2018 Financial statements

Cover: Garda Trentino - Nago, Torbole - Panorama
Ph: Carlo Baroni

2018
FINANCIAL STATEMENTS

DOLOMITI ENERGIA SpA

Fully paid-up Share Capital 20,206,718 euro
Via Fersina no. 23 – Trento
www.dolomitienergia.it
Trento Register of Companies No. – Taxpayer ID and VAT No. 01812630224
Management and coordination by Dolomiti Energia Holding Spa

REPORT ON OPERATIONS AND FINANCIAL STATEMENTS
as at 31 December 2018

BOARD OF DIRECTORS*

Chairman
Oss Rudi

Deputy Chairman
Seraglio Forti Manuela

Chief Executive Officer
Merler Marco

Directors
Girardi Andrea
Pedrotti Laura
La Via Manuela
Stefani Romano

BOARD OF STATUTORY AUDITORS*

Chairman
Tomazzoni Stefano

Statutory Auditors
Postal Anna
Mora Andrea

INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

*Board of Directors and Board of Statutory Auditors appointed on 12 July 2018

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Reports

Valle dell'Adige - Trento - Panorama da Sardagna
Ph: Carlo Baroni

Board of Directors’ Report on Operations

Dear Shareholders,

the year 2018, as will be better described below, ended positively for your Company, even taking into account the market conditions which did not allow it to fully reproduce the results of previous years.

In particular, sales activities were performed successfully, leading to an overall increase in the number of served customers even though the competitive pressure that reduced unit margins on one hand, and the investments made to strengthen the sales network on the other hand, caused an overall reduction of the net margin.

It should also be recalled that, as a result of the listing on 27 February 2018 of a bond with the name “Dolomiti Energia SpA €5,000,000 1.05 percent Fixed Rate Notes due 2022” on the Irish regulated market (the Irish Stock Exchange), your Company is obligated, starting from the current year, to prepare the financial statements according to the International Financial Reporting Standards (IFRS). Therefore, the comparison data presented for the 2017 financial statements were also revised to make them compliant with these standards.

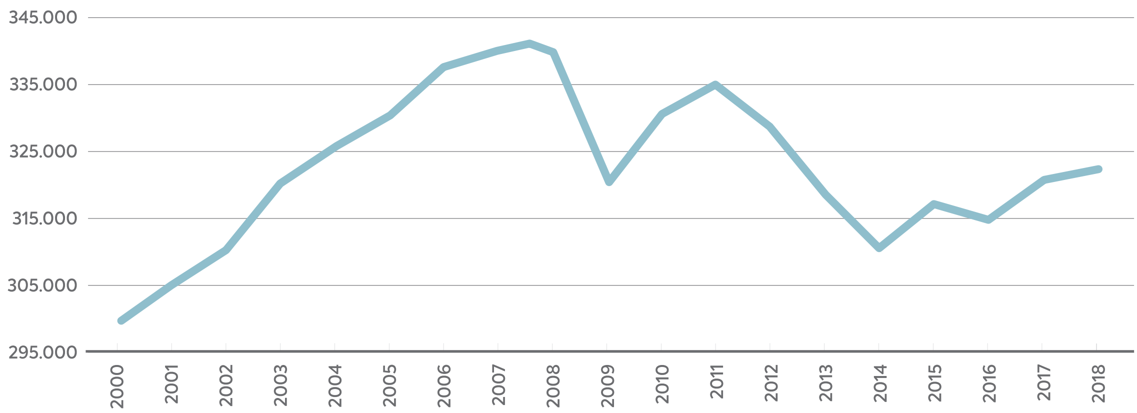
The Company opted exercised its right to be exempted from the preparation of the non-financial statement in accordance with Article 6, Paragraph 1, of Legislative Decree no. 254 of 30 December 2016.

General 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 approximately 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 (when consumption of over 340 billion KWh had been recorded).

Electricity consumption - Italy (GWh)



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

[GWh]	Northwest	Lombardy	Triveneto	Toscana-Emilia Romagna	Centre	South	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-zones, the change was positive in the North (+0.6%(and in the Centre (+1.4%), while it was negative in the South (-1.6%) and in the Islands (-0.2%):

[GWh]	North	Centre	South	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).

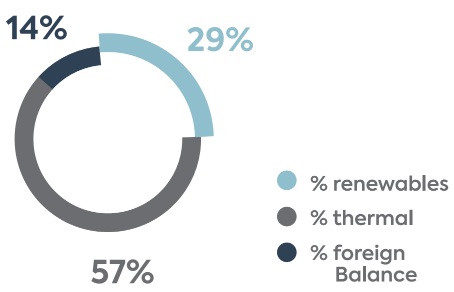
Thousands of kWh

	2018	2017	% Change
Hydroelectric	49,275	37,557	31.2%
Thermal	185,046	200,305	-7.6%
of which Biomasses	*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 NET OUTPUT	**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%**
Pumping	2,233	2,478	-9.9%
ELECTRICITY DEMAND (1)	**321,910**	**320,548**	**0.4%**

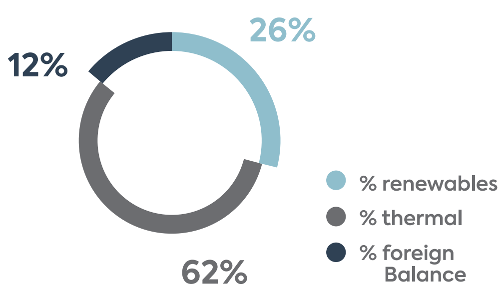
(1) Electricity Demand = Output + Foreign Balance - Pumping Consumption.

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

2018



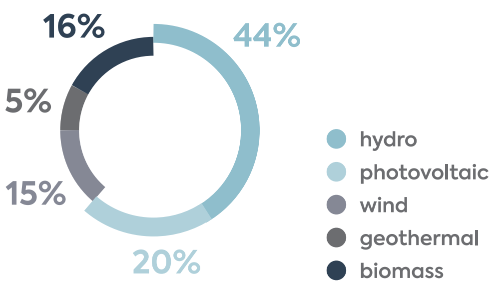
2017



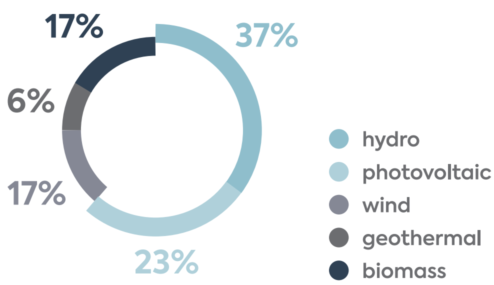
The electricity generated in 2018 from renewable sources (including thermal electricity produced from biomass) amounted to 112.8 Twh, accounting for 35% of Electricity Demand. In 2017, it had been 102.8 Twh, i.e. 32%.

Among renewable energy sources, in 2018 the largest 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 energy (5% versus 6% in 2017).

Detail of Renewable Sources 2018

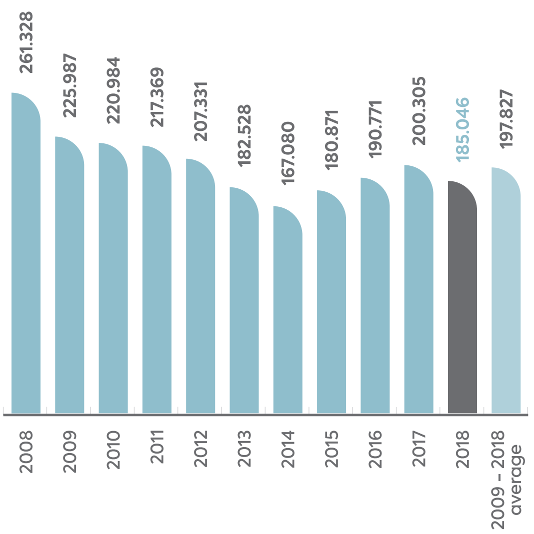


Detail of Renewable Sources 2017

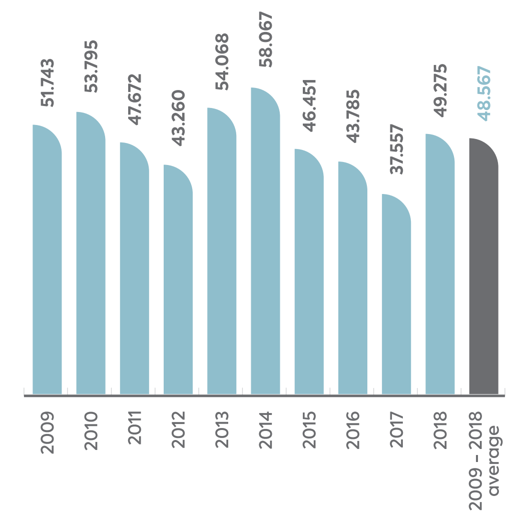


After three consecutive years of growth, electricity output from thermal sources declined by 7.6% compared to the 2017 figure, reaching 185 billion kWh generated (-15 billion kWh generated compared to 2017). In 2008, thermal energy output had been 261 billion kWh.

Historical pattern of thermal production (GWh)



Historical pattern of hydroelectric production (GWh)

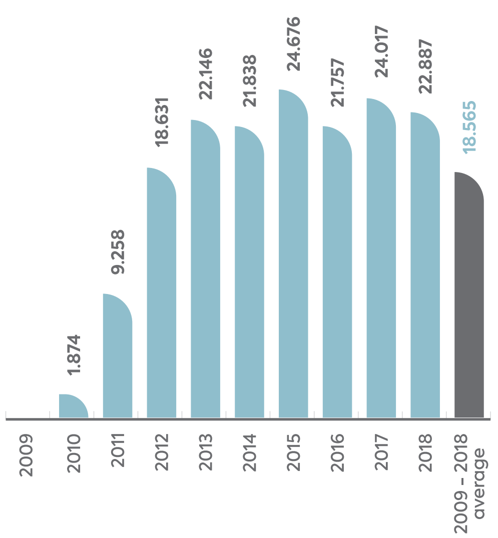


On the contrary, after three consecutive years of decline, in 2018 hydroelectric output increased sharply (+31% compared to 2017) by effect of the greater rainfall recorded in 2018 compared to 2017. In 2018, the hydroelectric electricity output amounted to 49.3 TWh (37.5 TWh in 2017), a slightly higher figure than the average of the past 10 years (48.5 TWh). It should be noted that the last 5 years include both the year with the highest output (2014, with 58 TWh) and the year with the lowest output (2017, 37.5 TWh).

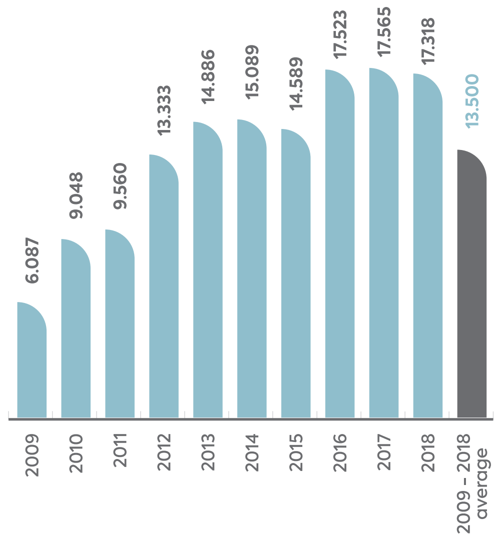
In 2018, photovoltaic electricity output was affected by less favourable irradiation conditions than in 2017 and it contracted by nearly 5% (22.9 billion kWh in 2018, versus 24 TWh in 2017).

Wind power generation reached 17.3 TWh in 2018, slightly down compared to wind power output in 2017 (-1.4%); another decline was recorded by geothermal output, which amounted to 5.7 TWh (-1.9% compared to 2017).

Historical pattern of photovoltaic production (GWh)



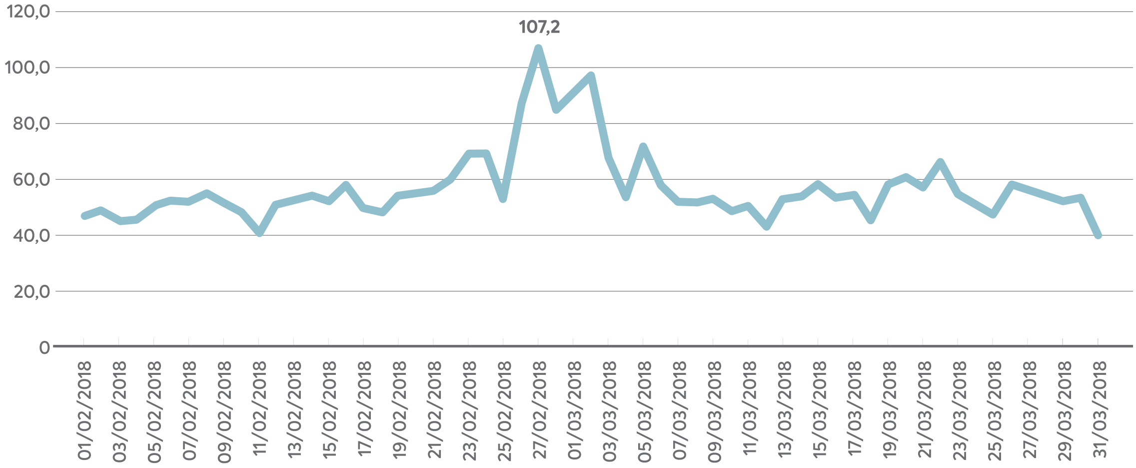
Historical pattern of wind power generation (GWh)



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 initial months of 2017 due to the problems exhibited by French nuclear plants, in 2018 there were no major critical issues on the electric market, either in Italy or in Europe. Only during the last week of February and in the early days of March 2018 did the Italian electricity system, and in general the European system, exhibit some critical issues due to the intense cold of the Burian disturbance, as highlighted by the chart below which shows the daily performance of the PUN price in that period, recording a peak of more than 107 €/MWh on 27 February 2018.

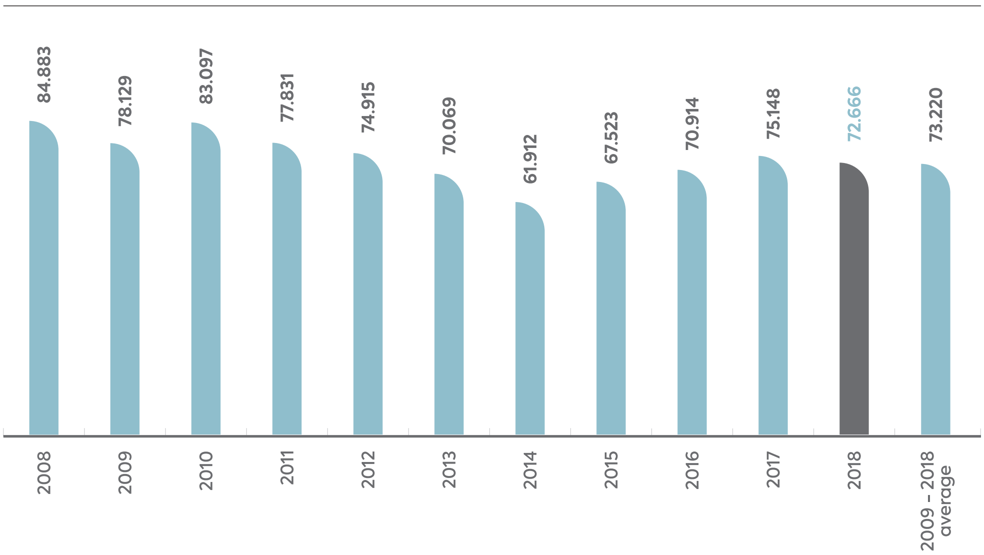
PUN



NATURAL GAS

After three consecutive years of growth, natural gas consumption in 2018 exhibited a decline of 3.3% compared to 2017, reaching approximately 72.6 billion Smc.

gross natural gas consumption in Italy
(millions of Smc)

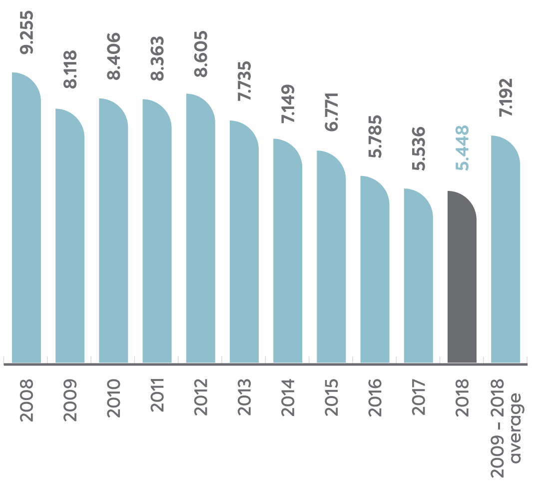


The most significant contribution to this result came from the sharp reduction in thermoelectric consumption (-8%), in line with the decrease in the output of electricity from thermal sources, and the slight decline in industrial consumption (-1%) and in residential consumption (-1%), due to less rigid winter months than those recorded in 2017. The following table shows the details of monthly consumption for the three types of market in 2017 and in 2018.

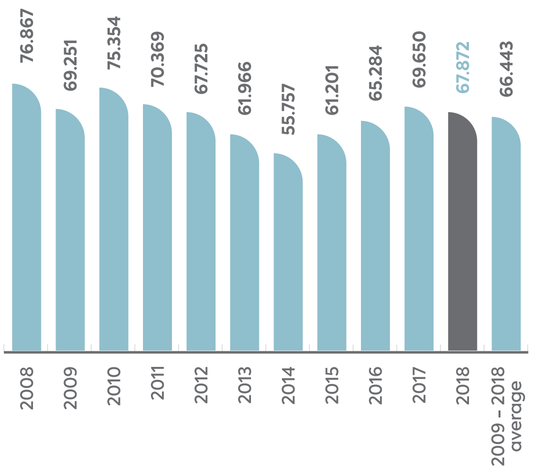
	Industrial			Thermoelectric			Distribution networks		
	2018	2017	DELTA %	2018	2017	DELTA %	2018	2017	DELTA %
January	1,289	1,303	-1%	2,129	2,762	-23%	5,168	6,731	-23%
February	1,276	1,203	6%	2,079	2,164	-4%	5,354	4,470	20%
March	1,335	1,271	5%	1,916	1,864	3%	4,717	3,120	51%
April	1,154	1,125	3%	1,439	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 more than 40% from 2008 to 2018. Import resumed their decline (-2.6%), after three consecutive years of growth.

