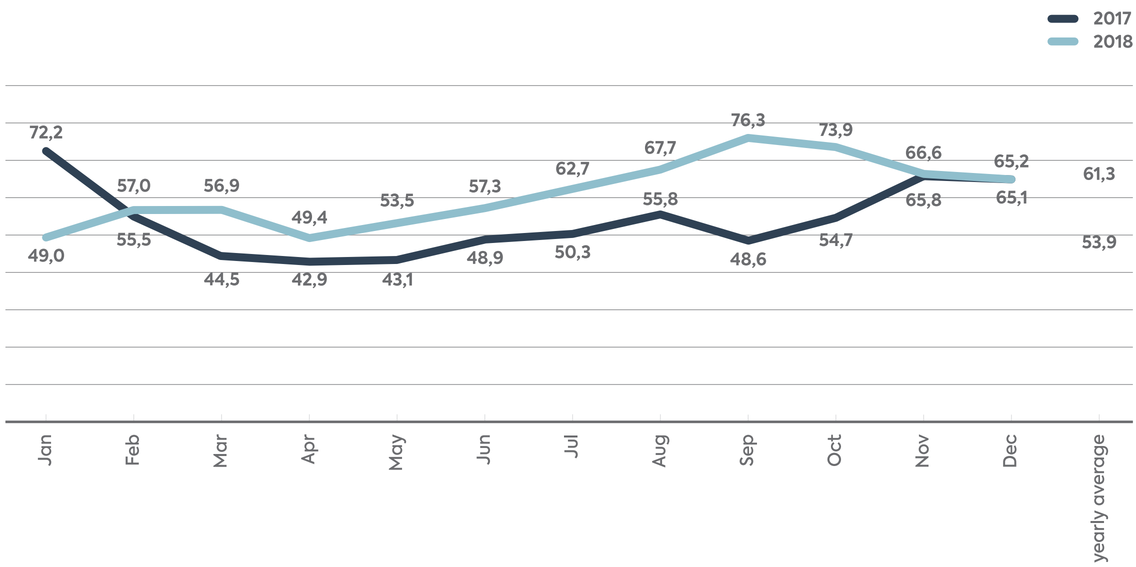
For the second consecutive year, the average value of the PUN increased: for 2018, it amounted to 61.3 €/MWh, up 14% compared to the average of 2017, i.e. 53.9 €/MWh (the value in 2016 had been 42.7 €/MWh, the lowest ever recorded since the inception of the electricity exchange in Italy). The mean value of the PUN in 2018 is the highest in the last 5 years.

PUN trend since 2008



After January 2018, when a markedly lower value of PUN was recorded (49 €/MWh) compared to the December 2017 figure (65.1 €/MWh), the PUN progressively increased in February and March 2018 mostly as a result of the cold weather (Burian) and then, during the year, mostly as a result of the rise in natural gas and CO2 prices. The monthly average value of September 2018, i.e. 76.3 €/MWh, is the highest ever recorded since September 2012 (76.3 €/MWh).

PUN €/MWh



Reference regulatory environment

Hydroelectric energy generation

The recent approval of the provisions per Article 11 of Italian Law Decree no. 135/18 ("simplification decree"), converted with amendments by Law no. 12/2019, repealing Article 37 of Law Decree no. 83/12 and acting in coordination on the content of Legislative Decree 79/99 ("Bersani Decree"), introduced, at the national level, some significant changes to the procedures for assigning and reassigning concessions for major water diversions for hydroelectric purposes (nominal power above 3,000 kW). The most significant changes are the following:

- competence over assignment and reassignment procedures is transferred to the Regions;
- in readying reassignment tenders, the Regions shall apply the general criteria defined in the aforementioned Law Decree for the procedures to carry out competitive comparisons (selection of new concession-holder, search for industrial partner to be tasked with managing assets within a mixed capital company, search for a counterparty for the activation of a partnership agreement), for the definition of the minimum requirements for participants and for the duration of the new concessions and the general criteria for assessing the projects submitted for the tender;
- with regard to measuring the assets sold by the outgoing concession-holder, the provisions of Royal Decree no. 1775/1933 are confirmed for "assets subject to reversion free of charge"; for plant parts other than the preceding ones, a distinction is made in the treatment of movable and immovable assets, providing explicitly:
    i. for the movable and immovable assets which the incoming concession-holder intends to re-use, the payment of the residual value determined on the basis of the accounting records or by means of sworn appraisal;
    ii. for the movable and immovable assets which the incoming concession-holder does not intend to re-use, the removal and disposal at the proposing party's care and expense;
    iii. for the movable and immovable assets which the incoming concession-holder does not intend to re-use, the retention of ownership by the outgoing concession-holder;
- holders of concessions for major hydroelectric diversions expired or expiring on or before 31 December 2023 continue, on behalf of the region, to operate the diversions for the time necessary to complete the assignment procedures and in any case no later than 31 December 2023;
- until the concession is assigned, "expired concession-holders" are obligated to supply to the competent Region, free of charge, a portion of the energy output (220 kWh for each kW of nominal power) and to pay an additional fee.

The provisions introduced by Law Decree no. 135/18 do not apply in the Trento and Bolzano Autonomous Provinces, where Paragraph 833 of Law 205 of 27 December 2017 is in force; this rule, in addition to prescribing the extension of the concessions expired or expiring on or before 31 December 2022 to the same date, allows the aforementioned administrations to regulate with a provincial law the ways and procedures for assigning major hydroelectric diversions. Only after the latter law is approved and promulgated (very probably in 2019) will it be possible to know how the actual procedures for carrying out reassignment tenders will be defined.

Functional unbundling ARERA Resolution no. 296/2015/R/COM (TIUF)

In 2018, the Company continued its effort in the implementation of the experimental phase of the "self-audit" project per AEEGSI Resolution no. 507/2015, which ARERA has not yet formally closed, pending the response of the European Commission to which the project was presented. 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.

The Dolomiti Energia Group, through the subsidiaries Novareti S.p.A. and SET Distribuzione S.p.A., submitted to ARERA, nearly in mirror-like form, two distinct self-auditing procedure projects, both accepted by the same Authority and currently being implemented.

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.

Adoption of a self-audit procedure (hence of a strengthened compliance officer) assures constant monitoring of the behaviours that can, concretely, compromise the interests safeguarded by the functional separation regulations and significantly mitigates the regulatory risk to which your Company is exposed.

To carry out the self-audit project, your Company relies on the advice and supervision of the Company ILM S.r.l. of Milan, which devised the Project now submitted to the evaluation of the Authority and of the European Commission; ILM S.r.l. was also appointed as Compliance Manager in accordance with and pursuant to Title IV of the TIUF.

Business segments

Electricity production

INITIATIVES AND INVESTMENTS

The investments made by the Group in 2017, totalling 8.5 million euro, refer to Business Development activities, Stay in Business activities, and compliance with prescriptions or regulations (Mandatory). Of note is the entry into operation, at the end of the year, of a new mini-hydro generation plant (90 kw installed power) at the Hydro Dolomiti Energia location in Trento.

VOLUMES AND OPERATING EFFICIENCY

Most of the hydroelectric generating plants are owned by the companies Hydro Dolomiti Energia (60% of which is held through the subsidiary HIDE), Dolomiti Edison Energy (51%), SF Energy (50%) and Primiero Energia (19.94%). In addition to these equity investments, Dolomiti Energia Holding directly owns the hydroelectric plants of S. Colombano (50% investment), Basso Leno, Chizzola, Grottole, Novaline, Tesino and 3 turbogas and power-driven cogeneration plants in Rovereto as well as 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.

The Group's total energy output in 2018 was 3,705 GWh (2,389 in 2017), of which 3,563 GWh hydroelectric.

Sale of electricity and natural gas

The performance of the natural gas sale segment was in line with the previous year, with 490.6 million Smc sold at approximately 185,000 delivery points, while the volumes of electricity sold to end customers (including those served in the market subject to additional safeguards) amounted to approximately 3.9 TWh.

The number of the delivery points, amounting to approximately 431,000, increased slightly (1,000 delivery points).

Electricity distribution

INITIATIVES AND INVESTMENTS

Electricity distribution-related investments totalled 18.5 million euro.

It should be recalled that the technical structures of your Company prepared a multi/year plan of the investment needs on the network. This plan contemplates, with focused interventions that have already been identified, a time horizon until 2021 and it is the reference for the communications prescribed by the Authority within the scope of the integrated regulation on unbundling.

The technical investments on the plants, carried out in 2018 as well, refer essentially to requests by customers or third parties and to the increased quality of service and compliance with regulatory prescriptions.

INVESTMENTS DUE TO UTILITY REQUEST

The interventions on the MV and LV network to satisfy the connection requests of utilities were in line with 2017. In 2018 activities continued for connecting photovoltaic plants to the network (approximately 600) along with other hydroelectric generating plants, for a total power of approximately 6 MVA, in substantial continuity with 2017.

Instead, continued growth was experienced by the requests for connection of accumulation systems associated with generating plant from a renewable source, mainly photovoltaic (approximately 170 cases compared to 120 in 2017 and 35 in 2016).

INITIATIVE INVESTMENTS

In regard to the initiatives of your subsidiary relating to network enhancement, improvement of the service and modifications to make plants compliant with the law, the volume of activity grew yet further compared to the already significant values of the previous years and amounted to approximately 8.1 million euro.

These are high-profitability interventions, mainly on primary substations, MV networks and secondary substations, characterised by a high return in terms of improvement of the quality of the services, carried out on the basis of a plan that identified them in detail.

With regard to the primary substations, some of the most significant interventions are the opening of the site construction of the new Primary Substation of Rovereto Nord and the complete renovation of the medium voltage portion of Campitello di Fassa.

On the medium voltage network, the main investments carried out in 2018 by your Company can be summarised as follows:

- laying new MV underground cables to assure a second power supply to some locations and to replace overhead lines with bare conductors, totalling 63 km
- replacements of lines with bare conductors in wooded areas with lines with insulated overhead cable, totalling 35 km of MV lines
- requalification of numerous obsolete secondary substations, re-equipped with motorised protected switchboards or with switches, in order to improve the continuity of the service and the selectivity of faults on the medium voltage network and allow it to be controlled remotely from the Integrated Remote Control Centre of Trento.

Work for the definitive reconstruction of the overhead lines affected by faults during the end-of-October event (approximately 70 km of overhead lines with over 400 damaged supports) required significant resources in the last 3 months of the year, in some cases delaying completion of some scheduled works in the more heavily affected areas.

VOLUMES AND OPERATING EFFICIENCY

Electricity grid and distribution management is provided by SET Distribuzione in approximately 170 Trentino Municipalities.

The total electricity distributed was 2,582 GWh (2,401 GWh in 2017).

Additional information:

Electricity distribution		2018	2017
Medium voltage grids	km	3,418	3,296
Low voltage grids	km	8,501	7,464
TOTAL CUSTOMERS CONNECTED TO THE GRID	**no.**	**329,734**	**310,873**

Service quality and continuity

The year 2018 was affected by an exceptional weather event that involved most of the Trentino region, leading to a state of emergency for the electrical system because of the numerous concurrent faults that affected both the medium voltage and the low voltage network.

The weather event was characterised by very intense precipitation and above all by strong gusting winds that felled even tall trees. During this event, the electrical grid incurred faults, mainly due to the fall of trees on the lines and to a lesser extent to landslides that damaged underground cables.

Your subsidiary's personnel handled the emergency, carrying out all the actions prescribed by the emergency plan and collaborating with local Civil Protection teams, overall assuring limited delivery restoration times in relation to the dimensions of the event.

The impact of the event was effectively limited by the investments carried out in recent years and directed at the progressive replacement of lines with bare conductors in wooded areas with underground or overhead cables.

As prescribed by current regulations, a dedicated report was sent to the Regulatory Authority to qualify the exceptional event and describe the measures adopted to react to it.

The indicators relating to the number and to the duration of the outages, which improved further until the month of October, will deteriorate compared to 2017 because of the exceptional event that was just described.

The 2017 results, published with ARERA resolution 605/2018/R/eel, show that SET Distribuzione is the best among the companies in the electricity distribution sector after the leading national distributor, allowing your Company to obtain, as a recognition for the excellent results achieved, a bonus of 1.72 million euro, which is the second one in absolute value terms and the first one in terms of relative value per user. In detail, in each of the areas of competence (high, medium and low concentration of users), the average duration of the outages in 2017 was better than the targets the Authority assigned to SET Distribuzione (high concentration: standard 28 minutes - result 8.81 minutes; medium concentration: standard 45 minutes - result 11.66 minutes; low concentration: standard 68 minutes - result 20.56 minutes).

With regard to the number of outages, in each of the areas, the results were better than the standard (high concentration: standard 1.2 - results 0.45; medium concentration: standard 2.25 - result 0.66; low concentration: standard 4.30 - result 1.42).

COMMERCIAL QUALITY

With regard to commercial quality, in 2018 SET Distribuzione maintained the good results of the previous years in compliance with the standards set by the Authority for the times of execution of the various services (quotes and simple work on LV network, activations and deactivations of measurement sets, replacements of faulty measurement sets, etc.). 35,000 services were rendered subject to specific level of Commercial Quality, with compliance with the prescribed times in 99.8% of the cases.

Natural gas distribution

INITIATIVES AND INVESTMENTS

The regulatory situation in the gas distribution sector does not permit the development of new wide-reaching initiatives (e.g. methanisation of Municipalities still not served) and, therefore, the investments are earmarked primarily for the modernisation of existing infrastructures and completion of already planned works.

Investments made in the gas sector in 2018 totalled 8.8 million euro (7.2 in 2017), and the main interventions involved:

- la manutenzione straordinaria di impianti e reti di distribuzione esistenti;
- la sostituzione dei misuratori tradizionali con quelli elettronici;
- il completamento dell'estensione delle reti nei comuni di Predaia, Valfloriana, Zambana e altri.

METERING

With regard to gas metering, in 2018 work continued to replace traditional meters with new generation, electronic ones. In 2018 the programme relating to the G6 and G4 classes continued, attaining the target prescribed by ARERA Resolution no. 554/2015/R/gas of 20 November 2015. With Resolution no. 669/2018/R/gas of 18 December 2018, ARERA completed the obligations to commission class G6 and G4 smart gas meters for 2019-2021.

VOLUMES AND OPERATING EFFICIENCY

Distribution is carried out in 88 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 Trento province (Brentino Belluno and Salorno).

Gas distributed during the year totalled 287.6 million m3 (287.4 million in 2017).

Methane gas		2018	2017
Length of the network	km	2,376	2,369
TOTAL UTILITY CONTRACTS (METERS)	no.	157,348	156,183

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 ARERA, in particular of the services subject to specific levels of quality to be guaranteed to the requesting party for which the automatic indemnities rules apply.

In 2018, the general index of the services performed within the standard times, for quality of service parameter purposes, amounted to 99.85%.

AREA TENDERS

In 2018, the Contracting Authority continued its activities for the tender pertaining to the Trento Province. With Provincial Law no. 15 of 3 August 2018, the Trento Autonomous Province extended to 31 December 2019 the deadline for publication of the tender, therefore the Contracting Authority received the request for the update as at 31 December 2017 of the material conditions of the assets of the distribution plants operated by the company. Activity continued on putting in place the technical and financial elements and the competencies that enable your Company to obtain the concession for gas distribution within the Trento Province.

Cogeneration and district heating

REGULATORY AND TARIFF FRAMEWORK

As prescribed by Resolution no. 582/2017/R/eel, 1 January 2018 marked the entry into force of the "Integrated Regulation for Closed Distribution Systems - TISDC", defined by Resolution no. 539/2015 that regulates Internal Utility Networks (RIU).

ARERA Resolution no. 15/2018/R/com of 18 January 2018 excluded the functional unbundling obligation for closed distribution system operators. The accounting unbundling obligations instead remain unchanged.

With Resolution no. 24/2018/R/tlr of 18 January 2018, as amended by Resolution no. 277/2018/R/tlr of 3 May 2018, on 1 October 2018 the "Regulation of the criteria for determining connection prices and the procedures for the user's exercise of the right to withdraw for the 2018-2021 regulation period (TUAR)" entered into force.

ARERA promulgated Resolution no. 661/2018/R/tlr of 11 December 2018 which defines the regulation of the commercial quality of the district heating service for the regulation period from 1 July 2019 to December 2021 and it provides for the start of a process for the revaluation of the provisions for the exercise of the withdrawal right established by the TUAR and some amendments thereto.

INITIATIVES AND INVESTMENTS

Total investments in this sector amounted to 0.5 million euro (0.6 in 2017).

VOLUMES AND OPERATING EFFICIENCY

Heat distribution through district heating network is carried out in the municipal area of Rovereto and in the "Le Albere" neighbourhood in Trento, where refrigerated water for air conditioning is also distributed; high temperature steam is supplied to some factories in Rovereto for their productive processes.

In 2018, 65.6 GWh of steam and 66.9 GWh of heating and cooling were supplied, while 103.4 GWh of electricity were generated. The previous year's figures were 74.8 GWh, 70.5 GWh and 116.4 GWh, respectively.

Cogeneration and district heating		2018	2017
Length of the network	km	22.6	22.6
TOTAL UTILITY CONTRACTS	no.	213, of which 3 on Rovereto steam network	212, of which 3 on Rovereto steam network

The publication of the Ministerial Decree of 21 December 2017 redefined the levels of contribution to system expenses for high energy consumption entities, providing significant discounts for entities with high incidence of the cost of energy, making poorly profitable the supply of electricity, generated by the ZI cogeneration Plant of Rovereto, to the Sandoz Industrial Products plant through RIU.

In addition, in 2018 the Sandoz Industrial Products plant obtained a tri-generation plant, operating at full capacity since November 2018. Therefore, from that date onwards, nearly all of the electrical output of the ZI cogenerator has been sold on the free market for electricity, with a further reduction in revenue.

As a consequence of the new technical-commercial context, in October 2018, a specialist professional firm was tasked to analyse possible cogeneration and district heating scenarios in Rovereto, with the goal of identifying technical solutions to make the activity economically sustainable.

The results of the study should lead the Company to define the optimal industrial set-up no later than in June 2019.

Integrated water cycle and waste treatment services

INITIATIVES AND INVESTMENTS

Extraordinary maintenance work was carried out in 2018 on water networks and plants.

Investments in the water management sector in 2018, even in the presence of a not fully defined regulatory framework and of the uncertain outlook for your Company, totalled 4.6 million euro (3.0 in 2017).

In 2018, the multi-year investment plan formulated in 2017 was implemented. In particular, in the Trento Municipality replacement of the pipeline trunks was started with the concurrent construction of a new plant for pipeline pressure regulation, while in the Rovereto Municipality some new segments of rainwater drains were laid and an innovative dispersing plant was built to mitigate flood waves resulting from exceptionally intense rainfalls.

Minor interventions were carried out in the Calliano and Volano municipalities.

The multi-year investment plan, which is substantially confirmed, will contain from 2019 onwards also a ten-year plan for the massive replacement of meters (approximately 85,000) to comply with Ministerial Decree no. 93/2017. The decision agreed with the municipalities is to install new generation meters, known as smart meters, that will allow remote reading.

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 29.9 million cubic metres (31.7 in 2017).
Additional information:

Water cycle		2018	2017
Length of the network	km	1,215	1,271
TOTAL UTILITY CONTRACTS	no.	78,971	82,059

Waste management

INITIATIVES AND INVESTMENTS

In 2018, 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;
- until 29 June, management of the Ischia Podetti non-hazardous waste landfill in the Trento municipality, under contract from the Agenzia per la Depurazione della Provincia Autonoma di Trento.

The investments made in municipal waste services in 2018 totalled 0.77 million euro (1.33 million euro in 2017), lower than the budget as a result of the decision to postpone the purchases of self-compactors to 2019; of particular note is the purchase of 2 road tractors to move trailers, used (registered in 2017) but with Euro 6 engines, continuing with the modernisation of the vehicles to reduce polluting emissions; advances were recorded on the agreements for the purchase of 4 street sweepers, delivered in March 2019, to take advantage of super-depreciation provisions, as well as the purchase of 3 Porter Piaggio trucks for manual sweeping and waste basket emptying. Under "equipment", 30 2250-litre containers for the collection of organic waste were purchased, to be positioned in the islands of the historical centre, replacing numerous 120-liter cans, with evident aesthetic improvement of the collection point; 13 single-blade compactors of approximately 22 cubic metres of volume for the renovation of this equipment used for waste collection at large shopping centres or major waste producing facilities such as hospitals and nursing homes; of importance is also the purchase of the equipment for washing alleys and sidewalks with pressurised water and at high temperature.

In addition, work started on relamping CRMs with the replacement of the old lamps with 48 new LED projectors with expected savings of 7,770 kWh and lower consumption by 1.45 tep, which will end in 2019; the upgrade of the fire-fighting system of the via Fornaci location, also connecting it to the remote control central, and the electrical system of the rain water pumping system was revamped in the integrated West Beltway Centre in Trento.

VOLUMES AND OPERATING EFFICIENCY

In 2018, 72,682 tons were collected (69,443 in 2017), 141,507 contracts were managed (also considering the appurtenances) (137,911 in 2017) and 85,621 taxpayers were served (84,708 in 2017).

On the waste front, a minimal increase in the volumes collected, i.e. 0.7%, was observed relative to the forecast in Trento (-0.8% separate collection, +6.5% unsorted waste), while the deviation from the forecast was greater in Rovereto, i.e. 5.3% (+6.4% separate collection, +1.8% unsorted waste).

The percentage of separate waste collection, after deducting the portion of waste collected upon street sweeping, amounted to 80.8% in Trento and 78.7% 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, a positive increase in analysis activities was recorded: a total number of 18,450 samples was examined, up by 3.5% compared to the previous year, of which 54.4% on behalf of third parties (49.7% in 2017), demonstrating the positive result of the commercial actions carried out. In this regard, of note is the purchase of special equipment worth over 20,000 euro to accelerate the search for Legionella in potable water, aiming at markedly increasing this activity that, also as a result of last year's fateful events in the Trento province, as well as in Lombardy, may have an attractive market, in particular among hotel operators and hospitality businesses in general.

Human resources

As at 31 December 2018 the Group workforce numbered 1,345 (1,327 in 2017). A total increase of 18 employees took place in the year compared to 2017 as illustrated below.

	2018	2017	Differenza
Dolomiti Energia Holding	180	171	9
Dolomiti Ambiente	259	260	(1)
Dolomiti Energia	169	171	(2)
Novareti	207	207	-
Dolomiti Energia Rinnovabili + NESCO	10	5	5
SET Distribuzione	276	270	6
Depurazione Trentino Centrale	65	68	(3)
Hydro Dolomiti Energia	161	156	5
Dolomiti Energia Trading	18	19	(1)
TOTAL	1,345	1,327	18

Comparison of the situation of the Group 2018 – 2017 by grade

	executives	managers	employees	manual workers	total
Position as at 31 Dec. 2018	19	48	680	598	1,345
Position as at 31 Dec. 2017	17	51	663	596	1,327
CHANGE 2018 VS. 2017	2	(3)	17	2	18

During 2018, 930 courses were held (867 in 2017) for a total of 27,495 hours (26,418 in 2017) of which 1,508 in favour of leased staff, interns and other co-workers, for an overall total of 1,125,851 euro (1,051,014 in 2017) 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 are the pilot project launched within SET Distribuzione on behaviour-related training regarding safety (so-called Behaviour Based Safety), as well as the one launched for Dolomiti Ambiente with the name of CO.SI' (Comportamenti Sicuri, Safe Behaviours), which will also continue in 2019.

The company continues to organise in-house English courses (one on one and group) for personnel of the companies in working groups for the development of specialist smart grid projects or involved in activities connected with the partner Macquarie European Infrastructure.

Research and development

In 2018, 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 Group's activities.

- **Industry 4.0**: Industry 4.0 was launched in Germany in 2011 and it derives from the fourth industrial revolution, with the purpose of exploiting the opportunities offered by the new technologies and introducing new forms of "intelligence" in monitoring and diagnosing the production process. In Italy, the tax legislators made Industrial Policy the primary item in the agenda, with the goal of boosting both the industrial and the tax competitiveness of the national economic system, using the following levers:

  i. supporting and incentivising the digitisation of production processes;

  ii. valuing worker productivity;

  iii. ground-up development of processes (and supporting software).

  The Dolomiti Energia Group used these levers to the fullest extent, carrying out, in recent years, numerous innovative projects on its generation chains, trading, sales to end customers, management of gas, electricity and water networks, positioning itself among utility leaders in Italy; some of the most significant projects included:

  i. the analysis, redesign and digitalisation of all processes to serve the gas and electricity customer base;

  ii. the study, comparison of available alternatives and the design of the energy efficiency offer for electricity and gas consumers;

  iii. the realisation of an application software, integrated in the PI-OsiSoft system in use at HDE, for the management of floods, i.e. for the continuous monitoring, storage in memory, simulation and management of flood events;

  iv. the design and implementation of systems for forecasting and optimising the output of hydroelectric power plants, maximising the use of available water;

  v. the implementation of the redundancy of remote control systems of hydroelectric and distribution plants and of the water and gas cycle;

  vi. the set-up and design of the process and software directed at the execution of energy management activities to balance and optimising the Group's energy sources (Plants and outside purchases) with respect to the consumption of its electricity and gas customer base;

  vii. the reorganisation and digitisation of the gas and electricity network management processes, directed at further maximising the efficiency and level of service to users;

  viii. the redefinition of the model and of the processes for managing and valuing the Group's own human resources, directed at fulfilling the potential of the Group's employees with the revision of the application software architecture for HR management, with completion expected in 2019;

  ix. the realisation of a software application for the management of the collection of preparatory data for consolidation of the sustainability report.

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:

- **Stardust Project**: in 2018, the activities of the European STARDUST project started; it involves the Dolomiti Energia Group through the subsidiaries SET Distribuzione and DER.

  In the wake of the initiatives directed at transition towards Smart Cities, the goal of the project is to open the way to the transformation of cities from being mainly fossil-fuelled to highly efficient, intelligent cities that are attentive to their citizens, through the development of sustainable technical solutions that allow their fast launch on the market.

  Within the project, your Companies will carry out the energy requalification of a condominium with innovative technologies, a study of the impact of electrical mobility on the distribution network and the validation of innovative communication systems for the collection of information from the plants.
- **OSMOSE**: within the European Framework Programme for Research and Innovation, the Horizon 2020 project proposal called "OSMOSE" was recently approved; the leader is the French TSO RTE and the project involves the main European Grid Operators (TERNA, REE, ELES, REN and ELIA), several Universities, Research Centres and industrial partners including Hydro Dolomiti Energia. The purpose of the OSMOSE project is to identify and implement an "optimal" mix of flexibility solutions, able to maximise the technical-economic efficiency of the European electrical system, assuring its security and reliability, and to create a better integration of renewable energy sources. Hydro Dolomiti Energia is particularly involved in the work packages pertaining to the design and implementation of the new "FlexEnergy" market platform to tests in real scale that entail the use of hydroelectric plants also for the cross-border exchange of energy.
- **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.
- **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.
- **Remote Management Systems**: in 2018, through the electricity meter remote management system, approximately 4.3 million readings were successfully carried out remotely, along with approximately 35,000 user management operations (activation of new contracts, deactivations, transfers, power variations) and approximately 10,000 operations connected with the management of late-paying customers.

The 2G meter test activities continue, with their progressive introduction to replace 1G meters, currently only for user management activities; the plan for the massive substitution of 1G meters with second-generation devices is in the preliminary study phase.

With reference to the measurement of natural gas, remote reading of 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 15% of mass market utilities (class G4-G6), imposed by the regulation, a remote management system based on point-multipoint technique via radio at 169 MHz, particularly interesting because it exploits a major part of the telecommunication infrastructure already in operation for the remote management of electricity.

- **Work Force Management**: the applications available to technical personnel were further improved within the WFM project and the analysis phases were completed for the complete digitalisation of the field activities of the distribution companies.
- **Smart Waste**: the processes for transferring the emptying flows of waste containers fitted with tag transponders were fully automated, in the chain that goes from the field to the Garbage application for invoicing.
- **Water supply network management:** work continues for the optimisation of the management of water pipelines by means of advanced simulation and control instruments and with the implementation of the first calculation models for sewers, which are applied for the design of the new structural work on the water-sewer network.
- **Water smart meters:** to comply with MD93/2007, the decision was made to replace, with a ten-year programme, the entire set of meters, adopting smart devices that will allow remote reading of the measurements.
- **Gas network management:** on the Mori network, testing is continuing 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.
- **Electric grid management:** the plan for the technological evolution of protection and control apparatuses adopted in primary and secondary substations continues, with the goal of making available ever more advanced features for real-time monitoring, MV voltage regulation, information exchange with the TSO and new fault selection techniques (smart grid).
- **ECO (Evolution of Customer Operations) Project**: started at the end of 2017, this project was implemented in 2018, with initiatives carried out both on the organisation front, and on Systems in support of the Operations processes of Dolomiti Energia. In more detail, starting from the state of the art of the processes and of organisation at the end of 2017, a series of possible ameliorative, organisational and process modifications were identified, with a view to increasing the efficiency of the activity and the quality of the service offered.

  The organisational portion led to change the organisational structure of the Customer Care department, both in terms of organisational chart and of space logistics, to reflect the re-focusing of the company on the different types of Customer and peculiarities of the required service.

On the technological front, instead, the project resulted in important interventions in the management of the incoming channels of the contacts with Customers and the sales network, in the tracking of contact moments and CRM processes, as well as in document management and in the creation of new operational and managerial reporting instruments.

In terms of document management, it is worth stressing that the ECO project was the occasion to introduce the xECM Opentext document solution, a far more powerful and sophisticated enterprise product than the old protocol solution. Opentext will be the tool with which, in the near future, document management will be enhanced and made more effective for all Group companies.

- **SFA (Sales Force Automation) Project:** launched in the spring of 2018, this project is directed at providing Dolomiti Energia with cloud instruments, integrated with the SAP management software, in support of the direct and indirect action of the sales force, based on the SalesForce application framework. Specifically, the project is aimed at innovating the processes of Offering and product management, Sales, sales and marketing network management (with marketing automation and campaign management instruments).

  The SFA solution is directed at consolidating and replacing the instruments used in the past and that show different types of limitations, while industrialising and making more efficient some processes that today are characterised by high manual inputs.

  The project is expected to be completed in 2019.

- **Cyber Security:** in 2018, the Group continued to work on the digital security front: the effort was translated both in the usual monitoring of potential vulnerabilities and in appropriate risk mitigation actions, as well as in the activation and completion of a tender for contracting SOC (Security Operation Center) services, which allows closer monitoring of threats towards IT and OT (Operation Technologies), such as the SCADA areas of the Network and Production companies.

  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 SpA 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 SpA 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 stipulated between Dolomiti Energia Holding and Dolomiti Energia. It 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 Novareti. It governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding. Service agreement between Dolomiti Energia Holding and Dolomiti Energia Rinnovabili. It governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding.

Service agreement between Dolomiti Energia Holding and SET Distribuzione. It governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding.

Service agreement between Dolomiti Energia Holding and HDE. It governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding.

Service agreement stipulated between Dolomiti Energia Holding and Dolomiti Energia Trading. It governs administrative services, personnel management and the management of the IT services provided by Dolomiti Energia Holding.

