



2022



FINANCIAL
STATEMENTS

**FINANCIAL STATEMENTS
2022**

DOLOMITI ENERGIA HOLDING SPA

Fully paid-up Share Capital 411,496,169 euro

Via Manzoni 24 – Rovereto

Trento Register of Companies No. – Taxpayer ID And VAT No. 01614640223

www.gruppodolomitienergia.it

FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022

BOARD OF DIRECTORS

Chairperson

Arlanch Silvia

Deputy Chairman

Franceschi Giorgio

Chief Executive Officer

Merler Marco

Directors

Fedrizzi Massimo

Decarli Paolo

Tomasi Chiara

Salvetti Daniela

Seraglio Forti Manuela

Canteri Simone

Stenico Eleonora

Rossi Giorgio

D'Alonzo Fabio

BOARD OF STATUTORY AUDITORS

Chairman

Iori Michele

Statutory Auditors

Bonomi William

Dalbosco Maura

INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

Board of Directors and Board of Statutory Auditors appointed on 30 April 2021. The Chairperson Silvia Arlanch and the Director Manuela Seraglio Forti were appointed by the Shareholders' Meeting of 21 November 2022

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LETTER TO THE SHAREHOLDERS



Dear Shareholders,

I have been Chairperson of the Dolomiti Energia Group for just a few months, receiving your trust in me at the end of November after the Group suffered the trauma and pain caused by the untimely and sudden death of Massimo de Alessandri, to whom we send our thoughts, a warm embrace and heartfelt memories of a capable and pragmatic professional.

In these few months, my commitment has focused on enhancing the enormous development potential of the Dolomiti Energia Group, albeit in a difficult market context, setting a path of long-term value creation that aims to define, with management, the Strategic Plan for the next 5 years.

The profound changes seen in the energy markets, in addition to the speed of their arrival, require us to look at the future in a different way, adapting our strategies to the changed context and focusing on increasing flexibility and reactivity by making the Group structure capable of withstanding changes in the social and environmental context and market shocks.

The Dolomiti Energia Group is experiencing a particularly important moment of evolution: the complicated energy market situation has had a decisive impact on the Group's business model, the issue of the expiry of hydroelectric concessions for large plants and small hydroelectric plants, in addition to the tenders for concessions relating to natural gas distribution (the deadline for which has still not been defined) and the tenders for concessions relating to electricity distribution in 2030, the persisting strong instability of the final market of reference, the need for diversification of energy production sources, climate change that is forcing a need for us to turn to different markets and the focus on sustainability represent important challenges for the next five years if we are to achieve the 2030 targets.

In this context we have the finalisation of the Business Plan in the coming weeks, the new investments in wind and photovoltaic, the completion of the PPP of Vallagarina for waste collection, the construction of the new hydrogen production plant in Rovereto, financed entirely with the NRRP, the energy efficiency of the two main offices in Rovereto and Trento, the construction of the new headquarters in Trento Sud for Novareti and Set Distribuzione. A distinctive element of our actions will be the orientation towards enhancement of the well-being of Customers, Employees and the Community through the growth of human capital to help attract new skills and at the same time enhance the skills we already have in-house.

THE CONTEXT

2022 was characterised by the outbreak of the Russia-Ukraine conflict and the consequent crisis in the natural gas market that arose in Europe and Italy. It was the year of insane prices for electricity and gas trading, sudden increases and the absolute lack of predictability of energy commodity trends. The enormous volatility of the markets led to an unprecedented price level, totally off the charts not only compared to historical trends but also essentially double the very high prices recorded in the last quarter of 2021. In particular, gas on the spot markets (TTF) exceeded the average monthly price by over 230 €/MWh in August (compared to a maximum of just over 30 recorded in the years 2005-2020 and a value of 110 €/MWh reached in December 2021), while the PUN reached an average value of 534 €/MWh, almost double the

281 €/MWh of December 2021 and five times the peak of 99 €/MWh previously seen in October 2008. Then from September, a downward price trend began and still continues, driven not only by the measures put in place by national and European authorities (gas price cap, diversification of procurement sources, etc.) but also by a sharp downturn in consumption, which contributed to a major shift in the supply and demand balance. This market scenario forced the Legislator, on the other hand, to intervene with a series of regulatory measures that had an equally heavy impact on the Group's results, as will be discussed below.

2022 was also characterised by a long drought that affected all Italian Alpine regions and which led to the Group recording its lowest production level ever in the history of the managed plants, with hydroelectric production of 2.3 billion kWh, a significant decrease from 3.9 billion kWh in 2021.

ECONOMIC AND FINANCIAL RESULTS

Despite the extraordinary factors represented by the storm that hit the energy markets, the low hydroelectric production and the strong impact of tax regulations that brought the Group's tax rate to 77.7%, 2022 closed with positive consolidated economic and financial results, down compared to 2021 but higher than expected, in particular as regards net profit, equal to 8.7 million euro, heavily impacted by the new tax rules. This result was also due to a decline in commercial performance, not fully offset by the hydroelectric production division due to both the dramatic reduction in output mentioned previously and the regulatory measures issued.

The year just ended recorded strong growth in consolidated revenues (+54.1%) due to prices and a consolidated EBITDA of 196.5 million euro, down by 5% compared to the 2021 results. The net financial position of the Group, calculated as the algebraic sum of the nominal value of financial receivables and payables, amounts to 642.8 million euro, a significant recovery compared to the figure recorded in 2021 (696.2 million euro). This result, despite a significant increase in working capital linked to the increase in commodity prices and consequently in Group turnover (up by approximately 50% from 2.1 to 3.2 billion euro) was made possible by careful cash flow management and a significant reduction in margin calls linked to instruments hedging the risk of fluctuations in the price of commodities that have gradually matured.

The actions undertaken therefore made it possible to maintain net financial position/EBITDA at 3.3, slightly better than the previous year despite the decline in EBITDA, which is in line with market benchmarks and such as to allow for a safety margin to face the current market environment and the development prospects that will be outlined by the new business plan that the Board of Directors is preparing, with the aim of approving it by the end of May this year.

EVENTS

As indicated in last year's financial statements, in February 2022 the IT systems of the Group were hacked by external parties which resulted in the unavailability of a number of IT platforms used by the various Group companies. The Group reacted promptly, adopting all measures necessary to limit the effects and spread of the attack, protecting all counterparties potentially affected and allowing full restoration of operations

quickly, without significant consequences of data loss or particular damage to company operations, except for a physiological slowdown of some less critical activities, promptly recovered as soon as the systems resumed full operation.

2022 marked the exit from the emergency phase linked to the Coronavirus pandemic which heavily affected the operations of all Group companies from March 2020. In particular, from 30 April 2022 the obligation of showing a "Green Pass" to access workplaces ceased and consequently the related provisions were revised, keeping attention as high as possible and consistent with all regulations in force.

In the meantime, an agreement was signed on 17 November 2022 with the social parties to regulate the smart working usage methods in order to exit the phase of using this tool to counter the spread of the virus and instead initiate a procedure, which will certainly have to be further investigated, to make it a useful tool for improving the organisation and working conditions of all employees in line with our desire to improve policies to facilitate work-life balance.

In 2022, the process of growth through territorial and business integrations continued with the acquisition of electricity distribution grids in the municipalities of Cavalese and Palù del Fersina for SET, finalised in February 2023. Dolomiti Ambiente submitted a bid for management of the urban hygiene service in the Vallagarina Community and the planning and implementation of renovation works at the Avio, Besenello and Folgaria waste collection centres, and is awaiting assignment of the service. Novareti was awarded the contract for the construction and management of gas distribution networks in Cavalese (Masi district) and Canazei.

During 2022, the multi-year programme began for the mass replacement of electricity meters, due to end in 2025, allowing the installation of second-generation (2G) meters offering new functions.

In line with our local and national e-mobility plans and the EU's targets for reducing the carbon dioxide emissions of vehicles, through our holding in Neogy we continued to work on the widespread extension of the current regional infrastructure of charging stations with 149 new installations during the year, all powered with 100% renewable energy.