Domestic production of natural gas, MSmc



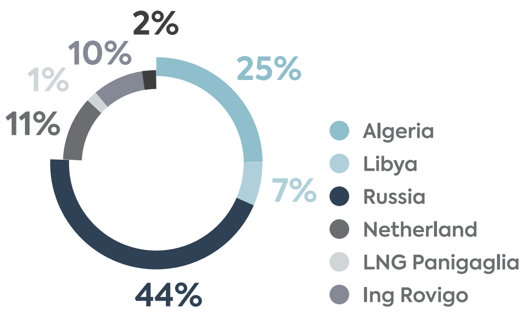
Import of natural gas, MSmc



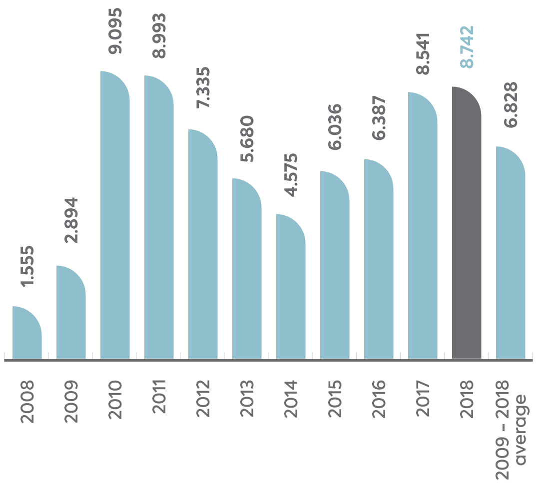
In country terms, Russia is still the largest supplier with 44%, followed by Algeria with 25%.

Imports of LNC grew, reaching 8.7 billion Smc overall, i.e. 13% of the domestic import (2% in 2008).

Mix of import of natural gas, 2018



Import of LNG, MSmc



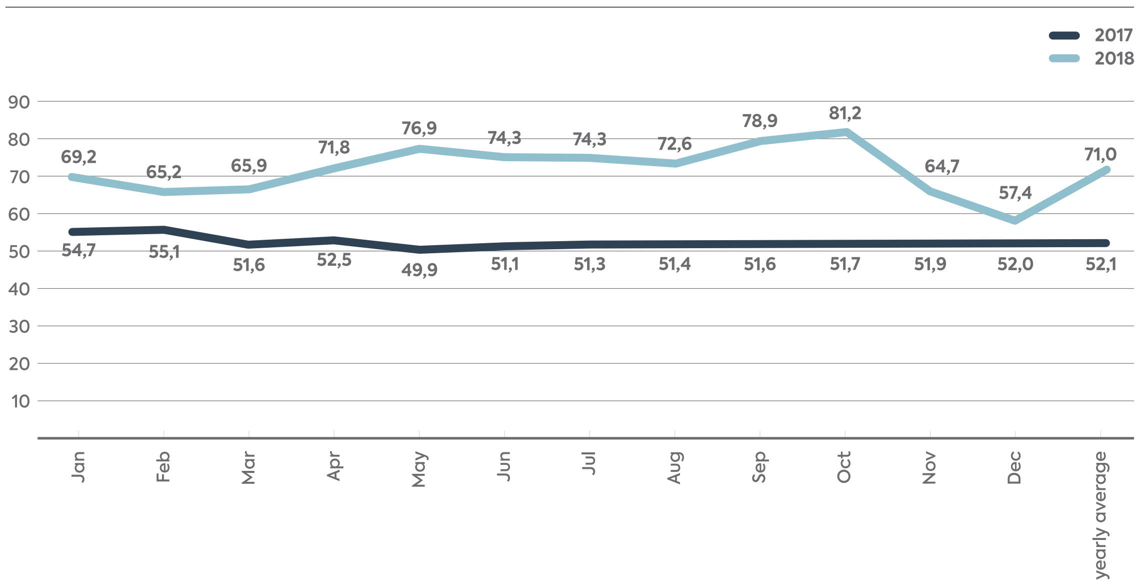
The details of the domestic production and of the imports of natural gas from 2008 to 2018 are provided below.

[MSmc]	Domestic Production	Imports	*Algeria*	*Libya*	*Russia*	*Netherland*	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; this value was also confirmed in the early years of 2019.

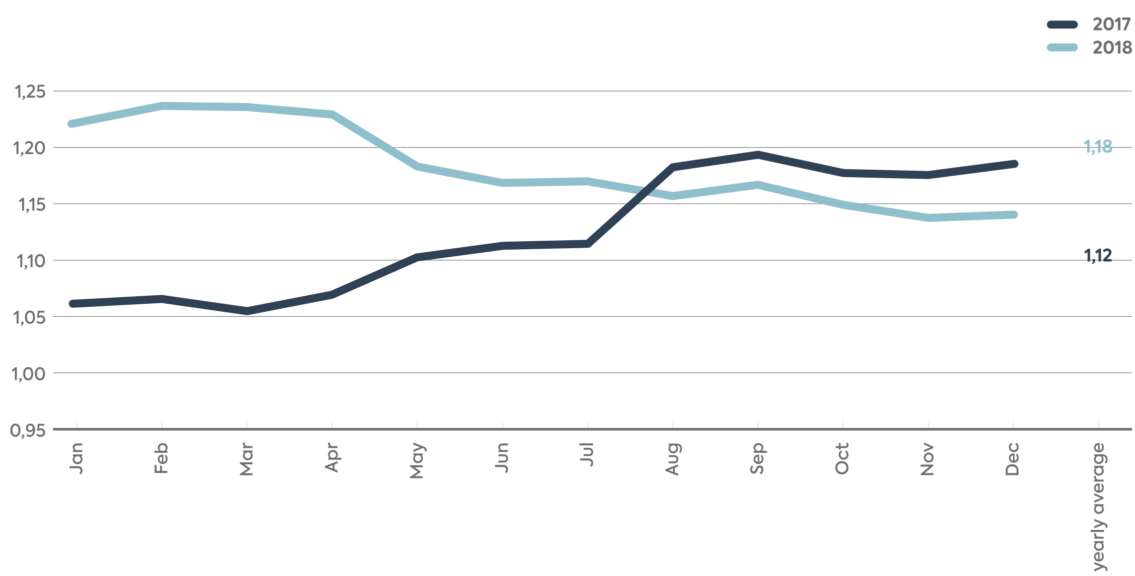
Dated Brent, $/bbl



EURO/US DOLLAR EXCHANGE RATE

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

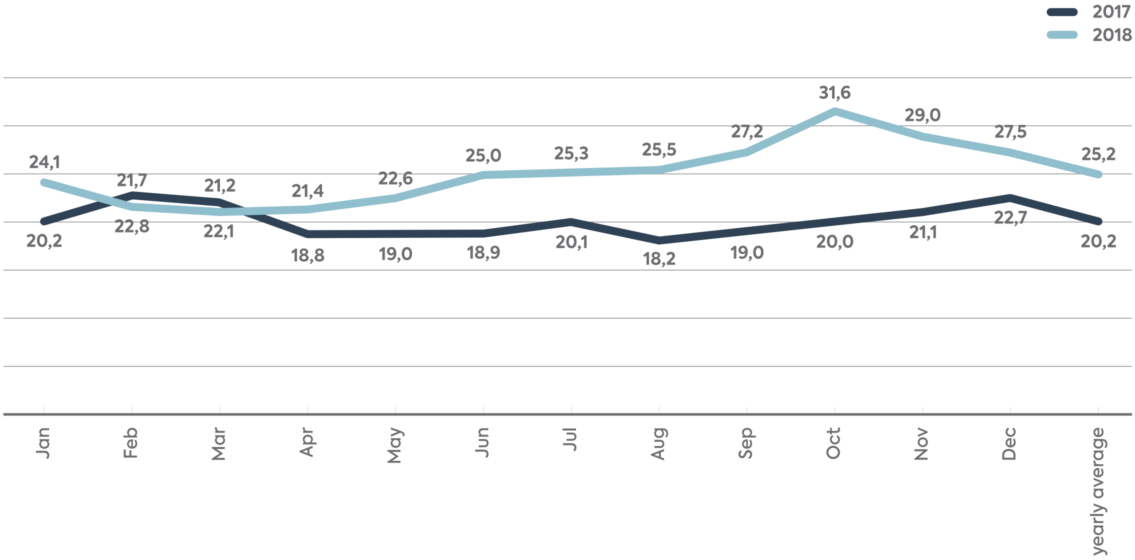
€/$ exchange rate



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 (mean value), while the PFOR price (the benchmark price of the protected market) rose by 21% compared to 2017.

PSV Price €cent/Smc



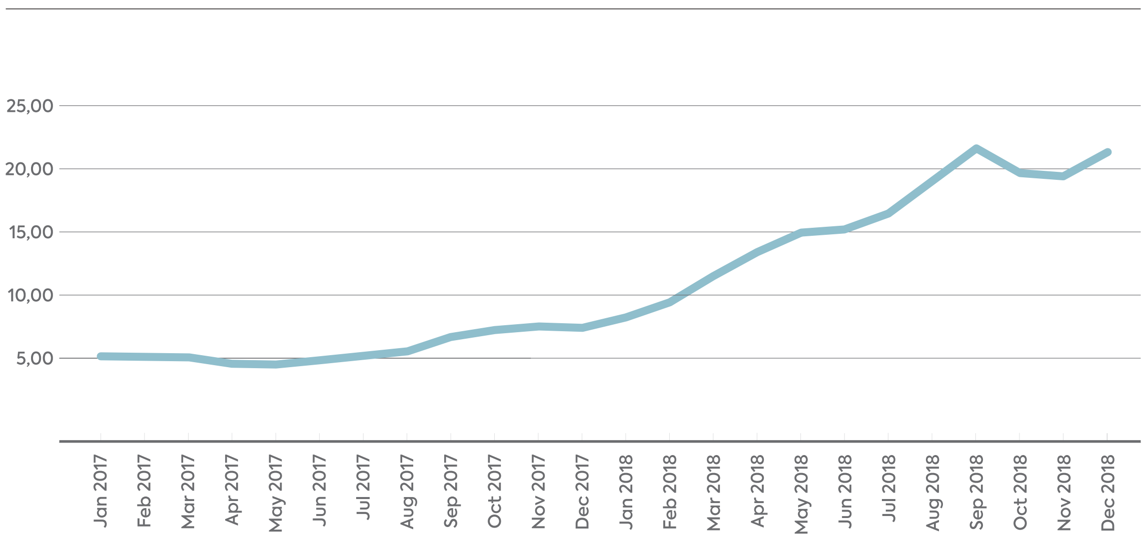
Price PFOR €cent/Smc

PRICES OF CO_2

The price of CO_2 rose significantly in 2018 compared to 2017: the average prices in 2018, above 15 €/ton, was 166% higher than those of 2017, when they amounted to approximately 6 €/ton.

The increase in the price of CO_2 contributed to the increase of the prices of the energy generated from fossil sources (in particular, gas and coal) throughout Europe in general but especially in Germany where the production mix is more imbalanced on fossil sources (coal) than in other European country. The price in Germany then contributed to drive energy prices up in Italy as we will see in the following charts.

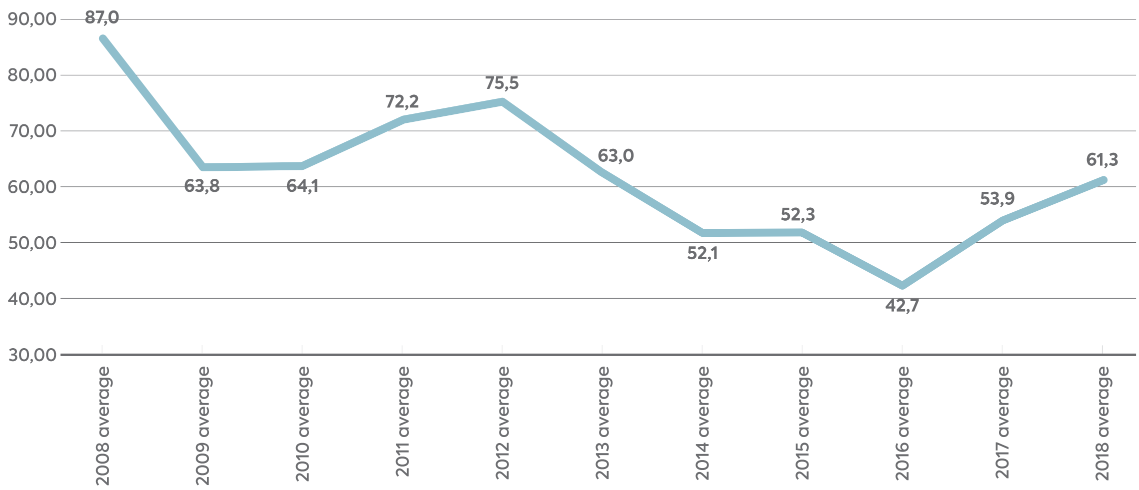
EUA €/ton



ELECTRICITY PRICES

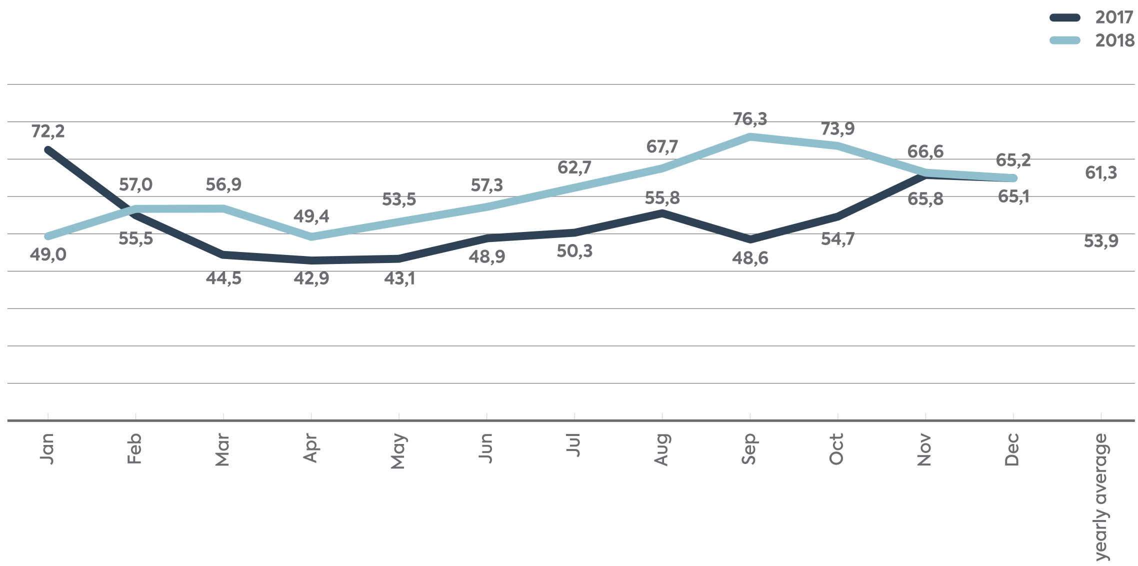
For the second consecutive year, the average value of the PUN increased: for 2018, it reached 61.3 €/MWh, up by 14% compared to the average of 2017, i.e. 53.9 €/MWh (the 2016 value had been 42.7 €/MWh, the lowest ever recorded since the inception of the electricity market in Italy). The mean PUN in 2018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

PUN trend since 2008



After January 2018, in which a markedly lower value of PUN was recorded (49 €/MWh) relative to the 2017 December figure (65.1 €/MWh), the PUN then progressively rose in February and March 2018 mostly because of the cold weather (Burian) and the, during the year, especially as a result of the rise in the prices of natural gas and CO_2. The mean monthly value in September 2018, amounting to 76.3 €/MWh, is the highest ever recorded since September 2012 (76.3 €/MWh).

PUN €/MWh



Significant operating events

The turnover recorded during the year, even in the presence of growth in the number of customers served, was negatively affected by the loss of some supply contracts with the Public Administration (in particular as a result of the CONSIP tender) and it amounted to 878.3 million euro, down from 925.1 million euro in 2017 (-5.1%). The portion of revenue with end customers realised in the provincial area remained substantially stable at 52%, versus 48% realised in the rest of the national territory.

The economic results of the year are positive overall, in particular considering the absolute values, but certainly less satisfactory than last year's. The causes for this trend are identified in particular in the market phase characterised, as seen above, by a significant increase in commodity prices, which cannot always be entirely transferred on the sale price to the end customer. The EBITDA amounted to 19.8 million euro (down by 29.8% from 2017), while the profit for the year was 12.3 million euro (-34% compared to 2017). In addition to market trends, as recalled above, the reduced results are also due to a significant increase in the cost of the Origin Guarantees acquired by the Group companies to guarantee that the energy sold to the customers originates from a renewable source and to an increase in the penalties paid to shippers for exceedance of the reserved capacity as a result of the meteorological events of late February - early March 2018. The result of the sales of goods and services connected with the energy efficiency market was again positive this year; in addition to assuring a contribution to the economic results of the Company, it provides an important instrument to boost customer loyalty.

A positive contribution also came from the approval, by ARERA, of resolution no. 32/2019 which defined the restoration procedures for natural gas sellers, consequent to the redetermination of the k coefficient, which took place with resolution no. 737/2017/R/gas, functional to the determination of the price of the gas commodity of the protected service in the two years from 1 October 2010 to 30 September 2012 which led to the recognition of a non-recurring income of approximately 2.2 million euro, to be collected with the procedures prescribed in the aforementioned resolution in upcoming years.

The incidence of the allocation to the provision for write-downs over the value of production improved from the previous year, from 0.36% to 0.28%. It should be stressed that allocations to provisions also include the amount the Company has committed to return to 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 Dolomiti Energia 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.

As regards the commercial activities of your Company, the year closed in a positive manner, despite the already mentioned level of competition on all market segments and the cessation of a series of supply points tied to the expiration of supply contracts with the public administration. The trend in commercial activities made it possible to increase the number of customers served, bringing their number up to roughly 627,000 (solely electricity and gas), with a net increase of 13,000 supply points. Of note is the excellent result achieved, in this year as well, by the initiative called "Etika" which, together with the credit and consumer segment of Cooperazione Trentina, led to the stipulation of a high number of contracts (which reached approximately 42,000) with a significant impact also for the activities of a social nature that are connected to the project.

Revenue from sales of natural gas to end customers increased by 10.9% mainly as a result of the rise in average sale prices, consistently with the market scenario pointed out above, while revenue from electricity declined by 10.8% because the price increase was fully offset by the reduction in volumes connected, as mentioned above, with the exit of utilities belonging to public authorities as a result of the outcome of the related tender.

The set of activities carried out then made it possible to increase the total number of customers served (including the invoicing services for water and urban hygiene) which reached 864,000 at the end of 2018, with an increase by over 16,000 customers compared to the previous year. This number also includes customers relating to the business unit for the sale of natural gas of the Municipality of Isera, acquired during the year by your Company.

Concerning the operating services, your Company focused its activity on improving instruments for Customer Care management: the new organizational structure for customer management was made fully operational; it is now divided by type of customer and no longer by contact channel; personnel working hours were modified to expand the services in line with market requirements and investments for renovation of the Trento branch and the of offices of the Trento call center were completed. Planned for the current year are the release of a new instrument for the acquisition of the contracts by the sale network and generally for the management of the network itself (Sales force) and the renovation of the Rovereto branch.

It should be recalled that on 12 July 2018, the new Board of Directors was appointed because the term of office of the previous Board had expired.

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

In conclusion, we are pleased to point out that, as a result of the periodic tests performed in September 2018, IMQ-CSQ confirmed, for your Company, the certification of the corporate quality management system and of the environmental management system in accordance respectively with the international standards UNI EN ISO 9001:2015 and UNI EN ISO 14001:2015, in relation to the activities carried out.