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.

For all above contracts, the fee payable to Dolomiti Energia Holding is proportionate to the cost of providing the service and to market prices.

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 602 thousand 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, DGNL 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 9 of the Notes to the Consolidated Financial Statements.

Business Outlook

With regard to the Group, the economic and financial forecasts for 2019, 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 with the year that has just ended, net of non-recurring effects. However, this forecast depends to a significant extent on the fact that water availability, and hence the consequent volume of output of the hydroelectric plants, will remain to values close to the historical averages and that there are no significant trend reversals with regard to commodity prices on the markets. It should prudentially be pointed out that on both fronts the first months of the year did not record positive trends: snow fall was rather poor during the winter and output for the first months of the year is significantly lower than historical averages, while prices, after a prolonged period of growth, recorded, starting from the final part of the year, high volatility which may represent an important risk factor, confirmed by the significant reduction that took place in March 2019.

Treasury shares

As at 31 December 2018, 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%.
As at 31 December 2018, Dolomiti Energia Holding did not own, either directly or through trust companies or third parties, any shares in parent companies.

Rovereto, 29 March 2019

on behalf of the board of directors

Dolomiti Energia Holding SpA
The Chairman
Massimo De Alessandri

Dolomiti Energia Holdind SpA
Financial statements
as at 31 december 2018

Statement of Financial Position

(figures in Euro)	NOTES	AS AT 31 DECEMBER 2018	2017
Assets			
NON-CURRENT ASSETS			
Other intangible assets	8.1	13.045.544	12.190.720
Property, Plant and Equipment	8.2	45.701.941	46.654.736
Equity investments	8.3	782.316.169	777.076.826
Non-current financial assets	8.4	7.187.397	8.694.000
Deferred tax assets	8.5	5.718.349	5.043.682
Other non-current assets	8.6	77.613	76.236
TOTAL NON-CURRENT ASSETS		**854.047.013**	**849.736.200**
CURRENT ASSETS			
Inventories	8.7	92.027	234.080
Trade receivables	8.8	11.625.258	10.591.443
Income tax credits	8.9	1.913.088	9.648.336
Current financial assets	8.10	57.232.410	87.333.610
Other current assets	8.11	31.552.396	22.840.336
Cash and cash equivalents	8.12	28.358.232	913.582
TOTAL CURRENT ASSETS		**130.773.411**	**131.561.387**
TOTAL ASSETS		**984.820.424**	**981.297.587**
Shareholders' equity			
Share capital	8.13	411.496.169	411.496.169
Reserves	8.13	86.940.385	63.051.968
Reserve - IAS 19	8.13	115.824	46.939
Net profit for the year	8.13	40.623.148	51.507.553
TOTAL SHAREHOLDERS' EQUITY		**539.175.526**	**526.102.629**
Liabilities			
NON-CURRENT LIABILITIES			
Provisions for risks and non-current charges	8.14	1.458.821	1.495.053
Employee benefits	8.15	3.670.465	4.128.532
Deferred tax liabilities	8.5	193.230	217.673
Non-current financial liabilities	8.16	127.927.554	144.120.109
Other non-current liabilities	8.17	1.662.199	1.874.754
TOTAL NON-CURRENT LIABILITIES		**134.912.269**	**151.836.121**
CURRENT LIABILITIES			
Provisions for risks and current charges	8.14	732.704	912.465
Trade payables	8.18	10.727.686	9.286.679
Current financial liabilities	8.16	273.572.517	279.855.645
Income tax payables	8.9	18.281.931	-
Other current liabilities	8.17	7.417.791	13.304.048
TOTAL CURRENT LIABILITIES		**310.732.629**	**303.358.837**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**984.820.424**	**981.297.587**

Comprehensive Income Statement

(figures in Euro)

	Notes	AS AT 31 DECEMBER 2018	2017
Revenue	9.1	8.408.865	8.057.671
Other revenue and income	9.2	28.420.937	29.766.244
TOTAL REVENUE AND OTHER INCOME		**36.829.802**	**37.823.915**
Raw materials, consumables and merchandise	9.3	(5.851.817)	(5.615.270)
Service costs	9.4	(17.569.003)	(17.366.905)
Personnel costs	9.5	(11.089.380)	(10.698.504)
Amortisation, depreciation, allocations and write-downs	9.6	(8.480.127)	(6.518.435)
Other operating costs	9.7	(740.599)	(848.433)
TOTAL COSTS		**(43.730.926)**	**(41.047.547)**
Gains and expenses from equity investments	9.8	45.004.447	54.099.824
OPERATING RESULT		**38.103.323**	**50.876.192**
Financial income	9.9	4.447.599	4.992.695
Financial charges	9.9	(3.257.347)	(4.328.947)
PROFIT BEFORE TAX		**39.293.575**	**51.539.940**
Taxes	9.10	1.329.573	(32.387)
PROFIT/(LOSS) FOR THE PERIOD (A)		**40.623.148**	**51.507.553**
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Actuarial profit/(loss) for employee benefits		92.456	(341.745)
Tax effect on actuarial profit/(loss) for employee benefits		(23.571)	114.867
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (B1)		**68.885**	**(226.878)**
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Profit/(loss) on cash flow hedge instruments		(1.505.882)	(455.440)
Tax effect on change in fair value in cash flow hedge derivatives		361.412	109.306
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (B2)		**(1.144.470)**	**(346.134)**
TOTAL OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX EFFECT (B)= (B1)+(B2)		**(1.075.585)**	**(573.012)**
TOTAL AGGREGATE RESULT FOR THE YEAR (A)+(B)		**39.547.563**	**50.934.541**

Cash Flow Statement

(in thousands of Euro)

	Note	AS AT 31 DECEMBER 2018	2017
PROFIT/(LOSS) FOR THE PERIOD		**40.623**	**51.508**
ADJUSTMENTS FOR:			
Amortisation/depreciation of:			
- intangible assets	9.6	4.362	4.093
- property, plant and equipment	9.6	2.564	2.426
Write-downs of assets	9.6	1.554	6
Allocations to/(absorptions from) provisions for risks and charges	8.14; 8.15	(118)	435
(Gains)/expenses from equity investments	9.8	(45.004)	(54.100)
Financial (income)/charges	9.9	(1.190)	(664)
Capital (gains)/expenses from sale of property, plant and equipment		1	(518)
Other non-monetary elements	8	(61)	(67)
Income taxes	9.10	(1.330)	32
Cash flow from operations before changes in net working capital		*1.401*	*3.151*
CHANGES OF NET WORKING CAPITAL:			
(Increase)/decrease of inventories	8.7	142	43
(Increase)/decrease of trade receivables	8.8	(1.034)	2.774
(Increase)/decrease of other assets and deferred tax assets	8.11	24.806	(1.864)
Increase/(decrease) of trade payables	8.18	1.441	(2.556)
Increase/(decrease) of other liabilities and deferred tax liabilities	8.17	(4.128)	896
Dividends collected	9.8	45.005	53.982
Interest and other financial income collected	9.9	2.361	1.668
Interest and other financial expenses paid	9.9	(3.137)	(4.056)
Use of provisions for risks and charges	8.14; 8.15	(556)	(155)
Income taxes paid		(8.694)	(6.204)
CASH FLOWS FROM OPERATIONS (A)		**57.607**	**47.679**
Net investments in intangible assets	8.1	(5.217)	(3.004)
Net investments in property, plant and equipment	8.2	(1.660)	(182)
Net investments in equity investments	8.3	(5.240)	(8.123)
(Increase)/decrease of other investment activities	8.10	29.974	(6.934)
CASH FLOWS FROM INVESTMENT ACTIVITIES (B)		**17.857**	**(18.243)**
Financial payables (reimbursements and other net changes)		(21.545)	(4.545)
Dividends paid		(26.475)	(26.475)
CASH FLOWS FROM FINANCING ACTIVITIES (C)		**(48.020)**	**(31.020)**
Effect of changes on cash and cash equivalents (d)		-	-
Increase/(decrease) of cash and cash equivalents (a+b+c+d)		27.444	(1.584)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**914**	**2.498**
CASH AND CASH EQUIVALENTS AT YEAR END		**28.358**	**914**

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 1 JANUARY 2017							
TRANSACTIONS WITH SHAREHOLDERS:							
Dividend distribution	–	–	–	–	–	(26.475)	(26.475)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**-**	**-**	**-**	**-**	**(26.475)**	**(26.475)**
ALLOCATION TO RESERVES OF PROFIT FOR THE YEAR	**-**	**2.335**	**-**	**-**	**17.901**	**(20.236)**	**-**
AGGREGATE PROFIT FOR THE YEAR:							
Net profit (loss)	–	–	–	–	–	51.508	51.508
Other comprehensive profit (loss), net of tax effect	–	–	–	–	(573)	–	(573)
TOTAL AGGREGATE RESULT FOR THE YEAR	**-**	**-**	**-**	**-**	**(573)**	**51.508**	**50.935**
BALANCE AS AT 31 DECEMBER 2017	**411.496**	**28.310**	**994**	**(67.552)**	**101.347**	**51.508**	**526.103**
TRANSACTIONS WITH SHAREHOLDERS:							
Dividend distribution	–	–	–	–	–	(26.475)	(26.475)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**-**	**-**	**-**	**-**	**(26.475)**	**(26.475)**
ALLOCATION TO RESERVES OF PROFIT FOR THE YEAR	**-**	**2.575**	**-**	**-**	**22.458**	**(25.033)**	**-**
AGGREGATE PROFIT FOR THE YEAR:							
Net profit (loss)	–	–	–	–	–	40.623	40.623
Other comprehensive profit (loss), net of tax effect	–	–	–	–	(1.075)	–	(1.075)
TOTAL AGGREGATE RESULT FOR THE YEAR	**-**	**-**	**-**	**-**	**(1.075)**	**40.623**	**39.548**
BALANCE AS AT 31 DECEMBER 2018	**411.496**	**30.885**	**994**	**(67.552)**	**122.730**	**40.623**	**539.176**

Explanatory notes

1. General information

Dolomiti Energia Holding S.p.A. (the "Company" or "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 2018, the Company's share capital was held by:

Shareholder	No. of shares	%
PUBLIC ENTITIES		
FINDOLOMITI ENERGIA Srl	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%
CONSORZIO 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 SPA	17,175,532	4.17%
FONDAZIONE CARITRO	21,878,100	5.32%
ENERCOOP srl	7,303,825	1.77%
MONTAGNA Sig.ra ERMINIA	27,540	0.01%
ELETTROMETALLURGICA TRENTINA Srl	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 European 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 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 1 January 2015 as transition date to IFRSs ("**Transition Date**"). Moreover, on 14 July 2017 the Company completed the operations to list on the Irish Stock Exchange, a regulated market, the bond already in existence for a residual nominal amount of Euro 5 million, assuming the qualification of Public Interest Entity (PIE) and therefore with obligation to prepare its financial statements in accordance with EU IFRS standards.

The 2018 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 Regulation (EC) 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 EU 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 2019.

2.2. FORM AND CONTENT OF ACCOUNTS

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

- the Statement of Financial Position discloses current and non-current assets, separately and, similarly, current and non-current liabilities;
- 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
- 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 Explanatory Notes, are expressed in thousands of Euro, unless otherwise indicated.

The Financial Statements are audited by the Independent Auditors PricewaterhouseCoopers S.p.A..

The Company altered the classification of several equity and financial items in these financial statements; the 2017 figures presented for comparative purposes were reclassified as follows:

Balance sheet

- The estimate of the performance bonus for employees was reclassified from Other current liabilities to Provisions for risks and current charges for 912 thousand euro as at 31 December 2017.

Comprehensive Income Statement

- The cost for seconded personnel from other Group companies was reclassified from Personnel costs to Service costs for 996 thousand euro as at 31 December 2017.

2.3 RELATIONS WITH SUBSIDIARIES

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

- 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);
- the Company benefited from the regulations envisaged by Article 73, last paragraph, of the Presidential Decree 633/72 (Group VAT) for VAT payments;
- the Company opted for tax consolidation with regard to direct taxes.

2.4 MEASUREMENT CRITERIA

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%

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:

	% Rate
ELECTRICITY	
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 SpA).

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 1 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 SpA), 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
  - i. land 5,907,256 euro
  - ii. new office building 2,200,478 euro
- 36,168,747 euro on the assets of the water and gas cycle contributed to Dolomiti Reti S.p.A. (now Novareti SpA).

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 lessee 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 revenue, 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 subsidiaries, associates and joint ventures, are recognised at the acquisition or establishment cost.

In the presence of evidence of impairment ("impairment indicators"), the recoverability of the book value is verified through comparison between the carrying amount and the higher between the value in use, determined by discounting the prospective cash flows of the equity investment, and, when possible, the hypothetical sale value determined on the basis of recent transactions or market multiples.

The portion of losses exceeding the carrying amount may be recognised in a dedicated liability provision to the extent to which the Company deems that legal or implicit obligations exist to cover the losses and otherwise within the limits of the shareholders' equity. If the subsequent performance of the investee to be impaired indicates such an improvement as to allow to deem that the reasons for the impairment losses applied are no longer valid, the equity investments are written back within the limits of the impairment losses recognised in previous years.

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 value of the trade receivables is shown in the financial statements net of their provision for write-downs, calculated applying the simplified method and, more specifically, the matrix provision model that is based on identifying default rates by expired brackets observed on a historic basis, applied for the entire expected lifetime of the receivable and updated based on significant future scenario elements.

Non-derivative financial assets

Non-derivative financial assets are distinguished by fixed or calculable payments not listed in an active market, for which the Company's objective is to achieve the contractual cash flows represented by payment of the principal and interest. 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 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:

- significant financial difficulties of the debtor;
- contract breaches, as non-payment of interest or principal;
- 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;
- it is probable that the debtor be bankrupt or be subject to a composition procedure with creditors; or
- 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. 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:

- 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.
- 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 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 liabilities (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 12 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 eventually 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 defined-benefit liabilities or 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 comprehensive income statement, 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.

Revenue recognition

Revenue is recognised based on the recognition model provided for by IFRS 15, which is based on 5 steps:

- identification of the contract with the customer. The term contract means the approved trade agreement between two or more parties that creates demandable rights and obligations. The standard contains specific provisions for assessing whether two or more contracts must be combined with each other and for identifying the accounting implications of a contractual amendment;
- identification of the "performance obligations" contained in the contract;
- determination of the "transaction price". Among other things, in order to determine the transaction price it is necessary to consider the following elements:
    i. any amounts collected on behalf of third parties that must be left out of the consideration;
    ii. variable price components (such as performance bonuses, penalties, discounts, refunds, incentives, etc.);
    iii. financial component, if the terms of payment grant the customer a significant extension;

- allocation of the price to the performance obligations on the basis of the "Relative Stand Alone Selling Price";
- recognition of revenue when the performance obligation is met. Transfer of the asset or service takes place when the customer obtains control of the asset or service, that is to say, when it has the ability to decide and/or address its use and basically obtain all of its benefits. The principle stated by IAS 18 for which the revenue is recognised by looking at the benefits that can be gained from the asset and at the assessment of likelihood of collecting the relevant receivable is replaced. Control can be transferred at a point in time or over time.

  According to the type of transaction, revenue is 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 rate 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.

- **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.
- **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.
- **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.
- **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's financial statements.
- **Fair value of financial 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 that are applicable in these financial statements

The following accounting standards and amendments to the accounting standards issued by IASB and implemented by the European Union, where foreseen, are mandatorily applicable starting from 1 January 2018.

- IFRS 9 Financial Instruments (issued, in its final version, on 24 July 2014). This standard, approved by the European Union on 29 November 2016, fully replaced IAS 39 "Financial instruments: recognition and measurement" and introduces new criteria for classifying and measuring financial assets and liabilities. In short, the new provisions introduced by IFRS 9 concern:

  i. criteria for classifying and measuring financial assets and liabilities. As regards the financial assets, the new standard uses a single approach based on the financial instrument measurement methods and on the characteristics of the contractual cash flows of the same financial assets in order to determine their measurement criterion, replacing the different rules set out in IAS 39. Specifically, the standard establishes the following categories for classifying financial assets:

     - financial assets measured at amortised cost;
     - financial assets measured at fair value recognised in the other comprehensive income statement components (FVOCI - fair value through other comprehensive income);
     - financial assets measured at fair value recognised in the income statement (FVTPL - fair value through profit and loss).

     The "loans and receivables" categories of the financial assets available for sale and financial assets held to maturity therefore disappear. Classification within the above-mentioned categories takes place based on the business model of the entity and in connection with the characteristics of the cash flows generated by the same assets:

     - a financial asset is measured at amortised cost if the business model of the entity envisages that the financial asset is to be held to collect its cash flows (therefore, in substance, not even to realise profits from sale of the instrument) and the characteristics of the cash flows of the asset correspond only to the payment of capital and interest;
     - a financial asset is measured at fair value with balancing entry to the Other comprehensive income statement components if it is held with the goal of both collecting the contractual cash flows and selling it (Hold to Collect and Sell model);
     - lastly, if it is a financial asset held for trading and in any case does not fall under the cases indicated in the two points above, it has to be measured at fair value with changes in value charged to the income statement.

All equity instruments falling within the area of application of the standard (both listed and unlisted) must be measured at fair value recognised in the income statement (FVTPL). On the other hand, IAS 39 established that if the fair value could not be reliably calculated, the unlisted equity instruments were to be measured at cost. The entity has the option of presenting the changes in fair value of the equity instruments that are not held for trading, for which this option is instead prohibited, in the shareholders' equity (FVOCI). This designation is allowed at the time of initial recognition, can be adopted by single instrument and is irrevocable. If recourse should be made to this option, the changes in fair value of these instruments would never be charged to the income statement. Dividends, on the other hand, continue to be recognised in the income statement.

IFRS 9 does not allow reclassifications between categories of financial assets except in rare cases in which there is a change in the business model of the entity. In this case, the effects of the reclassification are applied prospectively.

For financial liabilities, the major change regards the accounting treatment of the changes in fair value of a financial liability designated as measured at fair value through the income statement if they are due to the change in creditworthiness of the same liability. According to the new standard, these changes must be recognised in the other comprehensive income statement components;

ii. iimpairment of the financial assets. The standard replaces the current "incurred loss" model by introducing a new impairment model based on the expected losses, where "loss" means the current value of all future failed collections, properly integrated to take into account future expectations (forward looking information). In agreement with the general approach applicable to all the financial assets, the expected loss depends on the probability of default (PD), on the loss given default (LGD) and on the exposure to default (EAD). The PD represents the probability that an asset is not paid back and goes into default; the LGD represents the amount expected to be unable to recover if the event of default occurs; the EAD represents the credit exposure to the counterparty, including any guarantees, collateral, etc. The estimate must initially be made on the losses expected over the next 12 months; in consideration of the progressive deterioration, if any, of the receivable, the estimate must be adjusted to cover the losses expected over the lifetime of the receivable. As for the trade receivables, IFRS 9 optionally requires that the provision for write-downs be calculated applying the simplified method and, more specifically, the matrix provision model that is based on identifying default rates by expired brackets observed on a historic basis, applied for the entire expected lifetime of the receivable and updated based on significant future scenario elements;

iii. hedge accounting. IFRS 9 introduces several significant changes mainly regarding the effectiveness test since the 80-125% threshold is abolished and replaced by an objective test that checks the economic relationship between hedged instrument and hedging instrument, accounting of the hedging cost, extension of the hedged elements and the required information.

The Company conducted an in-depth analysis of the financial instruments in the portfolio affected by application of IFRS 9 and of the write-down of the trade receivables based on the new logic. The analysis ended with insignificant impacts on the measurement of the financial assets and liabilities and on the methodology of calculating the Company's provision for write-downs identified.

The Company adopted the new standard starting from 1 January 2018, without restating the comparative figures. The resulting impacts are insignificant on both the measurement of the financial assets and liabilities and on the methodology of calculating the provision for write-downs.

- IFRS 15 Revenue from contracts with customers (issued on 28 May 2014, later amended with two amendments issued on 11 September 2015 and 12 April 2016, respectively). The standard, adopted by the European Union on 22 September 2016 and later amended with EU Regulation 1987/2017 of 31 October 2017, applies to all contracts with customers, except for lease contracts, insurance contracts and financial instruments.

  IFRS 15 defines a revenue recognition model based on 5 steps:

  i. identification of the contract with the customer. The term contract means the approved trade agreement between two or more parties that creates demandable rights and obligations. The standard contains specific provisions for assessing whether two or more contracts must be combined with each other and for identifying the accounting implications of a contractual amendment;
  ii. identification of the "performance obligations" contained in the contract;
  iii. determination of the "transaction price". Among other things, in order to determine the transaction price it is necessary to consider the following elements:
     - any amounts collected on behalf of third parties that must be left out of the consideration;
     - variable price components (such as performance bonuses, penalties, discounts, refunds, incentives, etc.);
     - financial component, if the terms of payment grant the customer a significant extension;
  iv. allocation of the price to the performance obligations on the basis of the "Relative Stand Alone Selling Price";
  v. recognition of revenue when the performance obligation is met. Transfer of the asset or service takes place when the customer obtains control of the asset or service, that is to say, when it has the ability to decide and/or address its use and basically obtain all of its benefits. The principle stated by IAS 18 for which the revenue is recognised by looking at the benefits that can be gained from the asset and at the assessment of likelihood of collecting the relevant receivable is replaced. Control can be transferred at a point in time or over time.

  The Company has undertaken an analysis to assess the expected impact caused by adoption of IFRS 15, from which no significant effects emerged.

- IFRIC 22 Transactions in foreign currency and recognition of advance payments or collections (issued on 8 December 2016). Approved on 3 April 2018, the interpretation of the IAS 21 standard "Transactions in foreign currency" sets out to clarify the date on which the exchange rate is to be used for recognising the non-monetary asset/liability regarding the transaction in foreign currency. Specifically, the advance asset/liability must be recognised at the exchange rate of the day of payment/collection of the advance and it has to be derecognised under the same terms once the transaction is completed with recognition of the related sales revenue at the same exchange rate with which the non-monetary asset/liability was recognised.

  Application of the interpretation made no impact on the Company's economic and financial position.

- Amendment to IAS 40 Investment Property (issued on 8 December 2016). Approved on 15 March 2018, the amendment introduced clarifies when an entity should transfer the ownership of a real estate property (including the buildings under construction). It is also determined that the only intention of the management to change the intended use of a building does not represent an evidence of a change in use of the real estate property itself. The adoption made no impact on the Company's economic and financial position.
- Amendments to IFRS 2 Share-based payment (issued on 20 June 2016). Several amendments to the standard dealing with two major areas were approved on 27 February 2018: classification of a transaction with share-based payment settled net of the withholding tax obligations; recognition should a change in the terms and conditions of a transaction with share-based payment changes its classification from settled in cash to settled with equity instruments. Adoption of the standard generates no effects on the Company as no share-based payments are foreseen.
- Improvements to the IFRS 2014-2016 Cycle (issued on 8 December 2016). The IASB issued several amendments to the standards approved in the three-year period 2014-2016, and more specifically:
    i. IFRS 1 First-time adoption of International Accounting Standards: several exemptions allowed during the transition stage were eliminated, in particular concerning the IFRS 7, IAS 19 and IAS 10 standards;
    ii. IAS 28 Investments in associates and joint ventures: the amendment allows joint-stock companies, mutual funds, trust units and similar entities to decide whether to recognise their investments in associates or joint ventures classifying them as fair value through profit or loss (FVTPL). These measurements should be made separately for each shareholder or joint venture at the time of initial recognition.

  Its application had no impact on the Company.
- Amendment to IFRS 4 Insurance contracts (issued on 12 September 2016). Published in the Official Journal of the European Union in November 2017, the amendment to this standard allows companies issuing insurance contracts to defer application of IFRS 9 for the accounting of financial investments by aligning the date of first-time application to that of IFRS 17, scheduled in 2021 (deferral approach) and at the same time allows some distorting effects arising from early application of IFRS 9 as to application of IFRS 17 (overlay approach) to be eliminated from the income statement. There is no economic-financial impact on Company disclosure.

5. Accounting standards endorsed by the European Union but applicable to subsequent financial years

- IFRS 16 Leases (issued on 13 January 2016). The new standard supersedes the previous standard on leases, the IAS 17 and related interpretations, defines criteria for the recognition, measurement, presentation and disclosures to be supplied as reference for lease contracts to both lessor and lessee. Albeit IFRS 16 does not modify the definition of lease contract supplied by IAS 17, the main novelty introduced is represented by the concept of control within the definition. In particular, in order to determine whether a contract represents a lease, IFRS 16 requires to check whether the lessee has the right to control the use of a specific asset for a determined period of time. The IFRS 16 standard cancels the classification of operating or financial leases, as required by IAS 17, by introducing a single accounting model for all leases. Based on this new model, the lessee shall recognise the following:

i. in the statement of financial position, all assets and liabilities for all lease contracts longer than 12 months, unless the underlying asset has a low value; and

ii. in the income statement, amortisation/depreciation of assets related to leases separate from interest related to corresponding liabilities.

With regard to lessors, in IFRS 16 the recognition requirements remain substantially unchanged with respect to those envisaged by IAS 17. Therefore, the lessors shall continue to classify and recognise leases indifferently, based on their nature (either operating or financial). This standard will be applicable for annual reporting periods beginning on or after 1 January 2019.
The Company estimates that application of this standard will increase assets (royalties) by 3,338 thousand euro and financial liabilities by 4,097 thousand euro, with a negative impact on initial shareholders' equity of 759 thousand euro, gross of the tax effect.

- IFRIC 23 Uncertainty over income tax treatments (issued on 7 June 2017). The interpretation clarifies how to apply the IAS 12 recognition and measurement requirements in the case of uncertainty over income tax treatments. Should there be uncertainties over application of the tax legislation to a specific transaction or group of transactions, IFRIC 23 requires that the probability that the tax authority accepts the choice made by the company regarding the tax treatment of the transaction be evaluated: based on this probability, the company should recognise an amount of taxes in its financial statements that it can pay or defer as regards what is shown on the income tax return. The interpretation is applicable for annual reporting periods beginning on or after 1 January 2019. Its application is deemed to have no impact on the Company.

- Amendments to IFRS 9 Prepayment features with negative compensation (issued on 12 October 2017). These amendments, approved with EU Reg. 2018/498 on 22 March 2018, introduce an exception for particular financial assets that would envisage contractual cash flows represented only by payments of capital and interest (IFRS 9, par. 4.1.2), but do not meet this condition only due to the presence of a contractual advance repayment clause. More specifically, the amendments specify that financial assets with a contractual clause allowing (or forcing) the issuer to repay a debt instrument or allowing (or forcing) the holder to repay a debt instrument to the issuer before the due date can be measured at amortised cost or at fair value with balancing entry to Other comprehensive income statement components, subject to the assessment of the business model in which they are held, if the following conditions are met:

i. the company acquires or issues the financial asset with a premium or discount applied to the nominal amount of the contract;

ii. the amount of the advance repayment is basically the nominal contractual amount and the accrued (but not paid) contractual interest that might include a reasonable additional fee for early termination of the contract; and

iii. the fair value of the advance payment option is not significant upon initial recognition by the company.

The amendments are applicable beginning on or after 1 January 2019.
Its application is deemed to have no impact on the Company.

6. Accounting standards applicable to subsequent years but still not endorsed by the European Union

- IFRS 17 Insurance contract (issued on 18 May 2017). The new accounting standard establishes the criteria for the recognition, measurement, presentation and disclosure of insurance contracts. After its endorsement, it will fully supersede IFRS 4 Insurance Contracts issued in 2005. IFRS 17 will be applied to all insurance contracts, with reference to the issuer. The scope of this new standard is to supply a model for the recognition of insurance contracts, which is more useful and consistent with respect to all insurance companies. The new standard will be applicable for annual reporting periods beginning on 1 January 2021 and the disclosure of comparative data will be required. In November 2018, the IASB decided to propose extension of the coming into force of the IFRS 17 standard by one year, i.e. until 2022. Early application is allowed provided that the entity has already adopted IFRS 9 and IFRS 15. Its application has no impact on the Company.
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017). The amendment, applicable subject to approval starting from 1 January 2019, clarifies that the company must apply the provisions of IFRS 9 Financial instruments to any other long-term interest that in substance represents another component of the equity investment in the associate or joint venture, to which the equity method is not applied (e.g. preferred shares, non-trade loans and receivables). Any losses recognised based on the equity method exceeding the investment of the entity in ordinary shares of the associate or joint venture are attributed to the other components of the equity investment opposite from their degree of subordination (that is, liquidation priority) after having applied IFRS 9. Its application has no impact on the Company.
- Improvements to the IFRS 2015-2017 Cycle (issued on 12 December 2017). The document introduces amendments to the following standards:

  i. IFRS 3 Business Combinations. The IASB added paragraph 42A to IFRS 3 in order to clarify that when an entity obtains control of an asset that is a joint operation, it has to recalculate the value of that asset since this transaction would be considered a business combination carried out in steps and therefore to be recognised on that basis;

  ii. IFRS 11 Joint Arrangements. Paragraph B33CA was added to IFRS 11 in order to clarify that if a party taking part in a joint operation - but that does not have joint control - later obtains joint control over the joint operation (constituting an asset as defined in IFRS 3), it is not required to recalculate the value of that asset.

  iii. IAS 12 Income Taxes. This amendment clarifies that the tax effects of the income taxes arising from distribution of profits (i.e. the dividends), including the payments on financial instruments classified as shareholders' equity, must be recognised when a liability for the payment of a dividend is recognised. The consequences of the income taxes must be recognised in the income statement, in the comprehensive income statement or in the shareholders' equity in consideration of the nature of the transactions or of the past events that generated the distributable profits or how they were initially recognised.

iv. IAS 23 Borrowing Costs. The amendment clarifies that an entity should leave out the financial charges applicable to the loans made specifically in order to obtain an asset only as long as the asset is not ready and available for the planned use or sale when calculating the capitalisation rate for loans. The financial charges relating to specific loans that still exist after the relevant asset is ready for the planned use or sale must afterwards be considered as part of the general borrowing costs of the entity.

These amendments must be applied retrospectively for the annual periods starting on or after 1 January 2019. Early application is permitted.

- Amendments to IAS 19 Employee Benefits (issued on 7 February 2018). The interpretation "Plan Amendment, Curtailment or Settlement" forces companies to use updated actuarial assumptions in order to determine the pension costs following amendments introduced to the employee defined benefits. The amendments are applicable beginning on or after 1 January 2019, subject to acceptance.
- Conceptual Framework (issued on 29 March 2018). The objective of the Conceptual Framework project is to improve financial disclosure by providing a more complete, clearer and more updated set of conceptual elements. The purpose of the Framework is to:

i. assist the Board in developing IFRSs based on coherent concepts;

ii. assist those preparing the financial statements in developing coherent accounting policies when no IFRS standard applies to a certain transaction or to an event, or when a standard permits a choice of accounting policy;

iii. assist other subjects in comprehending and interpreting the standards.