Lastly, the Group is committed to defining and finalising by the end of the year all the "ecobonus" paperwork relating to turnkey energy efficiency projects for the redevelopment of buildings.

THE FUTURE

At the end of March, the Board of Directors of Dolomiti Energia Holding SpA approved the strategic guidelines of the new Group Business Plan and the objective for the coming weeks is approval of the entire 2023-2027 Business Plan.

The development lines approved are:

1. **Growth in regulated businesses:** efficiency improvement and growth in regulated businesses (Electricity Distribution, Gas Distribution, Environment) to reduce the volatility of company results given the business model that characterises them;
2. **Diversification of production:** diversification of energy production sources;
3. **Growth in the territory and outside the region through strategic business combinations:** while maintaining the close link with the territory, seeking business combinations offering new growth opportunities;
4. **Development of a commercial strategy aimed at risk management:** the new energy scenario, conditioned by the volatility of commodities, requires the evaluation of new strategies for sales to end customers;
5. **Confirmation and development of "green" policies for the decarbonisation of the territory:** the development of renewable production together with energy efficiency activities makes it possible to strengthen the role of GDE in responding to the growing demand for green energy and enhancing the decarbonisation process of the territory by benefiting from a favourable market context;
6. **Digitalisation and innovation:** digitalisation of systems and infrastructures with the aim of guaranteeing safer and more robust processes and offering an efficient and innovative service to customers;
7. **Environmental and social sustainability:** the Dolomiti Group has a strong environmental and social vocation that represents an element of differentiation and an important strategic choice;
8. **People at the centre:** orientation towards enhancing the well-being of customers, employees and the surrounding community through the growth of human capital.

To conclude, growth of regulated businesses, development of renewable production sources in addition to hydroelectricity, distinctive skills, ability to innovate, being the territory's pioneer in energy transition and financial solidity are the elements that we want to develop with the new Strategic Plan.

Along with the outline of actions necessary to achieve the Plan and implement the planned action, 2023 will see the continuation of activities to put in place the technical and financial elements and the skills necessary for participating in tenders scheduled for renewal of the gas distribution concession in the Trento Province and for the award of concessions for large hydroelectric diversions. The deadline for the former was postponed to 31 December 2022 and Provincial intervention is pending. For the latter, on 30 November 2022 the Provincial Council approved Law No. 16/2022 which envisages deferral to 2029 of the deadline for conclusion of the reassignment procedures for large hydroelectric plant concessions due to expire by 31 December 2024. The measure identified in the Provincial Law introduces the option for concession holders

to submit a business plan to the Provincial Administration for increasing the efficiency, resilience, accumulation capacity, as well as the capacity and energy performances of existing plants. At the same time, a new variable charge was added to support energy consumption costs within the province.

On 2 February 2023, the Council of Ministers challenged the above-described Provincial Law before the Constitutional Court. To date, the results of the related appeal are not yet known.

On behalf of the Board of Directors, I would like to thank all employees and workers of the Group for the skills and commitment that they bring to their work every day. Thank you to everyone who, with dedication and responsibility, contributed to ensuring the provision of efficient, quality services during such a difficult and complicated year. A special thanks goes to the professionalism and patience shown by our Front Office and by all the operators who have interacted with customers during these months and who, more than others, have had to deal with the effects of the energy market turbulence. And lastly, thank you to those who, with me, have thrown themselves into the game in recent months to change our futures.

I would like to express my sincerest thanks to all our Shareholders for your trust in me and, on behalf of the entire Board of Directors, for the climate of collaboration I have seen in this period, fundamental elements to tackling with determination the challenges and opportunities that the future holds in store for us.

Chairperson
Silvia Arlanch

REPORT ON OPERATIONS





This report has been prepared in compliance with the Italian Civil Code and refers to both the separate and consolidated financial statements of the Company. The book values in this report were determined in application of the accounting standards adopted for the preparation of the financial statements, i.e. 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 more details, please refer to point 2 of the Explanatory Notes to the separate and consolidated financial statements.

SIGNIFICANT EVENTS DURING THE YEAR

The year just ended was unfortunately marked by the tragedy that struck the Company and the Group with the sudden death of the Chairman Massimo De Alessandri on 19 July. The Board of Directors, the Board of Statutory Auditors and all the colleagues recall with gratitude and affection the great professional and above all human contribution that he made to the Company and the Dolomiti Energia Group, relaunching its investment capacity and willingness to be protagonists in the territory, and renewing its closeness to his family so hard hit by his death.

GENERAL ECONOMIC TRENDS

After a more positive trend in the first part of the year, the global economic scenario shows signs of weakness and slowdown, as indicated by the data available for the fourth quarter of 2022. In particular, economic activity in advanced countries was influenced by repercussions of the war in Ukraine and by high inflation, mainly caused by the increase in price of energy products, which peaked in July-August, while growth in China has weakened due to the measures imposed to contain the Covid-19 pandemic.

Consequently, international trade also suffered a sharp slowdown, contributing to moderating the price of oil and other energy sources in the last quarter.

In the Eurozone, the post-pandemic recovery in economic activity is slowing with GDP growth forecast at 3.3% (compared to 5.3% in 2021 – source: Bank of Italy Bulletin No. 1-2023) and inflation remains high, with values around 8-9% year on year despite a slight decline in the final part of the year, also partly due to the sudden drop in the price of natural gas, and to the core inflation that continues to strengthen due to the gradual transfer of past energy price increases to all segments. However, forecasts see a downward trend in prices with values of 6.3% for 2023, 3.4% for 2024, to then fall to 2.3% in 2025, returning to pre-crisis levels.

In the meantime, the wages trend accentuated slightly and the number of employees in the Eurozone and in the United States exceeded pre-pandemic levels in 2022, bringing the unemployment rate back to historic lows.

To deal with this situation, the European Central Bank decided to increase the official reference rates from July 2022, which had remained at zero since 2016, bringing them to 2.5% at the end of the year, with a further increase of 0.50% at the beginning of February 2023 to facilitate a timely return of inflation to the medium-term goal. The ECB also communicated the criteria for normalisation of the amounts of securities held by the Eurosystem for monetary policy purposes, envisaging a reduction in the portfolio for the financial assets purchase programme at a measured and predictable pace. The reinvestment of maturing securities under the pandemic emergency purchase programme (PEPP) will instead continue at least until the end of 2023.

In general, international institutions envisage a weakening of global growth for the current year due to energy prices remaining high, the fragility of household disposable income and less favourable financial conditions. Political and geopolitical uncertainty at global level continues to represent an additional risk factor for the global economy.

GROUP ACTIVITIES

As indicated in last year's financial statements, in February 2022 the IT systems of the Group were hacked by external parties which resulted in the unavailability of a number of IT platforms used by the various Group companies. In any event, the provision of services by the Group and the safety of the plants were never affected.

The Group immediately adopted all measures to limit the effects and spread of the attack by taking the necessary actions to protect all counterparties potentially involved, with the support of a team of IT security experts. Thanks to the commitment of employees and external suppliers, it was possible to restore full operations quickly, without significant consequences of data loss or particular damage to company operations, except for a physiological slowdown of some less critical activities, promptly recovered as soon as the systems resumed full operation.

2022 marked the exit from the emergency phase linked to the Coronavirus pandemic which heavily affected the operations of all Group companies from March 2020. In particular, from 30 April 2022 the obligation of showing a "Green Pass" to access workplaces ceased and consequently the related provisions were revised, keeping attention as high as possible and consistent with all regulations in force.

In the meantime, an agreement was signed on 17 November 2022 with the social parties to regulate the smart working usage methods in order to exit the phase of using this tool to counter the spread of the virus and instead initiate a procedure, which will certainly have to be further investigated, to make it a useful tool for improving the organisation and working conditions of all employees in line with our desire to improve policies to facilitate work-life balance.