Operating context

METHANE GAS

Sale of natural gas		2018	2017
Civil and industrial	(mln/mc)	490.6	486.6
Number of customers	No.	196,472	184,368

The methane gas sector's performance was in line with the previous year. The increase in volumes is mainly due to the weather conditions.

ELECTRICITY

Sale of electricity		2018	2017
Market subject to additional safeguards	Gwh	286.3	348.9
End customers	Gwh	3502.0	4128.0
Other	Gwh	132.0	107.0
TOTAL	**Gwh**	**3920.3**	**4583.9**
NUMBER OF CUSTOMERS	**No.**	**430,819**	**429,814**

The values of the quantities sold in the electrical market decreased slightly with respect to those of the previous year, while the number of customers increased.

INTEGRATED WATER SERVICE

Water service		2018	2017
Domestic water supply	(mln/mc)	13.8	13.9
Other water supply uses	(mln/mc)	8.5	8.1
TOTAL	**(mln/mc)**	**22.3**	**22.1**
Sewerage	**(mln/mc)**	**20.5**	**20.1**
NUMBER OF CUSTOMERS – WATER SUPPLY	**No.**	**111,087**	**110,259**

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

COLLECTION OF SOLID URBAN WASTE

Municipal waste service		2018	2017
Number of customers	No.	125,403	122,735

The constant increase in customers continued in 2018. The waste collection tariffs and regulations are determined by the Municipal Councils based on a specific financial plan. The Company retrocedes to the service operator the amount billed and collected as set forth in the service agreements.

DISTRICT HEATING

District heating service		2018	2017
Steam	Gwh	65.6	73.8
Heat	Gwh	67.0	70.5
TOTAL	**Gwh**	**132.6**	**144.3**
NUMBER OF CUSTOMERS	**No.**	**210**	**212**

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

PERSONNEL AND ORGANISATION

As at 31 December 2018, the Company had 169 employees. The table below shows the change in personnel during the year by category.

category	2017	Hires	Resignations	Changes of Role		2018
				+	-	
Executives	2	-	(1)	-	-	1
Managers	8	-	-	-	(1)	7
Employees	161	7	(8)	1	-	161
Manual workers	-	-	-	-	-	-
	171	**7**	**(9)**	**1**	**(1)**	**169**

In 2018, there was 1 injury occurred while commuting and without third party liability.

Financial position and management of trade receivables

Dolomiti Energia has a unique treasury relationship with the Parent Company through a cash pooling contract. This contract ensures financial resources and guarantees at low cost, with the utmost flexibility, and guarantees the remuneration of funds in line with the market. The result of financial management recorded a favourable trend, registering a positive net financial income of 0.1 million euro.

In view of the delicate economic situation in 2018 too, credit management activities were carefully monitored and, in this regard, it should be noted that the provision for write-downs amounted, after allocations in the year, to 11.1 million euro.

KEY ECONOMIC AND FINANCIAL RESULT INDICATORS

Economic indicators

Ratio	Formula		2018	2017	differenza
Total revenue and other income	Total revenue and other income	euro thousands	878,281	925,111	(46,830)
EBITDA (*)	Gross operating margin	euro thousands	19,807	28,196	(8,389)
EBIT (**)	Net operating margin	euro thousands	16,683	24,802	(8,119)
Profit (loss) for the year	Profit (loss) for the year	euro thousands	12,293	18,973	(6,680)
ROE	Net profit/Equity	%	13.2%	21.3%	-8.1%
ROI	EBIT/Invested capital	%	5.7%	8.0%	-2.3%
ROS	EBIT/Production value	%	1.9%	2.6%	-0.7%

(*) operating result + amortisation/depreciation + allocations + write-downs of assets and trade receivables (excluding loss on receivables)
(**) equal to Operating result

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

Financial and capital ratios

Ratio	Formula	2018	2017	differenza
Hedging of fixed net assets	Equity+medium/long-term liabilities/ fixed net assets	2.64	2.53	0.11
Debt ratio	Liabilities/Equity	1.77	1.87	(0.10)
Degree of amortisation and depreciation	Accumulated depreciation and amortisation/ gross fixed assets	0.81	0.92	(0.11)
Secondary liquidity ratio	Short-term assets/short-term liabilities	1.42	1.33	0.09

The financial and equity indicators are essentially in line with the values from the previous year. With respect to the financial indicators, it should be noted that the energy product (gas and electricity) marketing activities carried out predominantly by the Company, which call for a significant amount of working capital in relation to technical fixed assets (virtually non-existent), means these indicators are of little significance. Therefore, attention is concentrated on the current ratio which recorded a slight improvement.

RISK ANALYSIS – CORPORATE OBJECTIVES AND POLICIES ON RISK MANAGEMENT

Credit risk

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

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

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

Liquidity risk

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

Market risk

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

UNBUNDLING

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

RESEARCH AND DEVELOPMENT ACTIVITIES

During 2018, the Company capitalised costs related to a development project, started in the previous year, which led to the carrying out of an analysis and verification of the main operating processes of the Company and of the corporate climate, followed by organisational revision and investment activities on the information systems available to the company. The above project envisaged total costs amounting to 394 thousand euro, of which 346 thousand euro borne in 2017.

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

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

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

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

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

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

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

Service agreement stipulated between Dolomiti Energia and Novareti:

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

Service agreements stipulated between Dolomiti Energia and Set Distribuzione:

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

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

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

Treasury shares

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

Business outlook

The forecasts for the year that just started are in line with the results of the year that just ended, net of non-recurring items, although the increase in competitive pressure inevitably leads to a contraction of unit margin offset, at least partially, by the increase in the number of customers served.

Trento, 28 March 2019

on behalf of the BOARD OF DIRECTORS

The Chairman

Rudi Oss

Separate Financial Statements as at 31 december 2018

Vallagarina - Trambileno - Valmorbia - Forte Pozzacchio
Ph: Carlo Baroni

Statement of financial position

(in Euro)	NOTE	AS AT 31 DECEMBER 2018	AS AT 31 DECEMBER 2017	AS AT 1 JANUARY 2017
Assets				
NON-CURRENT ASSETS				
Goodwill	9.1	3,489,772	2,715,773	2,715,773
Intangible assets	9.1	641,662	546,655	148,798
Property, plant and equipment	9.2	139,976	67,836	43,548
Equity investments	9.3	2,850	2,850	2,850
Deferred tax assets	9.4	3,214,099	3,372,871	4,433,534
Other non-current assets	9.5	37,281,827	37,059,993	37,011,963
TOTAL NON-CURRENT ASSETS		**44,770,186**	**43,765,978**	**44,356,466**
CURRENT ASSETS				
Trade receivables	9.6	234,795,580	242,137,895	270,266,546
Current tax assets	9.7	262,735	583,780	1,015,873
Current financial assets	9.8	1,050,844	1,541,260	13,625
Other current assets	9.9	10,415,739	12,276,827	16,939,778
Cash and cash equivalents	9.10	1,566,854	1,277,685	803,695
TOTAL CURRENT ASSETS		**248,091,752**	**257,817,447**	**289,039,517**
TOTAL ASSETS		**292,861,938**	**301,583,425**	**333,395,983**
Shareholders' equity				
Share capital	9.11	20,200,000	20,200,000	20,200,000
Reserves	9.11	73,265,821	67,422,576	83,582,577
Reserve – IAS 19	9.11	5,477	(22,699)	–
Profit or loss for the year	9.11	12,293,483	18,973,244	–
TOTAL SHAREHOLDERS' EQUITY		**105,764,781**	**106,573,121**	**103,782,577**
Liabilities				
NONCURRENT LIABILITIES				
Provisions for non-current risks and charges	9.12	654,213	559,936	346,891
Employee benefits	9.13	1,101,449	1,266,881	1,239,710
Deferred tax liabilities	9.4	242,405	169,624	201,236
Non-current financial liabilities	9.14	3,750,000	–	–
Other noncurrent liabilities	9.16	5,408,475	5,897,151	6,769,460
TOTAL NON-CURRENT LIABILITIES		**11,156,542**	**7,893,592**	**8,557,297**
PROVISIONS FOR CURRENT RISKS AND CHARGES				
Trade Payables	9.12	934,991	454,186	499,650
Current financial liabilities	9.15	163,613,476	173,799,704	183,241,024
Current tax liabilities	9.14	1,708,233	534,301	20,526,666
Other current liabilities	9.7	–	–	412,551
Altre passività correnti	9.16	9,683,915	12,328,521	16,376,218
TOTAL CURRENT LIABILITIES		**175,940,615**	**187,116,712**	**221,056,109**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**292,861,938**	**301,583,425**	**333,395,983**

Statement of comprehensive income

(in Euro)

		FOR THE YEAR ENDED AS AT 31 DECEMBER	
	Note	2018	2017
Revenue	10.1	863,808,287	921,887,688
OTHER REVENUE AND INCOME	10.2	14,472,540	3,223,806
TOTAL REVENUE AND OTHER INCOME		**878,280,827**	**925,111,494**
Costs for raw materials, consumables and merchandise	10.3	(391,454,854)	(370,798,218)
Costs for services	10.4	(455,240,179)	(515,902,686)
Personnel costs	10.5	(7,685,818)	(7,463,152)
Amortisation, depreciation, allocations and write-downs	10.6	(729,129)	(60,836)
Net write-ups (write-downs) on receivables	10.7	(2,544,211)	(3,818,585)
Other operating costs	10.8	(3,943,891)	(2,265,926)
TOTAL COSTS		**(861,598,082)**	**(900,309,403)**
OPERATING RESULT		**16,682,745**	**24,802,091**
Financial income	10.9	350,105	1,248,502
Financial expenses	10.9	(218,479)	(38,333)
PROFIT BEFORE TAX		**16,814,371**	**26,012,260**
Taxes	10.10	(4,520,888)	(7,039,016)
PROFIT (LOSS) FOR THE YEAR (A)		**12,293,483**	**18,973,244**
COMPONENTS OF COMPREHENSIVE INCOME STATEMENT THAT WILL NOT SUBSEQUENTLY BE RECLASSIFIED IN THE INCOME STATEMENT			
Actuarial gains/(losses) for employee benefits		38,428	(30,958)
Tax effect on actuarial gains/(losses) for employee benefits		(10,252)	8,260
TOTAL COMPONENTS OF COMPREHENSIVE INCOME STATEMENT THAT WILL NOT SUBSEQUENTLY BE RECLASSIFIED IN THE INCOME STATEMENT (B1)		**28,176**	**(22,699)**
COMPONENTS OF COMPREHENSIVE INCOME STATEMENT THAT MAY NOT SUBSEQUENTLY BE RECLASSIFIED IN THE INCOME STATEMENT			
TOTAL COMPONENTS OF COMPREHENSIVE INCOME STATEMENT THAT MAY NOT SUBSEQUENTLY BE RECLASSIFIED IN THE INCOME STATEMENT (B2)		**-**	**-**
TOTAL OTHER COMPREHENSIVE PROFIT (LOSS), NET OF THE TAX EFFECT (B) = (B1)+(B2)		**28,176**	**(22,699)**
TOTAL COMPREHENSIVE PROFIT OR LOSS OF THE YEAR (A)+(B)		**12,321,659**	**18,950,545**

Cash flow statement

(in Euro)

	Note	FOR THE YEAR ENDED AS AT 31 DECEMBER 2018	2017
PROFIT BEFORE TAX		**16,814,371**	**26,012,260**
ADJUSTMENTS FOR:			
Amortisation of:			
– intangible assets	10.6	198,993	53,143
– property, plant and equipment	10.6	13,529	7,693
Allocations and releases to and from provisions	9.12	1,168,606	699,313
Financial (Income)/Expenses	10.9	(131,626)	(1,210,169)
Cash flow from operations before changes in net working capital		*18,063,873*	*25,562,240*
(Increase)/Decrease in trade receivables	9.6	7,342,315	28,128,651
(Increase)/Decrease in other assets/liabilities and deferred tax assets/liabilities	9.5; 9.9; 9.16	304,341	2,518,543
Increase/(Decrease) in trade receivables	9.15	(10,186,228)	(9,441,321)
Interest income and other financial income collected	10.9	350,092	285,000
Interest income and other financial expenses paid	10.9	(299,155)	(17,000)
Use of provisions for risks and charges	9.12	(730,779)	(538,777)
Taxes paid		(5,764,401)	(7,894,000)
CASH FLOWS FROM OPERATIONS (A)		**9,080,058**	**38,603,336**
Net capital expenditure in intangible assets	9.1	(1,067,999)	(451,000)
Net capital expenditure in property, plant and equipment	9.2	(85,669)	(31,981)
Net capital expenditure in equity investments		–	(3,000)
(Increase)/Decrease in financial receivables	9.8	490,429	(1,491,000)
CASH FLOW FROM INVESTMENT/DIVESTMENT ACTIVITIES (B)		**(663,239)**	**(1,976,981)**
Financial payables (new issues of long-term borrowings)	9.14	5,000,000	–
Financial payables (repayments and other net changes)		–	(9,416,058)
Dividends paid	9.11	(13,130,000)	(16,160,000)
CASH FLOW FROM FINANCING ACTIVITIES (C)		**(8,130,000)**	**(25,576,058)**
Increase/(Decrease) in cash and cash equivalents (a+b+c)		*286,819*	*11,050,297*
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR		**1,262,535**	**(9,787,762)**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**1,549,354**	**1,262,535**
Of which:			
Bank and postal current accounts		1,566,729	1,277,424
Bank overdrafts		(17,500)	(15,150)
Cash in hand		125	261

Statement of changes in shareholders' equity

(in thousands of Euro)

	Share capital	Legal reserve	Share premium reserve	Other Reserves and earnings carried forward	Profit or loss for the year	Total Shareholders' Equity
BALANCE AS AT 1 JANUARY 2017	**20,200**	**4,040**	**11,025**	**68,518**	**-**	**103,783**
TRANSACTIONS WITH SHAREHOLDERS:						
Distribution of dividends	-	-	-	(16,160)	-	(16,160)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**-**	**-**	**(16,160)**	**-**	**(16,160)**
COMPREHENSIVE PROFIT (LOSS) FOR THE YEAR:						
Profit or loss for the year	-	-	-	-	18,973	18,973
Actuarial gains/(losses) for employee bene-fits, net of tax effect	-	-	-	(23)	-	(23)
TOTAL COMPREHENSIVE PROFIT OR LOSS OF THE YEAR	**-**	**-**	**-**	**(23)**	**18,973**	**18,950**
BALANCE AS AT 31 DECEMBER 2017	**20,200**	**4,040**	**11,025**	**52,335**	**18,973**	**106,573**
TRANSACTIONS WITH SHAREHOLDERS:						
Distribution of dividends	-	-	-	-	(13,130)	(13,130)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**-**	**-**	**-**	**(13,130)**	**(13,130)**
ALLOCATION OF THE PROFIT FOR THE YEAR TO RESERVE	**-**	**-**	**-**	**5,843**	**(5,843)**	**-**
COMPREHENSIVE PROFIT (LOSS) FOR THE YEAR:						
Profit or loss for the year	-	-	-	-	12,293	12,293
Actuarial gains/(losses) for employee benefits, net of tax effect	-	-	-	28	-	28
TOTAL COMPREHENSIVE PROFIT OR LOSS OF THE YEAR	**-**	**-**	**-**	**28**	**12,293**	**12,321**
BALANCE AS AT 31 DECEMBER 2018	**20,200**	**4,040**	**11,025**	**58,206**	**12,293**	**105,764**

Explanatory notes

1. General information

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

Dolomiti Energia S.p.A. is a company established and headquartered in Italy and organised according to the laws of the Republic of Italy, with its registered office in Trento, via Fersina no. 23.

As at 31 December 2018, the share capital of the Company was held by:

Shareholder	No. Of shares owned	Shareholding %
Dolomiti Energia Holding Spa	16,942,700	83.87%
Stet Spa	1,302,000	6.45%
A.G.S. SPA	918,000	4.54%
AIR SPA	750,000	3.71%
Cles Municipal Authority	91,890	0.45%
Avio Municipal Authority	66,000	0.33%
Ossana Municipal Authority	46,000	0.23%
Vermiglio Municipal Authority	40,.410	0.20%
Fai Della Paganella Municipal Authority	26,000	0.13%
Dimaro Folgarida Municipal Authority	17,000	0.08%
TOTAL	**20,200,000**	**100.00%**

2. Summary of the adopted accounting standards

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

2.1 BASIS OF PREPARATION

European Regulation (EC) no. 1606/2002 of 19 July 2002 introduced the obligation, starting from 2005, of application of the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), and adopted by the European Union ("EU IFRS" or "International Accounting Standards") for the preparation of the financial statements having equity and/or debt instruments listed on one of the regulated markets of the European Community. As a result of the aforesaid European Regulation, on 28 February 2005 Legislative Decree no. 38 was promulgated; it was subsequently amended by Law Decree no. 91 of 24 June 2014, which regulated, *inter alia*, the option, for unlisted companies, to adopt the International Accounting Standards for the preparation of their financial statements. During 2018, the Company issued and listed a bond with a nominal value of 5 million euro on the regulated Main Securities Market of the Irish Stock Exchange, taking on the status of Public Interest Entity and as such from the same year onwards Dolomiti Energia is obligated to prepare its financial statements in accordance with the EU IFRS standards and it identified 1 January 2017 as the IFRS transition date (the "Transition Date"). The Company had already prepared the financial statements for the year ended 31 December 2017 according to the accounting standards promulgated by the Italian Accounting Standard Authority (the "Italian Accounting Standards"). Note 22 "First adoption of the IFRS" provides the disclosure required for IFRS 1 purposes with regard to the first application of the EU IFRS.

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

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

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

The present Financial Statements are subject to the approval of the Board of Directors of the Company on 28 March 2019.

2.2. FORM AND CONTENT OF THE FINANCIAL STATEMENTS

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

- the statement of financial position exposes current and non-current assets separately and, similarly, it represents current and non-current liabilities;
- the statement of comprehensive income for the year includes, in addition to the profit or loss for the period, also the changes in shareholders' equity pertaining to economic items that, by express provision of the International Accounting Standards, are recognised among shareholders' equity components; and
- the cash flow statement for the year is represented according to the indirect method.

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

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

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

2.3 MEASUREMENT CRITERIA

Business combinations

The Company uses the acquisition method to account for business combinations. 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 the assets transferred and of the liabilities assumed by the Company at the acquisition date and of the equity instruments issued in exchange for control over the acquired undertaking. The additional charges of the transaction are recognised in the income statement at the time they are incurred;
- at the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at fair value as at the acquisition date; exceptions are deferred tax assets and liabilities, assets and liabilities for benefits to employees, liabilities or equity instruments relating to payments based on shares of the acquired undertaking or payments based on shares related to the Company issued instead of contracts of the acquired undertaking, and the assets (or groups of assets and liabilities) held for sale, which are instead measured according to their reference standard;
- goodwill is determined as the excess amount between the sum of the considerations transferred in the business combination, of the value of the minority interest in shareholders' equity and of the fair value of any equity investment previously held in the acquired undertaking with respect to the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets acquired and liabilities assumed at the acquisition date exceeds the sum of the considerations transferred, of the value of the minority interest in shareholders' equity and of the fair value of any equity investment previously held in the acquired undertaking, this excess is recognised immediately in the income statement as income deriving from the completed transaction;
- any considerations subject to condition provided by the business combination agreement are measured at fair value at the acquisition date and included in the value of the considerations transferred in the business combination for the purposes of determining goodwill.