- Amendments to IFRS 3 Business Combinations (issued on 22 October 2018). The IASB published the definition of Business with the objective of clarifying the difference between an acquisition that represents a business or a group of activities. In order for a business to be identified, the purchase of a whole of assets and instruments must also include a set of organised processes that as a whole are suited to producing goods and services. The amendments will become applicable prospectively to the transactions whose date of acquisition is equal to or later than the year starting from 1 January 2020. Early application is permitted.
- Amendments to IAS 1 and IAS 8 Definition of "material" (issued on 31 October 2018). The IASB clarified that information is to be considered "material" when its omission, inaccuracy or lack of clearness might reasonably influence the decisions of the users of the financial statements, prompting them to make different choices. The amendment therefore has the purpose of facilitating the entity in assessing the significance of the information to include in its financial statements. The amendments to IAS 1 and IAS 8 shall be effective starting from 1 January 2020; their early application is permitted.

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 2018, the Company's indebtedness also included a bond loan amounting to 5,051,800 euro.
The Company also entered floating rate loans, benchmarked mainly to Euribor rate + 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 2018 and 2017 to hedge interest rate fluctuations are summarised as follows:

IRS

AS AT 31 DECEMBER 2018

Date of transaction	16/03/2011	11/03/2011	04/03/2011	13/04/2011	25/05/2017	26/05/2017
Company	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa
Counterparty	Mediobanca	Intesa San Paolo	Unicredit	Unicredit	Unicredit	Intesa San Paolo
Effective date	02/01/2014	02/01/2014	02/01/2014	02/01/2014	01/01/2021	01/01/2021
Maturity	31/12/2020	31/12/2020	31/12/2020	31/12/2020	30/09/2032	30/09/2032
Notional in Euro	11.428.572	11.428.572	11.428.572	11.428.572	48.958.333	48.958.333
Floating interest rate	1M Euribor	1M Euribor	1M Euribor	1M Euribor	3M Euribor (floor -0.80)	3M Euribor (floor -0.80)
Fixed interest rate	3,4000%	3,4450%	3,5214%	3,7190%	1,3400%	1,3235%
Fair value	(450.888)	(456.294)	(465.369)	(489.224)	(1.003.391)	(957.932)

AS AT 31 DECEMBER 2017

Date of transaction	16/03/2011	11/03/2011	04/03/2011	13/04/2011	25/05/2017	26/05/2017
Company	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa
Counterparty	Mediobanca	Intesa San Paolo	Unicredit	Unicredit	Unicredit	Intesa San Paolo
Effective date	02/01/2014	02/01/2014	02/01/2014	02/01/2014	01/01/2021	01/01/2021
Maturity	31/12/2020	31/12/2020	31/12/2020	31/12/2020	30/09/2032	30/09/2032
Notional in Euro	17.142.857	17.142.857	17.142.857	17.142.857	48.958.333	48.958.333
Floating interest rate	1M Euribor	1M Euribor	1M Euribor	1M Euribor	3M Euribor (floor -0.80)	3M Euribor (floor -0.80)
Fixed interest rate	3,4000%	3,4450%	3,5214%	3,7190%	1,3400%	1,3235%
Fair value	(980.270)	(992.004)	(1.012.068)	(1.065.262)	(255.383)	(200.057)

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 2018 were evaluated with respect to a possible change in market rates, which discounted 50 bps 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 2018	262	-701	262	-701
Year ended 31 December 2017	188	-736	188	-736

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 2018 and 31 December 2017 is represented by the sum of financial assets recorded in the financial statements, summarised as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2018	**2017**
Trade receivables	12,271	11,314
Financial assets	64,420	96,028
Other assets	31,630	22,916
Provision for write-downs	(646)	(723)
TOTAL	**107,675**	**129,535**

The following table exposes the value of trade receivables as at 31 December 2018 by overdue date

(in thousands of Euro)

	Not yet due	Overdue 0-30 days	Overdue 31-60 days	Overdue 61-90 days	Overdue 90-180 days	Overdue over 180 days
Trade receivables	10,995	56	60	9	341	810
TOTAL	**10,995**	**56**	**60**	**9**	**341**	**810**

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.

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 5 years:

(in thousands of Euro)	AS AT 31 DECEMBER 2018		
	Maturity		
	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Trade payables	10.728	-	-
Trade payables due to banks and other lenders	273.572	55.011	72.917
Other accounts payable	7.418	1.662	-
TOTAL	**291.718**	**56.673**	**72.917**

(in thousands of Euro)	AS AT 31 DECEMBER 2017		
	Maturity		
	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Trade payables	9.287	-	-
Trade payables due to banks and other lenders	279.856	62.870	81.250
Other accounts payable	13.304	1.875	-
TOTAL	**302.447**	**64.745**	**81.250**

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 2018 and 31 December 2017:

Liabilities

(in thousands of Euro)	AS AT 31 DECEMBER 2018		
	Level 1	Level 2	Level 3
Derivative instruments (interest rate swap)*	-	3,823	-

[* 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 2017		
	Level 1	Level 2	Level 3
Derivative instruments (interest rate swap)*	-	4,505	-

[* 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 2018 and 31 December 2017 are broken down by category:

(in thousands of Euro)	AL 31 DICEMBRE 2018			
	Financial assets/ liabilities measured at amortised cost	Financial assets/ liabilities measured at fair value FVOCI	Financial assets/ liabilities measured at fair value FVTPL	Total
CURRENT ASSETS				
Cash and cash equivalents	28.358	-	-	28.358
Trade receivables	11.625	-	-	11.625
Other assets and other current financial assets	88.785	-	-	88.785
NON-CURRENT ASSETS				
Other assets and other non-current financial assets	7.265	-	-	7.265
CURRENT LIABILITIES				
Trade payables	10.728	-	-	10.728
Current financial liabilities	273.572	-	-	273.572
Other current liabilities	7.418	-	-	7.418
NON-CURRENT LIABILITIES				
Non-current financial liabilities	124.105	1.961	1.862	127.928
Other non-current liabilities	1.662	-	-	1.662

(in thousands of Euro)	AL 31 DICEMBRE 2017			
	Financial assets/ liabilities measured at amortised cost	Financial assets/ liabilities measured at fair value FVOCI	Financial assets/ liabilities measured at fair value FVTPL	Total
CURRENT ASSETS				
Cash and cash equivalents	914	-	-	**914**
Trade receivables	10.591	-	-	**10.591**
Other assets and other current financial assets	110.174	-	-	**110.174**
NON-CURRENT ASSETS				
Other assets and other non-current financial assets	8.770	-	-	**8.770**
CURRENT LIABILITIES				
Trade payables	9.287	-	-	**9.287**
Current financial liabilities	279.856	-	-	**279.856**
Other current liabilities	13.304	-	-	**13.304**
NON-CURRENT LIABILITIES				
Non-current financial liabilities	139.615	455	4050	**144.120**
Other non-current liabilities	1.875	-	-	**1.875**

8. Notes to the Statement of Financial Position

8.1 INTANGIBLE ASSETS

Changes in item "Other intangible assets" are shown hereunder for the years ended 31 December 2017 and 2018:

(in thousands of Euro)

	Concessions	Industrial patent and intellectual property rights	Other	Total
BALANCE AS AT 1 JANUARY 2017	4.758	8.520	8	13.286
Of which:				
-Historical cost	*7.324*	*35.063*	*2.257*	***44.644***
-Accumulated amortisation	*(2.566)*	*(26.543)*	*(2.249)*	***(31.358)***
Increases	-	3.005	-	**3.005**
Net decreases	-	(1)	(6)	**(7)**
Amortisation	(366)	(3.726)	(1)	**(4.093)**
BALANCE AS AT 31 DECEMBER 2017	4.392	7.798	1	12.191
Of which:				
-Historical cost	*7.324*	*38.067*	*2.251*	***47.642***
-Accumulated amortisation	*(2.932)*	*(30.269)*	*(2.250)*	***(35.451)***
Increases	-	5.217	-	**5.217**
Net decreases	-	-	-	**-**
Amortisation	(366)	(3.996)	-	**(4.362)**
INCREASES	4.026	9.019	1	13.046
Net decreases				
-Amortisation	*7.324*	*43.284*	*2.251*	***52.859***
- Fondo ammortamento	*(3.298)*	*(34.265)*	*(2.250)*	***(39.813)***

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 in previous years; 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.

8.2 PROPERTY, PLANT AND EQUIPMENT

Changes in item "Property, plant and equipment" are shown hereunder for the years ended 31 December 2017 and 2018:

(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 1 JANUARY 2017	**23.763**	**15.083**	**1.147**	**1.374**	**7.013**	**48.380**
Of which:						
-Historical cost	*33.293*	*36.118*	*4.081*	*9.632*	*7.013*	***90.137***
-Accumulated depreciation	*(9.530)*	*(21.035)*	*(2.934)*	*(8.258)*	-	***(41.757)***
Increases	317	42	58	291	-	**708**
Net decreases	(7)	-	-	(1)	-	**(8)**
Reclassifications	-	-	-	1.285	(1.285)	**-**
Depreciation	(886)	(945)	(190)	(404)	-	**(2.425)**
BALANCE AS AT 31 DECEMBER 2017	**23.187**	**14.180**	**1.015**	**2.545**	**5.728**	**46.655**
Of which:						
-Historical cost	*33.580*	*35.948*	*4.139*	*11.149*	*5.728*	***90.544***
-Accumulated depreciation	*(10.393)*	*(21.768)*	*(3.124)*	*(8.604)*	-	***(43.889)***
Increases	808	506	66	280	-	**1.660**
Net decreases	-	(47)	-	(2)	-	**(49)**
Reclassifications	-	-	-	-	-	**-**
Depreciation	(915)	(938)	(182)	(529)	-	**(2.564)**
BALANCE AS AT 31 DECEMBER 2018	**23.080**	**13.701**	**899**	**2.294**	**5.728**	**45.702**
Of which:						
-Historical cost	*34.388*	*36.407*	*4.205*	*11.349*	*5.728*	***92.077***
-Accumulated depreciation	*(11.308)*	*(22.706)*	*(3.306)*	*(9.055)*	-	***(46.375)***

With regard to **property, plant and equipment**, costs have been capitalised for services provided by internal staff for 479 thousand euro.

The item **land and buildings** also includes capitalisations of improvements made in the offices in Rovereto, which are rented from the Municipality, for a residual value of 1,006 thousand euro, as well as the building of the offices in Trento, for a residual value of 6,616 thousand euro, and the building "Le Albere" in Trento, for a residual value of 5,217 thousand euro.

The item **plant and equipment** 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 13,020 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 526 thousand euro), as well as remote-control systems and other equipment for the hydroelectric sector (residual value of 373 thousand euro).

The item **other assets** concerns furniture and office equipment (residual value of 396 thousand euro), mostly hardware, for a residual value of 1,881 thousand euro, with an increase of 238 thousand euro, over the year.

Work in progress, at the end of the year, totalled 5,728 thousand euro and mainly concerned feasibility studies and projects relating to company premises not yet completed.

8.3 EQUITY INVESTMENTS

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

(in thousand of Euro)	AS AT 31 DECEMBER		
	2018	2017	change
Equity investments in subsidiaries	705.119	699.879	5.240
Equity investments in associates and joint ventures	71.405	71.405	-
Equity investments in other companies	5.792	5.793	(1)
TOTAL	**782.316**	**777.077**	**5.239**

Changes in equity investments in subsidiaries, associates, joint ventures and other companies for the year ended 31 December 2017 and 2018 are shown hereunder:

Description of equity investments

(in thousand of Euro)

	Percentage owned	Carrying amount as at 31 December 2016	Changes in 2017	Reclassif. 2017	Carrying amount in 2017	Provision for write-downs as at 31 December 2016	Changes in 2017	Provision for write-downs As at 31 December 2017	Net value as at 31 December 2017	Net value as at 31 December 2016
Dolomiti Energia Rinnovabili Srl	100,00%	30	-	-	30	-	-	-	30	30
Novareti Spa	100,00%	139.266	-	-	139.266	-	-	-	139.266	139.266
Dolomiti Energy Saving Srl	100,00%	-	(97)	97	-	-	-	-	-	-
Nesco-North Energy Serv.Company Srl	100,00%	-	5.851	-	5.851	-	-	-	5.851	-
Dolomiti Gnl Srl	60,00%	360	-	-	360	-	-	-	360	360
Dolomiti Ambiente Srl	100,00%	16.010	-	-	16.010	-	-	-	16.010	16.010
Dolomiti Energia Trading Spa	98,72%	8.334	5.000	-	13.334	-	-	-	13.334	8.334
Dolomiti Energia Spa	83,87%	32.619	-	-	32.619	-	-	-	32.619	32.619
S.E.T.Distribuzione Spa	74,52%	85.801	-	-	85.801	-	-	-	85.801	85.801
Hydro Investments De Srl	60,00%	406.602	-	-	406.602	-	-	-	406.602	406.602
Dep.Trentino Centrale Sc.ar.L.	57,00%	6	-	-	6	-	-	-	6	6
TOTAL SUBSIDIARIES		**689.028**	**10.754**	**97**	**699.879**	**-**	**-**	**-**	**699.879**	**689.028**
Dolomiti Energy Saving Srl	51,00%	51	46	(97)	-	-	-	-	-	51
Dolomiti Edison Energy Srl	51,00%	32.109	-	-	32.109	-	-	-	32.109	32.109
Sf Energy Srl	50,00%	27.545	-	-	27.545	-	-	-	27.545	27.545
Giudicarie Gas Spa	43,35%	838	-	-	838	-	-	-	838	838
Bioenergia Trentino Srl	24,90%	1.769	-	-	1.769	-	-	-	1.769	1.769
Pvb Power Bulgaria Spa	23,13%	10.624	-	-	10.624	(8.082)	(493)	(8.575)	2.049	2.542
Ags Spa	20,00%	7.095	-	-	7.095	-	-	-	7.095	7.095
TOTAL ASSOCIATES AND JOINT VENTURES		**80.031**	**46**	**(97)**	**79.980**	**(8.082)**	**(493)**	**(8.575)**	**71.405**	**71.949**
Primiero Energia Spa	19,94%	4.614	-	-	4.614	-	-	-	4.614	4.614
Bio Energia Fiemme Spa	11,46%	625	160	-	785	-	-	-	785	625
C.Le Termoel. Del Mincio Srl - In Liquidazione	5,00%	1	-	-	1	-	-	-	1	1
Distr. Tecnol. Trentino Sc.ar.L.	1,77%	5	-	-	5	-	-	-	5	5
Mc-Link Spa	1,61%	475	(475)	-	-	(270)	270	-	-	205
Istituto Atesino Svil.Spa	0,32%	387	-	-	387	-	-	-	387	387
Cons.Assindustria Energia	0%	1	-	-	1	-	-	-	1	1
Cassa Rurale Rovereto	0%	-	-	-	-	-	-	-	-	-
TOTAL OTHER COMPANIES		**6.108**	**(315)**	**-**	**5.793**	**(270)**	**270**	**-**	**5.793**	**5.838**
TOTAL EQUITY INVESTMENTS		**775.167**	**10.485**	**-**	**785.652**	**(8.352)**	**(223)**	**(8.575)**	**777.077**	**766.815**

(in thousand of Euro)

	Percentage owned	Carrying amount as at 31 December 2016	Changes in 2017	Reclassif. 2017	Carrying amount in 2017	Provision for write-downs as at 31 December 2016	Changes in 2017	Provision for write-downs As at 31 December 2017	Net value as at 31 December 2017	Net value as at 31 December 2016
Dolomiti Energia Solutions Srl	100,00%	30	–	5.851	5.881	–	–	–	5.881	30
Novareti Spa	100,00%	139.266	–	–	139.266	–	–	–	139.266	139.266
Centraline Trentine Srl	100,00%	–	4.500		4.500	–	–	–	4.500	–
Nesco-North Energy Serv. Company Srl	100,00%	5.851	–	(5.851)	–	–	–	–	–	5.851
Dolomiti Gnl Srl	100,00%	360	740	–	1.100	–	–	–	1.100	360
Dolomiti Ambiente Srl	100,00%	16.010	–	–	16.010	–	–	–	16.010	16.010
Dolomiti Energia Trading Spa	98,72%	13.334	–	–	13.334	–	–	–	13.334	13.334
Dolomiti Energia Spa	83,87%	32.619	–	–	32.619	–	–	–	32.619	32.619
S.E.T.Distribuzione Spa	70,20%	85.801	–	–	85.801	–	–	–	85.801	85.801
Hydro Investments De Srl	60,00%	406.602	–	–	406.602	–	–	–	406.602	406.602
Dep.Trentino Centrale Sc.ar.L.	57,00%	6	–	–	6	–	–	–	6	6
TOTAL SUBSIDIARIES		**699.879**	**5.240**	**-**	**705.119**	**-**	**-**	**-**	**705.119**	**699.879**
Dolomiti Edison Energy Srl	51,00%	32.109	–	–	32.109	–	–	–	32.109	32.109
Sf Energy Srl	50,00%	27.545	–	–	27.545	–	–	–	27.545	27.545
Giudicarie Gas Spa	43,35%	838	–	–	838	–	–	–	838	838
Bioenergia Trentino Srl	24,90%	1.769	–	–	1.769	–	–	–	1.769	1.769
Pvb Power Bulgaria Spa	23,13%	10.624	–	–	10.624	(8.575)	–	(8.575)	2.049	2.049
Ags Spa	20,00%	7.095	–	–	7.095	–	–	–	7.095	7.095
TOTAL ASSOCIATES AND JOINT VENTURES		**79.980**	**-**	**-**	**79.980**	**(8.575)**	**-**	**(8.575)**	**71.405**	**71.405**
Primiero Energia Spa	19,94%	4.614	–	–	4.614	–	–	–	4.614	4.614
Bio Energia Fiemme Spa	11,46%	785	–	–	785	–	–	–	785	785
C.Le Termoel. Del Mincio Srl - Liquidata	–	1	(1)	–	–	–	–	–	–	1
Distr. Tecnol. Trentino Sc.ar.L.	1,77%	5	–	–	5	–	–	–	5	5
Istituto Atesino Svil.Spa	0,32%	387	–	–	387	–	–	–	387	387
Cons.Assindustria Energia	0%	1	–	–	1	–	–	–	1	1
Cassa Rurale Rovereto	0%	–	–	–	–	–	–	–	–	–
TOTAL OTHER COMPANIES		**5.793**	**(1)**	**-**	**5.792**	**(270)**	**-**	**-**	**5.792**	**5.793**
TOTAL EQUITY INVESTMENTS		**785.652**	**5.239**	**-**	**790.891**	**(8.845)**	**-**	**(8.575)**	**782.316**	**777.077**

Subsidiaries

DOLOMITI ENERGIA SOLUTIONS Srl – Trento. Fully paid-up Share Capital of 120,000 euro, represented by 120,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The company is the result of the merger by incorporation of Nesco - North Energy Service Company Srl into Dolomiti Energia Rinnovabili Srl, with deed dated 17 December 2018 - Reference no. 31.357/14.850. The company continues its activity in the renewable energies sector, in managing heat, and also promotes energy efficiency savings solutions. The financial year ending 31 December 2018 recorded a profit of 508,135 euro.

NOVARETI S.p.A. – Rovereto. Fully paid-up Share Capital of 28,500,000 euro, represented by 28,500,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The financial year ending 31 December 2018 recorded a profit of 9,884,424 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.

CENTRALINE TRENTINE Srl – Trento. Fully paid-up Share Capital of 3,000,000 euro, represented by 3,000,000 shares of 1 euro each; Dolomiti Energia Holding acquired 100% of the Share Capital with deed of 24 September 2019 - Reference no. 21.577/16.104. The financial year ending 31 December 2018 recorded a loss of 34,603 euro. The company holds equity investments in companies that produce energy from renewable sources.

DOLOMITI GNL SRL – TRENTO. Fully paid-up Share Capital of 600,000 euro, represented by 600,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. Dolomiti Energia Holding, which owned 60% of the Share Capital, acquired the other 40% from the minority shareholder in March 2018. The company is still in the phase of starting up initiatives to develop LNG distribution infrastructure and, as at 31 December 2018, reported a loss of 213,846 euro.

DOLOMITI AMBIENTE Srl – Rovereto. Fully paid-up Share Capital of 2,000,000 euro, represented by 2,000,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. As at 31 December 2018, the company reported a profit of 958,839 euro. The company operates in the municipal waste services segment of Trento and Rovereto.

DOLOMITI ENERGIA TRADING 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. The financial year ending 31 December 2018 recorded a profit of 10,967,078 euro. The company is a Group wholesaler in charge of the wholesale marketing of electricity from renewable sources and natural gas.

DOLOMITI ENERGIA 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. The financial year ending 31 December 2018 recorded a profit of 12,293,483 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 119,158,772 euro, represented by 119,158,772 shares with a value of 1 euro each; Dolomiti Energia Holding holds 70.20% of the Share Capital, equal to 83,645,346 shares with a nominal value of 83,645,346 euro. On 31 July 2018 the Shareholders' Meeting of SET Distribuzione resolved to increase the share capital from 112,241,777 euro to 119,159,772 euro, therefore by 6,916,995 euro issuing 6,916,995 registered ordinary shares with the nominal value of 1.00 euro each. This increase was totally subscribed by the company Servizi Territoriali Est Trentino S.p.A. (STET S.p.A.), by transferring owned electricity distribution service assets. The financial year ending 31 December 2018 recorded a profit of 20,153,626 euro. The company carries out the electricity distribution business, mainly in the Trentino Province.

HYDRO INVESTMENTS DOLOMITI ENERGIA Srl – Rovereto. CFully 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 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 2018, it ended the financial year with a profit of 15,835,202 euro.

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

Associates and Joint Ventures

DOLOMITI EDISON ENERGY Srl – 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 (although it holds 51%, Dolomiti Energia Holding does not have control over the company, by reason of specific agreements with the remaining shareholders).. The company produces electricity from renewable sources through the management of five hydroelectric plants.

SF ENERGY Srl – 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).

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.

BIOENERGIA TRENTINO Srl – Faedo. Fully paid-up Share Capital of 3,000,000 euro, represented by 3,000,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 24.90% of the Share Capital, equal to 747,000 shares with a nominal value of 747,000 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 30,678,000 euro, represented by 600,000 shares with a value of 51.13 euro each; Dolomiti Energia Holding holds 23.13% of the Share Capital, equal to 138,774 shares with a nominal value of 7,095,515 euro. During the year the company reduced the share capital from 750,000 shares to the current 600,000 shares to cover losses. Dolomiti Energia Holding wrote down this equity investment for 8,575 thousand euro, in consideration of the recorded losses and expected losses resulting from impairment. The company operates in Bulgaria and is planning to build some energy production plants from renewable sources.

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.

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 11.46% of the Share Capital, equal to 134,800 shares with a nominal value of 808,800 euro. The company is engaged in the cogeneration and district heating sector.

CENTRALE TERMOELETTRICA DEL MINCIO Srl – Ponti sul Mincio in liquidation. Fully paid-up Share Capital of 11,000 euro, represented by 11,000 shares with a value of 1 euro each; Dolomiti Energia Holding held 5% of the Share Capital, equal to 550 shares with a nominal value of 550 euro; the company has been placed in liquidation for some time and terminated its activity on 12 March 2018.

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

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
IMPRESE CONTROLLATE		
Dolomiti Energia Solutions	SRL	100,00%
Novareti	SPA	100,00%
Centraline Trentine Srl	SRL	100,00%
Dolomiti Gnl	SRL	100,00%
Dolomiti Ambiente	SRL	100,00%
Dolomiti Energia Trading	SPA	98,72%
Dolomiti Energia	SPA	83,87%
Set Distribuzione	SPA	70,20%
Hydro Investments Dol.Energia	SRL	60,00%
Depur. Trentino Centr.	SCARL	57,00%
TOTAL SUBSIDIARIES		
ASSOCIATES AND JOINT VENTURES		
Dolomiti Edison Energy	SRL	51,00%
Sf Energy	SRL	50,00%
Giudicarie Gas	SPA	43,35%
Pvb Power Bulgaria Ad	SPA	23,13%
Bioenergia Trentino	SRL	24,90%
Ags	SPA	20,00%
TOTAL ASSOCIATES AND JOINT VENTURES		
OTHER COMPANIES		
Primiero Energia	SPA	19,94%
Bio Energia Fiemme	SPA	11,46%
Distretto Tecnologico Trentino	SCARL	1,77%
Istituto Atesino Sviluppo	SPA	0,32%
Cons.Assindustria Energia	CONS.	0,00%
Cassa Rurale Rovereto	SCARL	0,00%
TOTAL OTHER COMPANIES		
TOTAL EQUITY INVESTMENTS		

	Registered office	Share Capital 2018	Shareholder's Equity 2018	Profit/(Loss) 2018	Cost	Actual
	Via Fersina 23 - 38123 Trento	120.000	4.197.998	508.135	5.880.474	5.880.474
	Via Manzoni 24 - 38068 Rovereto	28.500.000	203.589.727	9.884.424	139.266.500	139.266.500
	Via Fersina 23 - 38123 Trento	3.000.000	3.202.027	(34.603)	4.500.000	4.500.000
	Via Fersina 23 - 38123 Trento	600.000	619.890	(213.846)	1.100.000	1.100.000
	Via Manzoni 24 - 38068 Rovereto	2.000.000	21.654.664	958.839	16.010.000	16.010.000
	Via Fersina 23 - 38123 Trento	2.478.429	20.368.811	10.967.078	13.334.259	13.334.259
	Via Fersina 23 - 38123 Trento	20.200.000	105.764.781	12.293.483	32.619.062	32.619.062
	Via Manzoni 24 - 38068 Rovereto	119.158.772	203.888.254	20.153.626	85.800.504	85.800.504
	Via Manzoni 24 - 38068 Rovereto	2.000.000	680.536.793	15.835.202	406.602.210	406.602.210
	Via Fersina 23 - 38123 Trento	10.000	10.000	-	5.700	5.700
					705.118.710	**705.118.710**
	Via Fersina 23 - 38123 Trento	5.000.000	24.015.683	334.774	32.108.741	32.108.741
	"Via Canonico M. Gamper 9 - 39100 Bolzano"	7.500.000	16.826.579	(116.366)	27.545.000	27.545.000
	Via Stenico 11 - 38079 Tione-Trento	1.780.023	2.992.843	88.108	838.789	838.789
	Via Yastrebets 9 – 1680 Sofia -Bulgaria	30.678.000	31.394.331	(297.065)	10.624.057	2.049.057
	loc. Cadino 18/1 38010 Faedo	3.000.000	6.005.548	819.782	1.768.935	1.768.935
	Via Ardaro 27 - 38066 Riva d.Garda	23.234.016	44.928.401	3.133.666	7.094.721	7.094.721
					79.980.243	**71.405.243**
	"Via Guadagnini 31 - 38054 Fiera di Primiero"	9.938.990	40.812.175	441.268	4.614.702	4.614.702
	Via Pillocco, 4 38033 Cavalese	7.058.964	10.963.014	722.709	784.639	784.639
	"Piazza Manifattura 1 - 38068 Rovereto"	232.000	399.197	46.738	5.000	5.000
	"Viale Adriano Olivetti, 36 - 38122 Trento"	79.450.676	134.830.102	4.586.599	387.200	387.200
	Via Degasperi 77 - 38123 Trento	-	-	-	516	516
	Via Manzoni 1 - 38068 Rovereto	-	-	-	160	160
					5.792.217	**5.792.217**
					790.891.170	**782.316.170**

In the above table, some qualified equity investments are recognised at a higher value than the share of shareholders' equity held by Dolomiti Energia Holding. The Company, for these cases, did not note any impairment and deems that the higher value is justified by the future expected results for these investees.

With reference to the 60% interest in Hydro Investments Dolomiti Energia Srl (HIDE), which in turn controls 100% of Hydro Dolomiti Energia Srl (HDE), a company active in the management under concession of large water diversion hydroelectric plants located mainly in the Autonomous Province of Trento, and whose concessions will mostly expire in upcoming years, a summary is provided below of the reference regulatory framework for large water diversion concessions, which provides the following.

Depreciable amount of some elements of the plants of the provincial hydroelectric generation chain as a result of Law no. 205/2017

Italian Law no. 205 of 27 December 2017 "State forecast budget for financial year 2018 and multi-year budget for the 2018-2020 three-year period" in Article 1, Paragraphs 832 and 833 replaced Article 13 of the Consolidated Law per Presidential Decree no. 670 of 31 August 1972 and in short it assigns to the provinces of Trento and Bolzano the authority to regulate with their own laws "the methods and procedures for the assignment of concessions for large water diversions for hydroelectric purposes, establishing in particular procedural rules for the conduct of tenders, the terms for calling such tenders, the admission and award criteria, the financial, organisational and technical requirements of the participants".

The same rule also prescribes that:

a) the concessions of large diversions in the provinces and Trento and Bolzano, with expiration date prior to 31 December 2022, are extended *de jure* for the period useful to complete the public disclosure procedures and in any case not beyond the aforesaid date;

b) to the concessionaire who, at its own expense, made investments on the "wet works" (penstocks, collection and regulation works, discharge channels) shall be recognise, at the expiry of the concession, an indemnity equal to the value of the part of asset that is not depreciated, according to criteria that shall be set forth in a provincial law.

With reference to point a), it is pointed out that:

- completion of the public disclosure procedures requires in any case the preliminary approval of the provincial regulations which, in accordance with paragraph 1, shall set out the criteria to be used in tender procedures;
- the technical times necessary for the conclusion of the procedures for the assignment of the subject tenders, considering the high degree of complexity objectively present in these procedures and the fact that there are specific precedents to which to refer, allow reasonably to expect that the assignment procedures will not be completed before 31 December 2022.

In relation to the above point b) (which refers to plants considered subject to reversion free of charge"), this rule introduces a new case of measurement of these assets at the end of the concession which, while provided, does not find its precise definition in the aforementioned rule. To interpret and apply this principle it is necessary to wait for the approval of a provincial regulation, as indicated in Paragraph 2, which determines its limits and the calculation procedures. At the closing date of the present financial statements, no rule has yet been enacted to define these criteria.

Depreciable amount of some elements of the plants of the Italian hydroelectric generation chain as a result of Law no. 134/2012

Law no. 134 of 7 August 2012 introducing "Urgent measures for the growth of the Country", published in the Official Gazette on 11 August 2012, thoroughly revised the rules for hydroelectric concessions at the national level, providing, inter alia, that five years before the expiration of a large deviation concession for hydroelectric use and the cases of dismissal, waiver and revocation, when there is no prevailing public interest to a different use of the waters, incompatible with maintaining utilisation for hydroelectric purposes, the competent administration shall call a tender, with public evidence, for the assignment for consideration of the concession for a duration of twenty years up to a maximum time of thirty years.

To assure management continuity, the above Law also defined the procedures for transferring from the outgoing concession-holder of the ownership of the business unit, necessary to exercise the concession, inclusive of all legal dealings pertaining to the concession itself, upon payment of a consideration, to be determined by mutual agreement of the outgoing concession-holder and the granting administration, taking into account the following elements:

- for the collection and regulation works and penstocks and discharge channels, considered to be subject to reversion free of charge by the Consolidated Law of the legal provisions on waters and electrical plants (Article 25 of Italian Royal Decree no. 1775 of 11 December 1933), on the basis of the written-back historical cost, calculated net of investment grants, also written back, received by the concession-holder for the construction of these works, reduced to the extent of the estimate of ordinary wear;
- for tangible assets other than the above, on the basis of the market value, construed as reconstruction value minus ordinary wear.