As already mentioned in previous financial statements, in this context it is necessary to reiterate our informal thanks to all personnel, for their support and willingness to manage a complex situation that lasted for over two years and that forced major sacrifices to simultaneously guarantee continuity of service and maximum protection of the health of all people involved.

The Group's results were affected by the very strong rise and volatility of prices on the energy commodities markets, which began towards the end of 2021 and further escalated following the outbreak of the Rus-

sia-Ukraine war, to an extent and at a rate of change never recorded in the past. As explained in greater detail later in this report, in August the price of natural gas on the European markets, and as a result also in Italy, and the price of electricity reached all-time highs, totally off the scale not only compared to historical trends but practically double even compared to the very high prices recorded in the last quarter of 2021. In particular, gas on the spot markets (TTF) exceeded the average monthly price by over 230 euro/MWh in December (compared to a maximum of just over 30 recorded in the years 2005-2020 and the value of 110 euro/MWh of December 2021), while the PUN reached an average value of 534 euro/MWh, almost double the 281 euro/MWh of December 2021 and five times the maximum of 99 euro/MWh previously recorded in October 2008. Subsequently, starting from September, a phase of price decrease began, and is still ongoing, driven not only by the measures put in place by national and European authorities (gas price cap, diversification of supply sources, etc.) but also by a sharp downturn in consumption, which contributed to a major shift in the supply and demand balance. On the other hand, these market trends triggered a series of regulatory measures (see the paragraph on hydroelectric production as well as details provided below for commercial activities) that have an equally heavy impact on the Group's results.

To fill out this landscape of external factors, it should be emphasised that 2022 features a considerable reduction in available water resources which has meant that hydroelectric production was significantly lower than the average values recorded by plants (by 40-50%), with many plants recording an all-time low.

Despite the external factors mentioned above, the year ended with positive consolidated economic and financial results, albeit down compared to 2021, in particular as regards net profit, heavily impacted by the extraordinary regulations that imposed new tax rules. As better described below, consolidated EBITDA amounted to 196.5 million euro, down by 5% compared to the 2021 results. The net profit attributable to the Group amounted to 8.7 million euro, down sharply from the previous year mainly due to a tax rate which, due to the overlap of measures mentioned previously, reached 77.7%, incomparable with the previous year which benefited from the effects of the tax revaluation envisaged due to the Covid pandemic. This result was due to the worsening of commercial performance, not fully offset by the Hydroelectric Production Division due to both the dramatic reduction in output mentioned previously and the regulatory measures issued.

The net financial position of the Group, calculated as the algebraic sum of the nominal value of financial receivables and payables, is equal to 642.8 million euro, a significant recovery compared to the figure recorded in 2021 (696.2 million euro). This result, despite a significant increase in working capital linked to the increase in commodity prices and consequently in Group turnover (up by approximately 50% from 2.1 to 3.2 billion euro) was made possible by careful cash flow management and a significant reduction in margin calls linked to instruments hedging the risk of fluctuations in the price of commodities that have gradually matured.

The actions undertaken, in addition to the physiological return of the margin calls once contracts had reached maturity, has therefore made it possible to maintain net financial position/EBITDA at 3.3x, slightly better than the previous year despite the decline in EBITDA, which is in line with the market benchmarks and such as to allow for a safety margin to face the current market environment and the development prospects that will be outlined by the new business plan that the Board of Directors is preparing, with the aim of approving it by the end of May this year.

During 2022, through cross-functional teams with transversal skills such as internal audit, risk management, quality, safety and environment, sustainability and technical and business management skills, the Group

maintained a high focus on the evolution of business risks – understood as threats or opportunities for the achievement of company objectives – in the light of the market, social and geopolitical context in which the Group's businesses operate, updating the company risk map. The main risks updated concerned issues such as the trend in commodity prices, climate change, cybersecurity, inflation, sources of financing, commercial and procurement policies, as well as enabling factors such as digitisation skills and processes, pursuing a governance, management and control model as a framework for the next four years in which to define and develop the company initiatives of strategic planning, programming and budgeting, management and development of the business and enabling factors, as well as the internal audit plan.

In this logic, the Internal Audit division completed the 2022 internal audit plan approved by the Board of Directors at the meeting in December 2021 with the aim of strengthening and making the organisational and control system more efficient as a set of controls to prevent, mitigate, monitor and manage risks associated with the business activities of the Group Companies. In particular, the 2022 plan addressed issues such as strong digitisation projects, energy risk management controls, methods for acquiring and managing professional assignments, accounts receivable invoicing processes, payments, processes subject to regulation by ARERA (Authority for Electricity gas and water system), personal data protection measures also with the main suppliers, using not only traditional audit methods, but also digital continuous auditing tools and innovative techniques such as agile auditing that, inspired by agile approaches, aim to break down the action into a series of smaller sprints, prioritised by relevance and urgency, to speed up feedback, improve interactivity between auditor and audited party and allow timely implementation of improvement actions. Periodic information reports were made by the Head of Internal Audit to the Board of Directors and the Board of Statutory Auditors on the performance of the internal audit plan carried out in 2022, characterised by control system strengthening initiatives and audit activities to ensure the effectiveness, compliance and improvement of company provisions, reporting on the findings, the progress of follow-up on the action plan and audits, and the results and benefits of initiatives to constantly update the business model.

In addition, as a result of the new offences introduced by Italian Legislative Decree 231/01 — in particular offences against cultural and landscape heritage, fraud and counterfeit of means of payment other than cash, crimes relating to public subsidies — in 2022 the Company and each of its subsidiaries carried out a risk assessment with reference to the impacts on the Organisation and Control Model and promptly implemented the necessary adjustments, completing the approval process in November 2022.

During the year the company's Supervisory Body, appointed to monitor the adequacy, effectiveness and compliance of the Organisational and Control Model pursuant to Italian Legislative Decree No. 231/01 aimed at preventing the predicate offences resulting in the entity's liability under said decree, continued its supervision and periodically reported to the Board of Directors and Board of Statutory Auditors on the outcomes of the inspections carried out on sensitive processes and the corporate design activities, also carefully following regulatory changes.

With regard to the transactions completed directly or by other subsidiaries or investees, those worthy of comment in this report are as follows.

DOLOMITI ENERGIA HOLDING

On 18 March 2022, the procedure envisaged by Art. 2437-quater was completed for the sale of shares representing approximately 1.2% of the share capital by a shareholder who did not participate in the Shareholders' Meeting of 15 November 2021 that amended the Articles of Association and subsequently exercised the right of withdrawal.

On 28 March 2022, the Company subscribed to a 100,000 euro interest in the share capital of Spreentech, an initiative promoted by Polo Edilizia 4.0 concerning the establishment of a startup dedicated to development of the "Green Accelerator" Project focused on innovation in the sectors of Green Building, Green Tech, Green Mobility, Smart Cities & Buildings, Circular Economy & ESG Impact, Sustainability and, in general, in all areas pertaining to the construction sector and characterised by products and services with a strong green and technological content.

Following the death of Massimo De Alessandri, the Shareholders' Meeting of 21 November 2022 appointed Silvia Arlanch, former director of the Company, as Chairperson, and appointed Manuela Seraglio Forti as a director of the Company.

NOVARETI

Based on the provisions of Art. 39 of Provincial Law No. 20 (as amended by Provincial Law 18/2021), the Company continued to work on preparation of the tools and processes necessary to face the challenge of area tenders for natural gas distribution also for the calendar year 2022, pending issue of the related call for tenders.

Novareti participated in the tenders for assignment of the gas distribution service in the municipalities of Canazei and Cavalese (Masi district) and was awarded the contract in both cases.

The Company continued its real estate rationalisation programme, in particular for the Trento site, purchasing land in the industrial area for construction of the new offices for operating units in Trento, which will be built jointly with Set Distribuzione.