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

Goodwill

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

Intangible assets

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

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

Category	Rate %
Development costs	20.00%
Software	20.00%
Trademarks	20.00%

Property, plant and equipment

Tangible assets are measured at the cost of acquisition or production, net of accumulated amortisation and of any impairment losses. The cost include costs incurred directly to make their utilisation possible, as well as any charges for dismantling and removal that will be incurred as a result of contractual obligations that require bringing the asset back to the original conditions.
Financial expenses directly due to the acquisition, to the construction or to the production of an asset that justifies capitalisation in accordance with IAS 23 are capitalised on the asset itself as part of its cost. Expenses incurred for ordinary and/or cyclic maintenance and repair work are directly recognised in the income statement when they are incurred. The capitalisation of the costs pertaining to the expansion, modernisation or improvement of the structural elements owned or used from third parties is carried out within the limits in which they meet the requirements to be separately classified as assets or parts of an asset.
Depreciation is applied on a straight line basis with rates that allow to depreciate the assets until expiration of the useful life.
The useful life estimated by the Company for individual categories of property, plant and equipment is as follows:

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

Impairment losses of non-financial assets

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

Trade receivables and other current and non-current assets

Trade receivables and other current and non-current assets are financial instruments, mainly relating to receivables from customers, non-derivative and not listed on an active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified in the balance sheet under current asset, with the exception of those whose contractual maturity is more than twelve months after the financial statements, which are classified under non-current assets.
These financial assets are recorded as assets when the company becomes a party of the contracts connected with them and they are eliminated from the assets in the balance sheet when the right to receive the cash flows is transferred together with all the risks and benefits associated with the sold asset.
Trade receivables and other current and non-current assets are originally recognised at their fair value and, thereafter, at the amortised cost, using the effective interest rate, reduced for impairment losses.
The impairment losses of the receivables are recognised in the income statement when there is objective evidence that the Company will not be able to collect the receivable on the basis of the contractual terms.
The value of trade receivables is recognised net of the related impairment provision, determined applying the simplified method and, more specifically, the model of the provision matrix, which is based on the identification of the default rates by overdue ranges, applied throughout the expected life of the receivable and updated according to significant elements of future scenario.

Cash and cash equivalents

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

Financial liabilities, trade payables and other payables

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

Financial liabilities are classified among current liabilities, unless the Company has an unconditional right to defer their payment for at least 12 months after the reference date.
Financial liabilities are removed from the financial statements at the time of their extinction and when the Company has transferred all risks and charges relating to the instrument.

Provisions for risks and charges

Provisions for risks and charges are recognised in view of losses and costs of a determined nature, of certain or probable existence, but whose amount and/or date of occurrence cannot be determined.
Provisions are recognised only when there is a current obligation (legal or implied) for a future outlay of economic resources as a result of past events and it is probable that the outlay is required for compliance with the obligation. This amount represents the best estimate of the cost to extinguish the obligation. The rate used in the determination of the current value of the liability reflects current market values and takes into account the specific risk that can be associated with each liability.
When the financial effect of time is significant and the payment date of the bonds can be reliably estimated, provisions are measured at the current value of the expected outlay using a rate that reflects the conditions of the market, the change in the cost of money over time and the specific risk tied to the obligation. The increase in the value of the provision determined by changes in the cost of money over time is recognised as a financial charge.
The risks for which the manifestation of a liability is only possible may be indicated in the dedicated information section on contingent liabilities and no allocation is made for them.

Employee provisions

Employee provisions include: i) defined contribution plans and ii) defined benefit plans
With reference to defined contribution plans, the costs relating to these plans are recognised in the income statement when they are incurred.
With reference to defined benefit plans, the net liabilities of the Company are determined separately for each plan, estimating the current value of the future benefits accrued by employees in the current year and in previous ones and deducting the fair value of any assets in the service of the plan. The current value of the obligations is based on the use of actuarial techniques that attribute the benefit deriving from the plan to periods in which the obligation to disburse it arises (Projected Unit Credit Method) and it is based on actuarial assumptions that are objective and mutually compatible. The assets in the service of the plan are recognised and measured at fair value.
If a potential asset results from this calculation, the amount to be recognised is limited to the present value of each economic benefit available in the form of future repayments or of reductions of future contributions to the plan (limit of the asset).
The components of the cost of the defined benefits are recognised as follows:

- the costs relating to services rendered are recognised in the income statement under “personnel costs” while
- the net financial expenses on defined benefit liabilities or assets are recognised in the income statement as “Financial income/(expenses)”, and they are determined by multiplying the value of the net liability/(asset) for the rate used to discount the obligations, taking into account the payments of the contributions and of the benefits that took place during the period;

- the re-measurement components of the net liabilities, which include actuarial gains and losses, the return of the assets (excluding interest income recognised in the Income statement) and any change in the limit of the asset, are recognised immediately in the statement of comprehensive income, under the changes in shareholders' equity pertaining to income statement items. These components must not be reclassified among income statement items in a subsequent year.

Public funding

Public funding is recognised at its fair value when there is reasonable certainty that all conditions necessary for their obtainment are met and that they will be received. Funding received in view of specific expenditures are recognised as liabilities and recognised in the income statement with a systematic criterion in the years necessary to oppose them to the related expenses.
Public funding as capital grants, including non-monetary contributions measured at fair value, are recognised as deferred revenue, allocated as income with a systematic and rational criterion during the useful life of the asset.

Revenue recognition

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

- identification of the agreement with the customer. "Agreement" means the commercial agreement approved between two or more parties, which creates rights and collectible obligations. The principle contains specific provisions to assess whether two or more agreements are to be combined and to identify the accounting implications of a contractual amendment;
- identification of the "Performance obligations" contained in the agreement;
- determination of the "Transaction price". To determine the price of the transaction, the following elements must be considered, inter alia:
    i. any amounts collected on behalf of third parties, which have to be excluded from the consideration;
    ii. variable components of the price (such as performance bonus, penalties, discounts, repayments, incentives, etc.);
    iii. financial component, if the payment terms grant a significant delay to the customer;
- allocation of the price to the Performance obligations on the basis of the "Relative Stand Alone Selling Price";
- recognition of the revenue when the Performance obligation is met. The good or service is transferred when the customer obtains control of the good or service, i.e. when it has the ability to decide and/or direct its use and to obtain substantially all of its benefits. The principle expressed by IAS 18 is replaced, whereby the revenue is recognised looking at the benefits obtainable from the asset and at the assessment of the probability that the related receivable will be collected. Control can be transferred at a certain point in time or over time.

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

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

Cost recognition

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

Taxes

Current taxes are calculated on the basis of the taxable income of the year, applying the tax rates in force at the reporting date.
Deferred tax assets and liabilities are calculated in view of all differences that emerge between the tax value of an asset or liability and the related carrying amount. Deferred tax assets, including those relating to previous tax losses, for the portion not offset by deferred tax liabilities, are recognised to the extent to which it is probable that a future taxable income is available, in view of which they can be recovered.
Deferred tax liabilities and assets are determined using the tax rates expected to be applicable in the years in which the differences will be realised or extinguished, on the basis of the tax rates in force or substantially in force at the reporting date.
Current, deferred and prepaid taxes are recognised in the income statement, with the exception of those relating to items directly debited or credited in the shareholders' equity in which cases the related tax effect is also recognised directly in the shareholders' equity. Taxes are offset when they are applied by the same tax authority and there is a legal offset right.

2.4 SEGMENT REPORTING

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

3. Estimates and assumptions

The preparation of the financial statements requires, for directors, the application of accounting principles and methods that, in some circumstances, are based on assessments and estimates based on historical experience and on assumptions that are considered reasonable and realistic at the time in view of the related circumstances. The application of these estimates and assumptions influences the amounts recognised in the financial statements, as well as the information provided. The final results of the items for which the aforesaid estimates and assumptions were used may differ from those posted in the financial statements that record the effects of the emergence of the estimated event, because of the uncertainty that characterises the assumptions and the conditions on which the estimates are based.
A brief list follows of the items that, in relation to the Company, required greater subjectivity by the directors in the calculation of the estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the financial results of the Company.

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

4.Accounting standards, amendments and interpretations applicable from the current year

Starting from 1 January 2018, the following accounting standards and amendments to accounting standards, issued by the IASB and endorsed, when provided, by the European Union, are mandatorily applied.

- IFRS 9 Financial Instruments (issued, in its definitive version, on 24 July 2014). The standard, endorsed by the European Union on 29 November 2016, entirely replaces IAS 39 "Financial Instruments: Recognition and Measurement" and introduces new criteria for the classification and measurement of financial assets and liabilities. Briefly, the new provisions introduced by IFRS 9 pertain to:

  i. the criteria for the classification and measurement of financial assets and liabilities. With regard to financial assets, the new principle uses a single approach based on the procedures for managing financial instruments and on the characteristics of the contractual cash flows of the financial assets, to determine their measurement criteria, replacing the different rules provided by IAS 39. In particular, the principle provides the following categories for the classification of financial assets:

     - financial assets measured at amortised cost;
     - financial assets designated at fair value through other comprehensive income (FVOCI);
     - financial assets designated at fair value through profit and loss (FVTPL).

     Hence, the categories of loans and receivables, of financial assets available for sale and of financial assets held to maturity no longer apply. Classification in the above categories takes place on the basis of the business model of the entity and in relation to the characteristics of the cash flows generated by the assets:

     - a financial asset is measured at amortised cost if the business model of the entity provides for the financial asset to be held to collect the related cash flows (hence, essentially, not to realise profits also from the sale of the instrument) and the characteristics of the cash flows of the asset correspond solely to the payment of principal and interest;
     - a financial asset is measured at fair value with the balancing entry "Other comprehensive income" if it is held with the goal of both collecting the contractual cash flows, and of being sold (Hold to Collect and Sell model);
     - lastly, if it is a financial asset held for trading and otherwise it is among the cases indicated in the two preceding points, it must be measured at fair value with changes recognised in the income statement).

     The accounting rules for embedded derivatives were simplified: separate accounting of the embedded derivatives and of the financial asset that "hosts" it is no longer required.
     All equity instruments within the scope of the standard (both listed and unlisted) must be measured at fair value through profit and loss (FVTPL). IAS 39 instead provided that, if fair value could not be determined reliably, unlisted equity instruments were measured at cost. The entity has the option of presenting in the Shareholder's equity (FVOCI) the fair value changes of equity instruments that are not held for trading, for which instead this option is forbidden. This designation is allowed at the time of initial recognition, it can be adopted by individual security and it is irrevocable. If this option is selected, the fair value changes of these instruments will never be recognised in the Income Statement. Dividends instead continue to be recognised in the Income Statement.
     IFRS 9 does not allow reclassifications between categories of financial assets except in the rare cases where there is a change in the business model of the entity. In this case, the effects of the reclassification apply prospectively.

For financial liabilities, the main change involves the accounting treatment of fair value changes of a financial liabilities designated as measured at fair value through profit and loss, if they are due to the change of the credit rating of the liability. According to the new standard, these changes must be recognised in other comprehensive income;

ii. the impairment of financial assets. The standard replaces the current "incurred loss" model, introducing a new impairment model based on expected losses, where "loss" means the present value of all future missed collections, appropriately supplemented to take into account future expectations ("forward looking information"). According to the general approach applicable to all financial assets, the expected loss is a function of the probability of default (PD), of loss given default (LGD) and of exposure at default (EAD): PD represents the probability that an asset is not repaid and defaults; LGD represents the amount expected not to be recovered if the default event occurs; EAD represents the credit exposure claimed from the counterparty, including any guarantees, collateral, etc. The estimate must initially be made on the losses expected in the following 12 months; in consideration of any progressive impairment of the receivable, the estimate must be adjusted to cover the losses expected over the entire life of the receivable. With regard to trade receivables, IFRS 9 provides optionally that the receivable impairment provision may be determined applying the simplified method and, more specifically, the model of the provision matrix, which is based on the identification of the default rates by overdue ranges observed on a historical basis, applied throughout the expected life of the receivable and updated according to significant elements of future scenario;

iii. hedge accounting. IFRS 9 introduces some significant changes that pertain mainly to the effectiveness test, because the 80-125% threshold is abolished and replaced with an objective test that verifies the economic relationship between hedged instrument and hedging instrument, accounting for the cost of the hedge, the expansion of the hedged elements and of the required disclosure.

The Company carried out an in-depth analysis of the financial instruments in the portfolio affected by the application of IFRS 9 and of the impairment of receivables due from customers according to the new logic. The analysis was concluded with the identification of non-significant impacts on the measurement of financial assets and liabilities and on the method for calculating the provision for doubtful debts of the Company.
The Company has adopted the new standard starting from 1 January 2018, without restating the comparison data. The consequent impacts are not significant either on the measurement of financial assets and liabilities and on the method for calculating the provision for doubtful debts.

- IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014, subsequently revised with two amendments issued respectively on 11 September 2015 and 12 April 2016). The standard, endorsed by the European Union on 22 September 2016 and subsequently amended with Regulation EU no. 1987/2017 of 31 October 2017, applies to all contracts with customers, with the exception of lease agreements, of insurance agreements and of financial instruments.

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

i. identification of the contract with the customer. "Contract" means the commercial agreement approved between two or more parties, which creates rights and collectible obligations. The standard contains specific provisions to assess whether two or more agreements are to be combined and to identify the accounting implications of a contractual amendment;

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

iii. determination of the "Transaction price". To determine the price of the transaction, the following elements must be considered, *inter alia*:
   - any amounts collected on behalf of third parties, which have to be excluded from the consideration;
   - variable components of the price (such as performance bonus, penalties, discounts, repayments, incentives, etc.);
   - financial component, if the payment terms grant a significant delay to the customer;

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

v. recognition of the revenue when the Performance obligation is met. The good or service is transferred when the customer obtains control of the good or service, i.e. when it has the ability to decide and/or direct its use and to obtain substantially all of its benefits. The principle expressed by IAS 18 is replaced, whereby the revenue is recognised looking at the benefits obtainable from the asset and at the assessment of the probability that the related receivable will be collected. Control can be transferred at a certain point in time or over time.

The Company performed an analysis for an assessment of the expected impact deriving from the adoption of the IFRS 15, from which no significant effects emerged.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016). Endorsed on 3 April 2018, the interpretation of IAS 21 "The Effects of Changes in Foreign Exchange Rates" is directed at clarifying the date on which the exchange rate is to be used for the purposes of recognising the non-monetary asset/liability pertaining to the foreign currency transaction. Specifically, the recognition of the advanced asset/liability must take place at the exchange rate of the day of payment/collection of the advance and in the same terms its derecognition, once the transaction is completed with the recognition of the connected sale revenue, will take place at the same exchange rate with which the non-monetary asset/liability had been recognised.

  Adoption of the interpretation did not have any effects on the income and financial position of the Company.

- Amendment to IAS 40 Investment Property (issued on 8 December 2016). Endorsed on 15 March 2018, the amendment introduced clarifies when an entity has to transfer ownership of the properties (including those under construction). The standard also establishes that the mere intention, by the management, of changing the use of a property does not constitute evidence of a change of disposition of the investment property. The adoption did not have any effect on the income and financial position of the Company.

- Changes to IFRS 2 Share-based payment (issued on 20 June 2016). Endorsed on 27 February 2018 come amendments to the standard, which pertain to two main areas: classification of a transaction with share-based payment settled net of obligations for withholding tax; accounting if a change to the terms and conditions of a transaction with share-based payment changes its classification from settled in cash and settled with equity instruments. Adoption of the standard does not have any effects on the Company, since no share based payments are provided.

- Annual Improvements to IFRS Standards 2014–2016 Cycle (issued on 8 December 2016). The IASB issued certain changes to the endorsed standards in the 2014-2016 three-year time interval and in particular:

i. IFRS 1 First-time Adoption of International Financial Reporting Standards: certain exemptions provided in the transition phase, in particular relating to IFRS 7, IAS 19 and IAS 10, were eliminated.

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

The adoption has not led to any effects for the Company.

- Amendment to IFRS 4 Insurance Contracts (issued on 12 September 2016). Published on the Official Journal of the European Union in November 2017, the amendment to the present standard allows companies that issue insurance contracts to defer the adoption of IFRS 9 to account for financial investments aligning the date of first adoption to that of IFRS 17, i.e. 2021 (deferral approach) and at the same time it allows to eliminate from the Income Statement some distorting effects deriving from the early adoption of IFRS 9 with respect to the adoption of IFRS 17 (overlay approach). No economic-financial impact on the disclosure of the Company.

5. Accounting standards endorsed by the European Union as at 31 December 2018, but applicable in subsequent years

- IFRS 16 Leases (issued on 13 January 2016). The new standard replaces the previous standard on leases, IAS 17 and the related interpretation, identifies the criteria for recognition, measurement and presentation and the disclosure to be provided with reference to lease agreements for both parties, the lessor and the lessee. Although IFRS 16 does not change the definition of lease agreement provided by IAS 17, the main change is represented by the introduction of the concept of control within the definition. In particular, to determine whether an agreement represents a lease or not, IFRS 16 requires verifying whether the lessee is entitled to control use of a determined asset for a determined period of time. IFRS 16 eliminates the classification of leases as operating or financial, as required by IAS 17, introducing a single accounting recognition method for all lease agreements. Based on this new model, the lessee shall recognise:

i. in the balance sheet, the assets and liabilities for all lease agreements with more than 12 months duration, unless the underlying asset has low value; and

ii. in the income statement, the depreciation of the assets relating to leases separately from the interest relating to the connected liabilities.

With reference to the lessor, IFRS 16 reproduces, substantially, the accounting recognition requirements prescribed by IAS 17. Therefore, the lessor shall continue to classify and to recognise, differently, the leases in the financial statements according to their nature (operating or financial). The standard shall be applicable starting from the years that begin on 1 January 2019.

From the application of said standard, the Company estimates an increase of the assets (utilisation rights) by 919 thousand euro and of the financial liabilities by 953 thousand euro, with a negative effect in the initial shareholders' equity by 34 thousand euro, before the tax effect.