The regulation in question is not applicable at this time to the subsidiary Hydro Dolomiti Energia by virtue of the provisions contained in Article 1 bis Paragraph 15 quater letter h) of the law of the Autonomous Province of Trento which granted a ten-year extension to the concession transferred to the Company and, in consideration of the previous paragraph, this matter shall be regulated by a specific provincial law.

Although the national and provincial regulatory context for large deviation concession is still evolving, considering the flow of income expected by HIDE and by HDE at least through 31 December 2022, and the presumed reimbursement value of HDE goods if the same indirect subsidiary should not be awarded some or parts of the expiring concessions, no impairment indicators of the value of the equity investment in HIDE were identified.

8.4 NON-CURRENT FINANCIAL ASSETS

The item "Non-current financial assets" as at 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2018	2017	change
Securities at the Clesio real estate fund	7.187	8.694	(1.507)
TOTAL	7.187	8.694	(1.507)

The total amount of the units of the real estate fund came to 15,678 thousand euro and derives from the subscription of 322 units 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 2018, the value of the units of the fund was 7,187 thousand euro, therefore written down by 8,490 thousand euro, to align the value of each single unit to the Net Asset Value (NAV).

8.5 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities as at 31 December 2018 and 31 December 2017 are broken down by type of temporary differences as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2018	2017	change
Property, plant and equipment	686	755	(69)
Provision for write-downs	115	116	(1)
Provisions for risks and charges	504	413	91
Fair value of derivatives	471	109	362
Non-deductible interest expense	1.336	1.336	-
Real estate fund write-down	2.038	1.676	362
Other differences, Ita Gaap - IFRS	53	90	(37)
Other	1	1	-
Employee termination benefits	28	31	(3)
Other employee benefits	270	517	(247)
TOTAL PREPAID TAXES	5.718	5.044	674
Property, plant and equipment	137	161	(24)
Provision for write-downs	56	56	-
TOTAL DEFERRED TAXES	193	217	(24)

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)

	as at 31.12.2017	Increases/ (Decreases) in Income Statement	Increases/ (Decreases) in Shareholders' Equity	Other changes in Income Statement	Other changes in Shareholders' Equity	as at 31.12.2018
PREPAID TAX ASSETS:						
Property, plant and equipment	755	(69)	-	-	-	686
Provision for write-downs	116	(1)	-	-	-	115
Provisions for risks and charges	413	91	-	-	-	504
Fair value of derivatives	109	-	362	-	-	471
Non-deductible interest expense	1.336	-	-	-	-	1.336
Real estate fund write-down	1.676	362	-	-	-	2.038
Other differences, ITA GAAP - IFRS	90	(37)	-	-	-	53
Other	1	-	-	-	-	1
Employee termination benefits	31	-	(3)	-	-	28
Other employee benefits	517	(225)	(22)	-	-	270
TOTAL PREPAID TAXES	**5.044**	**337**	**337**	**-**	**-**	**5.718**
DEFFERED TAX ASSETS:						
Property, plant and equipment	161	(24)	-	-	-	137
Provision for write-downs	56	-	-	-	-	56
TOTAL DEFERRED TAXES	**217**	**(24)**	**-**	**-**	**-**	**193**

8.6 OTHER NON-CURRENT ASSETS

The item “Other non-current assets” as at 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2018	2017	change
Other assets	78	76	2
TOTAL	**78**	**76**	**2**

The item “Other non-current receivables” includes mainly guarantee deposits related to suppliers (23 thousand euro) and prepayments beyond the financial year (55 thousand euro).

8.7 INVENTORIES

The item “Inventories” as at 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2018	2017	change
Raw materials and consumables	92	234	(142)
TOTAL	**92**	**234**	**(142)**

Inventories of raw materials, equal to 92 thousand euro, include meters for 56 thousand euro and other sundry inventory material amounting to 36 thousand euro.

8.8 TRADE RECEIVABLES

The item "Trade receivables" as at 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2018	2017	change
Accounts receivable - customers	6.515	6.231	284
Accounts receivable - subsidiaries	5.616	4.948	668
Accounts receivable - associates	40	40	-
Accounts receivable - parent companies	100	95	5
Provision for write-downs	(646)	(723)	77
TOTAL	**11.625**	**10.591**	**1.034**

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. Receivables from subsidiaries include 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.
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 2017 and 2018:

(in thousands of Euro)

	Provision for write-downs
AS AT 1 JANUARY 2017	**727**
Allocations	-
Utilisations	(4)
AS AT 31 DECEMBER 2017	**723**

(in thousands of Euro)

	Provision for write-downs
AS AT 1 JANUARY 2018	**723**
Allocations	-
Utilisations	(77)
AS AT 31 DECEMBER 2018	**646**

8.9 RECEIVABLES AND PAYABLES FOR CURRENT TAXES

The item "Receivables for current taxes" as at 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2018	2017	change
IRES credit (corporate tax)	1,913	9,648	(7,735)
TOTAL	**1,913**	**9,648**	**(7,735)**

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.

The table hereunder shows the income tax payable as at 31 December 2018 and 2017:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2018	2017	change
IRES payable	18,282	-	(18,282)
TOTAL	**18,282**	**-**	**(18,282)**

The IRES payable represents the balance of the Group's entire management of the tax consolidation.

8.10 CURRENT FINANCIAL ASSETS

The item "Current financial assets" as at 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2018	2017	change
Financial assets - subsidiaries	49.576	78.783	(29.207)
Financial assets - associates	7.656	8.550	(894)
Other financial assets	-	1	(1)
TOTAL	**57.232**	**87.334**	**(30.102)**

Financial receivables from subsidiaries include receivables from the parent company for cash pooling and related interest (48,970 thousand euro) that, compared to last year, dropped by 28,241 thousand euro; an interest-bearing loan to Centraline Trentine amounting to 200 thousand euro. Please note that the shareholder loan to Dolomiti GNL of 1,571 thousand euro was also extinguished during the year.
The receivable, referred to associates, represents an interest-bearing loan granted to Dolomiti Edison Energy (7,650 thousand euro) repayable within a short term.

8.11 OTHER CURRENT ASSETS

The item "Other current assets" as at 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2018	2017	change
VAT credit	886	7.722	(6.836)
Other tax credits	-	140	(140)
Prepayments and accrued income	360	307	53
Other accounts receivable	136	120	16
Accounts receivable - CSEA	52	52	-
Renewable source certificates	1.629	1.577	52
Advances/Deposits	59	90	(31)
Accounts receivable - Social security institutions	-	8	(8)
Accounts receivable - subsidiaries	28.430	12.447	15.983
Accounts receivable - bank guarantees	-	300	(300)
Other accounts receivable - subsidiaries	-	77	(77)
TOTAL	**31.552**	**22.840**	**8.712**

The VAT credit is the balance of the entire centralised management of Group VAT.
The item Renewable source certificates refers to the receivable deriving from the right to receive GRIN Certificates further to the production of energy from hydroelectric sources, to be collected and pertaining to 2016, 2017 and 2018.
Receivables from subsidiaries include account receivables resulting from the adhesion of subsidiaries to the national tax consolidation (26,483 thousand euro) and Group VAT (1,947 thousand euro).

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 Solutions, Dolomiti Energia Trading, Hydro Dolomiti Energia and Hydro Investments, Dolomiti Energia and Dolomiti GNL):

- term of transaction: three years (tacitly renewable);
- transfer of taxable income: if the consolidated company records positive taxable income, it must pay the tax to the consolidating company with a settlement date no later than the deadline for payments to the tax authorities;
- transfer of tax losses: if a negative taxable income is recorded (tax loss), the consolidating company agrees to recognise a final amount equal to the amount of the 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.

8.12 CASH AND CASH EQUIVALENTS

The item "Cash and cash equivalents" as at 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2018	2017	change
Bank and postal current accounts	28,354	910	(27,444)
Cash on hand	4	4	-
TOTAL	**28,358**	**914**	**(27,444)**

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

8.13 SHAREHOLDERS' EQUITY

Changes in equity reserves were shown in the tables of these financial statements for the year.

As at 31 December 2018, 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:

(in migliaia di Euro)	AS AT 31 DECEMBER		
	2018	2017	change
Share capital	411.496	411.496	-
Legal reserve	30.885	28.310	2.575
Share premium reserve	994	994	-
Treasury shares reserve	(67.552)	(67.552)	-
OTHER RESERVES AND RETAINED EARNINGS			
Revaluation reserve	1.128	1.128	-
Contributions reserve	13.177	13.177	-
Extraordinary reserve	88.296	88.296	-
Deferred tax reserve	19.437	19.437	-
Merger surplus from share swap reserve	33.866	33.866	-
FTA reserve	(38.544)	(61.002)	22.458
Reserve for retained earnings and losses carried forward	6.744	6.744	-
Reserve - IAS 19	116	47	69
Reserve for hedges on expected cash flows	(1.490)	(346)	(1.144)
OTHER RESERVES	**122.730**	**101.347**	**21.383**
Net profit for the year	40.623	51.508	(10.885)
TOTAL	**539.176**	**526.103**	**13.073**

The Revaluation Reserve was set up following the merger by absorption of the former companies SIT S.p.A. and A.S.M. SpA; this reserve is subject to tax deferment.
The Contributions 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 SpA).
The FTA reserve includes the equity effect of the passage to IFRS standards, determined at the transition date of 1 January 2015.

The Deferred Tax Reserve reflects the positions below:

Contributions reserve

	Balance as at 31 December 2018
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 shareholders' equity (share swap surplus) generated the following "Reserves":

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

(*) 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)

	31/12/2017	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	-	-
Reserve for hedges on expected cash flows	(1.490)	-	-		
PROFIT RESERVES					
Legal reserve	30.885	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	(38.544)				-
Retained earnings or losses carried forward	6.744				-
Reserve - IAS 19	116				
TOTAL	498.553		156.898	-	-
NON-DISTRIBUTABLE PORTION			(34.860)		
RESIDUAL DISTRIBUTABLE PORTION			122.038		

*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.

8.14 PROVISIONS FOR RISKS AND NON-CURRENT AND CURRENT CHARGES

The items “Provisions for risks and non-current charges” and “Provisions for risks and current charges” as at 31 December 2018 and 2017 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2018	2017	change
Provision for risks and charges	1,459	1,495	(36)
TOTAL PROVISIONS FOR NON-CURRENT RISKS	**1,459**	**1,495**	**(36)**

Provision for plant risks

The provision as at 31 December 2018 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 contributions reserve in the year.

Provision for charges - Guardia di Finanza inspection

The provision amounted to 64 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 of an equal amount. In 2007 and 2008, the Company had taken steps to pay the Italian Revenue Agency’s claim for 84 thousand euro, by using part of the existing provision; subsequently, in 2010 the Trento Revenue Agency accepted that the amounts paid were not in effect due and reimbursed the sum of 84 thousand euro. The amount due in the pending first instance ruling, i.e. 1/3 of the assessed tax, plus interest based on the provisions of Art. 68, paragraph 1, letter c-bis of Italian Legislative Decree no. 546/92 was paid during the year while awaiting deferment to the second instance (36 thousand euro).

The item “**Provisions for risks and current charges**” amounted to 733 thousand euro as at 31 December 2018 and is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2018	2017	change
Provision for risks and charges	733	912	(179)
TOTAL PROVISIONS FOR CURRENT RISKS	**733**	**912**	**(179)**

The provisions for risks and current charges includes 733 thousand euro relating to the estimate of liabilities for employee performance bonuses, to be paid in 2019 on the basis of the final balance of results relating to 2018. The provision for 2017 performance bonuses was used after the final balance of the previous year’s results was calculated, which amounted to 398 thousand euro; the residual portion (514 thousand euro) was recognised as contingent assets on the income statement.

8.15 EMPLOYEE BENEFITS

The item "Employee benefits", as at 31 December 2018, included 2,432 thousand euro related to the Provision for employee termination benefits and 1,238 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 2018 and 31 December 2017, are broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER 2018					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Electricity discounts	Medals	Total
LIABILITIES AT BEGINNING OF THE YEAR	**2.367**	**204**	**323**	**1.170**	**65**	**4.129**
Current cost of service	-	9	11	(418)	3	(395)
Interest to be discounted	35	3	5	17	1	61
Benefits paid	(57)	(4)	(7)	(52)	(2)	(122)
Actuarial losses/(profits)	1	(15)	(6)	(67)	(5)	(92)
Transfers	86	-	2	-	1	89
LIABILITIES AT YEAR END	**2.432**	**197**	**328**	**650**	**63**	**3.670**

(in thousands of Euro)

	AS AT 31 DECEMBER 2017					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Electricity discounts	Medals	Total
LIABILITIES AT BEGINNING OF THE YEAR	**2.347**	**212**	**320**	**864**	**106**	**3.849**
Current cost of service	-	9	12	-	5	26
Interest to be discounted	41	4	6	15	1	67
Benefits paid	(62)	(28)	(18)	(43)	(4)	(155)
Actuarial losses/(profits)	41	7	3	334	(43)	342
LIABILITIES AT YEAR END	**2.367**	**204**	**323**	**1.170**	**65**	**4.129**

In October 2018, the Company reached an agreement with the trade union organisations that provides, starting from 1 January 2019, for payment of a one-off gross amount in replacement of the electricity tariff reductions for former retired employees and surviving beneficiary spouses as at the date of 31 December 2018 with charges borne by Dolomiti Energia Holding. This change in the Energy Discount plan reduced the provision by 727 thousand euro and allocated the total one-off amount to be paid, estimated at 309 thousand euro; these amounts were used to adjust the current service cost.

The assumptions used for actuarial evaluations are shown hereunder:

	AS AT 31 DECEMBER	
	2018	2017
Discount rate	1.50%	1.50%
Inflation rate	1.50%	1.50%
Turn over	0.50%	0.50%
Annual frequency of advances	**3.00%**	**3.00%**

A sensitivity analysis, as at 31 December 2018, 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 2018					
	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	2,329	2,542	2,495	2,371	2,426	2,437

8.16 FINANCIAL LIABILITIES (CURRENT AND NON-CURRENT)

The table hereunder shows current and non-current financial liabilities as at 31 December 2018 and 2017:

(in thousands of Euro)

	AS AT 31 DECEMBER			
	2018		2017	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Due to banks	132.174	115.853	189.337	131.363
Bond loans	-	5.052	-	5.052
IRS derivatives	-	3.823	-	4.505
Payables for cash pooling to subsidiaries	130.859	-	69.311	-
Other financial payables	10.539	3.200	21.208	3.200
TOTAL	**273.572**	**127.928**	**279.856**	**144.120**

Payables due to banks include mortgages taken out with various banks (131,470 thousand euro), short-term loans (95,000 thousand euro), and other amounts due to banks (21,557 thousand euro).

The item Other financial payables includes amounts due from the Parent Company for a deposit contract signed with Hydro Investments Dolomiti Energia (10,511 thousand euro) and a shareholders' loan with Findolomiti Energia equal to 3,200 thousand euro.

Bond loan

The existing Bond Loan shows a residual amount of 5,052 thousand euro; on 10 August 2017, the Regulation on "Bond Loan - Subordinated- Fixed rate 2010-2017" was modified with the consequent postponement of the maturity term of the same loan from August 2017 to August 2022.

As at 31 December 2018 and 31 December 2017, the Company had the following bond loans in place:

Bond loans

(in thousands of Euro) AS AT 31 DECEMBER 2018

					Accounting balance			
	COMPANY	TAKING OUT	MATURITY	OPENING BALANCE (ORIGINAL CURRENCY)	TOTAL	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Fondazione CARITRO	Dolomiti Energia Holding SpA	10-feb-10	10 aug-22	€ 30,000	5,052	-	5,052	-
TOTAL					**5,052**	**-**	**5,052**	**-**

(in thousands of Euro) AS AT 31 DECEMBER 2017

					Accounting balance			
	COMPANY	TAKING OUT	MATURITY	OPENING BALANCE (ORIGINAL CURRENCY)	TOTAL	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Fondazione CARITRO	Dolomiti Energia Holding SpA	10-feb-10	10 aug-22	€ 30,000	5,052	-	5,052	-
TOTAL					**5,052**	**-**	**5,052**	**-**

The following table shows the breakdown of net financial indebtedness of the company Dolomiti Energia Holding SpA as at 31 December 2018 and 2017, 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

	2018	2017
A. Cash	4	4
B. Other cash and cash equivalents	28.354	910
C. Securities held for trading	-	-
D. Cash and cash equivalents (A+B+C)	**28.358**	**914**
E. Current financial receivables	**57.232**	**87.334**
F. Current payables due to banks and other lenders	(116.605)	(174.099)
G. Current portion of non-current payables	(15.569)	(15.238)
H. Other current payables	(141.398)	(90.519)
I. Current financial position (F+G+H)	**(273.572)**	**(279.856)**
J. Current net financial position (I+E+D)	**(187.982)**	**(191.608)**
K. Non-current payables due to banks and other lenders	(119.053)	(134.563)
L. Bonds issued	(5.052)	(5.052)
M. Other non-current payables	(3.823)	(4.505)
N. Non-current financial position (K+L+M)	**(127.928)**	**(144.120)**
O. Net financial position (J+N)	**(315.910)**	**(335.728)**
Non-current financial assets	7.187	8.694
NET FINANCIAL POSITION OF THE COMPANY	**(308.723)**	**(327.034)**

8.17 OTHER LIABILITIES (CURRENT AND NON-CURRENT)

The items "Other non-current liabilities" and "Other current liabilities" as at 31 December 2018 and 2017 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2018	2017	change
Accrued liabilities and deferred income	662	875	(213)
Other non-current liabilities	1.000	1.000	-
TOTAL OTHER NON-CURRENT LIABILITIES	**1.662**	**1.875**	**(213)**

The multi-year deferred income refers to the rental payments to MC-LINK S.p.A. to be due in 2022 (619 thousand euro).
Other non-current liabilities refer to the amount due to former shareholders of the subsidiary NESCO srl, now Dolomiti Energia Solutions, for the purchase of their equity investment (1,000 thousand euro).

(in thousands of Euro)	AS AT 31 DECEMBER		
	2018	2017	change
Social security and welfare payables	850	782	68
Accrued liabilities and deferred income	218	218	-
VAT	-	1	(1)
IRPEF	362	370	(8)
Other tax payables	51	51	-
Other accounts payable	509	554	(45)
Accounts payable - employees	1.392	554	838
Payables for direct and indirect taxes to subsidiaries	3.979	9.964	(5.985)
Payables for direct and indirect taxes to associates	57	810	(753)
TOTAL OTHER CURRENT LIABILITIES	**7.418**	**13.304**	**(5.886)**

Social security payables concerned charges and withholding taxes to employees, paid in the following month. Similarly, payables for IRPEF concerned withholding taxes for December, paid in January 2019.
The accounts payable to employees include payables for fees accrued but paid in the following year (818 thousand euro) and leave accrued and not taken (574 thousand euro).
The parent company recognises payables to various subsidiaries due to VAT credit (1,939 thousand euro) and IRES credit (2,040 thousand euro), as well as payables to associates due to VAT credit (57 thousand euro).

8.18 TRADE PAYABLES

The item "Trade payables" as at 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2018	2017	change
Payables to subsidiaries	4.080	4.142	(62)
Payables to parent companies	22	293	(271)
Payables to other companies	6.626	4.852	1.774
TOTAL TRADE PAYABLES	**10.728**	**9.287**	**1.441**

The item Accounts payable to subsidiaries includes all relations between the Holding with Group companies and includes, amongst other, considerations related to the management of sewerage treatment plants through the subsidiary DTC, personnel in charge, service contracts and all supplies of goods and services.
The amount due to subsidiaries is related to payables due to the Municipality of Rovereto for rentals.
Trade payables to other companies include amounts due for invoices received, totalling 3,278 thousand euro, and invoices to be received, totalling 3,348 thousand euro.

9. Notes to the Income Statement

9.1 REVENUE

The item "Revenue" for the years ended 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2018	2017	change
Electricity production	7.095	6.736	359
Distribution and grids	61	60	1
Other services	1.253	1.262	(9)
TOTAL	**8.409**	**8.058**	**351**

As regards revenue from electricity production, the increase is mainly due to the higher productions of hydroelectric energy from owned plants achieved as an effect of the increased rainfall (+31% compared to 2017), while the thermoelectric production dropped compared to the previous year. Please refer to the Report on Operations for a complete and more detailed picture of the year's performance.

Other services regarded sales of laboratory chemical analyses for third parties, which is slightly lower than the amounts of last year trend (1,253 thousand euro).

All revenue was achieved in Italy.

9.2 OTHER REVENUE AND INCOME

The item "Other revenue and income" for the years ended 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2018	2017	change
Other revenue	136	143	(7)
S. Colombano Operations	539	441	98
Real estate income	368	369	(1)
Gains from standard operations	-	519	(519)
Other revenue and income	3.035	2.061	974
Software user license revenue	615	673	(58)
Services to third parties	21	11	10
Purification management	2.955	2.919	36
Revenue from services to subsidiaries	17.713	17.250	463
Revenue from services to associates	29	7	22
Seconded personnel	787	748	39
Standard contingent assets	764	3.468	(2.704)
Contributions for plant	6	6	-
Operating grants	1.453	1.151	302
TOTAL	**28.421**	**29.766**	**(1.345)**

This item includes mainly:

- the item Other revenue and income mainly include the sales of materials and meters, which the Company purchases and resells to the Subsidiaries and other customers (2,886 thousand euro in 2018, with a 990 thousand euro increase over last year), plus the income from the Hydrotour project (79 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 (2,955 thousand euro);
- revenue with subsidiaries mostly referred to service contracts entered into to regulate the administrative, logistic and IT services between the Parent Company and Subsidiaries (16,238 thousand euro), bank sureties and parent company (873 thousand euro), and advisory and other services (602 thousand euro);
- revenue for "seconded personnel" refers to its personnel seconded to Hydro Dolomiti Energia (723 thousand euro) and Dolomiti Energia Solutions (59 thousand euro);
- contingent assets referred to the repayment of social security contributions paid in excess and reimbursed by INPS (165 thousand euro); to provisions exceeding the performance bonus paid to employees during the year (514 thousand euro); as well as to trade balancing payments (85 thousand euro);
- operating grants referred to GRIN incentives granted by GSE to producers of energy from renewable sources (1,453 thousand euro).

9.3 RAW MATERIALS, CONSUMABLES AND MERCHANDISE

The item "Raw materials, consumables and merchandise" for the years ended 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER		
	2018	2017	change
Purchases of elect. raw materials	158	231	(73)
Purchases of gas raw materials	2.556	3.153	(597)
Purchases of inventories	2.557	1.719	838
Purchase of fuels and vehicle spare parts	186	81	105
Purchases of laboratory and chemicals	235	196	39
Changes in inventories of raw materials, consumables and merchandise	142	43	99
Contingent liabilities on purchases	3	55	(52)
Other purchases	15	137	(122)
TOTAL	**5.852**	**5.615**	**237**

In 2018, a decrease of both purchases of electricity and gas from A2A was recorded, mainly due to the lower production of thermoelectric energy of the Mincio thermoelectric power plant (2,556 thousand euro in 2018 versus 3,153 thousand euro in 2017).

Among the purchases of materials managed in stock, the purchase of meters and other materials intended for subsequent sale to subsidiaries, equal to 2,557 thousand euro, is to be recognised and increased compared to values recorded in 2017 for 838 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 2018 and 2017 is broken down as follows:

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER		
	2018	2017	change
External maintenance services	8.558	8.132	426
Insurance, banking and financial services	542	468	74
Other services	1.996	2.051	(55)
Commercial services	826	865	(39)
General services	3.395	3.386	9
Miscellaneous costs	1	38	(37)
Contingent liabilities for services	148	294	(146)
Rental expense	613	641	(28)
Rental fees	289	300	(11)
Water diversion charges	1.201	1.192	9
TOTAL	**17.569**	**17.367**	**202**

External maintenance services essentially concern the operation and maintenance of the systems, the costs to manage the hydroelectric and thermal power plants (1,890 thousand euro), the hardware and software payments (3,971 thousand euro) and the maintenance of the vehicle fleet (62 thousand euro). Cost tipping of purification plants managed through the subsidiary Depurazione Trentino Centrale (2,635 thousand euro) is also included.

Insurance service costs corresponded to 449 thousand euro, while the banking and financial services comprised bank commissions and charges for guarantees that amounted to 93 thousand euro.

The item “other services” includes services provided to employees that totalled 691 thousand euro (667 thousand euro in the previous year), mainly relating to canteen, payslip processing and training expense. Technical, IT and consultancy professional services are also included for the total amount of 921 thousand euro.

Commercial services include transmission, modulation and balancing services, customer acquisition services (655 thousand euro), sponsorship and advertising (170 thousand euro).

General services include telephone costs (1,192 thousand euro), utility bills and annual membership fees (674 thousand euro). The item also includes costs for financial statement certification and fees to directors and statutory auditors, as detailed under items 12 and 13 herein. 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 2018 and 2017 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2018	2017	change
Wages and salaries	8.721	7.807	914
Social security costs	2.582	2.440	142
Employee termination benefits	562	522	40
Other costs	(776)	(70)	(706)
TOTAL	**11.089**	**10.699**	**390**

In October 2018, the Company reached an agreement with the trade union organisations that provides, starting from 1 January 2019, for payment of a one-off gross amount in replacement of the electricity tariff reductions for former retired employees and surviving beneficiary spouses as at the date of 31 December 2018 with charges borne by Dolomiti Energia Holding. This change in the Energy Discount plan reduced the provision by 727 thousand euro and allocated the total one-off amount to be paid, estimated at 309 thousand euro; these amounts were used to adjust the current service cost and are classified under the item “other costs”; said item also includes the allocated value of the capitalised internal costs (and hence subtract them from personnel cost) totalling Euro 479 thousand.

As at 31 December 2018, 180 employees resulted on the Company’s payroll, including: 10 executives, 20 managers, 139 employees and 11 manual workers, showing an increase of 9 units.

9.6 AMORTISATION, DEPRECIATION, ALLOCATIONS AND WRITE-DOWNS

The item "Amortisation/depreciation, allocations and write-downs" for the years ended 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2018	2017	change
Amortisation of intangible assets	4.362	4.093	269
Depreciation of property, plant and equipment	2.564	2.425	139
Write-downs of property, plant and equipment	47	-	47
Write-downs of financial fixed assets	1.507	-	1.507
TOTAL	**8.480**	**6.518**	**1.962**

During the year, the Company wrote down fixed assets of the Mincio thermoelectric power plant, while the write-down of the financial assets concerns the Clesio Fund, done in order to bring the amount of the single units of the Fund into line with the NAV (Net Asset Value).

9.7 OTHER OPERATING COSTS

The item "Other operating costs" for the years ended 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2018	2017	change
Miscellaneous costs	328	301	27
IMU (property tax)	243	272	(29)
Standard contingent liabilities	59	170	(111)
Losses from standard operations	1	1	-
Postal charges	6	12	(6)
Other taxes	104	92	12
TOTAL	**741**	**848**	**(107)**

Miscellaneous costs include stamp and registry tax, vehicle circulation tax, stationary costs and other sundry charges for the Company's ordinary management, equal to 328 thousand euro.
Contingent liabilities refer mainly to the differences between estimated costs of previous years and the actual costs recorded in the accounts.
Other taxes include the annual contribution to the ARERA and AGCM, in addition to the annual plant security contribution to the Ministry for Economic Development.

9.8 GAINS AND EXPENSES FROM EQUITY INVESTMENTS

The item "Gains and expenses from equity investments" for the years ended 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2018	2017	change
Dividends from subsidiaries	44.746	52.703	(7.957)
Dividends form associates and joint ventures	227	1.272	(1.045)
Dividends and income from other Companies	32	618	(586)
Write-downs of equity investments and securities	(1)	(493)	492
TOTAL	**45.004**	**54.100**	**(9.096)**

Dividends collected over the year and recognised in the income statement result from subsidiaries Novareti (7,125 thousand euro), Dolomiti Energia (11,013 thousand euro), SET Distribuzione (5,019 thousand euro), Hydro Investments Dolomiti Energia (20,089 thousand euro) and Dolomiti Ambiente (1,500 thousand euro). Dividends from associates were paid by Alto Garda Servizi (152 thousand euro) and by Bioenergia Trentino (75 thousand euro).

The item income from other companies includes collection of the dividend from Bioenergia Fiemme (20 thousand euro) and from Istituto Atesino Sviluppo (12 thousand euro).

The item write-downs of equity investments and securities includes the write-down of the equity investment in the Mincio Thermoelectric Power Plant, liquidated in March 2018.

9.9 FINANCIAL INCOME AND CHARGES

The item "Financial income and charges" for the years ended 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
Financial income	2018	2017	change
Financial income from subsidiaries	2.033	1.605	428
Financial income from associates	99	135	(36)
Financial income from other companies	127	8	119
Fair value changes in IRS derivatives	2.188	3.245	(1.057)
TOTAL	**4.447**	**4.993**	**(546)**

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
Financial charges	2018	2017	change
Financial charges due to subsidiaries, associates and joint ventures	(116)	(93)	(23)
Financial charges due to other companies	(3.080)	(4.169)	1.089
Interest to be discounted	(61)	(67)	6
TOTAL	**(3.257)**	**(4.329)**	**1.072**

The item "Financial income from subsidiaries" includes interest accrued on cash pooling balances (1,300 thousand euro) and commissions related to funds (733 thousand euro).

The item "Financial charges due to other companies" includes interest expense on bank current accounts and mortgages (2,960 thousand euro), in addition to interest on the bond loan (85 thousand euro). The decrease in charges, compared to the previous year, is related to lower interests on the bond loan (111 thousand euro), as well as to more reasonable rates on mortgages (989 thousand euro).