DOLOMITI ENERGIA/DOLOMITI ENERGIA TRADING

From 10 August 2022 and until 30 April 2023, Art. 3 of Italian Decree Law 115/2022 legally suspended "the effectiveness of any contractual clause that allows the electricity and natural gas supplier to unilaterally change the general terms and conditions relating to definition of the price, even if counterparty right of withdrawal is contractually recognised". The ineffectiveness was also extended to changes communicated for the aforementioned purposes before the date of entry into force of the decree, unless the contractual changes had already been finalised. Subsequently, with Art. 11, paragraph 8 of Italian Decree Law 198/22 ("Milleproroghe Decree"), this suspension was extended to 30 June 2023, at the same time specifying that "it does not apply to contractual clauses that allow the electricity and natural gas supplier to update the contractual economic conditions on their expiry, in compliance with the contractually envisaged notice periods and without prejudice to counterparty right of withdrawal".

Following the first regulatory intervention, Dolomiti Energia was subject to a measure by the Italian Anti-

trust Authority (Autorità Garante per la Concorrenza e il Mercato, AGCM), which challenged the Company's interpretation supported by the opinions of its legal advisors, on the term "finalisation" and the possibility of applying these changes on expiry of the original economic conditions was also challenged. While this second dispute was resolved positively in the courts and following regulatory interpretation, on the first point the appeal filed with the Lazio Regional Administrative Court against the AGCM's decision was discussed at the hearing of 22 February, the outcome of which is not yet known.

In addition to the serious uncertainties arising from the situations stated in the previous paragraph, the results of the commercial activity and the sale of electricity and gas were penalised by the trend in market prices which also saw a very significant increase in all costs associated with commercial activities (imbalance costs, financial charges for the provision of guarantees to distributors, GSE, Terna, Snam, suppliers of raw materials, financial charges for working capital financing, etc.) without it being possible to transfer these costs to end customers.

Dolomiti Energia Trading, together with the associate EPQ, purchased the shares of the founding members of the Renewability Consortium with the aim of its qualification as a Consortium technical partner and offering the Consortium, established with the aim of encouraging the construction of renewable energy production plants by industrial entities, a series of services on the energy markets.

HYDROELECTRIC PRODUCTION

The preparation, analysis and assessment activities continued with a view to possible tenders for renewal of the concessions, although to date, as reported below, the provincial regulations — though challenged by the government — envisage suspension of the tender procedures.

SET DISTRIBUZIONE

Following the surge in energy prices and the planned subsidies (110 superbonus in particular), 2022 was characterised by a very strong increase in the demand to connect new production plants (overwhelmingly photovoltaic). During the year, approximately 3,500 plants were connected compared to an average of around 1,000 plants in previous years, which involved a considerable effort to reorganise and enhance the relative functions in order to respond to the increase in demand.

In October, the installation of electricity meters with the new "2G" system capable of readings every quarter of an hour for all users began, in accordance with the plan approved by ARERA that envisages completion of the mass replacement by the end of 2025.

Setup of the new logistics centre is almost complete, which will also be used by Novareti and other Group companies, and should become operational in the first half of 2023.

DOLOMITI AMBIENTE

After filing a project with Comunità della Vallagarina, with a public-private partnership formula, for management of the waste collection service in the area of the Community and in that of the Magnifica Comunità degli Altipiani Cimbri, the related tender was launched in which the Company will participate.

Similar projects were also filed with the Municipal Administrations of Trento and Rovereto with a proposal for management of the collection service that is being analysed by the relevant structures.

DOLOMITI ENERGIA SOLUTIONS

The Company saw strong growth in turnover linked to the implementation of a series of projects connected with tax concessions envisaged to incentivise energy efficiency measures in private buildings (110 superbonus and photovoltaic bonus).

DOLOMITI ENERGIA GROUP SUMMARY OF ECONOMIC, EQUITY AND FINANCIAL POSITIONS

ECONOMIC POSITION

The consolidation scope of the Dolomiti Energia Group comprises 14 companies, which in detail are: in addition to the Parent Company Dolomiti Energia Holding, the subsidiaries Dolomiti Energia Solutions srl, Novareti SpA, Dolomiti Ambiente srl, Dolomiti Energia Trading SpA, Dolomiti Energia SpA, SET Distribuzione SpA, Depurazione Trentino Centrale Scarl, Hydro Dolomiti Energia srl, Dolomiti GNL srl, Dolomiti Energia Hydro Power srl, Dolomiti Edison Energy srl, Gasdotti Alpini srl and Dolomiti Transition Asset srl.

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

(figures in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER		
	2022	2021	change
Revenue	3,241,087	2,067,292	1,173,795
Revenue from works on assets under concession	66,901	63,449	3,452
Other revenue and income	45,724	51,148	(5,424)
TOTAL REVENUE AND OTHER INCOME	3,353,712	2,181,889	1,171,823
Raw materials and consumables	(2,523,365)	(1,304,448)	(1,218,917)
Service costs	(427,686)	(503,393)	75,707
Costs from works on assets under concession	(65,492)	(62,151)	(3,341)
Costs for other operating charges	(73,045)	(40,237)	(32,808)
Personnel	(69,002)	(65,310)	(3,692)
OPERATING EXPENSES	(3,158,590)	(1,975,539)	(1,183,051)
Gains and expenses from equity investments	1,382	551	831
EBITDA - GROSS OPERATING MARGIN	196,504	206,901	(10,397)
Amortisation, depreciation, allocations and write-downs	(78,040)	(62,216)	(15,824)
EBIT - OPERATING RESULT	118,464	144,685	(26,221)
Financial (income)/charges	(9,267)	(6,845)	(2,422)
PROFIT BEFORE TAX	109,197	137,840	(28,643)
Taxes	(84,878)	(8,964)	(75,914)
NET PROFIT/(LOSS) FOR THE YEAR	24,319	128,876	(104,557)
Profit/(loss) - minority interests	15,609	38,883	(23,274)
PROFIT/(LOSS) OF THE GROUP	8,710	89,993	(81,283)

The total revenue and other income amounted to 3,354 million euro (2,182 million euro in 2021).

Operating costs amounted to 3,159 million euro (1,976 million euro in 2021).

Personnel costs totalled 69.0 million euro (65.3 million euro in 2021).

The gross operating margin, including income from equity investments, (EBITDA) decreased compared to the previous year to 196.5 million euro (206.9 million euro in 2021). In percentage terms compared to total revenue and other income, it was 5.9% (9.5% in 2021).

Total amortisation/depreciation, allocations and write-downs of fixed assets amounted to 78.0 million euro (62.2 million euro in 2021), a considerable change on the previous year.

The equity investments result is a positive 1.3 million euro, a strong difference compared to the previous year when it amounted to 0.6 million euro.

The EBIT achieved amounted to 118.4 million euro, versus 144.7 million euro in 2021.

Financial management shows a charge of 9.3 million euro, deteriorating compared to last year's charge of 6.8 million euro. The main components are represented by the interest on bonds and on the uses of bank credit facilities.

Income taxes for the year totalled 84.9 million euro (9.0 million euro in 2021) and take into account the deferred tax assets and liabilities as illustrated in detail in the Explanatory Notes. The enormous increase in the tax burden mainly depends on the extraordinary taxes envisaged by Art. 37 of Italian Law Decree No. 21 and Italian Law No. 197 of 29 December 2022 (Budget Law 2023) which affect hydroelectric energy production companies.

Consolidated net profit, net of minority interests, was 8.7 million euro (90.0 million euro in 2021).

STATEMENT OF FINANCIAL POSITION

In relation to the equity and financial data, the following information is provided.