- IFRIC 23 Uncertainty on treatments for income tax purposes (issued on 7 June 2017). The interpretation clarifies how to apply the requirements for the recognition and measurement of IAS 12 in case of uncertainty on tax treatments relating to income taxes. If there are uncertainties on the application of the tax regulations to a specific transaction or group of transactions, IFRIC 23 requires assessing the probability that the tax Authority will accept the choice made by the company with regard to the tax treatment of the transaction: depending on this probability, the company shall recognise in its financial statements an amount of taxes that it may pay or defer with respect to the income tax return. The interpretation is applicable starting from the years that begin on or after 1 January 2019. Its application is not deemed to have any effects for the Company.
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (issued on 12 October 2017). The amendments, endorsed with Regulation no. EU 2018/498 of 22 March 2018, introduce an exception for particular financial assets that would provide contractual cash flows represented exclusively by payments of principal and interest (IFRS 9, Par. 4.1.2), but do not meet this condition only for the presence of a contractual early redemption clause. In particular, the amendments provide that financial assets with contractual clause that allows (or obligates) the issuer to repay a debt instrument or allows (or obligates) the possessor to repay a debt instrument to the issuer before maturity can be measured at amortised cost or at fair value with the balancing entry in Other comprehensive income, 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 at a discount with respect to the nominal amount of the agreement;

  ii. the amount of the early redemption represents substantially the nominal contractual amount and the accrued (but not paid) contractual interest, which may include a reasonable additional compensation for the early termination of the agreement; and

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

  The changes shall be applicable starting from 1 January 2019.
  Its application is not deemed to have any effects for the Company.

6. Accounting standards application in following years, but not yet endorsed by the European Union as at 31 December 2018

- IFRS 17 Insurance Contracts (issued on 18 May 2017). The new accounting standard identifies the criteria for recognition, measurement and presentation and the disclosure to be provided with reference to insurance contract. Following its endorsement, it will fully replace IFRS 4 Insurance Contracts issued in 2005. IFRS 17 will be applied to all types of insurance contracts, with reference to the issuing entities. The purpose of the new standard is to provide a model for the accounting recognition of insurance contracts, more useful and consistent for all insurance entities. The new standards will be applicable from the years beginning on 1 January 2021 and the presentation of comparative data will be required; in November 2018, the IASB decided to propose the deferral of the entry into force of IFRS 17 by one year, i.e. in 2022. Early adoption is allowed, provided that the entity has already adopted IFRS 9 and IFRS 15. The adoption does not bring about any effects for the Company.
- Amendments to IAS 28 Investments in Associates and Joint Ventures (issued on 12 October 2017). The amendment, applicable upon endorsement starting from 1 January 2019, clarifies that the company has to apply the provisions of IFRS 9 Financial Instruments to any other long-term interest, which substantially represents an additional component of the shareholding in the associated company or in the joint venture, to which the equity method is not applied (e.g. preferred shares, loans and non-trade receivables). Any losses recognised at equity, in excess with respect to the equity investment of the entity in ordinary shares of the associate or of the joint venture, are attributed to the other components of the equity investment in reverse order with respect to their degree of subordination (i.e. liquidation priority) after applying IFRS 9. The adoption does not bring about any effects for the Company.
- Improvements to IFRS Standards 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 to clarify that when an entity obtains control of an asset that is a joint operation, it shall redetermine the value of that asset, because this transaction would be considered a business combination carried out in stages and therefore to be recorded for accounting purposes on that basis;
    ii. IFRS 11 Joint Arrangements. Paragraph B33CA was added to IFRS 11 to clarify that if a party that participates in a joint operation, but does not have joint control, and subsequently obtains joint control on the joint operation (which constitutes an asset as defined in IFRS 3), is not obligated to redetermine the value of that asset.
    iii. IAS 12 Income Taxes. The present amendment clarifies that the tax effects of income taxes deriving from distribution of the earnings (i.e. dividends), including payments on financial instruments classified as shareholders' equity, shall be recognised when a liability for the payment of a dividend is recognised. The consequences of income taxes shall be recognised in the income statement, in the statement of comprehensive income or in the shareholders' equity in consideration of the nature of the transactions or of the past events that generated the distributable earnings or of how they were initially recognised.

iv. IAS 23 Borrowing Costs. The amendment clarifies that in calculating the capitalization rate for the loans, an entity should exclude the financial expenses applicable to the loans made specifically to obtain an asset, only until the asset is ready and available for its expected use or sale. The financial expenses relating to specific loans that remain extant after the related asset is ready for the expected use or for sale shall subsequently be considered as a part of the general borrowing costs of the entity.

These changes shall be applied retrospectively for the annual periods that start on or after 1 January 2019. Early adoption is allowed.

- Amendments to IAS 19 Employee Benefits (issued on 7 February 2018). The "Plan Amendment, Curtailment or Settlement" interpretation obligates the company to use updated actuarial hypotheses to determine pension expenses as a result of changes made to defined benefits to employees. The changes are applicable starting from 1 January 2019, subject to endorsement.
- Conceptual Framework (emesso in data 29 marzo 2018). L'obiettivo del progetto sul Conceptual Framework è quello di migliorare l'informativa finanziaria, fornendo una serie più completa, chiara e aggiornata degli elementi concettuali. Lo scopo del Framework è di:

i. assist the Board in the development of IFRS based on consistent concepts;

ii. assist those who prepare the financial statements in the development of consistent accounting policies when no IFRS standard applies to a particular transaction or to an event, or when a standard allows a choice of accounting policy;

iii. assist other parties in the comprehension and interpretation of the standards.

- Amendments to IFRS 3 Business Combinations (issued on 22 October 2018). The IASB published the definition of Business, with the goal of clarifying the difference between an acquisition that represents a business or a group of assets. For a business to be identifiable, the acquisition of a set of assets and means shall also include a set of organised processes, which as a whole are able to produce goods and services. The amendments shall be prospectively applicable to the transactions whose acquisition date is equal or subsequent to the year starting 1 January 2020. Early adoption is allowed.
- Amendments to IAS 1 and IAS 8 Definition of "material" (issued on 31 October 2018). The IASB clarifies that information is to be deemed "material" if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Hence, the amendment has the purpose of assisting the entity in assessing the significance of the information to be included in its own financial statements. The amendments to IAS 1 and IAS 8 shall be effective from 1 January 2020; their early adoption is allowed.

7. Information about financial risks

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

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

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

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

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

7.1 MARKET RISK

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

7.2 CREDIT RISK

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

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

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

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

Total exposure to credit risk as at 31 December 2018 and as at 31 December 2017 is represented by the summation of the financial assets recorded in the financial statements, summarised below:

(in thousands of Euro)

	As at 31 December 2018	As at 31 December 2017
Trade receivables (net of provision for write-downs)	227,310	237,709
Other trade receivables	7,486	4,429
Financial assets (current and non-current)	1,051	1,541
Other assets (current and non-current)	47,698	49,337
TOTAL	283,545	293,016

The following table shows the amounts of trade receivables as at 31 December 2018 by overdue date.

(in thousands of Euro)

	To be overdue	Overdue 0-30 days	Overdue 31-60 days	Overdue 61-90 days	Overdue 90-180 days	Overdue oltre 180 days	Total
Trade receivables	204,923	4,715	2,547	3,079	2,346	20,839	238,449
Provision for write-downs							(11,139)
TOTAL	204,923	4,715	2,547	3,079	2,346	20,839	227,310

7.3 LIQUIDITY RISK

Liquidity risk can be manifested with the inability to obtain, at economic conditions, the financial resources necessary for the operations of the Company. The two main factors that influence the liquidity of the Company are:

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

To ensure the Company has the necessary financial means for carrying out ordinary business, it has stipulated a service agreement for finance management with the parent company Dolomiti Energia Holding, which makes provision for treasury management under a "cash pooling" arrangement and surety management activities. The Company's financial position is constantly monitored and does not exhibit any particular critical issues. The financial position includes a bond of nominal 5 million euro bullet fixed rate, issued on 27 February 2018 and having maturity on 10 August 2022.

The following table analyses the financial liabilities (including trade receivables and other payables), expected to be repaid within the year, in the period between one and five years and beyond 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	163,613	-	-
Financial liabilities (current and non-current)	1,708	3,750	-
Other liabilities (current and non-current)	9,684	5,408	-
TOTAL	**175,005**	**9,158**	**-**

(in thousands of Euro)	AS AT 31 DECEMBER 2017		
	Within 1 year	Between 1 and 5 years	Beyond 5 years
Trade Payables	173,800	-	-
Financial liabilities (current and non-current)	534	-	-
Other liabilities (current and non-current)	12,329	5,897	-
TOTAL	**186,663**	**5,897**	**-**

7.4 RATE RISK

The risk of interest rate fluctuations is limited, because financial exposure is represented by a fixed rate bond, with duration until 2022.

8. Fair value estimate

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

9. Notes to the Equity and financial position

9.1 GOODWILL AND INTANGIBLE ASSETS

The changes in items "Goodwill" and "Intangible assets", for the financial years ended 31 December 2018 and 2017, are shown hereunder:

(in thousands of Euro)

	Goodwill	Development costs	Industrial patents and intellectual property rights	Franchise, licenses, trademarks and similar	Work in progress and advance payments	Total
VALUE AS AT 01 JANUARY 2017	**2,716**	**-**	**91**	**16**	**42**	**2,865**
of which:						
Historical cost	*2,716*	-	*291*	*230*	*42*	*3,279*
Accumulated amortisation	-	-	*(200)*	*(214)*	-	*(414)*
Increases	-	-	-	5	446	451
Reclassifications	-	-	-	42	(42)	-
Amortisation	-	-	(37)	(16)	-	(53)
VALUE AS AT 31 DECEMBER 2017	**2,716**	**-**	**54**	**47**	**446**	**3,263**
of which:						
Historical cost	*2,716*	-	*291*	*277*	*446*	*3,730*
Accumulated amortisation	-	-	*(237)*	*(230)*	-	*(467)*
Increases	674	394	-	-	-	1,068
Net decreases	-	-	-	-	-	-
Reclassifications	100	346	-	-	(446)	-
Amortisation	-	(148)	(36)	(15)	-	(199)
VALUE AS AT 31 DECEMBER 2018	**3,490**	**592**	**18**	**32**	**-**	**4,132**
of which:						
Historical cost	*3,490*	*740*	*291*	*277*	-	*4,798*
Accumulated amortisation	-	*(148)*	*(273)*	*(245)*	-	*(666)*

Goodwill was recognised as a result of transfer operations, after the approval of the Board of Statutory Auditors. In particular, the increase in the year 2018 resulted from the purchase, from the Municipality of Isera (TN), of the BU destined to the sale of electricity in the territory of the municipality itself. The Company acquired the contracts in place with the final users as from 1 January 2018, against the payment of 100 thousand euro. An advance payment had already been disbursed the previous year. Moreover, as from 1 September 2018, Dolomiti Energia purchased, from Estra Energie Srl, the Business Unit in Isera (TN) related to the sales of gas to final users in the territory of the municipality itself, against the payment of 674 thousand euro. From the aforesaid BU transfer, registered property, plant and equipment and intangible assets, employee and similar contracts, corporate receivables and payables already existing at the effective date of the transfer were excluded. These assets remained respectively in favour or in charge of the selling parties.

During 2018, the Company completed a development project, started in the previous year, which led to the carrying out of an analysis and verification of the main operating processes of the Company and of the corporate climate, followed by organisational revision and investment activities on the information systems available to the company. The above project envisaged total costs amounting to 394 thousand euro, of which 346 thousand euro borne in 2017.

Industrial patents and intellectual property rights include commercial software (18 thousand euro), while the item Franchise, licenses, trademarks and similar rights includes the value of the pre-emption agreements for the supply of gas, which are amortised on the basis of the duration of the commercial agreement (32 thousand euro).

Impairment test on goodwill as at 31 December 2018

The Company performed an impairment test at the transition date and at year end, in order to assess any possible impairment in goodwill, recorded for an amount of 3,490 thousand euro as at 31 December 2018.

The test is performed by comparing the carrying value of assets, or group of assets, included in the Cash Generating Unit, with the recoverable value of the asset itself, generated by the higher value between fair value (net of any possible sales costs) and discounted net cash flows that are expected for the asset of group of assets within the C.G.U. (value in use). For the purpose of impairment testing, explicit cash flows were used, as provided for in the 2019 budget approved by the Company's Board of Directors and related to 2020-2023 financial statements, as extracted from the economic-financial plan prepared by the Management.

One single C.G.U., reflecting the entire Company, was identified for impairment testing.

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

The impairment test performed highlighted no impairment, with reference of accounted amounts related to goodwill at the transition date and as at 31 December 2018. Therefore, these assets were not written down.

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

9.2 PROPERTY, PLANT AND EQUIPMENT

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

(in thousands of Euro)

	Plant and equipment	Other assets	Total
VALUE AS AT 01 JANUARY 2017	**38**	**6**	**44**
of which:			
Historical cost	*40*	*56*	*96*
Accumulated depreciation	*(2)*	*(50)*	*(52)*
Increases	30	1	31
Depreciation	(5)	(2)	(7)
VALUE AS AT 31 DECEMBER 2017	**63**	**5**	**68**
of which:			
Historical cost	*70*	*57*	*127*
Accumulated depreciation	*(7)*	*(52)*	*(59)*
Increases	86	4	90
Net decreases	(4)	-	(4)
Depreciation	(11)	(3)	(14)
VALUE AS AT 31 DECEMBER 2018	**134**	**6**	**140**
of which:			
Historical cost	*152*	*61*	*213*
Accumulated depreciation	*(18)*	*(55)*	*(73)*

Changes over the year relate mainly to the purchase of recharge plants for electric vehicles in the Province of Trento, for an amount of 86 thousand euro, recorded under the item Plant and equipment. The item Other assets include furniture and office machines.

9.3 EQUITY INVESTMENTS

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

(in thousands of Euro)	AS AT 31 DECEMBER		AS AT 01 JANUARY 2017
	2018	**2017**	**2017**
Equity investments in other companies	3	3	3
TOTAL	**3**	**3**	**3**

The item refers to the subscription of shares in cooperatives of manufacturers and users of renewable energy sources, unchanged compared to the previous year.

9.4 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities as at 31 December 2018, 31 December 2017 and 1 January 2017 are broken down as follows:

(in thousands of Euro)

	As at 31 December 2018	As at 31 December 2017	As at 01 January 2017
Goodwill	788	901	1,048
Provision for write-downs	2,045	2,206	3,110
Production bonuses	112	121	130
Provisions for risks and charges	179	41	41
Other minor taxes	3	1	14
Employee severance indemnity and other benefits	87	103	91
TOTAL PREPAID TAXES	**3,214**	**3,373**	**4,434**

(in thousands of Euro)

	As at 31 December 2018	As at 31 December 2017	As at 01 January 2017
Goodwill	141	19	-
Capital gains instalment spread	101	151	201
TOTAL DEFERRED TAXES	**242**	**170**	**201**

The following table shows the changes in assets for prepaid taxes and liabilities for deferred taxes, apportioned by 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
DEFERRED TAX ASSETS:						
Goodwill	901	(113)	-	-	-	**788**
Provision for write-downs	2,206	(161)	-	-	-	**2,045**
Production bonuses	121	(9)	-	-	-	**112**
Provisions for risks and charges	41	138	-	-	-	**179**
Other minor taxes	1	2	-	-	-	**3**
Employee severance indemnity and other benefits	103	(5)	(11)	-	-	**87**
TOTAL PREPAID TAXES	**3,373**	**(148)**	**(11)**	**-**	**-**	**3,214**
Goodwill	19	122	-	-	-	**141**
Capital gains instalment spread	151	(50)	-	-	-	**101**
TOTAL DEFERRED TAXES	**170**	**72**	**-**	**-**	**-**	**242**

9.5 OTHER NON-CURRENT ASSETS

The item "Other non-current assets" as at 31 December 2018, 31 December 2017 and 1 January 2017 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		AS AT 01 JANUARY
	2018	2017	2017
Non-current accounts receivable - companies subject to control by parent companies	36,902	36,902	36,902
Non-current accounts receivable - other	93	95	93
Multi-year prepayments	287	63	17
TOTAL	37,282	37,060	37,012

This item mainly includes guarantee deposits to guarantee contracts for the electricity and gas transport service, paid to the affiliates SET Distribuzione SpA for 29,180 thousand euro and Novareti Spa for 7,722 thousand euro, unchanged from the previous year.

Non-current accounts receivable to others include the amounts of guarantee deposits paid to Public Entities to guarantee the regular payment of excise duties, while multi-year prepayments include advertising investments borne over the year, but pertaining to 2020.

9.6 TRADE RECEIVABLES

The item "Trade receivables" as at 31 December 2018, 31 December 2017 and 1 January 2017 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		AS AT 01 JANUARY
	2018	2017	2017
Accounts receivable - customers	236,116	242,353	272,493
Accounts receivable - parent companies	201	197	657
Accounts receivable - companies subject to control by parent companies	9,618	11,535	12,959
Provision for write-downs	(11,139)	(11,947)	(15,842)
TOTAL	234,796	242,138	270,267

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

Accounts receivable from subsidiaries of Dolomiti Energia Holding result from service contracts, mainly related to the sale of electricity (consumption unit imbalances), manufacturers' refunds and expenses for the free supply of electricity to the Province of Trento (pursuant to article 13 Pres. Decree 670/1972) vis-a-vis the producer Hydro Dolomiti Energia Srl.

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

The provision for write-downs showed the following changes during 2018 and 2017:

(in thousands of Euro)

	Provision for write-downs
AS AT 01 JANUARY 2017	**15,842**
Provisions	3,337
Usage	(7,232)
AS AT 31 DECEMBER 2017	**11,947**
Provisions	2,395
Usage	(3,203)
AS AT 31 DECEMBER 2018	**11,139**

The allocation of the period amounted to 2,395 thousand euro, while usage amounted to 3,203 thousand euro, mainly resulting from the removal of trade receivables in bankruptcy proceedings.

9.7 CURRENT TAX ASSETS AND LIABILITIES

The item "Current tax assets" as at 31 December 2018, 31 December 2017 and 1 January 2017 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		AS AT 01 JANUARY
	2018	2017	2017
IRES	-	366	1,016
IRAP	263	218	-
TOTAL	**263**	**584**	**1,016**

The IRAP receivable is equal to the higher payments on account made with respect to the tax calculated for the year 2018. The IRES receivables at the end of the previous year were collected, in the amount of 15 thousand euro, following a refund request for IRES tax due to non-deductible IRAP tax for 2008/2011 years. As regards the remaining 351 thousand euro, this amount was offset.

As at 31 December 2018 and at the end of the previous year, the Company had no amounts due to Tax Authorities in relation to current taxes.

9.8 CURRENT FINANCIAL ASSETS

The item “Current financial assets” as at 31 December 2018, 31 December 2017 and 1 January 2017 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		AS AT 01 JANUARY
	2018	2017	2017
Financial receivables for cash pooling	1,018	1,506	-
Other financial receivables	33	35	14
TOTAL	1,051	1,541	14

The item includes mainly the accounts receivable from the Parent Company for cash pooling, in the amount of 1,002 thousand euro (1,491 thousand euro as at 31 December 2017), in addition to receivables for interest accrued and amounting to 16 thousand euro (15 thousand euro at end 2017).