9.10 TAXES

The item "Taxes" for the years ended 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2018	2017	change
Current taxes	-	(379)	379
Deferred taxes	24	25	(1)
Prepaid taxes	337	(187)	524
Prepaid taxes on tax losses	424	-	424
Tax consolidation income/charges	220	501	(281)
Taxes from prior years	325	8	317
TOTAL	**1.330**	**(32)**	**1.362**

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			
	2018	%	2017	%
PROFIT BEFORE TAX	**39.294**		**51.540**	
Theoretical IRES	9.431	24,00%	12.370	24,00%
Permanent differences	(41.796)		(49.101)	
Temporary differences	741		(622)	
ACE	-		(238)	
IRES taxable amount	(1.761)		1.579	
ACTUAL IRES	**(424)**		**379**	
OPERATING RESULT	**(5.395)**		**(3.224)**	
Interest margin	(941)		(2.514)	
Costs without relevance for IRAP purposes	11.615		11.869	
TOTAL	**5.279**		**6.131**	
Theoretical IRAP	294	5,57%	285	4,65%
Permanent differences	(10.710)		(11.960)	
Temporary differences	(833)		(1.281)	
ACTUAL IRAP	**-**		**-**	
CURRENT INCOME TAXES	**-**		**379**	
PREPAID TAXES ON TAX LOSSES	**(424)**			

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 2018 and 2017, the main transactions with related parties concerned the following:

(in thousands of Euro)

	AS AT 31 DECEMBER							
	2018				2017			
	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES
Dtc	613	2.232	(2.094)	–	285	2.196	(1.993)	–
Dolomiti Energia	2.347	160	(201)	(1.107)	693	5.494	(197)	(4.179)
Dolomiti Energia Solutions	151	9	(117)	(995)	103	106	(339)	(815)
Set Distribuzione	2.703	7	(203)	(93.262)	849	3.318	(145)	(64.469)
Novareti	3.107	4	(87)	(8.224)	837	4.753	(64)	(6.020)
Hydro Dolomiti Energia	19.832	88	(1.293)	(27.847)	1.105	24.702	(1.296)	(2.316)
Dolomiti Energia Trading	4.911	45.162	(10)	(286)	634	52.935	(34)	(2.764)
Dolomiti Gnl	32	1.705	–	(51)	86	1.585	–	–
Hydro Investments Dolomiti En.	4	2	(10.511)	(970)	12	14	–	(22.012)
Centraline Trentine	–	200	–	–	–	–	–	–
Dolomiti Ambiente	345	7	(76)	(2.125)	344	4	(75)	(1.403)
TOTAL	**34.046**	**49.576**	**(14.591)**	**(134.866)**	**4.948**	**95.107**	**(4.142)**	**(103.978)**

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER															
	2018								2017							
	REVENUE			PURCHASES			FINANCIAL INCOME	FINANCIAL CHARGES	REVENUE			PURCHASES			FINANCIAL INCOME	FINANCIAL CHARGES
	Goods	Services	Other	Goods	Services	Other			Goods	Services	Other	Goods	Services	Other		
DTC	–	139	–	–	(2.635)	–	77	–	–	134	–	–	(2.778)	–	70	–
Dolomiti Energia	–	3.403	–	–	(339)	(47)	634	(62)	–	3.724	–	–	(134)	(396)	9	(39)
Dolomiti Energia Solutions	–	276	–	–	(303)	(1)	22	–	–	258	–	–	(260)	–	1	–
Set Distribuzione	–	4.049	–	(1)	(424)	–	36	(50)	–	4.048	–	–	(441)	–	11	(50)
Novareti	–	6.383	–	(22)	(88)	–	34	–	–	5.312	–	(46)	(16)	(56)	57	–
Hydro Dolomiti Energia	–	3.958	–	–	(1.839)	-	606	–	–	3.749	–	–	(1.161)	(871)	602	-
Dolomiti Energia Trading	2.257	1.022	–	–	(10)	-	1.408	-	1.048	1.384	–	–	(63)	–	808	-
Dolomiti GNL	–	23	–	–	–	–	52	–	–	11	–	–	–	–	40	–
Hydro Investments Dol.En.	–	10	–	–	–	–	6	–	–	16	–	–	–	–	6	–
Dolomiti Ambiente	–	1.525	–	–	(94)	–	32	–	–	1.523	–	–	(15)	(70)	11	–
TOTAL	**2.257**	**20.786**	**-**	**(23)**	**(5.732)**	**(48)**	**2.906**	**(112)**	**1.048**	**20.158**	**-**	**(46)**	**(4.868)**	**(1.392)**	**1.615**	**(89)**

For further detail on transactions with related parties, reference is made to the Report on Operations.

11. Guarantees and commitments

The Guarantees and commitments in favour and undertaken by the Company as at 31 December 2018 and 2017 are broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2018	2017	change
Guarantees given to third parties	123.044	99.765	23.279
Financial commitments in favour of third parties	86.081	101.668	(15.587)
TOTAL	**209.125**	**201.433**	**7.692**

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2018	2017	change
Usage of signature facilities to issue bank/ insurance guarantee	1.448	1.630	(182)
TOTAL	**1.448**	**1.630**	**(182)**

The guarantees provided to third parties (Euro 123,044 thousand) include parent company guarantees issued in the interest of subsidiaries/associates amounting to Euro 71,885 thousand (Euro 57,092 thousand as at 31 December 2017) and guarantees provided to banks and insurance companies for credit facilities/loans issued to investees amounting to Euro 51,159 thousand (Euro 42,673 thousand at the end of the previous year). The Company also assumed financial commitments in favour of third parties amounting to Euro 86,081 thousand relating to the counter-guarantees provided to the financial system for the issue of the bank guarantees.

12. Fees to directors and statutory auditors

The fees to directors and statutory auditors of the Company, for the years ended 31 December 2018 and 2017 are broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2018	2017
Directors' fees	396	399
Board of Statutory Auditors' fees	88	88
TOTAL	**484**	**487**

Remunerations are substantially in line with the previous year.

13. Independent Auditors' fees

The following table shows the remuneration received by the independent auditors Pricewaterhouse-Coopers S.p.A. for the auditing services of the financial statements for the years ended 31 December 2018 and 2017, as well as remuneration for consultancy and tax audit services:

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER	
	2018	2017
Independent Auditors' fees	43	43
Other audit services	4	11
Remuneration for tax advisory services	-	72
TOTAL	47	126

14. Significant event occurred after year end

With reference to information required by Art. 2427, item 22-quarter of the Italian Civil Code, no significant events occurred after the reporting date of these financial statements.

15. Transparency in the public funding system

In application of Art. 1, paragraphs 125 et seq. of Italian Law 124/2017 (annual anti-trust law), the information on the subsidies, contribution, non-reciprocal remunerated offices and in any case offices with any type of economic advantage, of an amount higher than 10 thousand euro received from public administrations and from their subsidiaries and investees, including those that issue shares listed in regulated markets, is provided below:

(in thousands of Euro)

Disbursing subject	Type of contribution	Amount collected
GSE	Incentives provided for by Italian Ministerial Decree of 6 July 2012 for IAFR (GRIN) qualified plants	2,646

In accordance with the opinion expressed by Assonime with circular no. 5 of 22 February 2019 and by the CNDCEC with a document issued in the current month of March, the remunerated offices for performance carried out in the core business of the company are not reported, when there are reciprocal agreements managed according to the rules of market, as well as the incentivising measures directed at all entities, such as tax incentive measures.

16. Proposed allocation of profits or loss coverage

We propose to the Shareholders' Meeting that profit for the year of 40,623,148 euro be allocated as follows:

- 2,031,157 euro, i.e. 5%, to the legal reserve;
- 34,038,856 euro distributed as an ordinary dividend to shareholders, corresponding to 0.09 euro per share, and also proposing that the dividend be paid from 15 June 2019;
- 4,553,135 euro to FTA (First Time adoption) reserve.

Rovereto, 29 March 2019

on behalf of the BOARD OF DIRECTORS

Dolomiti Energia Holding S.p.A.
The Chairman
Massimo De Alessandri

Certification of the financial statements

1. The undersigned Massimo De Alessandri and Michele Pedrini of Dolomiti Energia Holding SpA, taking account of provisions set out by regulations in force, hereby certify the following:

- the adequacy in relation to the business characteristics and
- the actual application of the administrative and accounting procedures for the formation of the financial statements during 2018.

2. No significant aspects emerged to this regard.

3. It is also certified that:

3.1 The financial statements:

a) have been prepared under the applicable international accounting standards endorsed by the European Union, pursuant to EC Regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) agree with the balances shown in the books and accounting entries;

c) give a true and fair view of the equity, economic and financial position of the Issuer.

3.2 The Report on Operations includes a reliable analysis of performance and the results of operations, and of the general situation of the Issuer, together with a description of the principal risks and uncertainties to which it is exposed.

Rovereto, 29 march 2019

Chairman
Massimo De Alessandri

Head of Administration
Michele Pedrini

Reports

Board of Statutory Auditors' Report to the Shareholders' Meeting

PURSUANT TO ARTICLE 2429, PARAGRAPH 2 OF THE ITALIAN CIVIL CODE AND ARTICLE 3, PARAGRAPH 7 OF LEGISLATIVE DECREE 254/2016

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

Dear Shareholders,
During the year ended 31 December 2018, 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.
During 2017, following the admission to listing of the bond loan issued by the Company on the regulated market of the Irish Stock Exchange, it became a public-interest entity (pursuant to Legislative Decree no. 39 of 27 January 2010.
As a consequence of the above, and to the purpose herein:

- the "Internal Control and Audit Committee" was assigned, in the persons of the Board of Statutory Auditors, the supervisory task related to the audit and internal control processes,
- the Company is bound to comply with provisions set out by Legislative Decree 254/2016 and, among other things, prepare the Consolidated Non-financial Statement.

Supervisory activity

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

We attended the shareholders' meeting, the meetings of the Board of Directors and the meetings of the Executive Committee, in connection with which we found no infringements of the law or articles of association, or transactions that were manifestly imprudent, risky, in potential conflict of interest or such as to jeopardise the integrity of the assets.

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. Based on the information acquired, we have no particular comments to make.

We acquired awareness and monitored, for the part of our competence, the adequacy and operation of the Company organisation, also through information obtained from department managers and, to this regard, we have no particular comments to make.

We acquired awareness and monitored, for the part of our competence, the adequacy and operation of the administrative and accounting system, and its reliability in fairly representing operating events, by obtaining information from department managers, from the appointed independent auditors and from examination of the company document and, to this regard, we have no particular comments to make.

In our role of Internal Control and Audit Committee, pursuant to Article 19, paragraph 1 of Legislative Decree 39/2010, as amended by Legislative Decree 135/2016, we carried out the specific information, monitoring, control and audit functions provided for therein, dutifully fulfilling the tasks specified in the aforementioned legislation, among other things examining the additional report pursuant to Article 11 of EU Reg. 537/2014 that was made available on 11 April 2019 and on which the Board has no comments to make.

We supervised compliance with the provisions set out in Legislative Decree 254/2016, by examining, amongst other, the Consolidated Non-financial Statement, while assessing the compliance with provisions governing the drafting thereof pursuant to the aforesaid Decree.

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

In meetings held with the appointed independent auditors, Pricewaterhousecoopers SpA, no significant data or information emerged that would warrant mention in this report.

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

No opinions provided for by the law were given during the year.

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 meetings of the Board and by taking part in all meetings of the Board of Directors and Executive Committee.

The Chairman of the Board of Statutory Auditors met the Internal Auditing Manager on a number of occasions, and attended all meetings with the Supervisory Body.

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 of Directors on a six-monthly basis on the activities carried out.

Financial statements

We have examined the draft financial statements as at 31 December 2018, whose figures are summarised below:

BALANCE SHEET	31/12/2018	31/12/2017
Assets	984.820.424	981.297.587
Liabilities	445.644.898	455.194.958
Shareholders' equity (excluding the result for the year)	498.552.378	474.595.076
Result for the year	40.623.148	51.507.553
INCOME STATEMENT	**31/12/2018**	**31/12/2017**
Other revenue and income	36.829.802	37.823.915
Costs	- 43.730.926	- 41.047.547
DIFFERENCE	**-3.223.632**	**-3.223.632**
Gains and expenses from equity investments	45.004.447	54.099.824
OPERATING RESULT	38.103.323	50.876.192
Financial income and charges	1.190.252	663.748
PROFIT BEFORE TAX	**39.293.575**	**51.539.940**
Taxes for the period	1.329.573	-32.387
RESULT FOR THE YEAR	**40.623.148**	**51.507.553**
Total other profits (losses) that will not be reclassified in the income statement	-1.075.585	-573.012
TOTAL COMPREHENSIVE RESULT OF THE YEAR	**39.547.563**	**50.934.541**

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

The financial statements for the year ended 31 December 2018 were drafted according to the International Accounting Standards – IAS and the International Financial Reporting Standards – IFRS, issued by the International Accounting Standards Board (IASB), as well as to IFRIC and SIC interpretations, endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 in force at the reporting date. The Financial Statements were prepared in compliance with Article 9, Paragraph 3 of Law Decree no. 38 as amended of 28 February 2005.

As we are not responsible for the full audit of the financial statements content, we monitored their overall presentation, general compliance with law in relation to its format and structure, and in this respect have no particular comments to make.
We checked compliance with the rules of law pertaining to the preparation of the report on operations pursuant to Article 2428 of the Italian Civil Code and, to this regard, we have no particular comments to make.

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

Consolidated non-financial statement

The Board of Statutory Auditors assessed that the Company complied with obligations set forth by Legislative Decree 254/2016 and that, in particular, prepared the Consolidated Non-financial Statement, according to provisions set forth by Articles 3 and 4 of the aforesaid Decree.

The Board of Statutory Auditors acknowledges that the Company benefited from the exemption from obligation of drawing up the separate non-financial statement, as set out by Article 6, Paragraph 1 of Legislative Decree 254/2016, due to the fact that the Board prepared the consolidated non-financial statement as per Article 4 thereof.

This statement was accompanied by the certification of the designated auditor on the compliance of disclosures with provisions set forth by the above-mentioned decree, with reference to principles, methods and drafting modalities. We hereby report that the compulsory contents and the completeness and clarity of disclosures, as required by law, are confirmed.

Conclusions

Also considering the results of the activity carried out by the appointed independent auditors contained in the report on the audit of the financial statements that was made available to us on 11 April 2019, the Board of Statutory Auditors proposes to the Shareholders' Meeting to approve the financial statements as at 31 December 2018, as they have been drawn up by the Directors.

Trento, 12 April 2019

THE BOARD OF STATUTORY AUDITORS

Massimiliano Caligiuri
Chairman

Barbara Caldera
Standing Auditor

Michele Iori
Standing Auditor

pwc

Independent auditor's report

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

To the shareholders of Dolomiti Energia Holding SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dolomiti Energia Holding SpA (the Company), which comprise the statement of financial position as of 31 December 2018, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

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

Key Audit Matters

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

PricewaterhouseCoopers SpA

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

www.pwc.com/it

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Evaluation on the non-existence of impairment indicators of the equity investment in Hydro Investments Dolomiti Energia Srl *Note 8.3 "Equity investments" of the explanatory notes to the financial statements as of 31 December 2018.* The Company's financial statements as of 31 December 2018 include Equity investments for Euro 782.3 million, of which Euro 406.6 million related to the subsidiary Hydro Investments Dolomiti Energia Srl (hereinafter also HIDE), which controls Hydro Dolomiti Energia Srl (hereinafter also HDE) whose activity consists in managing plants for the use of hydroelectric concessions, mainly located in the Autonomous Province of Trento. Law 205 of 27 December 2017 ("2018 Budget Law") amended Article 13 of the Consolidated Law introduced by Presidential Decree no. 670 of 31 August 1972, prescribing that: • the concessions of large diversions in the provinces of Trento and Bolzano, with expiration date prior to 31 December 2022, are extended *de jure* for the period useful to complete the public tendering procedures and in any case not beyond the aforesaid date; • the concession-holder who, at its own expense, made investments related to "assets transferable for free", shall be entitled to receive, at the expiry of the concession, an indemnity equal to the value of the part of the asset that has not been depreciated, determined according to criteria that have to be set forth in a provincial law. The equity investment in the subsidiary Hydro Investments Dolomiti Energia Srl is entered in the financial statements at cost. The Company's management annually performs an analysis of the investee and, should impairment indicators	Our audit procedures concerned: • the analysis of the findings of the audit of the financial statements as of 31 December 2018 of HIDE and HDE; • the analysis of the considerations made by the directors about the recoverability of the book value of the equity investment in HIDE, and of the supporting documentation used by the directors in their valuation; • the analysis of the conclusions of the directors about the non-existence of any impairment indicators.

pwc

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
emerge, it carries out an impairment test and, if necessary, adjusts its value. Considering the significance of the equity investment in HIDE, the development of the national and provincial regulations on concessions of large diversions as well as the expiry of the main concessions currently held by HDE, the evaluation of the Company's directors on the non-existence of impairment indicators for the equity investment in HIDE represented a key matter in the audit of the financial statements.	

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

On 15 December 2017, the shareholders of Dolomiti Energia Holding SpA in general meeting engaged us to perform the statutory audit of the Company's financial statements and the consolidated financial statements for the years ending 31 December 2017 to 31 December 2024.

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

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

Report on Compliance with other Laws and Regulations

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

Management of Dolomiti Energia Holding SpA is responsible for preparing a report on operations of Dolomiti Energia Holding SpA as of 31 December 2018, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Dolomiti Energia Holding SpA as of 31 December 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations mentioned above is consistent with the financial statements of Dolomiti Energia Holding SpA as of 31 December 2018 and is prepared in compliance with the law.

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

Verona, 11 April 2019

PricewaterhouseCoopers SpA

Signed by

Paolo Vesentini
(Partner)

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

Dolomiti Energia Group
Consolidated Financial Statements
as at 31 december 2018

Consolidated Statement of Financial Position

(in thousands of Euro)	NOTES	AS AT 31 DECEMBER 2018	2017
Assets			
NON-CURRENT ASSETS			
Assets under concession	7.1	525,644	498,798
Goodwill	7.2	34,579	37,499
Other intangible assets	7.2	43,457	49,565
Property, Plant and Equipment	7.3	849,418	853,438
Shareholdings measured at equity and other companies	7.4	72,855	67,651
Non-current financial assets	7.5	7,345	8,921
Deferred tax assets	7.6	24,575	28,067
Other non-current assets	7.7	26,050	27,592
Total non-current assets		**1,583,923**	**1,571,531**
CURRENT ASSETS			
Inventories	7.8	17,701	14,616
Trade receivables	7.9	280,874	282,430
Receivables for current taxes	7.10	7,423	16,139
Current financial assets	7.11	82,914	46,053
Other current assets	7.12	74,554	103,602
Cash and cash equivalents	7.13	30,424	2,793
TOTAL CURRENT ASSETS		**493,890**	**465,633**
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS		**-**	**-**
TOTAL ASSETS		**2,077,813**	**2,037,164**
Shareholders' Equity			
Share capital	7.14	411,496	411,496
Reserves	7.14	223,202	214,438
Net profit for the year	7.14	78,194	34,911
TOTAL GROUP SHAREHOLDERS' EQUITY		**712,892**	**660,845**
Capital and reserves - minority interests	7.14	311,913	302,472
Profit/(Loss) - minority interests	7.14	30,760	10,822
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY		**1,055,565**	**974,139**
LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions for risks and non-current charges	7.15	19,842	19,241
Employee benefits	7.16	20,805	23,483
Deferred tax liabilities	7.6	169,856	171,754
Non-current financial liabilities	7.17	242,778	256,069
Other non-current liabilities	7.18	115,473	123,777
TOTAL NON-CURRENT LIABILITIES		**568,754**	**594,324**
CURRENT LIABILITIES			
Provisions for risks and current charges	7.15	5,061	-
Trade payables	7.19	205,304	222,401
Current financial liabilities	7.17	198,874	216,715
Liabilities for current taxes	7.20	20,514	93
Other current liabilities	7.18	23,741	29,492
TOTAL CURRENT LIABILITIES		**453,494**	**468,701**
LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS		**-**	**-**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,077,813**	**2,037,164**

Consolidated Comprehensive Income Statement

(in thousands of Euro)	Notes	AS AT 31 DECEMBER 2018	2017
Revenue	8.1	1,349,184	1,330,777
Revenue from works on assets under concession	8.2	31,745	27,544
Other revenue and income	8.33	78,918	67,862
TOTAL REVENUE AND OTHER INCOME		**1,459,847**	**1,426,183**
Raw materials, consumables and merchandise	8.4	(629,451)	(641,449)
Service costs	8.5	(489,858)	(532,599)
Costs from works on assets under concession	8.2	(31,085)	(26,944)
Personnel costs	8.6	(65,725)	(66,811)
Amortisation, depreciation, allocations and write-downs	8.7	(58,082)	(48,882)
Write-backs (write-downs) net of receivables	8.7	(2,978)	(4,470)
Other operating costs	8.8	(33,013)	(31,122)
TOTAL COSTS		**(1,310,192)**	**(1,352,277)**
Result of shareholdings measured at equity and other companies	8.9	5,725	(1,513)
OPERATING RESULT		**155,380**	**72,393**
Financial income	8.10	85,814	21,426
Financial charges	8.10	(92,845)	(29,559)
PROFIT BEFORE TAX		**148,349**	**64,260**
Taxes	8.11	(39,396)	(18,526)
PROFIT (LOSS) FOR THE YEAR (A)		**108,953**	**45,734**
of which Group		78,194	34,911
of which Minority interests		30,760	10,822
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Actuarial profit/(loss) for employee benefits		233	(395)
Tax effect on actuarial profit/(loss) for employee benefits		(56)	121
Other components		-	-
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (B1)		**177**	**(274)**
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Profit/(loss) on cash flow hedge instruments		(1,506)	(399)
Tax effect on change in fair value in cash flow hedge derivatives		361	95
Other components		-	-
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (B2)		**(1,145)**	**(304)**
TOTAL OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX EFFECT (B) = (B1)+(B2)		**(968)**	**(578)**
TOTAL AGGREGATE RESULT FOR THE YEAR (A)+(B)		**107,985**	**45,156**
of which Group		75,642	35,764
of which Minority interests		32,343	9,391

Consolidated Cash Flow Statement

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER	
	2018	**2017**
PROFIT BEFORE TAX	**148,348**	**64,259**
ADJUSTMENTS FOR:		
Amortisation/depreciation of:		
- intangible assets	15,467	11,620
- property, plant and equipment	14,027	13,361
- assets under concession	25,438	23,670
Write-downs of assets	3,765	3,988
Allocations and releases of provisions	3,150	231
Fair value of derivatives on commodities	-	262
Result of shareholdings measured at equity and other companies	(464)	1,513
Financial (income)/charges	7,031	8,131
(Capital gains)/Capital losses and other non-monetary elements	1,710	(1,620)
Cash flow from operations before changes in net working capital	**218,472**	**125,415**
Increase/(Decrease) of provisions	-	-
Increase/(Decrease) of employee benefits	(2,678)	228
(Increase)/Decrease of inventories	(3,085)	1,387
(Increase)/Decrease of trade receivables	(2,209)	75,104
(Increase)/Decrease of other assets/liabilities, deferred tax assets and liabilities	15,653	(17,934)
Increase/(Decrease) of trade payables	(17,097)	(61,993)
Dividends collected	-	-
Interest and other financial income collected	85,814	21,427
Interest and other financial expenses paid	(92,845)	(29,558)
Utilisation of provisions for risks and charges	4,066	(2,612)
Taxes paid	(12,393)	(14,811)
CASH FLOWS FROM OPERATIONS (A)	**193,698**	**96,653**
Net investments in intangible assets	(6,439)	(3,566)
Net investments in property, plant and equipment	(11,717)	(9,100)
Net investments in assets under concession	(33,052)	(26,006)
Net investments in equity investments	(4,740	(3,893)
(Increase)/Decrease in other investment assets	-	-
CASH FLOWS FROM INVESTMENT/DIVESTMENT ACTIVITIES (B)	**(55,948)**	**(42,565)**
Financial payables (new issues of long-term loans)	-	-
Short-term financial payables (reimbursements and other net changes)	(54,703)	23,063
Medium/long-term financial payables (reimbursements and other net changes)	(11,716)	(30,437)
Dividends paid	(43,700)	(48,796)
CASH FLOWS FROM FINANCING ACTIVITIES (C)	**(110,119)**	**(56,170)**
Effect of changes on cash and cash equivalents (D)	-	-
Increase/(decrease) of cash and cash equivalents (A+B+C+D)	27,631	(2,082)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**2,793**	**4,875**
CASH AND CASH EQUIVALENTS AT YEAR END	**30,424**	**2,793**

Consolidated statement of changes in Shareholders' Equity

(in thousands of Euro)

	Share capital	Share premium reserve	Treasury shares reserve
BALANCE AS AT 31 DECEMBER 2016	**411,496**	**994**	**(67,552)**
TRANSACTIONS WITH SHAREHOLDERS:			
Dividend distribution	-		
OTHER TRANSACTIONS WITH SHAREHOLDERS			
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**-**	**-**
AGGREGATE PROFIT FOR THE YEAR:			
Net profit (loss)	-		
Change in consolidation area			
Actuarial profit/(loss) for employee benefits, net of tax effect	-		
Profit/(loss) on cash flow hedge			
TOTAL AGGREGATE RESULT FOR THE YEAR	**-**	**-**	**-**
BALANCE AS AT 31 DECEMBER 2017	**411,496**	**994**	**(67,552)**
TRANSACTIONS WITH SHAREHOLDERS:			
Dividend distribution	-		
Other transactions with shareholders			
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**-**	**-**
AGGREGATE PROFIT FOR THE YEAR:			
Net profit (loss)	-		
Change in consolidation area			
Actuarial profit/(loss) for employee benefits, net of tax effect	-		
Profit/(loss) on cash flow hedge			
TOTAL AGGREGATE RESULT FOR THE YEAR	**-**	**-**	**-**
BALANCE AS AT 31 DECEMBER 2018	**411,496**	**994**	**(67,552)**

	Other reserves and retained earnings	Total Other reserves	Net profit/(loss) pertaining to the Group	Total Group shareholders' equity	Shareholders' equity - minority interests	Total Shareholders' Equity
	240,975	**174,417**	**65,629**	**651,542**	**326,843**	**978,385**
	39,154	39,154	(65,629)	(26,475)	(22,321)	(48,796)
		-				-
	39,154	**39,154**	**(65,629)**	**(26,475)**	**(22,321)**	**(48,796)**
		-	34,911	34,911	10,822	45,733
						-
	28	28		28	19	47
	839	839		839	(2,069)	(1,230)
	867	**867**	**34,911**	**35,778**	**8,772**	**44,550**
	280,996	**214,438**	**34,911**	**660,845**	**313,294**	**974,139**
	8,436	8,436	(34,911)	(26,475)	(17,226)	(43,701)
	1,328	1,328		1,328	15,813	17,141
	9,764	**9,764**	**(34,911)**	**(25,147)**	**(1,413)**	**(26,560)**
		-	78,194	78,194	30,760	108,954
						-
	328	328		328		328
		-		-	9,441	9,441
	328	**328**	**78,194**	**78,522**	**40,201**	**118,723**
	289,760	**223,202**	**78,194**	**712,892**	**342,673**	**1,055,565**

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**" or the "**Group**") operate in six different operating segments, as described hereunder:

- Electricity production;
- Heat, Steam and Cooling;
- Commercial and trading;
- Distribution and grids;
- Water cycle and Environment;
- 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 2018, the Parent Company's share capital was held by:

Shareholder	No. of shares	%
PUBLIC ENTITIES		
Findolomiti Energia Srl	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 Spa	17,175,532	4.17%
Fondazione Caritro	21,878,100	5.32%
Enercoop Srl	7,303,825	1.77%
Montagna Sig.Ra Erminia	27,540	0.01%
Elettrometallurgica Trentina Srl	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

IThe European 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 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 1 January 2015 as transition date to IFRSs ("**Transition Date**"). Moreover, on 14 July 2017 the Parent Company Dolomiti Energia Holding SpA completed the operations to list on the Irish Stock Exchange, a regulated market, a bond already in existence for a residual nominal amount of Euro 5 million, assuming the qualification of Public Interest Entity (PIE) and therefore with obligation to prepare its financial statements in accordance with EU IFRS standards.

The Consolidated 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 Consolidated Financial Statements had been endorsed by the European Union according to the procedure envisaged by Regulation (EC) 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 EU 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 Consolidated Financial Statements were approved by the Company's Board of Directors on 29 March 2019.

2.2 FORM AND CONTENT OF ACCOUNTS

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

- the Statement of consolidated financial position discloses current and non-current assets, separately and, similarly, current and non-current liabilities;
- 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;
- the consolidated Cash Flow Statement is disclosed according to the indirect metho.

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 Pricewaterhouse-Coopers 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 2018, 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:

- 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;
- 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;
- 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;
- 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 grants 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/revenue 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 Distribuzione 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 IFRS 15 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 IFRS 15 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. For the concession to distribute natural gas, the date by when the area tender had to be conducted was extended by the contracting authority (Trento Autonomous Province) by 12 months, from 31 December 2018 until 31 December 2019. Amortisation relating to the assets under concession was therefore calculated in consideration of this time span, taking the RIV as at 31 December 2018 into consideration since the estimate as at 31 December 2019 is not available but considering that no significant changes are expected.
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 ("impairment test") 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:

	% Rate
ELECTRICITY	
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%

Depreciable amount of some elements of the plants of the provincial hydroelectric generation chain as a result of Law no. 205/2017

Italian Law no. 205 of 27 December 2017 "State forecast budget for financial year 2018 and multi-year budget for the 2018-2020 three-year period" in Article 1, Paragraphs 832 and 833 replaced Article 13 of the Consolidated Law per Presidential Decree no. 670 of 31 August 1972 and in short it assigns to the provinces of Trento and Bolzano the authority to regulate with their own laws "the methods and procedures for the assignment of concessions for large water diversions for hydroelectric purposes, establishing in particular procedural rules for the conduct of tenders, the terms for calling such tenders, the admission and award criteria, the financial, organisational and technical requirements of the participants".

The same rule also prescribes that:

a) the concessions of large diversions in the provinces and Trento and Bolzano, with expiration date prior to 31 December 2022, are extended *de jure* for the period useful to complete the public disclosure procedures and in any case not beyond the aforesaid dat;

b) to the concessionaire who, at its own expense, made investments on the "wet works" (penstocks, collection and regulation works, discharge channels) shall be recognised, at the expiry of the concession, an indemnity equal to the value of the part of asset that is not depreciated, according to criteria that shall be set forth in a provincial law.

In regard to point a), in consideration:

- of the fact that completion of the public disclosure procedures requires in any case the preliminary approval of the provincial regulations which, in accordance with paragraph 1, shall set out the criteria to be used in tender procedures;
- of the technical times necessary for the conclusion of the procedures for the assignment of the subject tenders, considering the high degree of complexity objectively present in these procedures and the fact that there are not specific precedents to which to refer;

The Company assumed 31 December 2022 to be the ending date of the concession with regard to large deviation plants with prior expiry, with the consequent remodulation of the amortisation, carried out starting from the 2017 financial statements.

Point b) above refers to the residual value of plants that are “subject to reversion free of charge”; currently, the value of these plants is depreciated with the financial method, so the value is divided by the years of duration of the concession and as a consequence it is zeroed at the end thereof.

This rule introduces a new case of measurement of these assets at the end of the concession which, while provided, does not find its precise definition in the aforementioned rule. To interpret and apply this principle it is necessary to wait for the approval of a provincial regulation, as indicated in Paragraph 2, which determines its limits and the calculation procedures. Therefore, considering that the effects of this rule may in any case identify a higher final value than the current one (amounting to zero) it was deemed appropriate to defer the inclusion of its effects in the financial statements at the time the criteria for defining this value will be known. At the closing date of the present financial statements, no rule has yet been enacted to define these criteria.

Depreciable amount of some elements of the plants of the Italian hydroelectric generation chain as a result of Law no. 134/2012

Law no. 134 of 7 August 2012 introducing “Urgent measures for the growth of the Country”, published in the Official Gazette on 11 August 2012, thoroughly revised the rules for hydroelectric concessions at the national level, providing, inter alia, that five years before the expiration of a large deviation concession for hydroelectric use and the cases of dismissal, waiver and revocation, when there is no prevailing public interest to a different use of the waters, incompatible with maintaining utilisation for hydroelectric purposes, the competent administration shall call a tender, with public evidence, for the assignment for consideration of the concession for a duration of twenty years up to a maximum time of thirty years.