(figures in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER		
	2022	2021	change
NET FIXED ASSETS			
Property, plant and equipment	1,676,580	1,636,958	39,622
Equity investments	78,921	80,594	(1,673)
Other non-current assets	29,607	105,424	(75,817)
Other non-current liabilities	(112,585)	(109,457)	(3,128)
TOTAL	1,672,523	1,713,519	(40,996)
NET WORKING CAPITAL			
Trade receivables	642,712	501,951	140,761
Trade payables	(353,077)	(342,372)	(10,705)
Net tax credits/(payables)	(13,348)	6,472	(19,820)
Other current assets/(liabilities)	96,593	64,199	32,394
TOTAL	372,880	230,250	142,630
GROSS INVESTED CAPITAL	2,045,403	1,943,769	101,634
SUNDRY PROVISIONS			
Employee benefits	(13,265)	(16,626)	3,361
Provisions for risks and charges	(41,187)	(30,040)	(11,147)
Net prepaid taxes	(107,129)	(55,280)	(51,849)
TOTAL	(161,581)	(101,946)	(59,635)
NET INVESTED CAPITAL	1,883,822	1,841,823	41,999
SHAREHOLDERS' EQUITY	1,241,025	1,145,654	95,371
NET INDEBTEDNESS	642,797	696,169	(53,372)

The Group's technical investments in 2022 totalled 97.6 million euro (105.7 million euro in 2021).

KEY ECONOMIC AND FINANCIAL RESULT INDICATORS

ECONOMIC INDICATORS

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

Ratio	Formula	2022	2021	change
ROE	Net profit/Equity	1.00%	11.40%	(10.40%)
ROI	EBIT/Invested capital	3.40%	3.50%	(0.10%)
ROS	EBIT/Turnover	3.50%	6.60%	(3.10%)
EBITDA	Gross operating margin (thousands of Euro)	196,504	206,901	(10,397)
EBIT	Net operating margin (thousands of Euro)	118,464	144,685	(26,221)

All indicators are strongly affected by the increase in turnover due mainly to the price increases relating to both natural gas and electricity, and by the strong fiscal pressure caused by the legislative measures indicated above.

FINANCIAL AND EQUITY INDICATORS

Ratio	Formula	2022	2021	change
Hedging of net fixed assets	Equity + medium/long-term liabilities/net fixed assets	1.01	0.81	0.20
Debt ratio	Liabilities/Equity	3.06	4.31	(1.29)
Secondary liquidity ratio	Short-term assets/short-term liabilities	1.33	0.99	0.36

RISK ANALYSIS – GROUP OBJECTIVES AND POLICIES ON RISK MANAGEMENT

FINANCIAL RISKS

The “Risk Management Department” operates in the area of financial risks to ensure more effective action in the applicable operating environment.

The “Group Risk Policy” was also updated by the Board of Directors; the purpose of the document is to define the Group’s guidelines relating to governance, management strategy and controlling the following financial risks:

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

LIQUIDITY RISK

Liquidity risk is the risk that a company will not be able to fulfil its financial commitments due to the lack of sufficient liquidity.

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

Despite the recent strong tension in the commodity markets which have absorbed significant financial resources, the Group has an adequate supply of cash credit facilities to meet liquidity needs.

The management of the liquidity risk aims to define a financial structure in line with the corporate objectives and that can ensure a suitable level of short-term liquidity and a balance in terms of debt duration and breakdown that is capable of supporting the investment programmes.

In order to effectively monitor the Group liquidity, the “Risk Management” department has implemented a control system aimed at ensuring that the credit lines are extensive enough to deal with any prospective stress situations.

INTEREST RATE RISK

The interest rate risk refers to the possibility that fluctuations in the cost of money have repercussions on the level of financial charges originating from floating rate borrowings. In that sense, the “Risk Management” department, in association with the “Finance” department, will prepare stress tests to predict the potential economic impact of adverse interest rate trends: the results of said tests will be presented to the Board of Directors every year which will decide on a management strategy for said risk on the basis of said findings.

Total indebtedness as at 31/12/2022 is broken down as follows:

- 32% at fixed rate
- 12% hedged with derivative instruments (IRS plain vanilla)
- 56% at floating rate

COMMODITY PRICE RISK

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

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

This risk emerges from sale agreements for natural gas and electricity, as well as from the environmental certificates (in particular White Certificates, Guarantees of Origin and EUA - European Emissions Allowances) that make up the Group’s source and commitment portfolio.

The objective of the “Risk Management” department is to monitor operations of the Group’s Trading companies in the commodities market, to ensure compliance with the limits set to the assumption of economic-financial risks.

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

REGULATORY RISKS

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

Managing this risk implies the following activities:

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

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

The main regulatory risks identified can be summarised as follows:

- risks consequent to changes in domestic and European sector laws, and of regulations and interpretation of the competent Authority (ARERA), which can impact the Group's operation and results;
- risks connected with the obtainment of concessions (assigned with public tenders) from local authorities for the management of electricity and natural gas distribution services;
- risks connected with the change to the fees applied to electricity and gas distribution services rendered, determined by the sector Authority, whose change may impact the Group's operating results.

OPERATIONAL RISKS

The Group has also identified the following main operational risks:

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

RISKS ASSOCIATED WITH CLIMATE CHANGE

Climate change has always characterised and conditioned the history of our planet, but the global warming we have been witnessing for about 150 years is anomalous, because it is triggered by man and his actions. The consequences of climate change still underway have translated into an already evident global warming, with significant reductions in glaciers and an increase in extreme weather events. Climate change is becoming more and more of a climate crisis, because the climate has always changed, but not so quickly and not with rigid and complex infrastructures like cities and the production system that most industrialised countries are used to.

As confirmed in numerous studies and publications available in scientific literature, the effects of climate change expected for the thermo-pluviometric regime will modify the availability of water resources, altering the extent and seasonality of runoff into surface waterways.

With regard to the situation in Trentino, detailed hydrological studies, some of which targeting the analysis of a specific context by the Company, others in the public domain and of a more general context, have shown that there will be a substantial constancy over time in the quantity of cumulative annual precipitation, with very limited precipitation intensity variations, thanks to the persisting effectiveness of convective phenomena generated due to the Alpine topography.

As regards temperature and evapotranspiration, there will be a more marked increase in the long term rather than in the medium term: estimates assume an average increase of 1°C in the short term (2025-2040) and of 2°C in the long term (2041-2060).

Confirming the effect of climate change on the variation in temporal distribution of weather events, in the last 18 months there have been significantly lower levels of rainfall and snowfall compared to historical averages and therefore equally decreased production levels.

This leads management to arrange careful and continuous monitoring of current and future climate changes, in order to safeguard the profitability of its business and the technical-economic value of its physical assets servicing hydroelectric production.

WORKPLACE HEALTH AND SAFETY

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

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

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

The shared objectives of the companies' Employers are:

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

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

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

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

The implementation of the systems to manage workplace health and safety according to the model defined by the UNI ISO 45001:2018 standard continued also in 2022. The system is supported by the development and implementation of a specific software adopted for management (Simpledo.net). This instrument pursues the improved distribution of information, the prompt planning and management of fulfilments and deadlines, a structured operating control and an efficient environment for the continuous improvement of the SSL system.

During the year, the IMQ certification body, chosen by the Group for the certification of its systems, carried out the annual compliance audit of the SGSL systems of HDE, DEE and NR-GAS with UNI ISO 45001 standard.

In addition, in December, IMQ for the first time also certified UNI ISO 45001 compliance for Dolomiti Ambiente.

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

INJURY PREVENTION FIGURES

The evaluation of injury figures for 2022 was performed on an aggregate basis for all Group companies.