9.9 OTHER CURRENT ASSETS

The item “Other current assets” as at 31 December 2018, 31 December 2017 and 1 January 2017 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		AS AT 01 JANUARY
	2018	2017	2017
ELECTR./GAS Tax credits	6,798	10,518	15,737
Other tax credits	112	179	125
Other credits	448	683	273
Account receivable from CSEA	2,270	39	15
Advances/Deposits	204	164	180
Accounts receivable - social security institutions	-	4	2
Annual prepayments	494	573	518
Other accounts receivables - parent companies	90	117	90
TOTAL	10,416	12,277	16,940

Receivables relating to electricity and gas taxes mainly derive from the higher payments on account with respect to the final invoiced amount and to the receivable for gas excise duties of the previous year, being recovered from the competent authorities.

Receivables from the Energy and Environmental Services Fund are due to the application of the ARERA Resolution no. 32/2019/R/GAS, which regulates the refund modalities of sellers following the redetermination of k coefficient (with resolution 737/2017/R/GAS), instrumental to price determination of gas for the protection service related to the two years from 1 October 2010 to 30 September 2012.

9.10 CASH AND CASH EQUIVALENTS

The item "Cash and cash equivalents" as at 31 December 2018, 31 December 2017 and 1 January 2017 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		AS AT 01 JANUARY
	2018	2017	2017
Bank and postal current accounts	1,567	1,278	804
TOTAL	**1,567**	**1,278**	**804**

Cash and cash equivalents as at 31 December 2018 related to the balance of bank and postal current accounts not falling under centralised liquidity management.

9.11 SHAREHOLDERS' EQUITY

Movements of Equity reserves are shown in these financial statements.

As at 31 December 2018, the Company's share capital amounted to 20,200 thousand euro, made up by 20,200,000 ordinary shares, with a nominal value of 1.00 euro each.

The Shareholders' Equity is broken down as follows:

(in thousands of Euro)

Shareholders' Equity	31/12/2018	31/12/2017	01/01/2017
Share capital	20,200	20,200	20,200
Legal reserve	4,040	4,040	4,040
Share premium reserve	11,025	11,025	11,025
OTHER RESERVES AND RETAINED EARNINGS			
Extraordinary reserve	57,216	51,776	51,776
FTA reserve	582	582	582
Reserve - IAS 19	5	(23)	-
Retained earnings	403	-	16,160
OTHER RESERVES	58,206	52,335	68,518
PROFIT OR LOSS FOR THE YEAR	**12,293**	**18,973**	**-**
TOTAL SHAREHOLDERS' EQUITY	**105,764**	**106,573**	**103,783**

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

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

(in thousands of Euro)

	31/12/2018	Possible use	Available portion	Usage summary for past three years	
				TO COVER LOSSES	FOR OTHER REASONS
I) SHARE CAPITAL	20,200				
EQUITY RESERVES					
Share premium reserve	11,025	A,B,C	11,025	-	-
PROFIT RESERVES					
Legal reserve	4,040	B	-	-	-
Extraordinary reserve	57,216	A,B,C	57,216	-	-
Fta reserve	582		-		
Retained earnings/(loss) à carried forward	403		403		
Reserve - IAS 19	5				
TOTAL	93,471		68,644	-	-
NON-DISTRIBUTABLE PORTION			(592)		
RESIDUAL DISTRIBUTABLE PORTION			68,052		

Pursuant to Article 2431 of the Italian Civil Code, the "Share Premium Reserve" can be distributed only if the Legal Reserve has achieved the threshold set out by Article 2430 of the Italian Civil Code.
The non-distributable portion is equal to Development Costs that had not been amortised at year end. These costs limit the distribution of the extraordinary reserve, in application of Article 2426/5 of the Italian Civil Code.

9.12 PROVISIONS FOR NON-CURRANT AND CURRENT RISKS AND CHARGES

The item "Provisions for risks and charges" totalled 1,589 thousand euro as at 31 December 2018 and it is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		AS AT 01 JANUARY
	2018	2017	2017
Provisions for non-current risks and charges	654	560	347
Provisions for current risks and charges	935	454	500
TOTAL	1,589	1,014	847

The item "Provisions for non-current risks and charges" includes, in the amount of 484 thousand euro, the provision for agents' leaving indemnities (390 thousand euro as at 31 December 2017), allocated vis-à-vis agency relations in place between the Company and its agents. During the year, the provision was increased by allocations amounting to 94 thousand euro and no usages were reported. Moreover, following a tax assessment made by the Italian Revenue Agency in the previous year as regards VAT, in 2017 the Company deemed it suited to allocate a special provision for risks, in the amount of 170 thousand euro, which reported no changes in 2018.

The provisions for risks and charges included 418 thousand euro related to the estimated liabilities for employees' bonuses, to be paid in 2019 based on the results achieved in 2018. At the end of the previous year, a provision of 454 thousand euro was estimated, with the following disbursement of bonuses amounting to 261 thousand euro in 2018, while 193 thousand euro were released to Income Statement. Lastly, the Company deemed it suited to allocate, for 2018, a provision of 516 thousand euro for the refunding of unduly withheld for the sending of paper copies of invoices to end users.

The changes in these provisions, for the financial years ended 31 December 2018 and 2017, are broken down as follows:

(in thousands of Euro)

	Provisions for non-current risks and charges	Provisions for current risks and charges
AS AT 01 JANUARY 2017	**347**	**500**
Provisions	226	454
Usage	(13)	(430)
Releases	-	(70)
AS AT 31 DECEMBER 2017	**560**	**454**
Provisions	94	935
Usage	-	(261)
Releases	-	(193)
AS AT 31 DECEMBER 2018	**654**	**935**

9.13 EMPLOYEE BENEFITS

The item "Employee benefits" as at 31 December 2018 includes, in the amount of 821 thousand euro, the Employee Termination Benefits and, in the amount of 280 thousand euro, other employee benefits.

Other benefits included age- and pension-related additional months of salary, loyalty bonuses after a certain number of years of employment, discounts on the electricity used for household purposes for a limited number of former employees during their retirement period.

The changes in the Employee Termination Benefits and other employee benefits for the years ended 31 December 2018 and 31 December 2017 are shown hereunder:

(in thousands of Euro)

	AS AT 31 DECEMBER 2017					
	Employee Termination Benefits (TFR)	Loyalty bonuses	Additional months of salary	Discounts on electricity	Medals	Total
LIABILITIES AT THE BEGINNING OF THE YEAR	**938**	**69**	**81**	**120**	**32**	**1,240**
Current cost for the service	-	5	3	-	2	10
Interest to be discounted	16	1	1	2	1	21
Benefits paid	(36)	(7)	-	(2)	(1)	(46)
Actuarial (gains)/losses	17	2	-	25	(13)	31
Transfers	-	-	11	-	-	11
LIABILITIES AT THE END OF THE YEAR	**936**	**70**	**96**	**144**	**21**	**1,267**

(in thousands of Euro)	AS AT 31 DECEMBER 2018					
	Employee Termination Benefits (TFR)	Loyalty bonuses	Additional months of salary	Discounts on electricity	Medals	Total
LIABILITIES AT THE BEGINNING OF THE YEAR	936	70	96	144	21	1,267
Current cost for the service	-	4	5	(24)	1	(14)
Interest to be discounted	14	1	1	2	-	18
Benefits paid	(49)	(1)	-	(5)	(1)	(56)
Actuarial (gains)/losses	(6)	(8)	(8)	(14)	(2)	(38)
Transfers	(74)	-	(2)	-	-	(76)
LIABILITIES AT THE END OF THE YEAR	**821**	**66**	**92**	**103**	**19**	**1,101**

In October 2018, the Company reached an agreement with Trade Unions that envisages, as from 1 January 2019, the payment of one-off annual amount in replacement of electricity tariff benefits for former employees and spouses during their retirement effective as at 31 December 2018, and charges paid by Dolomiti Energia. This amendment to the Electricity Discount plan led to a reduction of the provision of 48 thousand euro and an allocation for the estimated one-off payment totalling 24 thousand euro. These figures were recorded as adjustment to the current costs for service.

Assumptions used to actuarial measurements are shown hereunder:

	AS AT 31 DECEMBER		AS AT 01 JANUARY
	2018	2017	2017
Discount rate	1.5%	1.5%	1.5%
Inflation rate	1.5%	1.5%	1.5%
Turn Over	0.5%	0.5%	0.5%
Annual frequency of advances	3.0%	3.0%	3.0%

A sensitivity analysis as at 31 December 2018 is shown hereunder in relation to the main actuarial assumptions included in the calculation model used for the analysis. The latter also took account of the aforesaid basic scenario, while increasing and decreasing the annual discounting average rate, the average inflation rate and the turnover rate. The results obtained can be summarised in the following table:

(in thousands of Euro)	AS AT 31 DECEMBER					
	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 (TFR)	780	864	846	796	818	822

9.14 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

The following table shows current and non-current financial liabilities as at 31 December 2018, 2017 and 1 January 2017:

(in thousands of Euro)	AS AT 31 DECEMBER				AS AT 31 JANUARY	
	2018		2017		2017	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Due to banks	17	-	15	-	10,592	-
Accounts payable - parent companies for cash pooling	-	-	-	-	9,332	-
Accounts payable - interest expense and financial charges	441	-	519	-	603	-
Bond Loan	1,250	3,750	-	-	-	-
TOTAL	**1,708**	**3,750**	**534**	**-**	**20,527**	**-**

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

The item "Accounts payable - interest expense and financial charges" includes amounts due to the parent company as at 31 December 2018, in the amount to 160 thousand euro, related to charges for commissions on sureties and funds (179 thousand euro as at 31 December 2017).

The bond loan was issued by Dolomiti Energia for the resolution of the Board of Directors of 12 February 2018, pursuant to Article 2412, paragraph 1 of the Italian Civil Code, for a nominal value of 5 million euro, at 1.05% annual fixed rate, with six-month coupon, not supported by collaterals and personal guarantees. The amount disclosed results from the evaluation of the debt at amortised cost, which, in this case, is equal to the nominal value. This is a 4-year Bond Loan as from 27 February 2018 to 10 August 2022, which will be redeemed in 4 annual instalments, on a straight-line basis, with first maturity term on 10 August 2019. The loan was listed on the regulated Main Securities Market of the Irish Stock Exchange Market.

The Bond Loan as at 31 December 2018 is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER							
					Book balance			
SOCIETY	TAKE-OUT DATE	MATURITY TERM	INTEREST RATE	INITIAL AMOUNT (IN ORIGINAL CURRENCY UNITS)	TOTAL	OF WHICH WITHIN 1 YEAR	OF WHICH BETWEEN 1 AND 5 YEARS	OF WHICH AFTER 5 YEARS
Dolomiti Energia SpA	27/02/2018	10/08/2022	1.05%	5,000	5,000	1,250	3,750	-
TOTALE					**5.000**	**1.250**	**3.750**	**-**

Net Financial Indebtedness for the year of the Company Dolomiti Energia as at 31 December 2018 and 2017 is broken down hereunder. This indebtedness was calculated pursuant to provisions set out by the Consob Communication of 28 July 2006 and the ESMA/2013/319 Recommendations:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2018	2017
A. Cash in hand	-	-
B. Other cash and cash equivalents	1,567	1,278
C. Securities held for trading	-	-
D. Liquidity (A+B+C)	**1,567**	**1,278**
E. Current financial receivables	**1,051**	**1,541**
F. Payables to banks and other current lenders	(17)	(15)
G. Current portion of non-current indebtedness	(1,250)	-
H. Other current financial payables	(441)	(519)
I. Current financial indebtedness (F+G+H)	**(1,708)**	**(534)**
J. Current net financial indebtedness (I+E+D)	**910**	**2,285**
K. Payables to banks and other non-current lenders	-	-
L. Bonds issued	(3,750)	-
M. Other non-current financial payables	-	-
N. Non-current net financial indebtedness (K+L+M)	**(3,750)**	**-**
O. Net financial position (J+N)	**(2,840)**	**2,285**
Non-current financial assets	-	-
NET FINANCIAL POSITION OF THE COMPANY	**(2,840)**	**2,285**

9.15 TRADE PAYABLES

The item “Trade payables” includes payables for the supply of goods and services and amounted to 163,613 thousand euro as at 31 December 2018, 173,800 thousand euro as at 31 December 2017 and 183,241 thousand euro as at 1 January 2017.

The item includes accounts payable to the parent company Dolomiti Energia Holding amounting to 740 thousand euro (693 thousand euro as at 31 December 2017), related primarily to administrative and logistics services rendered based on special service agreements.

This item also includes accounts payable to other Group companies, amounting to 106,887 thousand euro and resulting mainly from service agreements and the supply of electricity and gas. The only supplier of the Company of raw materials for the production of electricity and gas is, in fact, the associated company Dolomiti Energia Trading. Payables to other Group companies did not increase significantly from the previous year (105,070 thousand euro).

9.16 OTHER CURRENT AND NON-CURRENT LIABILITIES

The item “Other non-current liabilities” and “Other current liabilities” as at 31 December 2018, 31 December 2017 and 1 January 2017 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		AS AT 01 JANUARY
	2018	2017	2017
Other payables for guarantee deposits	5,408	5,897	6,796
TOTAL OTHER NON-CURRENT LIABILITIES	**5,408**	**5,897**	**6,796**

"Guarantee deposits" refer to the security payments required from end users who did not opt to pay the prices with preauthorised payments.

(in thousands of Euro)

	AS AT 31 DECEMBER		AS AT 01 JANUARY
	2018	2017	2017
Tax on electricity/gas	1,559	2,844	3,389
IRPEF	216	221	137
Other tax payables	39	30	4
Social security payables	459	424	418
Other accounts payable	1,844	1,812	2,215
Sewerage charge	3,939	4,239	5,290
Accrued liabilities	21	-	-
Accounts payable to parent companies for taxes	1,607	2,759	4,923
TOTAL OTHER CURRENT LIABILITIES	**9,684**	**12,329**	**16,376**

The accounts payable for taxes on electricity and gas include electricity and gas taxes and excise duties to be paid to the competent offices.

The IRPEF payable instead refers to the withholding taxes on employee and contractor income which the Company, as withholding agent, pays in January 2019.

The item "Other payables" includes amounts due for RAI fee amounting to 1,223 thousand euro (1,154 thousand euro as at 31 December 2017).

Payables for the "sewerage charge" also include the amounts due to the Municipal Authorities of Trento and Rovereto for a total of 2,670 thousand euro, whereas the payable to the other neighbouring Municipalities is 1,269 thousand euro.

Accounts payable to the parent company Dolomiti Energia Holding, in the amount of 1,607 thousand euro, are related to the amounts due to IRES tax for the year, equal to 967 thousand euro (2,759 thousand euro as at 31 December 2017), due to the adhesion to the national tax consolidation and to VAT transferred due to the adhesion to Group VAT, in the amount of 640 thousand euro (no accounts payable as at 31 December 2017).

9.17 FINANCIAL DERIVATIVES

Information required to evaluate the impact of financial derivatives on the Company's economic position and performance is supplied in this Note. In the following table, financial assets and liabilities are apportioned by category as at 31 December 2018 and 31 December 2017, as determined by the UE IFRS 9 standard, in other words:

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

(in thousands of Euro)	AS AT 31 DECEMBER 2018			
	Financial assets and liabilities measured at amortised cost	Financial assets and liabilities measured at FVOCI	Financial assets and liabilities measured at FVTPL	Total
CURRENT ASSETS				
Trade receivables	234,796	-	-	234,796
Current financial assets	1,051	-	-	1,051
Other current assets	10,416	-	-	10,416
Cash and cash equivalents	1,567	-	-	1,567
NON-CURRENT ASSETS		-	-	
Other non-current assets	37,282	-	-	37,282
CURRENT LIABILITIES		-	-	
Trade payables	163,613	-	-	163,613
Current financial liabilities	1,708	-	-	1,708
Other current liabilities	9,684	-	-	9,684
NON-CURRENT LIABILITIES		-	-	
Non-current financial liabilities	3,750	-	-	3,750
Other non-current liabilities	5,408	-	-	5,408

(in thousands of Euro)	AS AT 31 DECEMBER 2017			
	Financial assets and liabilities measured at amortised cost	Financial assets and liabilities measured at FVOCI	Financial assets and liabilities measured at FVTPL	Total
CURRENT ASSETS				
Trade receivables	242,138	-	-	242,138
Current financial assets	1,541	-	-	1,541
Other current assets	12,277	-	-	12,277
Cash and cash equivalents	1,278	-	-	1,278
NON-CURRENT ASSETS		-	-	
Other non-current assets	37,060	-	-	37,060
CURRENT LIABILITIES		-	-	
Trade payables	173,800	-	-	173,800
Current financial liabilities	534	-	-	534
Other current liabilities	12,329	-	-	12,329
NON-CURRENT LIABILITIES		-	-	
Non-current financial liabilities	-	-	-	-
Other non-current liabilities	5,897	-	-	5,897

Current and non-current financial liabilities include 5,000 thousand euro related to the bond loan (Note 9.14), with a negative fair value as at 31 December 2018 of 4,877 thousand euro. This value was determined by applying measurement techniques referring to non-observable market variables (Level 3 classification and fair value equal to the current value of future cash flows, as envisaged by the instrument being measured).

10. NOTES TO THE INCOME STATEMENT

10.1 Revenues

The changes in item "Revenues" for the financial years ended 31 December 2018 and 2017, are shown hereunder:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2018	2017
Electricity	601,536	680,910
Water resources	20,684	20,058
Gas	200,582	180,786
Heat	8,383	8,259
Waste services	24,201	24,339
Other revenue	8,422	7,536
TOTAL	**863,808**	**921,888**

The total decrease in revenues is mainly due to lower revenues from the sales of electricity (-11.7%), only partially offset, in absolute values, to higher revenues from gas (+10.9%). Both commodities benefited from a positive price effect in 2018, compared to the previous year, albeit the electricity market witnessed a drop in volumes sold, especially following the cancellation of supplies to public entities that are subjected to tenders.

Other revenue includes mainly contributions invoiced to the end users to cover the technical interventions carried out by the operators of the distribution network and for other services related to the main performance.

10.2 OTHER REVENUE AND INCOME

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

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2018	2017
Other revenue	14,064	2,592
Other income	25	28
DE Group revenues	153	127
Operating grants	231	477
TOTAL	**14,473**	**3,224**

The item "Other revenue" (14,064 thousand euro) includes non-recurring income amounting to 13,543 thousand euro (1,999 thousand euro in the previous year), mainly attributable to the gas commodity, in the amount of 8,982 thousand euro, and due to the application of recent resolutions issued by the competent Authorities, including those which regulate the refund modalities of sellers following the re-determination of k coefficient, instrumental to price determination of gas for the protection service (2,2 million euro). These revenues were partially offset by contingent liabilities related to raw materials and amounting to 5,451 thousand euro.

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

10.3 COSTS FOR RAW MATERIALS, CONSUMABLES AND MERCHANDISE

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

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2018	2017
Purchases of elect. raw materials	245,771	253,651
Purchases of gas raw materials	137,708	115,117
Purchases of fuels	59	69
Purchase of miscellaneous materials	2,253	1,609
Non-recurring income - purchases of raw materials	5,664	352
TOTAL	**391,455**	**370,798**

Changes in purchase costs of electricity and gas is consistent with the trend of the related revenues from sales and they are therefore affected by increasing prices and decreasing volumes acquired for the only electricity commodity.