To assure management continuity, the above Law also defined the procedures for transferring from the outgoing concession-holder to the new one the ownership of the business unit, necessary to exercise the concession, inclusive of all legal dealings pertaining to the concession itself, upon payment of a consideration, to be determined by mutual agreement of the outgoing concession-holder and the granting administration, taking into account the following elements:

- for the collection and regulation works and penstocks and discharge channels, considered to be subject to reversion free of charge by the Consolidated Law of the legal provisions on waters and electrical plants (Article 25 of Italian Royal Decree no. 1775 of 11 December 1933), on the basis of the written-back historical cost, calculated net of investment grants, also written back, received by the concession-holder for the construction of these works, reduced to the extent of the estimate of ordinary wear;
- for tangible assets other than the above, on the basis of the market value, construed as reconstruction value minus ordinary wear.

The regulation in question is not applicable at this time to the company Hydro Dolomiti Energia by virtue of the provisions contained in Article 1 bis Paragraph 15 quater letter h of the law of the Autonomous Province of Trento which granted a ten-year extension to the concession transferred to the Company and, in consideration of the previous paragraph, this matter shall be regulated by a specific provincial law.

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 lessee 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 future cash flows, used to determine the value in use, are based on the latest economic and financial forecast containing forecasts on revenue, 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 value of the trade receivables is shown in the financial statements net of their provision for write-downs, calculated applying the simplified method and, more specifically, the matrix provision model that is based on identifying default rates by expired brackets observed on a historic basis, applied for the entire expected lifetime of the receivable and updated based on significant future scenario elements.

Non-derivative financial assets

Non-derivative financial assets are distinguished by fixed or calculable payments not listed in an active market, for which the Group's objective is to achieve the contractual cash flows represented by payment of the principal and interest. 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 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:

- significant financial difficulties of the debtor;
- contract breaches, as non-payment of interest or principal;

- ithe 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;
- it is probable that the debtor be bankrupt or be subject to a composition procedure with creditors; or
- 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 related to energy certificates (TEE and GO) are measured with the FIFO method, which is deemed as better reflecting the current market value, given that the prices of these certificates are subject to strong oscillations, also over periods shorter than twelve months. 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.
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:

- 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.
- 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 segment is a component of an entity that: i) undertakes business operations that generate revenue 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 segment and an assessment of results; 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:

- Electricity production;
- Heat production, Steam and Cooling;
- Distribution and grids;
- Commercial and trading;
- Water cycle and Environment;
- 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 liabilities (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 uncondi-

tional right to defer payment for at least 12 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 eventually 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 defined-benefit liabilities or 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 comprehensive income statement, 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 during the useful life of the asset.

Revenue recognition

Revenue is recognised based on the recognition model provided for by IFRS 15, which is based on 5 steps:

- identification of the contract with the customer. The term contract means the approved trade agreement between two or more parties that creates demandable rights and obligations. The standard contains specific provisions for assessing whether two or more contracts must be combined with each other and for identifying the accounting implications of a contractual amendment;
- identification of the "performance obligations" contained in the contract;
- determination of the "transaction price". Among other things, in order to determine the transaction price it is necessary to consider the following elements:
  i. any amounts collected on behalf of third parties that must be left out of the consideration;
  ii. variable price components (such as performance bonuses, penalties, discounts, refunds, incentives, etc.);
  iii. financial component, if the terms of payment grant the customer a significant extension;
- allocation of the price to the performance obligations on the basis of the "Relative Stand Alone Selling Price";
- recognition of revenue when the performance obligation is met. Transfer of the asset or service takes place when the customer obtains control of the asset or service, that is to say, when it has the ability to decide and/or address its use and basically obtain all of its benefits. The principle stated by IAS 18 for which the revenue is recognised by looking at the benefits that can be gained from the asset and at the assessment of likelihood of collecting the relevant receivable is replaced. Control can be transferred at a point in time or over time.

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

- 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;
- revenue for the sale of certificates is recorded upon transfer thereof;
- 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 rate 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. Taxes are offset when they are applied by the same tax authority and there is a legal right to offsetting.

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.

- ***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. The impairment test for goodwill is carried out at least on every reporting date. 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.
- **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.

- **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.
- **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's financial statements.
- **Fair value of financial 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.
- **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.
- **Amortisation and depreciation of intangible assets and property, plant and equipment**: 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.
- **Equalisation**: the "equalisation" component is estimated for an amount corresponding to the positive or negative difference between the revenue realised from end customers and the "limit to allowed revenue" (VRT) determined in accordance with the ARERA resolutions revised as at the date of preparation of the financial statements.

4. Recently issued accounting standards

Pursuant to IAS 8, the following paragraphs indicate and briefly describe the amendments, effective from 1 January 2018, as well as the accounting standards and interpretations that have already been issued, but not yet endorsed by the European Union, and therefore not applicable in the preparation of the financial statements as at 31 December 2018, whose impact will be shown in the financial statements of the following years.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT ARE APPLICABLE IN THESE FINANCIAL STATEMENTS

The following accounting standards and amendments to the accounting standards issued by IASB and implemented by the European Union, where foreseen, are mandatorily applicable starting from 1 January 2018.

- IFRS 9 Financial Instruments (issued, in its final version, on 24 July 2014). This standard, approved by the European Union on 29 November 2016, fully replaced IAS 39 "Financial instruments: recognition and measurement" and introduces new criteria for classifying and measuring financial assets and liabilities. In short, the new provisions introduced by IFRS 9 concern:

  i. criteria for classifying and measuring financial assets and liabilities. As regards the financial assets, the new standard uses a single approach based on the financial instrument measurement methods and on the characteristics of the contractual cash flows of the same financial assets in order to determine their measurement criterion, replacing the different rules set out in IAS 39. Specifically, the standard establishes the following categories for classifying financial assets:

     - financial assets measured at amortised cost;
     - financial assets measured at fair value recognised in the other comprehensive income statement components (FVOCI - fair value through other comprehensive income);
     - financial assets measured at fair value recognised in the income statement (FVTPL - fair value through profit and loss).

     The "loans and receivables" categories of the financial assets available for sale and financial assets held to maturity therefore disappear. Classification within the above-mentioned categories takes place based on the business model of the entity and in connection with the characteristics of the cash flows generated by the same assets:

     - a financial asset is measured at amortised cost if the business model of the entity envisages that the financial asset is to be held to collect its cash flows (therefore, in substance, not even to realise profits from sale of the instrument) and the characteristics of the cash flows of the asset correspond only to the payment of capital and interest;
     - a financial asset is measured at fair value with balancing entry to the Other comprehensive income statement components if it is held with the goal of both collecting the contractual cash flows and selling it (Hold to Collect and Sell model);
     - lastly, if it is a financial asset held for trading and in any case does not fall under the cases indicated in the two points above, it has to be measured at fair value with changes in value charged to the income statement.

     The rules for recognising embedded derivatives have been simplified. Separate recognition of the embedded derivatives and of the financial asset "hosting" it is no longer required.

     All equity instruments falling within the area of application of the standard (both listed and unlisted) must be measured at fair value recognised in the income statement (FVTPL). On the other hand, IAS 39 established that if the fair value could not be reliably calculated, the unlisted equity instruments were to be measured at cost. The entity has the option of presenting the changes in fair value of the equity instruments that are not held for trading, for which this option is instead prohibited, in the shareholders' equity (FVOCI). This designation is allowed at the time of initial recognition, can be adopted by single instrument and is irrevocable. If recourse should be made to this option, the changes in fair value of these instruments would never be charged to the income statement. Dividends, on the other hand, continue to be recognised in the income statement.

IFRS 9 does not allow reclassifications between categories of financial assets except in rare cases in which there is a change in the business model of the entity. In this case, the effects of the reclassification are applied prospectively.

For financial liabilities, the major change regards the accounting treatment of the changes in fair value of a financial liability designated as measured at fair value through the income statement if they are due to the change in creditworthiness of the same liability. According to the new standard, these changes must be recognised in the other comprehensive income statement components;

ii. impairment of the financial assets. The standard replaces the current "incurred loss" model by introducing a new impairment model based on the expected losses, where "loss" means the current value of all future failed collections, properly integrated to take into account future expectations (forward looking information). In agreement with the general approach applicable to all the financial assets, the expected loss depends on the probability of default (PD), on the loss given default (LGD) and on the exposure to default (EAD). The PD represents the probability that an asset is not paid back and goes into default; the LGD represents the amount expected to be unable to recover if the event of default occurs; the EAD represents the credit exposure to the counterparty, including any guarantees, collateral, etc. The estimate must initially be made on the losses expected over the next 12 months; in consideration of the progressive deterioration, if any, of the receivable, the estimate must be adjusted to cover the losses expected over the lifetime of the receivable. As for the trade receivables, IFRS 9 mandatorily requires that the provision for write-downs be calculated applying the simplified method and, more specifically, the matrix provision model that is based on identifying default rates by expired brackets observed on a historic basis, applied for the entire expected lifetime of the receivable and updated based on significant future scenario elements;

iii. hedge accounting. IFRS 9 introduces several significant changes mainly regarding the effectiveness test since the 80-125% threshold is abolished and replaced by an objective test that checks the economic relationship between hedged instrument and hedging instrument, accounting of the hedging cost, extension of the hedged elements and the required information.

The Group conducted an in-depth analysis of the financial instruments in the portfolio affected by application of IFRS 9 and of the write-down of the trade receivables based on the new logic. The analysis ended with insignificant impacts on the measurement of the financial assets and liabilities and on the methodology of calculating the Group's provision for write-downs identified.
The Group adopted the new standard starting from 1 January 2018, without restating the comparative figures. The resulting impacts are insignificant on both the measurement of the financial assets and liabilities and on the methodology of calculating the provision for write-downs.

- IFRS 15 Revenue from contracts with customers (issued on 28 May 2014, later amended with two amendments issued on 11 September 2015 and 12 April 2016, respectively). The standard, adopted by the European Union on 22 September 2016 and later amended with EU Regulation 1987/2017 of 31 October 2017, applies to all contracts with customers, except for lease contracts, insurance contracts and financial instruments.

  IFRS 15 defines a revenue recognition model based on 5 steps:

  i. identification of the contract with the customer. The term contract means the approved trade agreement between two or more parties that creates demandable rights and obligations. The standard contains specific provisions for assessing whether two or more contracts must be combined with each other and for identifying the accounting implications of a contractual amendment;

ii. identification of the "performance obligations" contained in the contract;

iii. determination of the "transaction price". Among other things, in order to determine the transaction price it is necessary to consider the following elements:

- any amounts collected on behalf of third parties that must be left out of the consideration;
- variable price components (such as performance bonuses, penalties, discounts, refunds, incentives, etc.);
- financial component, if the terms of payment grant the customer a significant extension;

iv. allocation of the price to the performance obligations on the basis of the "Relative Stand Alone Selling Price";

v. recognition of revenue when the performance obligation is met. Transfer of the asset or service takes place when the customer obtains control of the asset or service, that is to say, when it has the ability to decide and/or address its use and basically obtain all of its benefits. The principle stated by IAS 18 for which the revenue is recognised by looking at the benefits that can be gained from the asset and at the assessment of likelihood of collecting the relevant receivable is replaced. Control can be transferred at a point in time or over time.

The Group has undertaken an analysis to assess the expected impact caused by adoption of IFRS 15, from which no significant effects emerged.

- IFRIC 22 Transactions in foreign currency and recognition of advance payments or collections (issued on 8 December 2016). Approved on 3 April 2018, the interpretation of the IAS 21 standard "Transactions in foreign currency" sets out to clarify the date on which the exchange rate is to be used for recognising the non-monetary asset/liability regarding the transaction in foreign currency. Specifically, the advance asset/liability must be recognised at the exchange rate of the day of payment/collection of the advance and it has to be derecognised under the same terms once the transaction is completed with recognition of the related sales revenue at the same exchange rate with which the non-monetary asset/liability was recognised.

  Application of the interpretation made no impact on the Group's economic and financial position.

- Amendment to IAS 40 Investment Property (issued on 8 December 2016). Approved on 15 March 2018, the amendment introduced clarifies when an entity should transfer the ownership of a real estate property (including the buildings under construction). It is also determined that the only intention of the management to change the intended use of a building does not represent an evidence of a change in use of the real estate property itself. The adoption made no impact on the Group's economic and financial position.

- Amendments to IFRS 2 Share-based payment (issued on 20 June 2016). Several amendments to the standard dealing with two major areas were approved on 27 February 2018: classification of a transaction with share-based payment settled net of the withholding tax obligations; recognition should a change in the terms and conditions of a transaction with share-based payment changes its classification from settled in cash to settled with equity instruments. Adoption of the standard generates no effects on the Group as no share-based payments are foreseen.

- Improvements to the IFRS 2014-2016 Cycle (issued on 8 December 2016). The IASB issued several amendments to the standards approved in the three-year period 2014-2016, and more specifically:

i. IFRS 1 First-time adoption of International Accounting Standards: several exemptions allowed during the transition stage were eliminated, in particular concerning the IFRS 7, IAS 19 and IAS 10 standards;

ii. IAS 28 Investments in associates and joint ventures: the amendment allows joint-stock companies, mutual funds, trust units and similar entities to decide whether to recognise their investments in associates or joint ventures classifying them as fair value through profit or loss (FVTPL). These measurements should be made separately for each shareholder or joint venture at the time of initial recognition.

Its application had no impact on the Group.

- Amendment to IFRS 4 Insurance contracts (issued on 12 September 2016). Published in the Official Journal of the European Union in November 2017, the amendment to this standard allows companies issuing insurance contracts to defer application of IFRS 9 for the accounting of financial investments by aligning the date of first-time application to that of IFRS 17, scheduled in 2021 (deferral approach) and at the same time allows some distorting effects arising from early application of IFRS 9 as to application of IFRS 17 (overlay approach) to be eliminated from the income statement. There is no economic-financial impact on Group disclosure.

ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION BUT APPLICABLE TO SUBSEQUENT FINANCIAL YEARS

- IFRS 16 Leases (issued on 13 January 2016). The new standard supersedes the previous standard on leases, the IAS 17 and related interpretations, defines criteria for the recognition, measurement, presentation and disclosures to be supplied as reference for lease contracts to both lessor and lessee. Albeit IFRS 16 does not modify the definition of lease contract supplied by IAS 17, the main novelty introduced is represented by the concept of control within the definition. In particular, in order to determine whether a contract represents a lease, IFRS 16 requires to check whether the lessee has the right to control the use of a specific asset for a determined period of time. The IFRS 16 standard cancels the classification of operating or financial leases, as required by IAS 17, by introducing a single accounting model for all leases. Based on this new model, the lessee shall recognise the followin:

  i. in the statement of financial position, all assets and liabilities for all lease contracts longer than 12 months, unless the underlying asset has a low value; and

  ii. in the income statement, amortisation/depreciation of assets related to leases separate from interest related to corresponding liabilities.

  With regard to lessors, in IFRS 16 the recognition requirements remain substantially unchanged with respect to those envisaged by IAS 17. Therefore, the lessors shall continue to classify and recognise leases indifferently, based on their nature (either operating or financial). This standard will be applicable for annual reporting periods beginning on or after 1 January 2019.
  The Group estimates that application of this standard will increase assets (royalties) by 11,181 thousand euro and financial liabilities by 12,468 thousand euro, with a negative impact on initial shareholders' equity of 1,287 thousand euro, gross of the tax effect.

- IFRIC 23 Uncertainty over income tax treatments (issued on 7 June 2017). The interpretation clarifies how to apply the IAS 12 recognition and measurement requirements in the case of uncertainty over income tax treatments. Should there be uncertainties over application of the tax legislation to a specific transaction or group of transactions, IFRIC 23 requires that the probability that the tax authority accepts the choice made by the company regarding the tax treatment of the transaction be evaluated: based on this probability, the company should recognise an amount of taxes in its financial statements that it can pay or defer as regards what is shown on the income tax return. The interpretation is applicable for annual reporting periods beginning on or after 1 January 2019. Its application is deemed to have no impact on the Group.

- Amendments to IFRS 9 Prepayment features with negative compensation (issued on 12 October 2017). These amendments, approved with EU Reg. 2018/498 on 22 March 2018, introduce an exception for particular financial assets that would envisage contractual cash flows represented only by payments of capital and interest (IFRS 9, par. 4.1.2), but do not meet this condition only due to the presence of a contractual advance repayment clause. More specifically, the amendments specify that financial assets with a contractual clause allowing (or forcing) the issuer to repay a debt instrument or allowing (or forcing) the holder to repay a debt instrument to the issuer before the due date can be measured at amortised cost or at fair value with balancing entry to Other comprehensive income statement components, subject to the assessment of the business model in which they are held, if the following conditions are met:

  i. the entity acquires or issues the financial asset with a premium or discount applied to the nominal amount of the contract;

ii. the amount of the advance repayment is basically the nominal contractual amount and the accrued (but not paid) contractual interest that might include a reasonable additional fee for early termination of the contract; and

iii. the fair value of the advance payment option is not significant upon initial recognition by the entity.

The amendments are applicable beginning on or after 1 January 2019.
Its application is deemed to have no impact on the Group.

ACCOUNTING STANDARDS APPLICABLE TO SUBSEQUENT YEARS BUT STILL NOT ENDORSED BY THE EUROPEAN UNION

- IFRS 17 Insurance contract (issued on 18 May 2017). The new accounting standard establishes the criteria for the recognition, measurement, presentation and disclosure of insurance contracts. After its endorsement, it will fully supersede IFRS 4 Insurance Contracts issued in 2005. IFRS 17 will be applied to all insurance contracts, with reference to the issuer. The scope of this new standard is to supply a model for the recognition of insurance contracts, which is more useful and consistent with respect to all insurance companies. The new standard will be applicable for annual reporting periods beginning on 1 January 2021 and the disclosure of comparative data will be required. In November 2018, the IASB decided to propose extension of the coming into force of the IFRS 17 standard by one year, i.e. until 2022. Early application is allowed provided that the entity has already adopted IFRS 9 and IFRS 15. Its application has no impact on the Group.
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017). The amendment, applicable subject to approval starting from 1 January 2019, clarifies that the company must apply the provisions of IFRS 9 Financial instruments to any other long-term interest that in substance represents another component of the equity investment in the associate or joint venture, to which the equity method is not applied (e.g. preferred shares, non-trade loans and receivables). Any losses recognised based on the equity method exceeding the investment of the entity in ordinary shares of the associate or joint venture are attributed to the other components of the equity investment opposite from their degree of subordination (that is, liquidation priority) after having applied IFRS 9. Its application has no impact on the Group.
- Improvements to the IFRS 2015-2017 Cycle (issued on 12 December 2017). The document introduces amendments to the following standards:

i. IFRS 3 Business Combinations. The IASB added paragraph 42A to IFRS 3 in order to clarify that when an entity obtains control of an asset that is a joint operation, it has to recalculate the value of that asset since this transaction would be considered a business combination carried out in steps and therefore to be recognised on that basis;

ii. IFRS 11 Joint Arrangements. Paragraph B33CA was added to IFRS 11 in order to clarify that if a party taking part in a joint operation - but that does not have joint control - later obtains joint control over the joint operation (constituting an asset as defined in IFRS 3), it is not required to recalculate the value of that asset.

iii. IAS 12 Income Taxes. This amendment clarifies that the tax effects of the income taxes arising from distribution of profits (i.e. the dividends), including the payments on financial instruments classified as shareholders' equity, must be recognised when a liability for the payment of a dividend is recognised. The consequences of the income taxes must be recognised in the income statement, in the comprehensive income statement or in the shareholders' equity in consideration of the nature of the transactions or of the past events that generated the distributable profits or how they were initially recognised.

iv. IAS 23 Borrowing Costs. The amendment clarifies that an entity should leave out the financial charges applicable to the loans made specifically in order to obtain an asset only as long as the asset is not ready and available for the planned use or sale when calculating the capitalisation rate for loans. The financial charges relating to specific loans that still exist after the relevant asset is ready for the planned use or sale must afterwards be considered as part of the general borrowing costs of the entity.

These amendments must be applied retrospectively for the annual periods starting on or after 1 January 2019. Early application is permitted.

- Amendments to IAS 19 Employee Benefits (issued on 7 February 2018). The interpretation "Plan Amendment, Curtailment or Settlement" forces companies to use updated actuarial assumptions in order to determine the pension costs following amendments introduced to the employee defined benefits. The amendments are applicable beginning on or after 1 January 2019, subject to approval.
- Conceptual Framework (issued on 29 March 2018). The objective of the Conceptual Framework project is to improve financial disclosure by providing a more complete, clearer and more updated set of conceptual elements. The purpose of the Framework is to:

  i. assist the Board in developing IFRSs based on coherent concepts;

  ii. assist those preparing the financial statements in developing coherent accounting policies when no IFRS standard applies to a certain transaction or to an event, or when a standard permits a choice of accounting policy;

  iii. assist other subjects in comprehending and interpreting the standards.
- Amendments to IFRS 3 Business Combinations (issued on 22 October 2018). The IASB published the definition of Business with the objective of clarifying the difference between an acquisition that represents a business or a group of activities. In order for a business to be identified, the purchase of a whole of assets and instruments must also include a set of organised processes that as a whole are suited to producing goods and services. The amendments will become applicable prospectively to the transactions whose date of acquisition is equal to or later than the year starting from 1 January 2020. Early application is permitted.
- Amendments to IAS 1 and IAS 8 Definition of "material" (issued on 31 October 2018). The IASB clarified that information is to be considered "material" when its omission, inaccuracy or lack of clearness might reasonably influence the decisions of the users of the financial statements, prompting them to make different choices. The amendment therefore has the purpose of facilitating the entity in assessing the significance of the information to include in its financial statements. The amendments to IAS 1 and IAS 8 shall be effective starting from 1 January 2020; their early application is permitted.

5. Market risk

5.1 INTEREST RATE RISK

The Group is exposed to interest rate risk since it has loans and deposits with third parties partly at a floating rate. Changes in market interest rates affect the cost and the yield of the various credit and deposit facilities, therefore affecting the amount of Group financial income and charges. The Group regularly assesses its exposure to the interest rate risk.

As at 31 December 2018, the Group financial indebtedness included the following:

- bond loan, amounting to 110,000 thousand euro, issued by the subsidiary SET S.p.A.;
- bond loan, amounting to 5,052 thousand euro, issued by the parent company Dolomiti Energia Holding S.p.A.;
- bond loan, amounting to 5,000 thousand euro, issued by Dolomiti Energia S.p.A.;
- floating rate loans benchmarked to the Euribor rate for the period.

In order to mitigate the risk of interest rate fluctuations, on some loans the Group has entered into interest rate swap agreements, with the aim of mitigating the possible impact of interest rate fluctuations on the economic result.

The main characteristics of derivatives subscribed by the Group to hedge interest rate fluctuations in place as at 31 December 2018 and 31 December 2017 are summarised as follows:

IRS

in thousands of Euro	AS AT 31 DECEMBER 2018					
Date of transaction	16/03/2011	11/03/2011	04/03/2011	13/04/2011	25/05/2017	26/05/2017
Company	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa
Counterparty	Mediobanca	Intesa San Paolo	Unicredit	Unicredit	Unicredit	Intesa San Paolo
Effective date	02/01/2014	02/01/2014	02/01/2014	02/01/2014	01/01/2021	01/01/2021
Maturity	31/12/2020	31/12/2020	31/12/2020	31/12/2020	30/09/2032	30/09/2032
Notional in Euro	11,428,572	11,428,572	11,428,572	11,428,572	48,958,333	48,958,333
Floating interest rate	1M Euribor	1M Euribor	1M Euribor	1M Euribor	3M Euribor (floor -0.80)	3M Euribor (floor -0.80)
Fixed interest rate	3.4000%	3.4450%	3.5214%	3.7190%	1.3400%	1.3235%
Fair value	(450,888)	(456,294)	(465,369)	(489,224)	(1,003,391)	(957,932)

in thousands of Euro	AS AT 31 DECEMBER 2017					
Date of transaction	**16/03/2011**	**11/03/2011**	**04/03/2011**	**13/04/2011**	**25/05/2017**	**26/05/2017**
Company	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa
Counterparty	Mediobanca	Intesa San Paolo	Unicredit	Unicredit	Unicredit	Intesa San Paolo
Effective date	02/01/2014	02/01/2014	02/01/2014	02/01/2014	01/01/2021	01/01/2021
Maturity	31/12/2020	31/12/2020	31/12/2020	31/12/2020	30/09/2032	30/09/2032
Notional in Euro	17,142,857	17,142,857	17,142,857	17,142,857	48,958,333	48,958,333
Floating interest rate	1M Euribor	1M Euribor	1M Euribor	1M Euribor	3M Euribor (floor -0.80)	3M Euribor (floor -0.80)
Fixed interest rate	3.4000%	3.4450%	3.5214%	3.7190%	1.3400%	1.3235%
Fair value	(980,270)	(992,004)	(1,012,068)	(1,065,262)	(255,383)	(200,057)

Sensitivity Analysis related to interest rate risk

The Group exposure to the interest rate risk was measured through a sensitivity analysis that considered the contracted floating rate exposures. Within the hypotheses made, the effects on the Group's Income Statement and Shareholders' Equity as at 31 December 2018 were evaluated with respect to a possible change in market rates, which discounted 50 bps write-up and write-down, respectively. The calculation method applied the hypothesis of changes in the interest rate applied during the year to the gross bank indebtedness and deposits. This analysis is based on the assumption of a general and prompt change in the reference interest rate level.

The result of this hypothetical and immediate change in interest rates applicable to the Group's floating rate financial liabilities and deposits are shown in the following table:

(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 2018	262	-701	262	-701
Year ended 31 December 2017	188	-736	188	-736

5.2 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 2018 and 2017 to hedge commodity price risk are summarised as follows:

Commodity

in thousands of Euro	AS AT 31 DECEMBER	
	2018	2017
Date of transaction	miscellaneous	miscellaneous
Company	DET	DET
Counterparty	ECC_EEX	ECC_EEX
Underlying	Power	Power
Maturity	miscellaneous	miscellaneous
Notional in thousands of Euro	90,379	88,952
Fair value	5,594	(1,189)

5.3 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 2018 and 31 December 2017 is represented by the sum of financial assets recorded in the financial statements, summarised as follows:

in thousands of Euro	AS AT 31 DECEMBER	
	2018	2017
Accounts receivable - customers	294,774	297,739
Accounts receivable - associates	64	52
Accounts receivable - parent companies	100	95
Provision for write-downs	(14,064)	(15,456)
TOTAL	**280,874**	**282,430**

5.4 LIQUIDITY RISK

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 5 years:

Maturity

(in thousands of Euro)	AS AT 31 DECEMBER 2018		
	Within 1 year	Between 1 and 5 years	Beyond 5 years
Trade payables	205,304	-	-
Trade payables due to banks and other lenders	198,874	132,927	109,851
Liabilities for current taxes	20,514	-	-
Other accounts payable	23,741	115,473	-
TOTAL	**448,433**	**248,400**	**109,851**

(in thousands of Euro)	AS AT 31 DECEMBER 2017		
	Within 1 year	Between 1 and 5 years	Beyond 5 years
Trade payables	222,401	-	-
Trade payables due to banks and other lenders	216,715	146,227	109,842
Liabilities for current taxes	93	-	-
Other accounts payable	29,492	123,777	-
TOTAL	**468,701**	**270,004**	**109,842**

5.5 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 2018 and 31 December 2017:

(in thousands of Euro)	AS AT 31 DECEMBER 2018		
	Level 1	Level 2	Level 3
Derivative instruments (interest rate swap)	-	(3,823)*	-
Financial derivatives (commodities)	-	(2,692)*	-

[* 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 2017		
	Level 1	Level 2	Level 3
Derivative instruments (interest rate swap)	-	(4,505)*	-
Financial derivatives (commodities)	-	(4,682)*	-

[* 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 2018 and 31 December 2017 are broken down by category:

(in thousands of Euro)	AS AT 31 DECEMBER 2018			
	Financial assets/liabilities measured at amortised cost	Financial assets/liabilities measured at fair value FVOCI	Financial assets/liabilities measured at fair value FVTPL	Total
CURRENT ASSETS				
Cash and cash equivalents	30,424	-	-	**30,424**
Trade receivables	280,874	-	-	**280,874**
Other current assets	74,554	-	-	**74,554**
Current financial assets	15,949	7,617	59,348	**82,914**
NON-CURRENT ASSETS				
Other non-current assets	26,050	-	-	**26,050**
Non-current financial assets	7,345	-	-	**7,345**
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	-	-	-	-
CURRENT LIABILITIES				
Trade payables	205,304	-	-	**205,304**
Current financial liabilities	134,602	2,022	62,250	**198,874**
Other current payables	23,741	-	-	**23,741**
NON-CURRENT LIABILITIES				
Non-current payables due to banks and other lenders	238,955	1,961	1,862	**242,778**
Other non-current payables	115,473	-	-	**115,473**

(in thousands of Euro)	AS AT 31 DECEMBER 2017			
	Financial assets/liabilities measured at amortised cost	Financial assets/liabilities measured at fair value FVOCI	Financial assets/liabilities measured at fair value FVTPL	Total
CURRENT ASSETS				
Cash and cash equivalents	2,793	-	-	**2,793**
Trade receivables	282,430	-	-	**282,430**
Other current assets	103,602	-	-	**103,602**
Current financial assets	23,743	6,008	16,302	**46,053**
NON-CURRENT ASSETS				
Other non-current assets	27,592	-	-	**27,592**
Non-current financial assets	8,921	-	-	**8,921**
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	-	-	-	-
CURRENT LIABILITIES				
Trade payables	222,401	-	-	**222,401**
Current financial liabilities	189,723	7,196	19,796	**216,715**
Other current payables	29,492	-	-	**29,492**
NON-CURRENT LIABILITIES				
Non-current payables due to banks and other lenders	251,564	455	4,050	**256,069**
Other non-current payables	123,777	-	-	**123,777**

Current and non-current financial liabilities include Euro 116,965 of the value of fixed rate bonds (note 7.17), whose fair value at 31 December 2018 is negative by Euro 138,498 thousand; this value was determined applying measurement techniques with reference to non-observable market variables (level 3 classification and fair value equal to the present value of the future cash flows expected from the measured instruments).

6. 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:

- Electricity production;
- Heat production, Steam and Cooling;
- Distribution and grids;
- Commercial and trading;
- Water cycle and Environment;
- Other minor services.

The results of the operating segments are measured through the analysis of EBITDA performance (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 of EBIT. In particular, the management deems that EBITDA is a good performance indicator, as it is not affected by tax regulations and amortisation/depreciation policies.