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

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

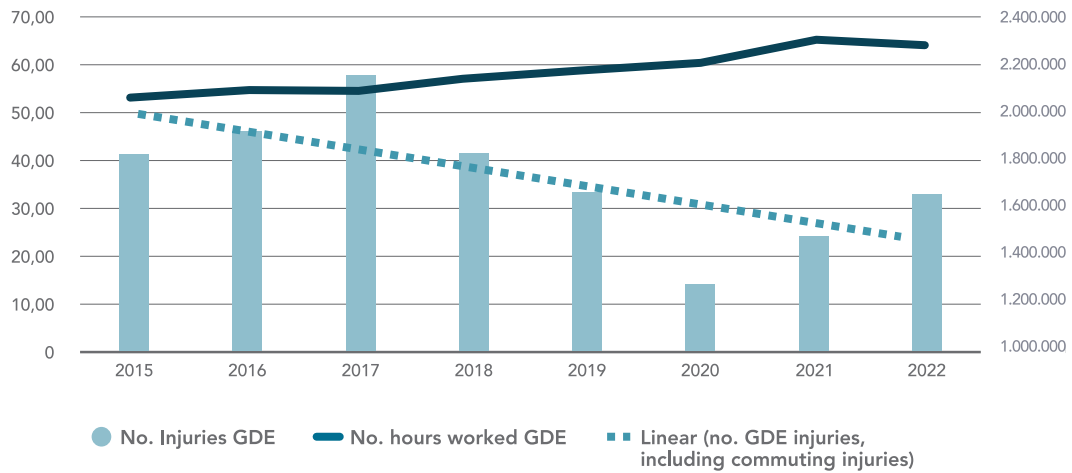
$$\text{SEVERITY INDICATOR (Ig)} = \frac{\text{No. workdays missed due to injury} \times 1,000,000}{\text{No. hours worked}}$$

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

For 2022 also, the procedure adopted for the calculation of workdays missed due to injury is that introduced in 2018, i.e. accrual in the year; therefore, the workdays missed due to injury that were considered are those actually measured during the year and thus also include the share of those accidents which, although occurring in the previous year, ended in the year under review.

The total number of accidents recorded in 2022, including commuting injuries, is higher than that of 2021 but below the average in previous years despite the increase in the number of workers employed and, consequently, the number of hours worked.

No. injuries GDE (including commuting injuries)



Dolomiti Edison Energy, Dolomiti Energia Solutions and Dolomiti Energia Trading reported no accidents.

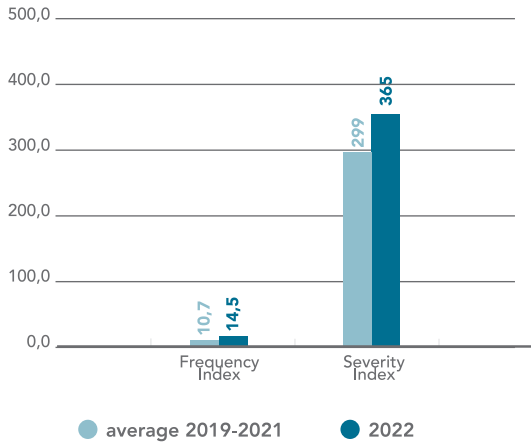
Dolomiti Energia Holding, SET Distribuzione and Dolomiti Energia recorded only commuting injuries or during the home-work travel of workers outside business hours.

The Group frequency indicator recorded in 2022 shows a deterioration compared to the three-year period 2019-2021; the severity indicator also declined. Both trends are influenced by the results recorded in 2020, a year that, due to the Covid-19 pandemic, resulted in a decidedly limited number of accidents and which significantly affects the calculation of the trend in the period.

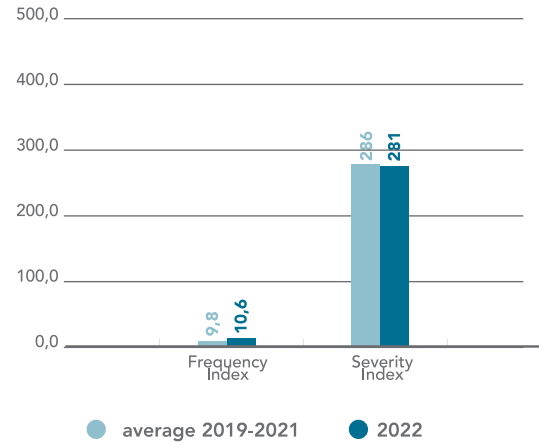
Considering all events (including commuting injuries), the 2022 frequency indicator was 3.8 points higher than the average value of the previous three-year period.

The severity indicator worsened by 66 points from 299 in the three-year period 2019-21 to 365 in 2022.

Injuries Indicator
(including commuting injuries)



Injuries Indicator
(excl. commuting injuries)

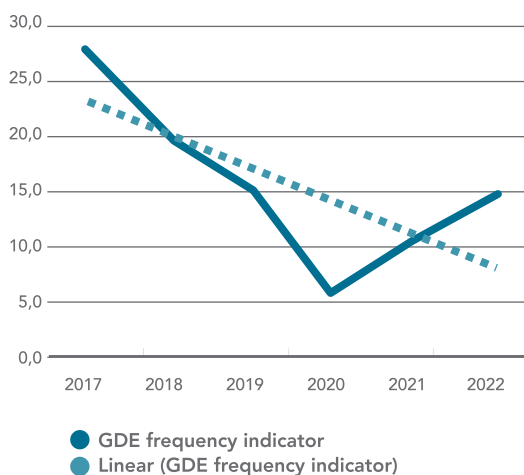


Excluding commuting injuries from the calculation, comparison with the previous three-year period confirms an increase of 0.8 points in the frequency indicator compared to the average value of the previous three years.

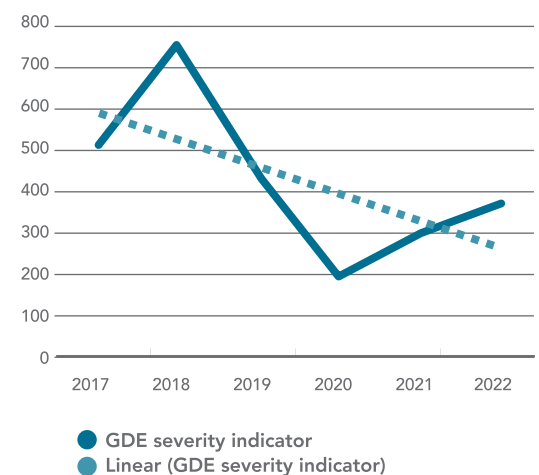
The severity indicator, on the other hand, improved slightly from 286 in the three-year period 2019-21 to 281 in 2022.

Comparing the results on a broader basis shows that both indices recorded in 2022 are improving compared to the previous five-year period, with a marked reduction in trend; both including commuting accidents and excluding them.

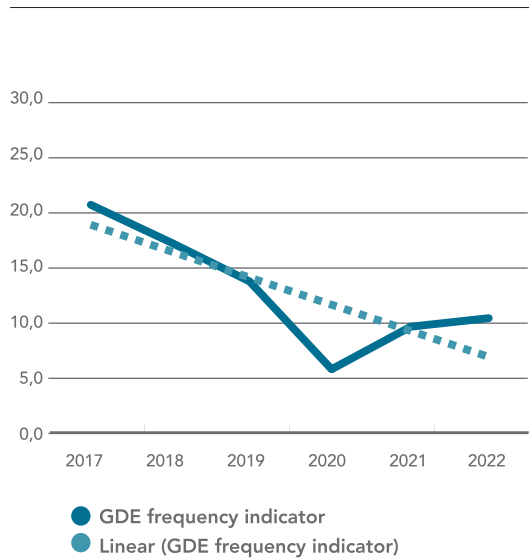
GDE frequency indicators
(including commuting injuries)



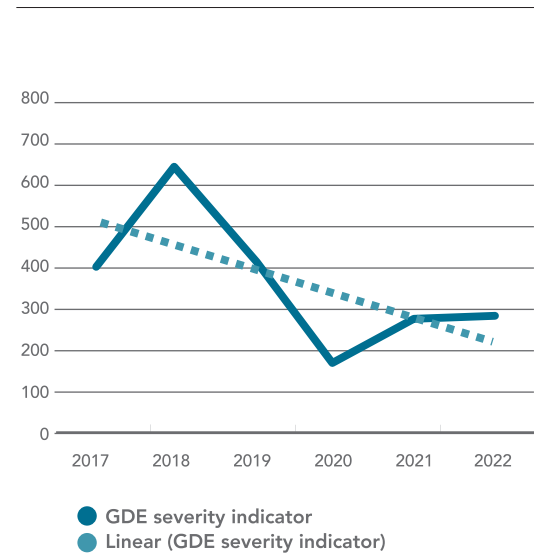
GDE severity indicators
(including commuting injuries)



GDE frequency indicators
(excluding commuting injuries)



GDE severity indicators
(excluding commuting injuries)



HEALTH SURVEILLANCE

In 2022, workers' health surveillance entailed 1,214 physicals with related follow-up tests in view of the tasks assigned to the workers and the consequent health risk assessment.