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

Contingent liabilities include the aforesaid amounts related to the gas commodity and amounting to 5,451 thousand euro.

10.4 COSTS FOR SERVICES

The item "Costs for services" for the financial years ended 31 December 2018 and 2017, is broken down as follows:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2018	2017
External maintenance services	71	84
Insurance, banking and financial services	1,110	1,120
Other services	4,315	3,673
Commercial services	446,337	506,458
General services	475	491
Financial statements certification	60	46
Board of Statutory Auditors	42	48
Directors	161	158
Non-recurring income - services	1,432	2,567
Rental expense	449	450
Rental fees	185	211
Business unit rental	603	597
TOTAL	**455,240**	**515,903**

The overall decrease is mainly due to the commercial services item, which includes service agreements with Group companies and external companies (up by 596 thousand euro compared to 2017) as well as to electricity and gas transport costs, which decreased by 50,210 thousand euro compared to 2017, and dispatching costs, which decreased by 12,157 thousand euro. In general, the drop in this item is attributable primarily to the electricity commodity, which reflects an already recorded trend related to sales revenues and purchase costs of raw materials.

Costs related to insurance, banking and financial services, substantially in line with the previous year, include mainly charges related to fees on guarantees to the prompt execution of electricity and gas transport contracts and other charges for financial services, totalling 967 thousand, including 494 thousand, paid to the parent company Dolomiti Energia Holding S.p.A. This item also includes insurance expenses amounting to 143 thousand euro.

The increase in costs for other services mainly refers to higher costs borne for compensation to the sales network, amounting to 3,234 thousand euro in the year (2,383 thousand euro in 2017).

Rental expense refers to the cost of leasing properties or parts of them for office use and it includes the costs incurred in relation to the parent company Dolomiti Energia Holding Spa totalling 253 thousand euro. Rentals for corporate vehicles and office machines amount to 185 thousand euro, while an annual lease payment for business unit lease, relating to the marketing of electricity, was paid to the associated company SET Distribuzione (603 thousand euro).

10.5 PERSONNEL COSTS

The item "Personnel costs" for the financial years ended 31 December 2018 and 2017, is broken down as follows:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2018	2017
Wages and salaries	5,740	5,446
Social security costs	1,507	1,415
Employee termination benefits	352	354
Other costs	87	248
TOTAL	**7,686**	**7,463**

In October 2018, the Company reached an agreement with Trade Unions that envisages, as from 1 January 2019, the payment of one-off annual amount in replacement of electricity tariff benefits for former employees and spouses during their retirement effective as at 31 December 2018, and charges paid by Dolomiti Energia. This amendment to the Electricity Discount plan led to a reduction of the provision of 48 thousand euro and an allocation for the estimated one-off payment totalling 24 thousand euro. These figures were recorded as adjustment to the current costs for services and classified under item "Other costs". This item also includes costs for contributions in favour of company clubs and supplementary pension schemes (79 thousand euro), in addition to the cost for the use of temporary personnel (27 thousand euro), down by 152 thousand euro compared to 2017.

The Company has 169 employees as at 31 December 2018 (171 at end of the previous year), including 1 manager, 7 middle managers and 161 office workers.

10.6 AMORTISATION, DEPRECIATION, ALLOCATIONS AND WRITE-DOWNS

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

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2018	2017
Amortisation of intangible assets	199	53
Depreciation of property, plant and equipment	14	8
Allocations to provisions for risks	516	-
TOTAL	**729**	**61**

Amortisation and depreciation for the year increased compared to 2017 due to the completion of a development project, started in the previous year and executed through the carrying out of the analysis and verification of the main operating processes of the Company and of the corporate climate, followed by organisational revision and investment activities on the information systems available to the company. This project, being amortised since 2018, has been amortised for 148 thousand euro.

The item "Allocations to provisions for risks" entirely refers to the amount that the Company underwent to refund to end customers following the survey by ARERA with respect to the main market operators. This Authority objected the charging of costs for the sending of invoices to customers, despite the fact that Dolomiti Energia charged the amount of postal costs for the hard copy of invoices only to customers that subscribed the option to receive invoices by mail.

10.7 NET WRITE-UPS (WRITE-DOWNS) OF RECEIVABLES

The item "Net write-ups (write-downs) of receivables" for the financial years ended 31 December 2018 and 2017, is broken down as follows:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2018	2017
Write-down of receivables included in current assets	2,395	3,337
Credit losses	149	482
TOTAL	**2,544**	**3,819**

The allocation to the provision for write-downs of receivables amounted to 2,395 thousand euro, down compared to 2017 due to the less doubtful collectability cases, which had a heavy impact on previous years 2016 and 2017. Also regarding losses on receivables, a significant improvement is recorded (-69.1%).

10.8 OTHER OPERATING COSTS

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

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2018	2017
Miscellaneous costs	734	528
CTS/Social security fee	709	944
Characteristic non-recurring expenses	2,134	422
Postal charges	31	45
Other taxes	336	327
TOTAL	**3,944**	**2,266**

The total increase in the item for the year, compared to 2017, is due primarily to higher non-recurring expenses, equal to 2,134 thousand euro, which include revenue adjustments of previous years, related to the water cycle and amounting to 1,542 thousand euro. It should be noted that non-recurring income included in item "Other revenues and income" include revenue of the same type and amounting to 1,421 thousand euro.

10.9 FINANCIAL INCOME AND CHARGES

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

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
Financial income	2018	2017
Financial income from parent companies	62	39
Financial income from other companies	288	1,210
TOTAL OTHER FINANCIAL INCOME	350	1,249

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
Financial expenses	2018	2017
Financial expenses to parent companies	(140)	(9)
Financial expenses to other companies	(60)	(8)
Interest to be discounted	(18)	(21)
TOTAL OTHER FINANCIAL EXPENSES	(218)	(38)

Financial income is composed of interest income from the parent company Dolomiti Energia Holding SpA accrued on positive cash pooling balances of 62 thousand euro, the financial income from other companies include interest on arrears on commercial transactions of 278 thousand euro, down by 931 thousand euro compared to the previous year.

Interest and financial expenses are due primarily to financial expenses due to the parent company for the provision of 140 thousand euro, debited for the first time in 2018. Financial expenses to other companies include interest expense accrued on the newly issued bond loan, in the amount of 45 thousand euro.

10.10 TAXES

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

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2018	2017
Current taxes	4,299	6,028
Deferred taxes	73	(32)
Prepaid taxes	149	1,069
Previous years' taxes	-	(26)
TOTAL	4,521	7,039

Current taxes, assessed on the basis of a realistic forecast of taxable income pertaining to the year, refer to IRES (3,762 thousand euro) and IRAP (537 thousand euro).

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

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

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER			
	2018	**%**	**2017**	**%**
PROFIT BEFORE TAX	**16,814**		**26,012**	
Theoretical IRES tax	4,035	24.00%	6,243	24.00%
Permanent differences	483		363	
Temporary differences	(814)		(3,766)	
ACE (aid for economic growth)	(809)		(775)	
IRES taxable amount	15,674		21,834	
EFFECTIVE IRES	**3,762**	**22.37%**	**5,240**	**20.14%**
OPERATING RESULT	**16,683**		**24,802**	
Costs that are irrelevant for IRAP tax purposes	10,597		10,266	
TOTAL	**27,280**		**35,068**	
Theoretical IRAP tax	769	2.82%	977	2.79%
Permanent differences	(7,760)		(6,515)	
Temporary differences	(433)		(283)	
IRAP taxable amount	19,087		28,270	
EFFECTIVE IRAP	**537**	**1.97%**	**788**	**2.25%**
CURRENT TAXES FOR THE YEAR	**4,299**		**6,028**	

11. Related party transactions

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

As regards the financial years ended 31 December 2018 and 2017, the main transactions with related parties involved the following:

(in thousands of Euro) — FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

	2018				2017			
	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	LOANS PAYABLE	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	LOANS PAYABLE
Dolomiti Energia Holding	201	1,107	740	1,767	197	1,623	693	2,939
DTC	24	–	–	–	26	–	–	–
Dolomiti Energia Solutions	527	–	235	–	132	–	–	–
Set Distribuzione	29,210	–	23,882	–	29,209	–	28,292	–
Novareti	11,920	–	12,341	–	8,680	–	13,021	–
Hydro Dolomiti Energia	2,857	–	–	–	2,550	–	–	–
Dolomiti Energia Trading	1,420	–	60,481	–	7,262	–	53,626	–
Dolomiti GNL	1	–	21	–	1	–	14	–
Dolomiti Ambiente	560	–	9,927	–	577	–	10,117	–

(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		
Dolomiti Energia Holding	352	34	–	–	3,150	253	62	634	296	235		–	3,474	250	39	9
DTC	3	–	–	–	–	–	–	–	3	–		–	–	–	–	–
Dolomiti Energia Solution	1,159	11	–	141	–	–	–	–	363	33		–	–	–	–	–
Set Distribuzione	190	8	–	–	124,915	603	–	–	200	–		–	141,558	597	–	–
Novareti	7,888	71	1,253	1,414	50,068	445	–	–	4,173	12		9,858	47,279	–	–	–
Hydro Dolomiti Energia	1,435	–	–	–	–	–	–	–	12,731	–		–	–	–	–	–
Dolomiti Energia Trading	2,844	4,101	–	356,262	40	–	–	–	13,897	2,945		320,423	57	–	–	–
Dolomiti GNL	–	2	3	60	–		–	–	–	–		13	–	–	–	–
Dolomiti Ambiente	119	1,063	77	–	23,194	22	–	–	95	1,072		–	23,354	–	–	–

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

12. Guarantees and commitments

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

SURETIES AND COLLATERAL

The Company has no collateral in place that was not recognised in the financial statements. However, bank/insurance guarantees amounting to 73,785 thousand euro were issued in the interest of Dolomiti Energia and in favour of third parties (84,886 thousand euro as at 31 December 2017); the parent company Dolomiti Energia Holding assumed financial commitments in third parties' favour and in the interest of the Company totalling 89,650 thousand euro (100,825 thousand euro as at 31 December 2017), part of these to guarantee the release of the bank guarantees.

COMMITMENTS

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

CONTINGENT LIABILITIES

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

13. Remuneration to Directors and Auditors

The item "Remuneration to Directors and Auditors" for the financial years ended 31 December 2018 and 2017, is broken down as follows:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2018	2017
Directors	146	152
Board of Statutory Auditors	41	46

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

14. Independent Auditors' Report

The following table shows the considerations received by the auditing company PricewaterhouseCoopers S.p.A. for the audit services of the financial statements for the years ended 31 December 2018 and 31 December 2017:

(in thousands of Euro)	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER	
	2018	2017
Audit	41	36
Other verification services	15	15
Tax advisory services	-	-
Other non-audit services	7	-

15. Off-balance sheet agreements

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

16. Management and coordination activities

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

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

Balance sheet

(figures in Euro)

Assets	31.12.2017	Liabilities	31.12.2017
NON-CURRENT ASSETS		**SHAREHOLDERS' EQUITY**	
Other intangible assets	12,190,720	Share capital	411,496,169
Property, plant and equipment	46,654,736	Reserves	63,098,907
Equity investments	777,076,826	Profit or loss for the year	51,507,553
Non-current financial assets	8,694,000	**TOTAL SHAREHOLDERS' EQUITY**	**526,102,629**
Deferred tax assets	5,043,682	**LIABILITIES**	
Other non-current assets	76,236	**NON-CURRENT LIABILITIES**	
TOTAL NON-CURRENT ASSETS	**849,736,200**	Provisions for non-current risks and charges	1,495,053
CURRENT ASSETS		Employee benefits	4,128,532
Trade receivables	10,591,443	Deferred tax liabilities	217,673
Inventories	234,080	Non-current financial liabilities	144,120,109
Cash and cash equivalents	913,582	Other non-current liabilities	1,874,754
Income tax receivables	9,648,336	**TOTAL NON-CURRENT LIABILITIES**	**151,836,121**
Current financial assets	87,333,610	**CURRENT LIABILITIES**	
Other current assets	22,840,336	Trade payables	9,286,679
TOTAL CURRENT ASSETS	**131,561,387**	Current financial liabilities	279,855,645
		Other current liabilities	14,216,513
		TOTAL CURRENT LIABILITIES	303,358,837
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	-	**LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS**	-
TOTAL ASSETS	**981,297,587**	**TOT. SHAREHOLDERS' EQUITY AND LIABILITIES**	**981,297,587**

Reclassified income statement

(figures in Euro)

	Financial year 2017
Revenue and other income	37,823,915
Costs	(41,047,547)
Income and expenses from equity investments	54,099,824
Operating result	**50,876,192**
FINANCIAL INCOME AND CHARGES	663,748
Profit before tax	**51,539,940**
Taxes	(32,387)
Net profit (loss) for the year (A) from continuing operations	**51,507,553**
Discontinuing operations	-
Net profit or loss for the year (B) from discontinuing operation	**-**
PROFIT OR LOSS FOR THE YEAR	**51,507,553**
Components of comprehensive income statement that will not subsequently be reclassified in the income statement	(226,878)
Components of comprehensive income statement that will not subsequently be reclassified in the income statement	(346,134)
TOTAL COMPREHENSIVE PROFIT OR LOSS OF THE YEAR	**50,934,541**

The key data of the parent company Dolomiti Energia Holding SpA shown in the summary table were extracted from the relevant financial statements for the year ended as at 31 December 2017. For an adequate and complete understanding of Dolomiti Energia Holding SpA's equity and financial position as at 31 December 2017, as well as the economic result achieved by the Company in the year ended as at said date, please read the financial statements which, accompanied by the independent auditors' report, are available in accordance with the forms and methods set forth by law.

17. Name and registered office of the company that drafts the consolidated financial statements

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

18. Significant events occurred after year-end

With reference to the information required by Art. 2427, point 22-quarter of the Italian Civil Code, it should be noted that as from 1 January 2019, the Company resolved on a capital increase against payment for nominal 6,718 euro, through the issue of 6,718 nominal ordinary shares, with a nominal value of 1.00 euro each and a total share premium of 56,282.00 euro, entirely subscribed and released through the transfer by the Municipality of Molveno of the ownership of the BU related to the sale of electricity in the Municipality of Molveno itself.

19. Revenue or cost items of exceptional size or incidence

Pursuant to Art. 2427, point 13 of the Italian Civil Code, it should be noted that no revenue or cost items of exceptional size or incidence were registered.

20. Transparency in the system of public grants

Pursuant to Article 1, par. 125 seq. of Law 124/2017 (so-called annual Law for the market and competition), the following information is given on grants, contributions, paid tasks, not envisaged by contracts, and in any case benefits of any type whatsoever, over 10 thousand euro, received by Public Entities and their subsidiaries and investees, including companies that issue shares listed on regulated markets:

(in thousands of Euro)

Granting subject	Type of grant	Amount collected
Italian Revenue Agency	Flat-rate contribution of 2016 RAI fee	234
Italian Revenue Agency	Flat-rate contribution of 2017 RAI fee	233

Pursuant to the opinion expressed by Assonime with circular letter no. 5 of 22 February 2019, as well as by CNDCEC, with document issued in this month of March, no paid tasks are reported in relation to services rendered for the core business of the company, in the presence of work relations that are duly governed by contracts entered at arm's length. No reports are provided also when facilitating measures, like tax concessions, are envisaged for companies in general.

21. Proposed allocation of profits or loss coverage

With reference to the information required by Art. 2427, point 22-septies of the Italian Civil Code, a proposal is made to the Shareholders' General Meeting to resolve on the distribution of a total dividend of 13,130,000 euro, corresponding to 0.65 euro each share, of which 12,293,483 euro equal to the profit for the year and 836,517 euro taken from the extraordinary reserve.

22. First-time application of IFRS standards

This Note reports information required by IFRS 1 and especially the description of the impact that the transition to the EU IFRS standards had on the Company's equity and financial position and economic result. To this end, the following was prepared:

- the reconciliation statement between the Company's statements of financial position as at 1 January 2017 and 31 December 2017, prepared according to the Italian accounting standards ("**Italian Accounting Standards**") and the statements of financial position drafted based on the EU IFRS Standards;
- the reconciliation statement between the comprehensive income statement for the year ended 31 December 2017, prepared according to the Italian Accounting Standards and the one drafted based on the EU IFRS Standards;
- the reconciliation statement of the Shareholders' Equity as at 1 January 2017 and 31 December 2017, determined based on the Italian Accounting Standards and the Shareholders' Equity determined based on the EU IFRS Standards;
- the reconciliation statement of the comprehensive profit or loss of the year ended 31 December 2017, determined based on the Italian Accounting Standards and the same result determined based on the EU IFRS Standards;
- the Explanatory Notes related to adjustments and reclassifications included in the aforesaid reconciliation statements, which describe the significant effects of the transition to the EU IFRS standards, both regarding the classification of the various balance-sheet items and their different measurement and, therefore, the consequent impact on the Company's equity and financial position and economic result.

The Company's statement of financial position at the Transition Date to the EU IFRS Standards was drafted based on the following criteria:

- all assets and liabilities that should be disclosed based on the EU IFRS Standards were recognised;
- all assets and liabilities that should not be disclosed based on the EU IFRS Standards were not recognised;
- the EU IFRS Standards were applied while measuring all assets and liabilities recognised.

The International Accounting Criteria envisage a retrospective application of all standards in force at the date of the first financial statements prepared based on the EU IFRS Standards. The IFRS 1 standard envisages that, for companies adopting the EU IFRS Standards for the first time, some mandatory and optional exemptions be provided for this retrospective adoption. The applicable exemptions are described hereunder.

VOLUNTARY EXEMPTIONS TO THE FULL RETROSPECTIVE ADOPTION OF THE EU IFRS STANDARDS

The Company has not applied retrospectively provisions set out by IFRS 3, with reference to business combinations made before the Transition Date. Therefore, no modifications were provided to accounting modalities of business combination transactions occurred before 1 January 2017.

Other voluntary exemptions envisaged by IFRS 1 had not been applied as they related to cases that were not applicable to the Company.

MANDATORY EXEMPTIONS TO THE FULL RETROSPECTIVE ADOPTION OF THE EU IFRS STANDARDS

The first mandatory exemption, which is applicable to the Company, concerns the evaluation estimates used to process information at the Transition Date, which are consistent with those used in preparing the related financial statements based on previous accounting standards (after the necessary adjustments to reflect any possible differences in the accounting standards).

The other mandatory exemptions envisaged by IFRS 1 had not been applied as they related to cases that were not applicable to the Company.

ACCOUNTING TREATMENTS SELECTED WITHIN THE OPTIONS ENVISAGED BY IFRS STANDARDS

The accounting treatments selected within the options envisaged by IFRS Standards are as follows:

- measurement of assets and liabilities at book values recorded in the consolidated financial statements of the parent company "Dolomiti Energia Holding S.p.A." at the transition date to IFRS by this parent company;
- measurement of intangible assets and property, plant and equipment: after their initial recognition at cost, IAS 16 and IAS 38 envisage that these assets can be measured either at cost, net of amortisation/depreciation or at fair value. The Company elected to adopt the cost approach.