The economic disclosure by operating segment is as follows:

(in thousands of Euro)	2018						
	Electricity production	Heat production, Steam and Cooling	Distribution and grids	Commercial and trading	Water cycle and Environment	Other minor services	Total
EBITDA	109,093	2,971	74,158	23,550	6,664	(208)	**216,227**
EBIT	94,435	(46)	51,556	17,231	170	(7,965)	**155,381**

(in thousands of Euro)	2017						
	Electricity production	Heat production, Steam and Cooling	Distribution and grids	Commercial and trading	Water cycle and Environment	Other minor services	Total
EBITDA	32,379	6,959	61,128	13,625	7,287	3,884	**125,262**
EBIT	18,528	3,350	40,397	10,980	1,333	(2,195)	**72,393**

7. Notes to the Statement of Financial Position

7.1 ASSETS UNDER CONCESSION

Changes in item "Assets under concession" are shown hereunder for the years ended 31 December 2018 and 2017:

(in thousands of Euro)

	Electric grid	Gas network	Water network	Total
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 amortisation	*(372,566)*	*(105,786)*	*(60,251)*	**(538,603)**
Increases	17,198	7,388	2,958	**27,544**
Amortisation	(15,081)	(5,230)	(3,359)	**(23,670)**
Disinvestments	(1,527)	(5)	(6)	**(1,538)**
BALANCE AS AT 31 DECEMBER 2017	**271,826**	**164,498**	**62,474**	**498,798**
Of which:				
- Historical cost	*663,019*	*275,519*	*126,090*	**1,064,628**
- Accumulated amortisation	*(391,193)*	*(111,016)*	*(63,610)*	**(565,819)**
Increases	54,135	8,685	4,593	**67,413**
Amortisation	(16,510)	(5,493)	(3,435)	**(25,438)**
Disinvestments	(3,593)	(77)	-	**(3,670)**
Change	(11,459)	-	-	**(11,459)**
BALANCE AS AT 31 DECEMBER 2018	**294,399**	**167,613**	**63,632**	**525,644**
Of which:				
- Historical cost	*710,707*	*284,204*	*130,325*	**1,125,236**
- Accumulated amortisation	*(416,308)*	*(113,655)*	*(64,191)*	**(594,154)**

Impairment tests on rights on assets under concession

At the reporting 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 C.G.U. (value in use). For impairment testing, cash flows were used for the duration of the Concession, as inferred from the economic-financial forecast 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 C.G.U. 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 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.

Please note that during the year STET transferred its electricity distribution business to SET, including assets for the recognised value of 19,336 thousand euro.

7.2 GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in item "Goodwill and other intangible assets" are shown hereunder for the years ended 31 December 2018 and 2017:

(in thousands of Euro)

	Goodwill	Concessions	Industrial patent and intellectual property rights	Other	Total
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)*
Increases	-	5	3,040	571	**3,616**
Net decreases	-	-	-	(50)	**(50)**
Reclassifications	-	-	-	-	**-**
Amortisation	-	(7,688)	(3,809)	(123)	**(11,620)**
Change in consolidation area	-	-	-	-	**-**
BALANCE AS AT 31 DECEMBER 2017	**37,499**	**40,917**	**7,995**	**653**	**87,064**
Of which:					
- Historical cost	*37,499*	*57,532*	*36,690*	*6,588*	*138,309*
- Accumulated amortisation	-	*(16,615)*	*(28,695)*	*(5,935)*	*(51,245)*
Increases	774	-	5,298	367	**6,439**
Net decreases	-	-	-	-	**-**
Reclassifications	-	-	-	-	**-**
Amortisation	-	(7,301)	(4,114)	(358)	**(11,773)**
Write-downs	(3,694)	-	-	-	**(3,694)**
Change in consolidation area	-	-	-	-	**-**
BALANCE AS AT 31 DECEMBER 2018	**34,579**	**33,616**	**9,179**	**662**	**78,036**
Of which:					
- Historical cost	*34,579*	*57,532*	*41,988*	**6,955**	**141,054**
- Accumulated amortisation	-	*(23,916)*	*(32,809)*	**(6,293)**	**(63,018)**

Impairment testing on goodwill as at 31 December 2018

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 and Dolomiti Energia (goodwill respectively of Euro 30,764 thousand and Euro 3,815 thousand). During the year, the goodwill relating to the C.G.U. identified in the investee Dolomiti Energia Trading was written down by Euro 3,694 thousand.

For each year of impairment testing, one single C.G.U. was identified, as each single Company operates in one single operating segment, electricity distribution for SET, and commercial trading of energy products for Dolomiti Energia. 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 2019-2023 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 4.3% for SET (electricity distribution) and 8.0% for DE (energy trading).

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

"Concessions" primarily include the value allocated to this item upon first full consolidation of the investee Hydro Dolomiti Energia Srl, which took place starting from 1 March 2016.

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.

7.3 PROPERTY, PLANT AND EQUIPMENT

Changes in item "Property, plant and equipment" are shown hereunder for the years ended 31 December 2018 and 2017:

(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 31 DECEMBER 2016	**71,560**	**761,894**	**3,768**	**7,920**	**10,215**	**855,357**
Of which:						
- Historical cost	*106,523*	*1,333,924*	*18,666*	*26,172*	*10,215*	***1,495,500***
- Accumulated depreciation	*(34,963)*	*(572,030)*	*(14,898)*	*(18,252)*	*-*	***(640,143)***
Increases	1,110	6,821	281	1,619	1,367	**11,198**
Decreases (historical cost)	(46)	(1,853)		(2,361)		**(4,260)**
Decreases (accumulated depreciation)	25	1,827		2,035		**3,887**
Reclassifications	216	2,291		1,902	(3,792)	**617**
Depreciation	(1,089)	(9,737)	(550)	(1,985)		**(13,361)**
BALANCE AS AT 31 DECEMBER 2017	**71,776**	**761,243**	**3,499**	**9,130**	**7,790**	**853,438**
Of which:						
- Historical cost	*107,803*	*1,341,183*	*18,947*	*27,332*	*7,790*	***1,503,055***
- Accumulated depreciation	*(36,027)*	*(579,940)*	*(15,448)*	*(18,202)*	*-*	***(649,617)***
Increases	1,438	5,842	494	619	1,841	**10,234**
Decreases (historical cost)	(16)	(1,542)	-	(1,433)	(118)	**(3,109)**
Decreases (accumulated depreciation)	6	951	-	1,925	-	**2,882**
Reclassifications (historical cost)	263	1,301	13	(390)	(1,187)	**-**
Reclassifications (provision)	(198)			198		**-**
Depreciation	(1,144)	(9,253)	(563)	(3,067)	-	**(14,027)**
BALANCE AS AT 31 DECEMBER 2018	**72,125**	**758,542**	**3,443**	**6,982**	**8,326**	**849,418**
Of which:						
- Historical cost	*109,488*	*1,346,784*	*19,454*	*26,128*	*8,326*	***1,510,180***
- Accumulated depreciation	*(37,363)*	*(588,242)*	*(16,011)*	*(19,146)*	*-*	***(660,762)***

Investments for the year are mainly referred to extraordinary maintenance, works for regulatory adjustments and enlargement of owned networks and grids, as well as of hydroelectric plants.

The other changes for the year are attributable to the ordinary performance of investments and depreciation.

7.4 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	
	2018	**2017**
Equity investments in associates	67,060	61,856
Equity investments in other companies	5,795	5,795
TOTAL EQUITY INVESTMENTS	**72,855**	**67,651**

Associates include companies measured at equity. For the description of investees, reference is made to the following pages.

Changes in equity investments in associates and other companies for the year ended 31 December 2018 and 2017 are shown hereunder:

(in thousands of Euro)

	% of share capital as at 31 December 2018	As at 1 January 2017	Acquisitions - Sales	Other changes	Revaluations	Write-downs	As at 31 December 2017	Acquisitions - Sales	Other changes	Write-downs, Adjustments	As at 31 December 2018
ASSOCIATES											
DOLOMITI EDISON ENERGY	51.00%	21,704	-	(1,848)	-	-	19,856	-	218	-	20,074
SF ENERGY	50.00%	29,027	-	(915)	-	-	28,112	-	(54)	-	28,058
IVI GNL	50.00%	33	-	(13)	-	-	20	-	(10)	-	10
GIUDICARIE GAS	43.35%	1,236	-	48	-	-	1,284	-	38	-	1,322
RABBIES ENERGIA	31.02%	-	-	-	-	-	-	-	2448	(68)	2,380
BIOENERGIA TRENTINO	24.90%	1,462	-	62	-	-	1,524	-	55	-	1,579
PVB POWER BULGARIA AD	23.13%	2,542	-	-	-	(493)	2,049	-	-	-	2,049
MASOENERGIA	26.25%	-	-	-	-	-	-	-	1,675	(48)	1,627
AGS Riva del Garda	20.00%	9,252	-	(248)	-	-	9,004	-	434	-	9,438
SG ELETRICA BRASIL	20.00%	-	5	-	-	-	5	-	2	-	7
VERMIGLIANA	20.00%	-	-	-	-	-	-	-	534	(20)	514
ENERGY_NET	20.00%	-	-	2	-	-	2	-	-	-	2
TOTAL ASSOCIATES		**65,256**	**5**	**(2,912)**	**-**	**(493)**	**61,856**	**-**	**5,340**	**(136)**	**67,060**
OTHER COMPANIES											
PRIMIERO ENERGIA	19.94%	4,616	-	(1)	-	-	4,615	-	-	-	4,615
BIO ENERGIA FIEMME	11.46%	625	160	-	-	-	785	-	-	-	785
C.LE TERMOEL. DEL MINCIO	5.00%	1	-	-	-	-	1	-	-	-	1
DISTR. TECNOL. TRENT. S. Cons.	1.77%	5	-	-	-	-	5	-	-	-	5
ISTITUTO ATESINO SVILUP-PO	0.32%	387	-	-	-	-	387	-	-	-	387
COOPERATIVA ENERGY-LAND	-	1	-	-	-	-	1	-	-	-	1
CONS.ASSINDUSTRIA ENERGIA	-	1	-	-	-	-	1	-	-	-	1
TOTAL OTHER COMPANIES		**5,636**	**160**	**(1)**	**-**	**-**	**5,795**	**-**	**-**	**-**	**5,795**

The summary of economic and financial figures for joint ventures and associates relevant for the entity, as at 31 December 2018 and 2017, is shown hereunder:

(in Thousands of Euro) SUMMARY DATA AS AT 31.12.2018

	SF Energy Srl 50%	Dolomiti Edison Energy Srl 51%
Dividends received		
INCOME STATEMENT		
Revenue	12,178	23,439
GROSS OPERATING MARGIN	**631**	**5,946**
Amortisation, depreciation and write-downs	(480)	(2,052)
NET OPERATING RESULT	**151**	**3,894**
Interest income	45	-
Interest expense	(46)	(189)
Income taxes	1,455	(1,318)
PROFIT/(LOSS) FOR THE PERIOD	**1,605**	**2,387**
STATEMENT OF FINANCIAL POSITION		
Total assets	23,103	47,730
Shareholders' Equity	16,827	26,403
Cash and cash equivalents	6,787	8,090
Current financial liabilities	-	(15,000)
Non-current financial liabilities	-	-

(in Thousands of Euro) SUMMARY DATA AS AT 31.12.2017

	SF Energy Srl 50%	Dolomiti Edison Energy Srl 51%
Dividends received		-
INCOME STATEMENT		
Revenue	12,556	8,168
GROSS OPERATING MARGIN	**920**	**2,731**
Amortisation, depreciation and write-downs	(480)	(1,874)
NET OPERATING RESULT	**440**	**857**
Interest income	1	-
Interest expense	(289)	(189)
Income taxes	(268)	(333)
PROFIT/(LOSS) FOR THE PERIOD	**(116)**	**335**
STATEMENT OF FINANCIAL POSITION		
Total assets	51,149	45,076
Shareholders' Equity	16,827	24,015
Cash and cash equivalents	36,389	35
Current financial liabilities	-	(15,426)
Non-current financial liabilities	-	-

Associates and joint ventures

Information on the main associates and joint ventures in which the Group owns equity investments is shown hereunder.

DOLOMITI EDISON ENERGY Srl – 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 51.00% of the Share Capital, equal to 2,550,000 shares with a nominal value of 2,550,000 euro. The company produces electricity from renewable sources through the management of five hydroelectric plants.

SF ENERGY Srl 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).

IVI GNL Srl – Santa Giusta (OR). Fully paid-up Share Capital of 100,000 euro, represented by 100,000 shares of 1 euro each; Dolomiti Energia Holding holds 50.00% of the Share Capital through one of its subsidiaries. The company is assessing the possibility of entering the distribution of gaseous fuels market, especially by means of the creation of a store of liquid natural gas and infrastructures for the distribution and supply of gas to users not reached by the methane gas distribution network.

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.

RABBIES ENERGIA Srl – Rabbi (TN). Fully paid-up Share Capital of 518,199.69 euro, divided up between the Shareholders Municipality of Malè, Municipality of Rabbi and Centraline Trentine, which holds 31.02% of the Capital. The company produces hydroelectric energy.

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 20.00% 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 Srl – Faedo. Fully paid-up Share Capital of 3,000,000 euro, represented by 3,000,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 24.90% of the Share Capital, equal to 747,000 shares with a nominal value of 747,000 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 30,678,000 euro, represented by 600,000 shares with a value of 51.13 euro each; Dolomiti Energia Holding holds 23.13% of the Share Capital, equal to 138,774 shares with a nominal value of 7,095,515 euro. During the year the company reduced the share capital from 750,000 shares to the current 600,000 shares to cover losses. Dolomiti Energia Holding wrote down this equity investment for 8,575 thousand euro, in consideration of the recorded losses and expected losses resulting from impairment. The company operates in Bulgaria and is planning to build some energy production plants from renewable sources.

MASO ENERGIA Srl – Telve (TN). Fully paid-up Share Capital of 1,350,000 euro, divided up between the Shareholders Municipality of Malè, Municipality of Scurelle, Municipality of Telve, ACSM SpA and Centraline Trentine, which holds 26.25% of the Capital. The company produces hydroelectric energy.

VERMIGLIANA srl – Ossana (TN). Fully paid-up Share Capital of 273,580 euro, divided up between the Shareholders Municipality of Ossana, Municipality of Vermiglio, Municipality of Pellizzano, Municipality of Pejo and Centraline Trentine, which holds 20.00% of the Capital. The company produces hydroelectric energy.

Other companies

Information on the main other companies in which the Group owns equity investments is shown hereunder.

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.

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 11.46% of the Share Capital, equal to 134,800 shares with a nominal value of 808,800 euro. The company is engaged in the cogeneration and district heating sector.

CENTRALE TERMOELETTRICA DEL MINCIO Srl – Ponti sul Mincio in liquidation. Fully paid-up Share Capital of 11,000 euro, represented by 11,000 shares with a value of 1 euro each; Dolomiti Energia Holding held 5% of the Share Capital, equal to 550 shares with a nominal value of 550 euro; the company has been placed in liquidation for some time and terminated its activity on 12 March 2018.

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

7.5 NON-CURRENT FINANCIAL ASSETS

The item "Non-current financial assets" as at 31 December 2018 and 31 December 2017 is detailed as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2018	2017
Securities at the Clesio Real Estate Fund	7,187	8,694
Other	158	227
NON-CURRENT FINANCIAL ASSETS	**7,345**	**8,921**

The total amount of the units of the real estate fund came to 15,678 thousand euro and derives from the subscription of 322 units 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 2018, the value of the units of the fund was 7,187 thousand euro, therefore written down by 8,490 thousand euro, to align the value of each single unit to the Net Asset Value (NAV).

The item Other non-current receivables mainly includes guarantee deposits.

7.6 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities as at 31 December 2018 and 31 December 2017 are broken down as follows:

Prepaid taxes

(in thousands of Euro)	AS AT 31 DECEMBER	
	2018	2017
Fixed assets	10,076	10,683
Provision for write-downs	2,183	2,495
Production bonuses	1,066	791
Provisions for risks and charges	2,340	3,271
Fair value of derivatives	2,340	4,409
Non-deductible interest expense	1,347	1,336
Real estate fund write-down	2,038	1,676
Employee benefits	1,818	2,763
Other	541	643
TOTAL PREPAID TAXES	**24,575**	**28,067**

Deferred taxes

(in thousands of Euro)	AS AT 31 DECEMBER	
	2018	2017
Property, plant and equipment	154,036	154,191
Intangible assets	2,857	1,135
Goodwill	9,531	11,331
Provision for write-downs	57	57
Derivatives	1,916	3,179
Other	1,459	1,861
TOTAL DEFERRED TAX	**169,856**	**171,754**

7.7 OTHER NON-CURRENT ASSETS

The item “Other non-current assets” as at 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2018	2017
Prepayments and accrued income	1,752	1,379
Guarantee deposits	23,373	24,948
Other	925	1,265
TOTAL OTHER NON-CURRENT ASSETS	**26,050**	**27,592**

The item Other non-current receivables mainly includes guarantee deposits.

7.8 INVENTORIES

The item “Inventories” as at 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2018	2017
Raw materials and consumables	16,305	9,389
Other inventories	1,396	5,227
TOTAL	**17,701**	**14,616**

Inventories of raw materials, related primarily to materials used in the construction of networks and natural gas stocks, increased by 6,916 thousand euro and the changes for the year reflect the corporate strategic and operating policies.

The item Other inventories is instead related to the value of energy certificates (TE, GO and allowance CO_2) not yet made available on the market as at 31 December 2018. They decreased by 3,831 thousand euro compared to the previous year.

7.9 TRADE RECEIVABLES

The item "Trade receivables" as at 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2018	2017
Accounts receivable - customers	294,774	297,739
Accounts receivable - associates	64	52
Accounts receivable - parent companies	100	95
Provision for write-downs	(14,064)	(15,456)
TOTAL	**280,874**	**282,430**

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 2018 and 2017:

(in thousands of Euro)

	Provision for write-downs
AS AT 1 JANUARY 2017	**18,518**
Allocations	3,988
Utilisations	(7,050)
AS AT 31 DECEMBER 2017	**15,456**
Allocations	2,765
Utilisations	(4,173)
AS AT 31 DECEMBER 2018	**14,048**

7.10 RECEIVABLES FOR CURRENT TAXES

The item "Receivables for current taxes" as at 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2018	2017
IRES	6,940	15,063
IRAP	483	1,076
TOTAL	**7,423**	**16,139**

7.11 CURRENT FINANCIAL ASSETS

The item “Current financial assets” as at 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2018	2017
Loans to associates	7.779	8.550
Loan to Fedaia Holding	7.007	14.120
Financial derivatives	66.965	22.309
Other receivables	1.163	1.074
CURRENT FINANCIAL ASSETS	**82.914**	**46.053**

The item Financial derivatives, equal to 66,965 thousand euro (22,309 thousand euro as at 31 December 2017) includes 7,617 thousand euro related to fair value as at 31 December 2018 of positive derivative contracts on commodities signed to hedge highly probable programmed transactions and related to the buying and sale of electricity. These derivatives, with effective hedging relation with the hedged item, were recorded in the special reserve in Shareholders’ Equity (reserve for expected cash flows of hedging transactions), less the related tax effect. The amount of 59,348 thousand euro is related to the fair value, as at 31 December 2018, of positive derivative contracts on commodities that do not fulfil the eligibility requirements to be accounted for as hedging derivatives. Their fair value was recorded in the Income Statement for the year.

7.12 OTHER CURRENT ASSETS

The item “Other current assets” as at 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2018	2017
Elect./gas tax credits	7.057	10.519
Group VAT credit	1.143	9.455
Other tax credits	9.737	13
Prepayments and accrued income	11.452	11.824
Other accounts receivable	1.188	4.585
Receivables from derivatives management		9.135
Accounts receivable - CSEA	5.296	14.916
Renewable source certificates	34.754	39.218
Advances/Deposits	2.259	2.603
Accounts receivable - Social security institutions	46	120
Accounts receivable - Public authorities for contributions	1.117	1.010
Accounts receivable - Public authorities	505	204
TOTAL OTHER CURRENT ASSETS	**74.554**	**103.602**

Particularly worthy of note is the decrease of Group VAT credit, the increase of other tax credits and the continuation of the receivable due from the Customs Agency.

7.13 CASH AND CASH EQUIVALENTS

The item “Cash and cash equivalents” as at 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2018	2017
Bank and postal current accounts	30.415	2.784
Cash on hand	9	9
TOTAL	30.424	2.793

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

7.14 SHAREHOLDERS’ EQUITY

Changes in equity reserves were shown in the tables of these consolidated financial statements.

As at 31 December 2018, 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.

7.15 PROVISIONS FOR RISKS AND CURRENT AND NON-CURRENT CHARGES

The item “Provisions for risks and current charges” amounted to 5,061 thousand euro as at 31 December 2018 and is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2018	2017
Provision for risks and charges	1.173	-
Provision for performance bonus	3.888	-
TOTAL PROVISION FOR RISKS AND CURRENT CHARGES	5.061	-

The item “Provisions for risks and non-current charges” amounted to 19,842 thousand euro as at 31 December 2018 and is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2018	2017
Provision for risks and charges	17.621	17.633
Provision for separate waste collection	-	231
Provision for coverage of waste disposal charges	1.737	987
Pension fund	484	390
TOTAL PROVISIONS FOR RISKS AND NON-CURRENT CHARGES	19.842	19.241

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 in the provision over the year.

The **provision for charges - Guardia di Finanza** inspection amounted to 302 thousand euro and referred to the amount set aside for the:

- 2004 customs and exercise police assessment, in relation to which steps had immediately been taken to make a prudent allocation estimated as 64 thousand euro;
- two 2017 VAT claims from the Revenue Agency in relation to the alleged VAT deduction at 10% instead of 21% on works that the Group deems to be of primary urbanisation and amounting to 43 thousand euro and 25 thousand euro;
- one 2017 VAT claim from the Revenue Agency in relation to alleged improper recharges that were excluded from the taxable base and amounting to 170 thousand euro;

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 gas meters replacement, equal to 1,163 thousand euro.

Provision for disputes and litigation (684 thousand euro), intended to mainly cover potential liabilities that could derive from pending legal disputes or other litigation.

Provision for IMU (property tax), equal to 11,974 thousand euro was established as a result of subsequent revisions of the method for determining the land registry income of special purpose properties, first by the Land Register Service of the PAT and subsequently by the Public Real Estate Registry Office (Circular no. 6/2012). By effect of these changes, the Group received assessment notices by the Land Registry pertaining to the determination of the income to be attributed to the plants and assessment notices by the Municipalities pertaining to the higher tax (ICI/IMU) and related penalties and interest, determined on the adjusted income of the same plants. The provision includes the estimate of the potential liability deriving from what is described above. In 2018 the IMU Provision reported changes for utilisations only (866 thousand euro).

The **Provision for facilitated energy - irrigation consortia**, equal to 1,891 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 (formerly 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 2018 of 1,891 thousand euro.

Other provisions for 43 thousand euro.

Provision for separate waste collection

The **Provision for future charges on separate waste collection**, equal to 231 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 1,737 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 Provincial Council no. 1-41/Legisl. of 26 January 1987 (Consolidated provincial act on the safeguard of environment from pollution), as from 1 January 2014 the Trento Autonomous Province 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.

Pension fund

The **Provision for agents' leaving indemnities**, equal to 484 thousand euro, created in relation to the agency relation in place with its agents.

The changes of provisions for the years ended 31 December 2018 and 2017, 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 31 DECEMBER 2016	**19.715**	**319**	**1.241**	**347**
Allocations	557	-	-	56
Utilisations	(2.639)	(88)	(254)	(13)
Releases	-	-	-	-
AS AT 31 DECEMBER 2017	**17.633**	**231**	**987**	**390**
Allocations	1.080	-	750	94
Utilisations	(1.092)	(231)	-	-
Releases	-	-	-	-
AS AT 31 DECEMBER 2018	**17.621**	**-**	**1.737**	**484**

An update on the situation of the main ongoing disputes, in front of which no risk provisions were allocated, is provided below:

AEEGSI Resolution no. 18/2014

Still pending before the Council of State is the appeal, initiated by the Group on 5 June 2015, against the decision with which the Lombardy Regional Administrative Court (TAR) rejected to appeal filed for the repeal of Resolution no. 18/2014/R/gas of 30 January 2014, whereby the Authority ordered that the Group would not be paid bonuses for the improvement of the security of the gas distribution service, referred to the year 2011.

It should be recalled that the missed payment of the bonuses for 2011 by the Authority was justified by the Authority in view of the accident affecting an employee of Internazionale Gas, contracted by the Group to revamp the gas measurement sets, consisting, substantially, of mounting volume-converting electronic equipment in accordance with Authority Resolution ARG/gas no. 155/08 of 2 October 2008.

ARERA Resolution no. 367/2014

In 2018, there were no changes in the case still pending before the Council of State on the appeal filed by the Group on 21 March 2016, for amendments to decision no. 2732/2015, whereby the Lombardy TAR rejected the appeal filed by the Group through resolution no. 367/2014/R/gas.

It should be recalled that with this measure ARERA determined the tariff rules by virtue of which the gas distribution and metering services are remunerated in the fourth regulatory period (2014-2019) with reference to area operations.

The tariff system approved by ARERA with the aforesaid resolution takes on pre-eminent importance for the gas distribution sector with the start of the area tenders being imminent, because the Authority, inter alia, introduced the "asymmetrical regulation" whereby parties that will participate in future tenders will be the subject to a different tariff treatment depending on whether they are confirmed in the management of the service in locations that are already served (and thus if the outgoing operator is the same as the incoming operator) or that take over the service for the first time. This system is deemed highly penalising for outgoing operators who are confirmed as operators at the end of the area tender, because they would, inter alia, denied payment of any delta VIR / RAB in the tariff.

Ministerial Decree on guidelines for criteria to measure the redemption value of gas plants

The proceeding initiated by the Group in 2014 before the Lazio TAR for the repeal of the Decree of the Ministry of Economic Development of 22 May 2014 introducing: "Approval of the document 'Guidelines on criteria and application procedures for the measurement of the redemption value of natural gas distribution plants'". In 2018, at the parties' request, it was suspended awaiting the outcome of a similar proceeding pending before the Court of Justice, and it is reasonable to assume that the decision, which will also affect our dispute, will be handed down in 2019.

ARERA Resolution no. 47/2014 (219/2016 and 384/2017)

With the decision published on 1 March 2018, the Council of State, after merging the two complaints, allowed the appeals filed respectively by the Group and by PAT against the two decisions whereby the Milan TAR had rejected the challenges promoted against Decision no. 47/2014 on the contribution for the operation of the Authority.

In particular, the Council of State, establishing that on the territory of the Autonomous Province of Trento the Authority does not exercise the entire set of its powers, ended its decision inviting the parties (specifically, the PAT and the Authority), with mutual communication and in a spirit of loyal mutual collaboration, to establish the lower contribution due to the Authority in proportion to the lower residual amount of its duties (which the parties shall ascertain between them, as a residual contribution requirement) with respect to the operators in the territory of the PAT.

It is most likely that this decision will affect the outcome of the complaints pending before the Lombardy TAR against the AEEGSI Resolutions no. 219/2016 and no. 384/2017 relating to the operating expenses for the years 2016 and 2017.

LAZIO TAR Resolution ANAC 614/2018 Guidelines Article 177 code of contracts

In October 2018, the Group filed before the Lazio TAR two autonomous appeals for the repeal of the resolution of the National Anticorruption Authority no. 614 of 4 July 2018, Guidelines no. 11 introducing "Indications for the verification of compliance with the limit per Article 177, Paragraph 1, of the code, by public or private parties holding concessions for works, public services or supplies already existent at the date of entry into force of the code not assigned with the project finance formula or with public tender procedures according to European Union law". Both appeals pertain to an initiative promoted by Utilitalia with all those associates interested in repealing and/or reforming the rule contained in the aforementioned article of the code of contracts which imposes on the holders, direct contractors, of concessions for works, public services or supplies to be outsourced to third parties, by public procedures, 80% of all services of the concession that are necessary for its performance.

LAZIO TAR COGENERATION

Pending before the Lazio TAR are the three appeals filed by the Group against as many decisions whereby the G.S.E. - Gestore di Servizi Elettrici S.p.A. rejected the requests for recognition of the incentives connected with the generation of energy from renewable sources or similar ones ("green/white certificates"). Specifically, they pertain:

- **Green certificates for "Area Tecnofin" of Rovereto cogeneration Plant**

  The dispute led to the appeal filed in September 2011 against the refusal by the GSE to recognise to the cogeneration plant built in 2007-2008 in the Tecnofin area (hence the name) and connected to the existing district heating network the qualification as "new construction" per Article 4, Paragraph 2, of Ministerial Decree of 24 October 2005, necessary for the purposes of obtaining the green certificates on the energy generated.

  The legal proceeding has not progressed because the Lazio TAR never set the hearing in spite of the various request filed by the Group for the purpose of having the hearing date set.

- **White certificates of Rovereto Zona Industriale cogeneration Plant**

  The Group is the owner of the cogeneration plant called "Zona industriale di Rovereto" (located in piazzale De Gasperi, 17 - Rovereto TN).

  In 2010, with commissioning date 13 January 2011, for the improvement of the efficiency of the cogenerating system a new electricity generation set was added to the unit, with a back-pressure steam turbine (instead of an existing pressure-reducing throttling valve), powered by the steam produced by the recovery boiler.

  The Group, as a result of the entry into force of Ministerial Decree of 5 September 2011, filed with the GSE, on 19 March 2013, a request to recognise said plant as CAR and, consequently, to access the "white certificate" system.

  The GSE with note of 29 November 2013 rejected the request to access the support regime per Ministerial Decree of 5 September 2011 (i.e. the release of the "white certificates") stating that said unit "commissioned on 13 January 2011, is not [...] a 'new cogeneration unit' in accordance with Article 2, Paragraph 1, Letter c) of the Ministerial Decree of 5 September 2011 because the work was not carried out using new components".

No hearing has been set so far for this proceeding, either.

In the meantime, for identical reasons, the GSE also denied the incentive requests forwarded in subsequent generation years, inducing the Group to impugn them as well, filing, every year, an appeal for additional reasons.

- **"Trentofrutta" cogeneration**

  The Group built in 2007 and operated until 31 December 2017 a cogeneration unit at the TrentoFrutta plant of Trento, at Via De Gasperi 130.

  For the aforesaid plant, the Group obtained from the GSE access to the "white certificate" support regime for each year from 2008 to 2013 as well as the prerequisite for recognition as CAR plant for each year from 2011 (when the recognition was established in accordance with the aforementioned Ministerial Decree of 5 September 2011) to 2013.

  In March 2015, the GSE carried out an audit process on the plant in question, also conducting an inspection and requesting information and documents. On this occasion the Company informed the GSE of some episodes, altogether sporadic and transitory, of defective operation of measuring equipment serving the plant, reporting that it has replaced the missing measurements with data reconstructed according to criteria based on parameters related to similar operation conditions, which allowed to maintain wholly reliable and plausible indicators of the operation of the plant.

  In relation to the above, the GSE - after a notice served on 3 June 2015 and in spite of the arguments presented by the Group - found "discrepancies" between what is stated by the Group on the occasion of its own requests to access the supporting regime for the year 2008 and 2013 and the "actual situation" of the plant, because for some days, within these two years, some values have not been measured by the Group by means of the measuring instrument present, but reconstructed. Consequently, the GSE deemed that there are grounds for enforcing Article 11, Paragraph 3 of the Ministerial Decree of 5 September 2011, whereby "[i]n case of ascertained discrepancies between what is declared and the actual situation of the cogeneration unit ... the GSE shall cancel the economic benefit for all whose output was affected by the discrepancy, with the recovery of any sums already disbursed or of the benefits granted ...".

  As a result, the GSE cancelled access to the supporting regime for the years 2008 and 2013 as well as the CAR recognition for the year 2013 and ordered the recovery of already issued white certificates.

  The measure ordered by the GSE was appealed, because it was deemed unlawful, before the Lazio TAR. For this proceeding, too, the first hearing is yet to be set.