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

DOLOMITI ENERGIA HOLDING SPA

SUMMARY OF ECONOMIC, EQUITY AND FINANCIAL POSITIONS

ECONOMIC POSITION

(figures in thousands of Euro)

FOR THE YEAR ENDED 31 DECEMBER

	2022	2021	change
Revenue	22,214	16,078	6,136
Other revenue and income	29,054	31,647	(2,593)
TOTAL REVENUE AND OTHER INCOME	51,268	47,725	3,543
Raw materials and consumables	(14,900)	(10,188)	(4,712)
Service costs	(24,838)	(22,194)	(2,644)
Costs for other operating charges	(2,591)	(1,868)	(723)
Personnel	(14,294)	(13,170)	(1,124)
OPERATING EXPENSES	(56,623)	(47,420)	(9,203)
EBITDA - GROSS OPERATING MARGIN	(5,355)	305	(5,660)
Amortisation, depreciation, allocations and write-downs	(9,763)	(9,379)	(384)
Gains and expenses from equity investments	51,917	51,902	15
EBIT - OPERATING RESULT	36,799	42,828	(6,029)
Financial (income)/charges	9,747	1,049	8,698
PROFIT BEFORE TAX	46,546	43,877	2,669
Taxes	1,791	1,421	370
NET PROFIT/(LOSS) FOR THE YEAR	48,337	45,298	3,039

Total revenue and other income amounted to 51.3 million euro.

Production costs amounted to 66.4 million euro (56.8 million euro in 2021) of which:

- personnel costs amounted to 14.3 million euro;
- mortisation, depreciation, allocations and write-downs amounted to 9.8 million euro.

The EBITDA recorded a negative value of 5.3 million euro.

The EBIT, net of income and expenses from equity investments, had a negative value of 15.2 million euro.

Gains from equity investments amounted to 51.9 million euro (51.9 million euro in 2021).

Income from financial management was 9.7 million euro.

Income taxes for the year amounted to 1.7 million euro and take into account the Group tax consolidation income and the deferred/prepaid taxes as described in detail in the Explanatory Notes.

The profit for the year came to 48.3 million euro and increased by 3.0 million euro compared to the result achieved in 2021.

STATEMENT OF FINANCIAL POSITION

(figures in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER		
	2022	2021	change
NET FIXED ASSETS			
Property, plant and equipment	63,547	65,500	(1,953)
Equity investments	822,636	822,956	(320)
Other non-current assets	1,771	404	1,367
Other non-current liabilities	(75)	(42)	(33)
TOTAL	887,879	888,818	(939)
NET WORKING CAPITAL			
Trade receivables	11,860	16,329	(4,469)
Trade payables	(14,500)	(17,324)	2,824
Net tax credits/(payables)	4,030	6,989	(2,959)
Other current assets/(liabilities)	(7,621)	(2,540)	(5,081)
TOTAL	(6,231)	3,454	(9,685)
GROSS INVESTED CAPITAL	881,648	892,272	(10,624)
SUNDRY PROVISIONS			
Employee benefits	(2,385)	(2,862)	477
Provisions for risks and charges	(2,235)	(2,230)	(5)
Net prepaid taxes	4,161	7,915	(3,754)
TOTAL	(459)	2,823	(3,282)
NET INVESTED CAPITAL	881,189	895,095	(13,906)
SHAREHOLDERS' EQUITY	597,305	578,408	18,897
NET INDEBTEDNESS	283,884	316,687	(32,803)

Investments in fixed assets made by the Company in 2022 totalled 8.4 million euro (11.1 million euro in 2021).

RISK ANALYSIS – OBJECTIVES AND POLICIES ON RISK MANAGEMENT

FINANCIAL RISKS

LIQUIDITY RISK

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

MARKET RISK

The market risk that the Company is exposed to may be broken down as follows:

- price risk: electricity production activity is exposed to market price trends, as the energy generated by the company is sold to Dolomiti Energia Trading at a variable price.
- exchange rate risk: the Company mainly operates on the national market and is thus marginally exposed to floating currency exchange rates;
- interest rate risk: in view of the significant debt position, with the subsequent exposure to fluctuations in interest rates, the Company, to mitigate this risk, carried out transactions in interest rate derivatives, whose details are listed in the Explanatory Notes.

OPERATIONAL RISKS

RISKS RELATING TO JOINT VENTURE AND PARTNERSHIP AGREEMENTS

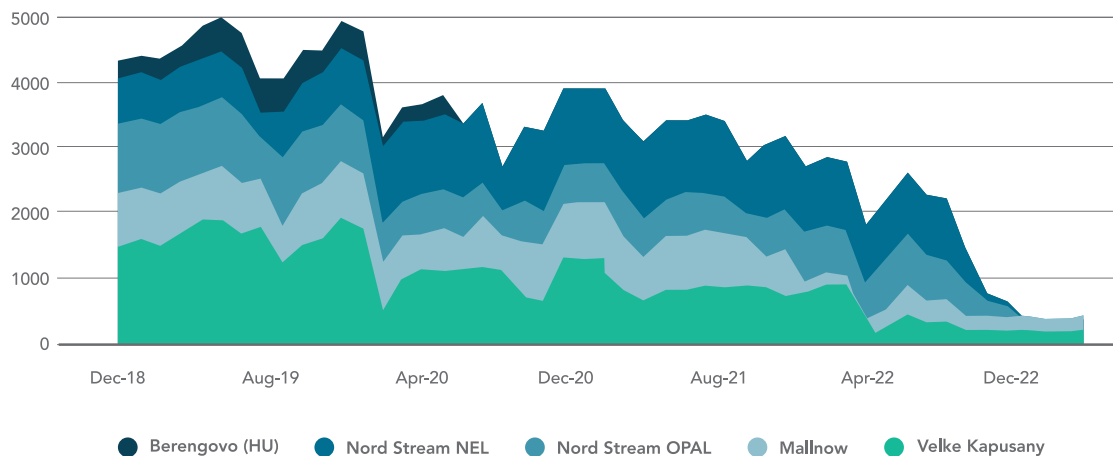
The Company has signed sharing agreements for the management of significant businesses mainly in the hydroelectric field and in other energy segments. In the future, the Company may enter into other partnerships with the same counterparties or with new ones. The expected return for these transactions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

THE ENERGY, MARKET AND REGULATORY SCENARIO

GENERAL PERFORMANCE OF THE ENERGY MARKETS

2022 was characterised by the outbreak of the Russia-Ukraine conflict and the consequent crisis in the natural gas market that arose in Europe and Italy. Since the outbreak of the war, gas imports from Russia have gradually declined until they almost halted completely from June 2022, except for the Velke Kapusany point of entry in Slovakia, as can be seen in the figure below.