STATEMENT OF FINANCIAL POSITION AS AT 1 JANUARY 2017

Annex 1 reports the reconciliation between the Company's statement of financial position as at 1 January 2017, prepared according to the Italian Accounting Standards and restated based on the criteria chosen by the Company for the drafting of financial statements based on the EU IFRS standards, and the statement of financial position prepared according to EU IFRS.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

Annex 2 reports the reconciliation between the Company's statement of financial position as at 31 December 2017, prepared according to the Italian Accounting Standards and restated based on the classification criteria chosen by the Company for the drafting of financial statements based on the EU IFRS standards, and the statement of financial position prepared according to EU IFRS.

COMPREHENSIVE INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Annex 3 reports the reconciliation between the Company's comprehensive income statement for the year ended 31 December 2017, prepared according to the Italian Accounting Standards and restated based on the classification criteria chosen by the Company for the drafting of financial statements based on the EU IFRS standards, and the comprehensive income statement prepared according to EU IFRS.

SHAREHOLDERS' EQUITY AS AT 1 JANUARY 2017 AND 31 DECEMBER 2017 AND NET COMPREHENSIVE PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2017

Below the reconciliation is shown between Company Shareholders' Equity as at 01 January 2017 and 31 December 2017, and the net comprehensive profit or loss for the year ended 31 December 2017, drawn up in compliance with the Italian Accounting Standards and the corresponding values disclosed based on EU IFRS Standards.

(in thousands of Euro)

	Note	Shareholder's Equity 01 January 2017	Net profit or loss as at 31 December 2017	Other components of the comprehensive income statement	Other changes (*)	Shareholders' Equity as at 31 December 2017
FINANCIAL STATEMENTS OF DOLOMITI ENERGIA SPA- ITALIAN ACCOUNTING STANDARDS		**103,201**	**18,570**	**-**	**(16,160)**	**105,611**
IAS 38 - Goodwill	A	831	416	-	-	1,247
IAS 19 - Employee benefits	B	(249)	(13)	(23)	-	(285)
FINANCIAL STATEMENTS OF DOLOMITI ENERGIA SPA - EU IFRS		**103,783**	**18,973**	**(23)**	**(16,160)**	**106,573**

NOTES TO THE RECONCILIATION STATEMENT OF SHAREHOLDERS' EQUITY AS AT 1 JANUARY 2017 AND 31 DECEMBER 2017 AND NET COMPREHENSIVE PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2017

Below the description is reported of adjustments to the Shareholders' Equity as at 1 January 2017 and 31 December 2017 and the net comprehensive profit or loss for the year ended 31 December 2017, for the purposes of the adoption of EU IFRS Standards.

It is noted that for each of the eight adjustments described hereunder, the related tax effect was recognised, wherever applicable.

A) Goodwill (IAS 38)

In accordance with provisions set forth by IAS 38, goodwill is not amortised but shall be tested for impairment at least on an annual basis. Therefore, as from the Transition Date, amortisations of goodwill recorded in the income statement were eliminated. Moreover, goodwill was measured at book value recorded in the consolidated financial statements of the parent company "Dolomiti Energia Holding S.p.A." at the transition date to IFRS standards by said parent company.

B) Employee benefits (IAS 19)

In accordance with Italian Accounting Standards, post-employment benefits were recognised on an accrual basis during the employment period of employees, pursuant to regulations in force and applicable work contracts.

Based on provisions set out by IAS 19, post-employment benefits are divided in "defined contribution plans" and "defined benefit plans".

The Employee Severance Indemnity (hereinafter "TFR") is similar to a defined benefit plan until 31 December 2006, to be valued based on statistical and demographic assumptions, as well as actuarial measurement methodologies. Following the amendments made by the Italian legislation, the Employee Severance Indemnity accrued as from 1 January 2007 was considered as equivalent to a definite contribution plan, when all condition precedent exists, as envisaged by the amendments occurred.

In addition to the Employee Severance Indemnity, the Company grants other benefits, including age- and pension-related additional months of salary, loyalty bonuses after a certain number of years of employment, discounts on the electricity used for household purposes for a limited number of former employees during their retirement period.

For these benefits as well, liabilities are measured based on statistical and demographic assumptions, as well as actuarial measurement methods.

At the Transition Date, the value of the aforesaid provisions was redetermined, as well as the cost related to each single financial year. In particular, actuarial profit and losses were recorded in other components of the comprehensive income statement, service cost was recorded under item “Personnel costs” and interest cost was recorded under “Financial expenses”.

Detail of the main reclassifications made to the statement of financial position as at 1 January 2017 and 31 December 2017, as well as to the comprehensive income statement for the year 2017

Annexes

Val di Fassa – Passo delle Selle – Rifugio Passo le Selle
Ph: Tommaso Forin

ANNEX 1:

Reconciliation between the Company's equity and financial position as at 1 January 2017, prepared according to the Italian Accounting Standards and restated based on the criteria chosen by the Company for the drafting of financial statements based on the EU IFRS standards, and the equity and financial position prepared according to EU IFRS.

(in thousands of Euro)	Statement of financial position as at 1 January 2017, drafted based on the Italian Accounting Standards and disclosed according to the EU IFRS scheme
ASSETS	
NON-CURRENT ASSETS	
Goodwill	1,647
Intangible assets	149
Property, plant and equipment	44
Equity investments	3
Deferred tax assets	4,581
Other non-current assets	37,011
TOTAL NON-CURRENT ASSETS	**43,435**
CURRENT ASSETS	
Trade receivables	270,266
Current tax assets	1,016
Current financial assets	14
Other current assets	16,939
Cash and cash equivalents	804
TOTAL CURRENT ASSETS	**289,039**
TOTAL ASSETS	**332,474**
SHAREHOLDERS' EQUITY	
Share capital	20,200
Reserves	83,001
OCI reserve	-
Profit or loss for the year	-
TOTAL SHAREHOLDERS' EQUITY	**103,201**
LIABILITIES	
NON-CURRENT LIABILITIES	
Provisions for non-current risks and charges	347
Employee benefits	900
Deferred tax liabilities	201
Other non-current liabilities	6,769
TOTAL NON-CURRENT LIABILITIES	**8,217**
CURRENT LIABILITIES	
Provisions for current risks and charges	500
Trade payables	183,241
Current financial liabilities	20,527
Current tax liabilities	412
Other current liabilities	16,376
TOTAL CURRENT LIABILITIES	**221,056**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**332,474**

EU IFRS adjustments		Statement of financial position as at 1 January 2017 prepared based on the EU IFRS Standards
GOODWILL	EMPLOYEE SEVERANCE INDEMNITY AND OTHER BENEFITS	
1,069	–	2,716
–	–	149
–	–	44
–	–	3
(238)	91	4,434
–	–	37,011
831	**91**	**44,357**
–	–	270,266
–	–	1,016
–	–	14
–	–	16,939
–	–	804
–	**–**	**289,039**
831	**91**	**333,396**
–	–	20,200
831	(249)	83,583
–	–	–
–	–	–
831	**(249)**	**103,783**
–	–	347
–	340	1,240
–	–	201
–	–	6,769
–	**340**	**8,557**
–	–	500
–	–	183,241
–	–	20,527
–	–	412
–	–	16,376
–	**–**	**221,056**
831	**91**	**333,396**

ANNEX 2:

Reconciliation between the Company's equity and financial position as at 31 December 2017, prepared according to the Italian Accounting Standards and restated based on the criteria chosen by the Company for the drafting of financial statements based on the EU IFRS standards, and the equity and financial position prepared according to EU IFRS.

(in thousands of Euro)	**Statement of financial position as at 31 December 2017, drafted based on the Italian Accounting Standards and disclosed according to the EU IFRS scheme**
ASSETS	
NON-CURRENT ASSETS	
Goodwill	1,112
Intangible assets	547
Property, plant and equipment	68
Equity investments	3
Deferred tax assets	3,607
Other non-current assets	37,059
TOTAL NON-CURRENT ASSETS	**42,396**
CURRENT ASSETS	
Trade receivables	242,138
Current tax assets	584
Current financial assets	1,541
Other current assets	12,276
Cash and cash equivalents	1,278
TOTAL CURRENT ASSETS	**257,817**
TOTAL ASSETS	**300,213**
SHAREHOLDERS' EQUITY	
Share capital	20,200
Reserves	66,841
OCI reserve	-
Profit or loss for the year	18,570
TOTAL SHAREHOLDERS' EQUITY	**105,611**
LIABILITIES	
NON-CURRENT LIABILITIES	
Provisions for non-current risks and charges	560
Employee benefits	878
Deferred tax liabilities	151
Other non-current liabilities	5,897
TOTAL NON-CURRENT LIABILITIES	**7,486**
CURRENT LIABILITIES	
Provisions for current risks and charges	454
Trade payables	173,800
Current financial liabilities	534
Other current liabilities	12,328
TOTAL CURRENT LIABILITIES	**187,116**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**300,213**

EU IFRS adjustments		Statement of financial position as at 31 December 2017 prepared based on the EU IFRS Standards
GOODWILL	EMPLOYEE SEVERANCE INDEMNITY AND OTHER BENEFITS	
1,604	–	2,716
–	–	547
–	–	68
–	–	3
(338)	104	3,373
–	–	37,059
1,266	**104**	**43,766**
–	–	242,138
–	–	584
–	–	1,541
–	–	12,276
–	–	1,278
–	**–**	**257,817**
1,266	**104**	**301,583**
–	–	20,200
831	(249)	67,423
–	(23)	(23)
416	(13)	18,973
1,247	**(285)**	**106,573**
–	–	560
–	389	1,267
19	–	170
–	–	5,897
19	**389**	**7,894**
–	–	454
–	–	173,800
–	–	534
–	–	12,328
–	**–**	**187,116**
1,266	**104**	**301,583**

ANNEX 3:

Reconciliation between the Company's comprehensive income statement for the year ended 31 December 2017, prepared according to the Italian Accounting Standards and restated based on the classification criteria chosen by the Company for the financial statements based on the EU IFRS standards, and the comprehensive income statement prepared according to EU IFRS standards.

(in thousands of Euro)	Comprehensive income statement as at 31 December 2017, drafted based on the Italian Accounting Standards and disclosed according to the EU IFRS scheme
Revenues	921,888
Other revenue and income	3,223
TOTAL REVENUE AND OTHER INCOME	**925,111**
Costs for raw materials, consumables and merchandise	(370,798)
Costs for services	(515,903)
Personnel costs	(7,467)
Amortisation, depreciation, allocations and write-downs	(596)
Net write-ups (write-downs) of receivables	(3,819)
Other operating costs	(2,265)
TOTAL COSTS	**(900,848)**
OPERATING RESULT	**24,263**
Financial income	1,248
Financial expenses	(17)
PROFIT BEFORE TAX	**25,494**
Taxes	(6,924)
PROFIT (LOSS) FOR THE YEAR (A)	**18,570**
COMPONENTS OF COMPREHENSIVE INCOME STATEMENT THAT WILL NOT SUBSEQUENTLY BE RECLASSIFIED IN THE INCOME STATEMENT	
Actuarial gains/(losses) for employee benefits	-
Tax effect on actuarial gains/(losses) for employee benefits	-
Other components	-
TOTAL COMPONENTS OF COMPREHENSIVE INCOME STATEMENT THAT WILL NOT SUBSEQUENTLY BE RECLASSIFIED IN THE INCOME STATEMENT (B1)	**-**
COMPONENTS OF COMPREHENSIVE INCOME STATEMENT THAT WILL NOT SUBSEQUENTLY BE RECLASSIFIED IN THE INCOME STATEMENT	
Profit / (loss) on cash flow hedge instruments	-
Tax effect on changes in fair value of cash flow hedge derivatives	-
Other components	-
TOTAL COMPONENTS OF COMPREHENSIVE INCOME STATEMENT THAT WILL NOT SUBSEQUENTLY BE RECLASSIFIED IN THE INCOME STATEMENT (B2)	**-**
TOTAL OTHER PROFIT/(LOSS), NET OF THE TAX EFFECT (B)= (B1)+(B2)	**-**
TOTAL COMPREHENSIVE PROFIT OR LOSS OF THE YEAR (A)+(B)	**18,570**

EU IFRS adjustments		Comprehensive income statement as at 31 December 2017, drafted according to the EU IFRS standards
GOODWILL	EMPLOYEE SEVERANCE INDEMNITY AND OTHER BENEFITS	
–	–	921,888
–	–	3,223
–	**–**	**925,111**
–	–	(370,798)
–	–	(515,903)
–	4	(7,463)
535	–	(61)
–	–	(3,819)
–	–	(2,265)
535	**4**	**(900,309)**
535	**4**	**24,802**
–	–	1,248
–	(21)	(38)
535	**(17)**	**26,012**
(119)	4	(7,039)
416	**(13)**	**18,973**
–	(31)	(31)
–	8	8
–	–	–
–	**(23)**	**(23)**
–	–	–
–	–	–
–	–	–
–	**–**	**–**
–	**(23)**	**(23)**
416	**(36)**	**18,950**

Trento, 28 March 2019

The Chairman of the Board of Directors
Rudi Oss

Certification of the financial statements

1. The undersigned, Rudi Oss and Michele Pedrini of Dolomiti Energia SpA, hereby certify, in consideration of the provisions of governing regulations:

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

2. In this regard, no particular significant aspects emerged with respect to the effective application of the procedures as well as any reference to the body of general standards used in the preparation of the certification.

3. It is also certified that:

3.1 the separate financial statements:

a) have been prepared in compliance with applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council, of 19 July 2002;
b) correspond to the results set forth in the accounting registers and entries;
c) are suitable to provide a true and fair view of the capital, income and cash flows of the issuer.

3.2 The report on operations includes a reliable analysis of operating trends and results, as well as the situation of the issuer, along with a description of the main risks and uncertainties to which they are exposed.

Trento, 28 march 2019

Chairman
Rudi Oss

Head of Administration
Michele Pedrini

Reports

Madonna di Campiglio - Val Rendena - Dolomiti di Brenta
Photo Carlo Baroni

Board of Statutory Auditors' Report to the Shareholders' Meeting

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

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

Dear Shareholders,

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

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

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

Supervisory activities under Article 2403 et seq. of theItalian Civil Code

During the year ending 31 December 2018, our activities were governed by legal provisions and by the Code of Conduct of the Board of Statutory Auditors recommended by the Italian Accounting Profession, and consisted of the activities reported hereunder.

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

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

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

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

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

We acquired knowledge and monitored, for matters under our competence, the adequacy of the company's organisational structure and internal control system, also through information obtained from company department managers, from the entity tasked with the independent audit and the supervisory authority established as part of the organisational model set forth in Italian Legislative Decree no. 231/2001, of which the Chairman of the Board of Statutory Auditors is also a member. Following the work performed, also taking account of the dimensions and degree of complexity of the company, we have no particular observations to make except to stress that, to mitigate regulatory risk yet further, consideration should be given to enhancing internal safeguards for monitoring, analysing and coordinating compliance with reference to specific sector regulations.

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

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

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

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

With regard to opinions and considered proposals issued in accordance with the law by the Board of Statutory Auditors in 2018, we point out the following:

- on 9 April 2018, as a consequence of the assumption of the qualification as Public Interest Entity by the Company, we prepared the considered proposal of the Board of Statutory Auditors to the Shareholders' Meeting with regard to the integration of the proposal for audit activities for the years 2018-2025;
- on 12 July 2018 we issued to the Board of Directors the opinion prescribed by Article 2389, Paragraph 3, of the Italian Civil Code on the remuneration of directors holding specific offices;
- on 13 December 2018 we issued to the Shareholders' Meeting the opinion of the Board of Statutory Auditors prescribed by Article 2441, Paragraph 6, of the Italian Civil Code on the fairness of the issue price of the new shares subscribed with transfer in kind by the Municipality of Molveno.

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

Observations on the financial statements

We examined the financial statements for the year ended as at 31 December 2018, which reported a shareholders' equity of 105,764,781 euro, including profit for the year of 12,293,483 euro.

As indicated in the report on operations and in the explanatory notes, we point out that the financial statements referred to the year ended 31 December 2018, by effect of the assumption of the qualification as Public Interest Entity by Dolomiti Energia S.p.A., were prepared in accordance with the IAS/IFRS international accounting standards endorsed by the European Union.
In the explanatory notes to the financial statements, to which we refer, the Company reported the information required by IFRS 1 concerning the impacts which the transition to IAS/IFRS accounting standards has determined on the financial and economic situation of the Company.
By effect of the transition to international accounting standards, the authorisation of the Board of Statutory Auditors to recording goodwill (3,489,772 euro at 31 December 2018) under balance sheet assets is no longer required, and goodwill is no longer subject to amortisation but it must be subjected to an impairment test at least annually. Equally, the Board's authorisation is no longer required for the recognition of development costs, which at 31 December 2018 are recognised among intangible assets in the amount of 592 thousand euro.

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

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

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

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

Observations and proposals pertaining to the approval of the financial statements

In consideration of the above, as well as the results of activities performed by the independent auditor, contained in a specific report to accompany the financial statement, the Board of Statutory Auditors unanimously expresses its favourable opinion to the Shareholders' Meeting regarding approval of the financial statements as at 31 December 2018, as prepared by the Directors, and of the proposed allocation of profit for the year.

Trento, 11 April 2019

THE BOARD OF STATUTORY AUDITORS

Chairman
Stefano Tomazzoni

Statutory auditor
Andrea Mora

Statutory Auditor
Anna Postal

Independent auditor's report

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

To the shareholders of Dolomiti Energia SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dolomiti Energia SpA (the Company), which comprise the statement of financial position as of 31 December 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.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Accuracy of revenue from the sale of electricity and gas	
Note 2.3 "Measurement criteria" item "Revenue recognition" of the notes to the financial statements at 31 December 2018.	
Revenue of Dolomiti Energia SpA for the year ended 31 December 2018 included revenue from the sale of electricity and gas in a total amount of Euro 802,118 thousand. The value of these revenues is calculated on the basis of the contract conditions set down with end customers and according to the specific tariff and regulatory provisions established by the Italian Regulatory Authority for Energy, Networks and Environment (*Autorità di Regolazione per l'Energia Reti e Ambiente - ARERA*).	We analysed, obtained an understanding and assessed the Company's internal control system related to the recognition of revenue from the sale of electricity and gas, also through the support of our PwC network IT and system assurance process experts. We identified and validated the operation and efficacy of relevant controls by performing compliance testing on the relevant controls put in place by the Company.
The recognition of revenue from the sale of electricity and gas is considered as a key audit matter given the complexity of the billing system marked by a high number of end customers and a high volume of data to be processed, with a combination of diversified tariffs and price components.	Furthermore, for a sample of bills to end customers, we carried out validity procedures in order to ascertain consumption data included in these bills, the correct application of the contract conditions with customers and the collection of the amounts billed.

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

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

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

Report on Compliance with other Laws and Regulations

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

Management of Dolomiti Energia SpA is responsible for preparing a report on operations of Dolomiti Energia 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 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 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.

Exemption from the preparation of the non-financial statement

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

Verona, 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.

Special thanks to Trentino Marketing for the photographs.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