ARERA Resolution no. 758/2016

Still pending before the Lombardy TAR is the proceeding initiated by the Group in 2017 with the appeal against Resolution no. 758/2016 adopted by AEEGSI (now ARERA) on the "Revision of the provision pertaining to specific corporate equalisation for undertakings with fewer than 5,000 withdrawal points". The issue pertains to the valorisation of the assets in case of aggregation between operators of the electric distribution service and the incompatibility between the new provisions dictated by the Authority with the appealed resolution and the obligation of the Group, because of the provincial regulations, to ac-

quire the plants of the selling parties within the Autonomous Province of Trento at the appraisal value with the recognition, in the tariff, of a lower amount.
The issue has long been the subject of a dispute with ARERA also out of court, but the adoption by ARERA of the aforementioned res. 758/2016 led the Group to file an appeal to avoid inducing the counterparty to construe our failure to appeal as an acquiescent behaviour.

7.16 EMPLOYEE BENEFITS

The item "Employee benefits", as at 31 December 2018, included 13,920 thousand euro related to the Provision for employee termination benefits and 6,886 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 2018 and 31 December 2017, are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER 2017					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Electricity discounts	Medals	Total
LIABILITIES AT BEGINNING OF THE YEAR	**15.275**	**1.103**	**1.957**	**4.597**	**325**	**23.257**
Current cost of service	-	45	57	22	10	134
Interest to be discounted	290	28	44	79	10	451
Benefits paid	(1.213)	(117)	(235)	(134)	(20)	(1.720)
Actuarial losses/(profits)	230	23	6	1.146	(79)	1.326
Other changes	12	-	13	10	-	35
LIABILITIES AT YEAR END	**14.594**	**1.082**	**1.842**	**5.720**	**246**	**23.483**

(in thousands of Euro)	AS AT 31 DECEMBER 2018					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Electricity discounts	Medals	Total
LIABILITIES AT BEGINNING OF THE YEAR	**14.594**	**1.082**	**1.842**	**5.720**	**246**	**23.483**
Current cost of service	114	54	65	(1.309)	14	(1.062)
Interest to be discounted	135	13	23	(30)	2	143
Benefits paid	(1.292)	(35)	(141)	(168)	(9)	(1.645)
Actuarial losses/(profits)	(6)	10	11	(1.142)	(70)	(1.197)
Other changes	375	1	7	698	2	1.083
LIABILITIES AT YEAR END	**13.920**	**1.125**	**1.807**	**3.769**	**185**	**20.805**

The economic and demographic assumptions used for actuarial evaluations are shown here under:

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2018	2017
Discount rate	1,50%	1,50%
Inflation rate	1,50%	1,50%
Turn over	0,50%	0,50%
Annual frequency of advances	3,00%	3,00%

A sensitivity analysis, as at 31 December 2018, 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:

Sensitivitity

(in thousands of Euro)

	AS AT 31 DECEMBER 2018					
	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	11.248	12.357	12.108	11.471	11.756	11.812

7.17 FINANCIAL LIABILITIES (CURRENT AND NON-CURRENT)

The table hereunder shows current and non-current financial liabilities as at 31 December 2018 and 2017:

(in thousands of Euro)

	AS AT 31 DECEMBER			
	2018		2017	
	CORRENTE	NON CORRENTE	CORRENTE	NON CORRENTE
Due to banks	134.602	115.852	189.722	131.363
Bond loans	-	119.903	-	117.001
Shareholder loans	-	3.200	-	3.200
IRS derivatives	-	3.823	-	4.505
Derivatives on commodities	64.272	-	26.993	-
TOTAL	**198.874**	**242.778**	**216.715**	**256.069**

Bond loans

On 1 February 2017, the Regulation for the Bond Loan, named "Dolomiti Energia – Subordinato – tasso fisso 2010 – 2017" was amended in relation of the change in name (Dolomiti Energia Holding Spa – Subordinato – tasso fisso 2010 – 2018), the extension of the expiry date of the Regulation from February 2017 to 31 December 2018, the change in the amount, reduced to 7,540 thousand euro. On 30 June 2017, the regulation of the loan was modified again and included the change in the name (Dolomiti Energia Holding Spa– Subordinato – tasso variabile 2010 – 2022), the extension of the expiry date to 10 August 2022, the change in the amount, reduced as from 10 August 2018 to 5,052 thousand euro. This Bond Loan was then listed on the regulated Market of the Irish Stock Exchange (ISE).

On 27 February 2018 the subsidiary Dolomiti Energia listed a bond loan named "Dolomiti Energia SpA € 5,000,000 1.05 per cent Fixed Rate Notes due 2022" on the Irish regulated market (Irish Stock Exchange).

On 14 February 2018 the subsidiary SET listed a bond loan named "SET Distribuzione Tasso fisso 4.6 2006/2029" on the Irish regulated market (Irish Stock Exchange) for Euro 110,000,000. The bond loan is guaranteed by an irrevocable first demand surety issued by the Trento Autonomous Province.

As at 31 December 2018 and 31 December 2017 the Group had the following bond loans in place, and the balance shown hereunder is the capital debt at year end:

Bond loans

(in thousands of Euro)

	AS AT 31 DECEMBER 2018							
					Accounting balance			
	COMPANY	TAKING OUT	MATURITY	OPENING BALANCE (ORIGINAL CURRENCY)	TOTAL	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Dolomiti Energia Holding SpA – Subordinato – tasso variabile 2010 /2022	Dolomiti Energia Holding SpA	10-feb-10	10-ago-22	€ 5.051.800	5.052	-	5.052	-
Dolomiti Energia tasso fisso 2018/2022	Dolomiti Energia SpA	27-feb-18	10-ago-22	€ 5.000.000	5.000	1.250	3.750	-
SET distribuzione Tasso fisso 4,6 2006/2029	Set Distribuzione SpA	01-ago-06	01-ago-29	€ 110.000.000	110.000	-	-	110.000
					120.052	1.250	8.802	110.000

(in thousands of Euro)

	AS AT 31 DECEMBER 2017							
					Accounting balance			
	COMPANY	TAKING OUT	MATURITY	OPENING BALANCE (ORIGINAL CURRENCY)	TOTAL	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Dolomiti Energia Holding SpA – Subordinato – tasso variabile 2010 – 2022	Dolomiti Energia Holding SpA	10-feb-10	10-ago-22	€ 5.051.800	5.052	-	5.052	-
SET distribuzione Tasso fisso 4,6 2006/2029	Set Distribuzione SpA	01-ago-06	01-ago-29	€ 110.000.000	110.000	-	-	110.000
TOTALE					115.052	-	5.052	110.000

The item Derivatives on commodities, equal to 64,272 thousand euro (26,993 thousand euro as at 31 December 2017), includes 2,022 thousand euro related to fair value as at 31 December 2018 of negative derivative contracts on commodities, signed to hedge highly probable and planned transactions in relation to the purchase and sale of electricity and gas. These derivatives, with effective hedging relation with the hedged item, were recorded in the special reserve in Shareholders' Equity (reserve for expected cash flows of hedging transactions), less the related tax effect. The amount of 62,250 thousand euro is related to the fair value, as at 31 December 2018, of positive derivative contracts on commodities that do not fulfil the eligibility requirements to be accounted for as hedging derivatives. Their fair value was recorded in the Income Statement for the year.

7.18 OTHER LIABILITIES (CURRENT AND NON-CURRENT)

The items “Other non-current liabilities” and “Other current liabilities” as at 31 December 2018 and 2017 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2018	2017
Accrued liabilities and deferred income	109.092	116.750
Guarantee deposits	6.381	7.027
TOTAL OTHER NON-CURRENT LIABILITIES	115.473	123.777

Accrued liabilities and deferred income are mainly due to contributions for connections related to natural gas (Euro 26,320 thousand) and electricity supplies (Euro 59,241 thousand) as well as contributions for plants related to natural gas (Euro 17,668 thousand).

(in thousands of Euro)	AS AT 31 DECEMBER	
	2018	2017
Social security and welfare payables	4.429	2.593
Accrued liabilities and deferred income	500	395
Tax on electricity/gas	1.559	2.649
Other taxes	82	
IRPEF	2.100	2.014
Other accounts payable	6.269	2.953
RAI television fee	1.223	1.154
Accounts payable - employees	3.211	8.225
Accounts payable - PAT	361	342
Sewerage charge	3.950	4.239
Accounts payable - hydroelectric plant fees		4.118
Accounts payable - associates	57	810
TOTAL OTHER CURRENT LIABILITIES	23.741	29.492

The performance of items included in other current liabilities follows the ordinary management dynamics of the various businesses.

7.19 TRADE PAYABLES

The item “Trade payables” includes amounts due for the supply of goods and services, and amounts to 205,304 thousand euro as at 31 December 2018, 222,401 thousand euro as at 31 December 2017.

7.20 LIABILITIES FOR CURRENT TAXES

The item "Liabilities for current taxes", equal to 20,514 thousand euro as at 31 December 2018, 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	
	2018	2017
IRES	18.282	49
IRAP	2.232	44
TOTAL	20.514	93

8. Notes to the Income Statement

8.1 REVENUE

The item "Revenue" for the years ended 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2018	2017
Electricity revenue	1.027.794	1.024.574
Water resource revenue	20.670	20.079
Natural gas revenue	220.380	209.332
Heating revenue	8.292	8.386
Revenue from municipal waste services	26.377	26.434
Other revenue	43.624	39.864
Revenue from water treatment	2.046	2.109
TOTAL	1.349.184	1.330.777

Revenue is in line with the previous year.

8.2 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 2018 and 2017 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER			
	2018		2017	
	RICAVI	COSTI	RICAVI	COSTI
Electric grid	18.468	(18.019)	17.198	(16.778)
Gas network	8.685	(8.474)	2.958	(2.958)
Water network	4.592	(4.592)	7.388	(7.208)
TOTAL	**31.745**	**(31.085)**	**27.544**	**(26.944)**

This is the fair value of building services 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.

8.3 OTHER REVENUE AND INCOME

The item "Other revenue and income" for the years ended 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2018	2017
Standard contingent assets	37.267	20.318
Energy efficiency	13.173	15.756
Operating grants	13.536	13.483
Services to third parties	1.500	2.806
Purification management	2.955	2.919
Gains from standard operations	367	2.630
Contributions for plant	1.308	1.354
Revenue from plant management	936	1.214
Real estate income	903	926
Cesspit treatment	628	453
Other revenue	6.340	6.002
	78.913	**67.862**

The item "Other revenue and income" includes primarily income from energy efficiency certificates, GRIN certificates, capital gains from the segment and pertaining contributions. Non-recurring income includes in particular:

- Euro 8,566 thousand, equal to the value of the risk provision released in the year as a result of the relief measure, whereby the right of the Group to be reimbursed for the registration fee paid as a result of an assessment pertaining to the acquisition of the business unit from ENEL Distribuzione SpA. Until 31 December 2017, this provision offset the receivable of equal amount arisen as a result of payment of the tax.
- Euro 8,892 thousand, essentially due to the gas commodity, and consequent to the application of recent resolutions of the Authority; among them, the definition of the restoration procedures for natural gas sellers, consequent to the redetermination of the k coefficient, functional to the determination of the price of the gas commodity of the protected service (Euro 2.2 million).

8.4 RAW MATERIALS, CONSUMABLES AND MERCHANDISE

The item "Raw materials, consumables and merchandise" for the years ended 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2018	2017
Purchases of elect. raw materials	442.266	477.107
Purchases of gas raw materials	150.059	129.399
Purchases of inventories	2.572	2.185
Purchase of fuels and vehicle spare parts	1.361	1.210
Purchases of laboratory and chemicals	738	708
Changes in inventories of raw materials, consumables and merchandise	(2.749)	1.147
Certificates	18.705	23.925
Other purchases	6.154	4.989
Contingent liabilities	10.345	779
TOTAL	629.451	641.449

The decrease is mainly due to the considerable reduction in electricity costs, partially offset by the increased costs for natural gas. The item also includes non-recurring expenses (Euro 10,345 thousand), of which over Euro 4 million relating to the gas commodity and consequent to the application of the resolution 670/2017/R/GAS, whereby the Authority for electricity and gas and the water system approved the first provisions on the matter of gas settlement, with specific reference to the method to be used to determine the physical and economic adjustment entries for the previous period, starting from 2013 and until enforcement of the new rules.

8.5 SERVICE COSTS

The item “Service costs” for the years ended 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2018	2017
External maintenance services	23.598	23.772
Insurance, banking and financial services	4.760	4.843
Other services	11.062	9.364
Commercial services	364.787	419.971
General services	3.186	3.136
Financial statement certification	325	279
Board of Statutory Auditors	335	325
Directors	957	883
Miscellaneous costs	70	309
Rental expense	1.782	1.789
Rental fees	2.061	2.212
Easements	17	17
Service agreement charges	1.409	1.717
Business unit rental	554	545
Water diversion charges	72.732	59.153
Contingent liabilities	2.225	4.285
TOTAL	**489.858**	**532.599**

8.6 PERSONNEL COSTS

The item “Personnel costs” for the years ended 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2018	2017
Wages and salaries	46.273	46.555
Social security costs	16.291	15.870
Employee termination benefits	3.530	3.265
Other costs	(369)	1.121
TOTAL	**65.725**	**66.811**

As at 31 December 2018, the Group had 1,345 employees.

8.7 AMORTISATION/DEPRECIATION, ALLOCATIONS, WRITE-DOWNS AND WRITE-BACKS (WRITE-DOWNS) NET OF RECEIVABLES

The item "Amortisation/depreciation, allocations and write-downs" for the years ended 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2018	**2017**
Amortisation of intangible assets	11.773	11.620
Depreciation of property, plant and equipment	14.027	13.361
Amort. of assets under concession	25.438	23.670
Write-downs of intangible assets	3.694	-
Provisions for risks	1.596	231
Write-downs of financial fixed assets	1.554	-
TOTAL	**58.082**	**48.882**

During the year, the goodwill relating to the CGU identified in the investee Dolomiti Energia Trading was written down by Euro 3,694 thousand.

Provisions for risks of the year (Euro 1,596 thousand) include the allocation to the provision for legal disputes of Euro 600 thousand, following a communication by the Operator of Energy Services, which as a consequence of the redefinition of the value of the net electricity supplied to the grid by an incentivised plant, intends to recover the Green Certificates recognised in excess in the period between 1 January 2007 and 31 December 2015. In addition, the Group allocated Euro 516 thousand, equal to the amount the Group has committed to return to end customers as a result of the start of the ARERA investigation on major market operators which led to the claim that they charged customers for the costs to send the invoices, although the Group applied the amount for the delivery of the paper invoice to customer only if the signed offer were reserved to customers who accepted that service of the invoices would be via email.

Write-downs of financial assets include Euro 1,507 of the write-down of the units held by the Group in Fondo Immobiliare Clesio (Clesio Real Estate Fund), deemed appropriate to align the unit value of the units to the NAV (Net Asset Value).
"Write-backs (write-downs) net of receivables" for the years ended 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2018	**2017**
Write-down of accounts receivable recognised to current assets	2.765	3.988
Credit losses	213	482
TOTAL	**2.978**	**4.470**

8.8 OTHER OPERATING COSTS

The item "Other operating costs" for the years ended 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2018	2017
Energy efficiency charges	12.860	15.353
Standard contingent liabilities	6.300	4.696
ICI (local property tax)	4.075	4.185
Miscellaneous costs	1.970	1.836
Municipal charges and agreements	1.756	1.704
Cts/social security fee	935	1.100
Other taxes	801	725
TOSAP/COSAP	674	655
Losses from standard operations	2.172	414
Other costs	1.469	455
TOTAL	**33.013**	**31.122**

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".

8.9 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 2018 and 2017 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2018	2017
Dividends and other income from others	12	12
Revaluations of equity investments	7.811	837
Write-downs of equity investments and securities	(2.098)	(2.362)
TOTAL	**5.725**	**(1.513)**

Dividends from other companies are related to dividends of the company ISA SpA.

The items revaluations and write-downs of equity investments and securities include primarily the valuation for the year of equity investments measured at equity.

8.10 FINANCIAL INCOME AND CHARGES

The item “Financial income and charges” for the years ended 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
Financial income	2018	2017
Financial income from associates	99	136
Financial income from other companies	418	1.673
Financial derivatives	85.239	19.617
Other	58	-
TOTAL	85.814	21.426

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
Financial charges	2018	2017
Financial charges due to other companies	(8.218)	(9.264)
Financial derivatives	(84.264)	(19.835)
Financial charges from discounting	(249)	(396)
Other	(114)	(64)
TOTAL	(92.845)	(29.559)

The items Financial income and charges for derivatives include the fair value, as at 31 December 2018, of derivative contracts on commodities that do not fulfil the requirements to be accounted for as hedging derivatives, in addition to differentials accrued and adjusted over the year for derivatives on commodities that are not eligible to be accounted for as hedging derivatives. The charges for derivatives also included the changes in fair value related to IRS derivative contracts.

8.11 TAXES

The item “Taxes” for the years ended 31 December 2018 and 2017 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2018	2017
Current taxes	43.264	25.054
Deferred taxes	(2.458)	(3.779)
Prepaid taxes	(60)	1.001
Tax consolidation income/charges	(1.240)	(3.594)
Taxes from prior years	(110)	(156)
TOTAL	39.396	18.526

The reconciliation between tax charge as per financial statements and theoretical tax charge is shown hereunder for the years ended 31 December 2018 and 2017:

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER			
	2018	%	2017	%
PROFIT BEFORE TAX	**148.349**		**64.260**	
Theoretical income taxes	35.604	24,0%	15.422	24,0%
IRES	38.277	25,8%	22.265	34,6%
IRAP	4.987	3,4%	2.789	4,3%
Tax effect of permanent and other differences	(3.868)	-2,6%	(6.528)	-10,2%
TOTAL	**39.396**	**0**	**18.526**	**0**

9. 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 2018 and 2017, the main transactions with related parties concerned the following:

(in thousands of Euro)

	AS AT 31 DECEMBER									
	2018					2017				
	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	DIVIDENDS RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	DIVIDENDS RECEIVABLES	TRADE PAYABLES	LOANS PAYABLE
Dolomiti Edison Energy	681	7.656	–	1.900	57	791	8.550	–	2.488	810
SF Energy	351	–	–	1.535	–	360	–	–	267	–
TOTAL	**1.032**	**7.656**	**-**	**3.435**	**57**	**1.151**	**8.550**	**-**	**2.755**	**810**

(in thousands of Euro)

	AS AT 31 DECEMBER															
	2018								2017							
	REVENUE			PURCHASES			FINANCIAL INCOME	FINANCIAL CHARGES	REVENUE			PURCHASES			FINANCIAL INCOME	FINANCIAL CHARGES
	Goods	Services	Other	Goods	Services	Other			Goods	Services	Other	Goods	Services	Other		
Dolomiti Edison Energy	918	1.146	–	10.905	–	–	90	–	883	1.316	–	6.128	–	–	94	–
SF Energy	–	1.529	–	3.699	–	–	–	–	–	1.415	–	5.786	–	–	–	–
TOTAL	**918**	**2.675**	**-**	**14.604**	**-**	**-**	**90**	**-**	**883**	**2.731**	**-**	**11.914**	**-**	**-**	**94**	**-**

10. Guarantees and commitments

The Guarantees and commitments in favour and undertaken by the Group as at 31 December 2018 and 2017 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
Guarantees and commitments in favour of third parties	2018	2017
Guarantees given to third parties	16.807	10.181
Financial commitments in favour of third parties	2.043	2.043
TOTAL	18.850	12.224

(in thousands of Euro)	AS AT 31 DECEMBER	
Guarantees received by third parties	2018	2017
Guarantees received by third parties in favour of banks for loans	115.500	115.500
Usage of signature facilities to issue bank/ insurance guarantee	87.529	101.256
TOTAL	203.029	216.756

11. Fees to directors and statutory auditors

The fees to directors and statutory auditors of the Group, for the years ended 31 December 2018 and 2017 are broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2018	2017
Board of Statutory Auditors	335	325
Directors	957	883
TOTAL	1.292	1.208

12. Independent Auditors' fees

The following table shows the remuneration received by the independent auditors Pricewaterhouse-Coopers S.p.A. for the auditing services of the financial statements of the society's of the Group and the consolidated financial statements for the years ended 31 December 2018 and 2017, as well as remuneration for other services rendered to companies:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER	
	2018	2017
Audit	226	211
Other verification services	37	68
Remuneration for tax advisory services	-	72
Other non-audit services	14	-
TOTAL	277	351

13. Transparency in the public funding system

In application of Art. 1, paragraphs 125 et seq. of Italian Law 124/2017 (annual anti-trust law), the information on the subsidies, contribution, non-reciprocal remunerated offices and in any case offices with any type of economic advantage, of an amount higher than 10 thousand euro received from public administrations and from their subsidiaries and investees, including those that issue shares listed in regulated markets, is provided below:

(in thousands of Euro)

Disbursing subject	Type of contribution	Amount collected
GSE	Incentives provided for by Italian Ministerial Decree of 6 July 2012 for IAFR (GRIN) qualified plants	7,525
GSE	Photovoltaic plant incentives	98
CSEA	Tariff contribution covering costs arising from the energy efficiency certificates mechanism.	29,769
CSEA	Remuneration for electricity transmission and distribution services, network service quality and efficiency bonuses	14,688
CSEA	Equalisation mechanisms of the gas distribution and metering sector	6,755
CSEA	Bonuses relating to improvements to the natural gas distribution service	373
Revenue Agency	Lump-sum contribution RAI fee management	467
Autonomous Province of Trento	Contributions for plant	105
Alto Garda and Ledro Community	Article 102 quinquies of the Consolidated Provincial Law on the Protection of the Environment from Pollution	751
TOTAL		**60.531**

In accordance with the opinion expressed by Assonime with circular no. 5 of 22 February 2019 and by the CNDCEC with a document issued in the current month of March, the remunerated offices for performance carried out in the core business of the company are not reported, when there are reciprocal agreements managed according to the rules of market, as well as the incentivising measures directed at all entities, such as tax incentive measures.

Attachment A
to the Consolidated Financial Statements

Consolidation area

DOLOMITI ENERGIA HOLDING	type	Share capital	2018	consolidation method
Dolomiti Energia Solution	srl	120,000	100,00%	line-by-line
Novareti	spa	28,500,000	100,00%	line-by-line
Dolomiti Ambiente	srl	2,000,000	100,00%	line-by-line
Dolomiti Gnl	srl	600,000	100,00%	line-by-line
Centraline Trentine	srl	3,000,000	100,00%	line-by-line
Dolomiti Energia Trading	spa	2,478,429	98,72%	line-by-line
Dolomiti Energia	spa	20,200,000	83,88%	line-by-line
Set Distribuzione	spa	119,158,772	70,20%	line-by-line
Dtc	scarl	10,000	57,00%	line-by-line
Hide	srl	2,000,000	60,00%	line-by-line
Sub Hde	srl	3,000,000	100,00%	line-by-line
Sub Ivi Gnl	srl	100,000	50,00%	equity
Dee	srl	5,000,000	51,00%	equity
Sf Energy	srl	7,500,000	50,00%	equity
Giudicarie Gas	spa	1,780,023	43,35%	equity
Bio Energia Trentino	srl	3,000,000	24,90%	equity
Pvb Bulgaria	spa	38,346,891	23,13%	equity
Ags Riva Del Garda	spa	23,234,016	20,00%	equity

Rovereto, 29 March 2019

The Chairman of the Board of Directors
Massimo De Alessandri

The consolidated financial statements

1. The undersigned Massimo De Alessandri, Chairman of the Board of Directors and Michele Pedrini, Head of the Administration Department of Dolomiti Energia Holding SpA, taking account of provisions set out by regulations in force, hereby certify the following:

- the adequacy in relation to the characteristics;
- the actual application of the administrative and accounting procedures for the formation of the consolidated financial statements during the period from 1 January 2018 to 31 December 2018.

2. No matters of particular importance in this regard arose during the actual application of procedures or concerning any reference to the general standards used in drawing up the certification.

3. It is also certified that:

3.1 The consolidated financial statements as at 31 December 2018:

a) have been prepared under the applicable international accounting standards endorsed by the European Union, pursuant to EC Regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) agree with the balances shown in the books and accounting entries;

c) give a true and fair view of the equity, economic and financial position of the Issuer and all companies included in the consolidation.

3.2 The Report on Operations includes a reliable analysis of performance and the results of operations, and of the general situation of the Issuer and the companies within the scope of consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Rovereto, 29 March 2019

The Chairman
Massimo De Alessandri

The Head of the Administration Department
Michele Pedrini

Report on the Consolidated Financial Statement

Board of Statutory Auditors' Report on the consolidated financial statements as at 31 December 2018

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

Dear Shareholders,

The consolidated financial statements as at 31 December 2018 prepared by your company's Board of Directors comprise the Balance Sheet, Income Statement, Cash Flow Statement and Notes to the Financial Statements.
They have been made available to you and prepared in compliance with provisions of the Italian Civil Code.

The consolidated financial statements for the year ended 31 December 2018, were prepared in compliance with the International Accounting Standards –IAS and the International Financial Reporting Standards – IFRS, issued by the International Accounting Standards Board (IASB), as well as by IFRIC and SIC interpretations, endorsed by the European Union pursuant to Regulations (EC) no. 1606/2002 and in force at year end.
The Financial Statements were prepared in compliance with Article 9, Paragraph 3 of Law Decree no. 38 as amended of 28 February 2005.

In summary, in thousands of euro, the consolidated financial statements as at 31 December 2018 report Group profit for the year of 107,985 euro (including 75,642 euro pertaining to the Group), total assets of 2,077,813 euro and Group shareholders' equity of 1,055,565 euro (including 712,892 euro pertaining to the Group).
The measurements specifically concern:
- the scope of consolidation;
- 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 Solution S.r.l.
- Novareti S.p.A.
- Dolomiti Ambiente S.r.l.
- Dolomiti GNL S.r.l.
- Centraline Trentine 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.
- Hydro Investment Dolomiti Energia srl
- Hydro Dolomiti Energia S.r.l.
- IVIGNL Srl
- 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 subsidiaries: Dolomiti Energia Solution S.r.l., Novareti S.p.A., Dolomiti Ambiente S.r.l., Dolomiti GNL S.r.l., Centraline Trentine 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., Hydro Investments Dolomiti Energia srl, Hydro Dolomiti Energia srl.
Consolidation was instead performed using the equity method for the associates: IVIGNL Srl, 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 the 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 2018 of the consolidated companies, as approved by their respective Boards of Directors.

The independent auditors PriceWaterhouseCoopers SpA has assessed 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.

Trento, 12 April 2019

THE BOARD OF STATUTORY AUDITORS
Massimiliano Caligiuri
Chairman

Barbara Caldera
Standing Auditor

Michele Iori
Standing Auditor

Independent auditor's report

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

To the shareholders of Dolomiti Energia Holding SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dolomiti Energia Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

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

Key Audit Matters

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

pwc

Key Audit Matters	*Auditing procedures performed in response to key audit matters*

Recoverability of the book value of property, plant and equipment related to hydroelectric concessions nearing expiry

Note 7.3 "Property, plant and equipment" of the explanatory notes to the consolidated financial statements as of 31 December 2018 and paragraph "Reference regulatory environment – energy generation" of the report on operations.

The item "Property, plant and equipment" of the Group's consolidated financial statements as of 31 December 2018 includes Euro 755.1 million related to plants for the use of hydroelectric concessions, mainly located in the Autonomous Province of Trento.

Law 205 of 27 December 2017 ("2018 Budget Law") amended Article 13 of the Consolidated Law introduced by Presidential Decree no. 670 of 31 August 1972, prescribing that:

- the concessions of large diversions in the provinces of Trento and Bolzano, with expiration date prior to 31 December 2022, are extended *de jure* for the period useful to complete the public tendering procedures and in any case not beyond the aforesaid date;

- the concession-holder who, at its own expense, made investments related to "assets transferable for free", shall be entitled to receive, at the expiry of the concession, an indemnity equal to the value of the part of the asset that has not been depreciated, determined according to criteria that have to be set forth in a provincial law.

The Group depreciates its "assets transferable for free" in order to complete the related depreciation process within 31 December 2022, considering the necessary time reasonably expected to complete the public tendering procedures by the grantor. The Group is waiting for the promulgation of the provincial law, which will clarify and regulate the details to evaluate the

Our audit procedures performed concerned the analysis and comprehension of the design and efficacy of relevant controls set up by management in order to guarantee the complete and accurate recognition of the non-current assets held.

We selected a sample of increases in property, plant and equipment related to hydroelectric plants during the year; we obtained the supporting documentation and verified their accurate recognition as well as their correct allocation to assets transferable for free or not for free;

We verified depreciation cost recognised in the year through recalculation.

We analysed the reasonableness of the assumptions on which the directors determined the residual useful life of the assets transferable for free and estimated the reimbursement value expected for the concession-holder as regards assets transferable not for free, also verifying that the same assumptions have been correctly reflected in the depreciation process of non-current assets related to the hydroelectric concessions.

pwc

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
accounting impacts, if any, of the indemnity envisaged for the investments of the concession-holder in such assets. With reference to the assets related to the hydroelectric plants that are not transferable for free, the Group, already in the prior years, interrupted the depreciation whenever the book value of these assets was lower than the reimbursement value estimated by the directors for the outgoing concession-holder. Considering the significance of the value of the hydroelectric plants, the development of the applicable national and provincial regulations, as well as the expiry of the main concessions currently held, the recoverability of the value of such plants represented a key matter for the audit of the consolidated financial statements.	
Accuracy of revenue from the sale of electricity and gas to end-users *Note 2.5 "Measurement criteria" item "Revenue recognition" of the explanatory notes to the financial statements at 31 December 2018.* Revenue from the sale of electricity and gas realised by the Group in the year ended 31 December 2018 derives for 64% from end-users. The value of these revenues is calculated on the basis of the contract conditions set down with end customers and according to the specific tariff and regulatory provisions established by the Italian Regulatory Authority for Energy, Networks and Environment (*Autorità di Regolazione per l'Energia Reti e Ambiente - ARERA*). The recognition of revenue from the sale of electricity and gas to end-users is considered as a key audit matter given the complexity of the billing system marked by a high number of end customers and a high volume of data to be processed, with a combination of diversified tariffs and price components.	We analysed, obtained an understanding and assessed the Group's internal control system related to the recognition of revenues from the sale of electricity and gas, also through the support of our PwC network IT and system assurance process experts. We identified and validated the operation and efficacy of relevant controls by performing compliance testing on the relevant controls put in place by the Group. Furthermore, for a sample of bills to end customers, we carried out validity procedures in order to ascertain consumption data included in these bills, the correct application of the contract conditions with customers and the collection of the amounts billed.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to

continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

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

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

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

On 15 December 2017, the shareholders of Dolomiti Energia Holding SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2017 to 31 December 2024.

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

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

Report on Compliance with other Laws and Regulations

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

Management of Dolomiti Energia Holding SpA is responsible for preparing a report on operations of Dolomiti Energia Group as of 31 December 2018, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of Dolomiti Energia Group as of 31 December 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations mentioned above is consistent with the consolidated financial statements of Dolomiti Energia Group as of 31 December 2018 and is prepared in compliance with the law.

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

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

Management of Dolomiti Energia Holding SpA is responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that management approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by another auditor.

Verona, 11 April 2019

PricewaterhouseCoopers SpA

Signed by

Paolo Vesentini
(Partner)

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


www.gruppodolomitienergia.it
Holding Dolomiti energia