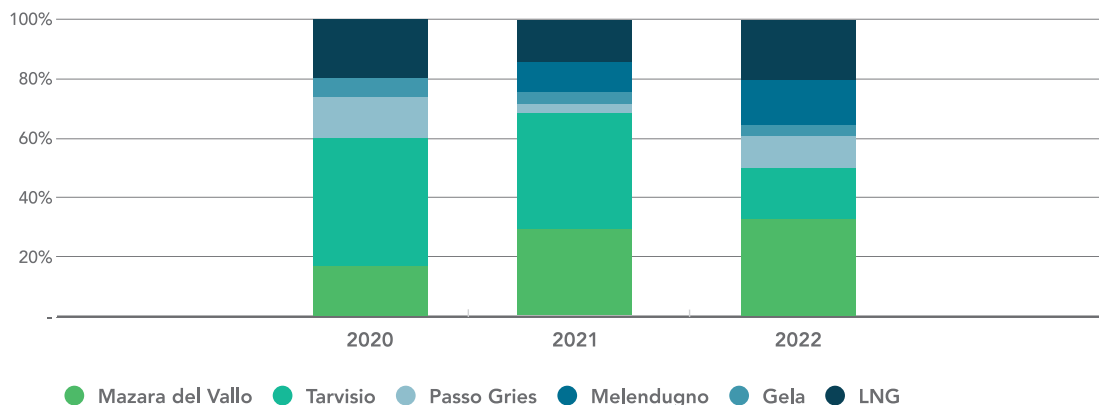
EU Gas Import from Russia (GWh/d)



MBS Consulting elaborations

Europe and Italy attempted to compensate for the lack of Russian gas on the one hand by acting on procurement sources, increasing imports from other available sources (Algeria, Azerbaijan, LNG), as can be seen from the figure below, and on the other by imposing a crackdown on consumption, limiting heating hours and maximum temperatures in residential buildings. In addition to this, Italy decided to invest in new regasification plants, such as the Piombino regasification terminal, which will start related operations in the spring of 2023. In addition, all European countries established a forced storage filling programme during the summer of 2022 in order to cope with peaks in demand during winter 2022/2023.

Gas Import Mix by Source

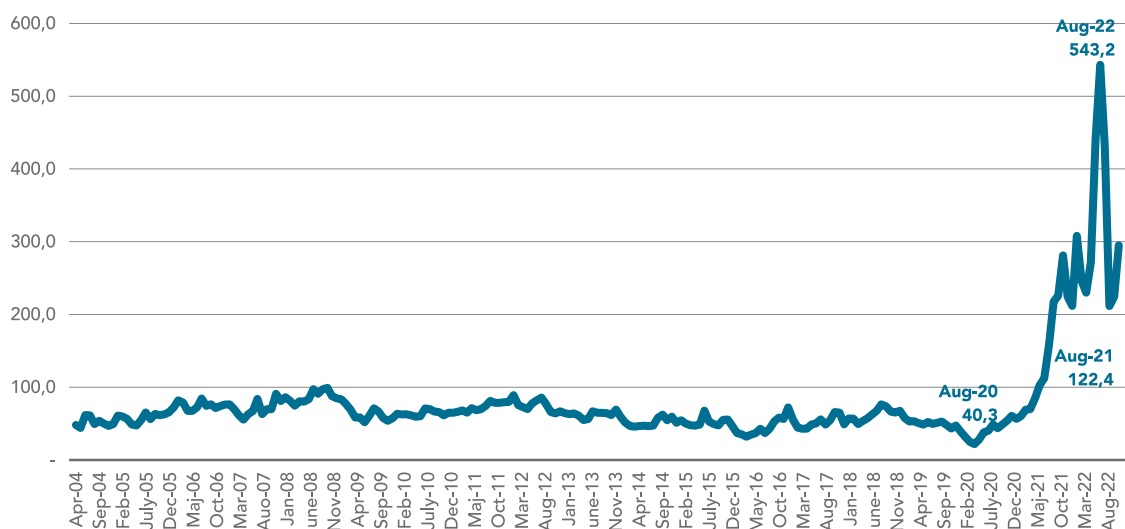


MBS Consulting elaborations

This led to a substantial increase in natural gas procurement prices which in August, in the last part of the storage injection phase, reached a record 232 euro/MWh.

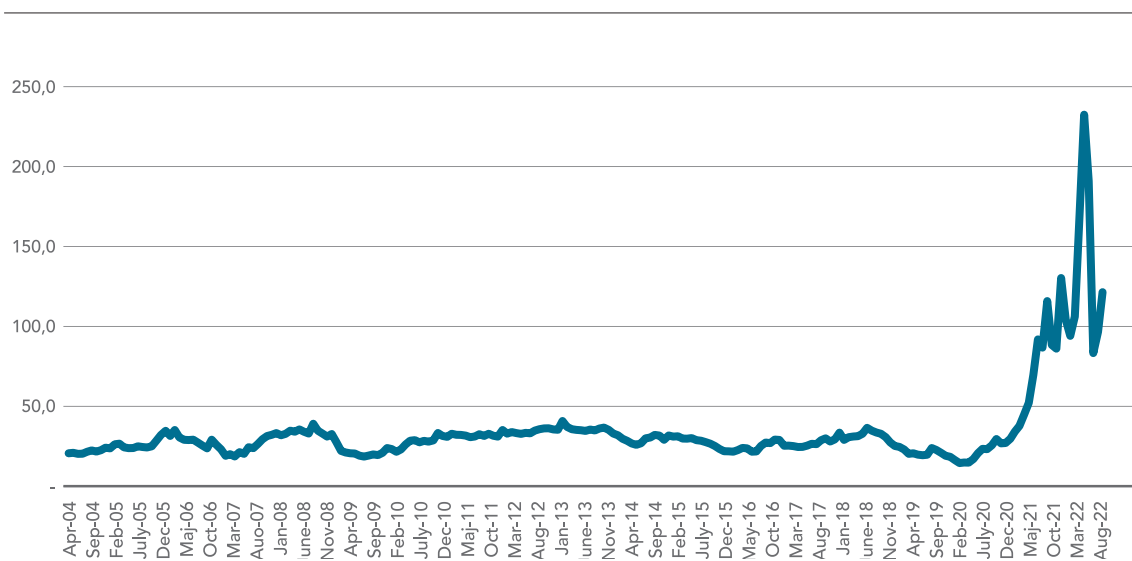
The increase in gas prices drove up the price of electricity, as gas is the marginal source of production in almost all European countries, including Italy. As can be seen in the chart below, in 2022 the Single National Price (PUN) reached the record average of 543 euro/MWh in August 2022, well above the historical average price recorded on the Italian market since April 2004 and until the first months of 2021.

Monthly average PUN, euro/MWh



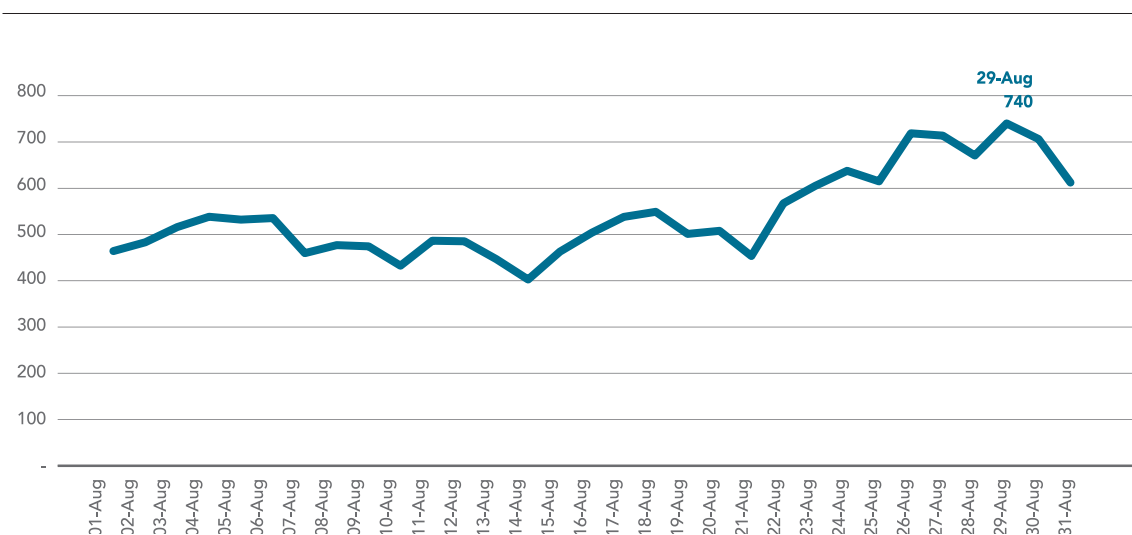
The PUN, as mentioned, is a direct consequence of the gas price increase, as illustrated in the graph below, which shows the price of wholesale gas traded on the Dutch exchange (TTF) and the reference price of gas in Europe.

TTF DA, euro/MWh

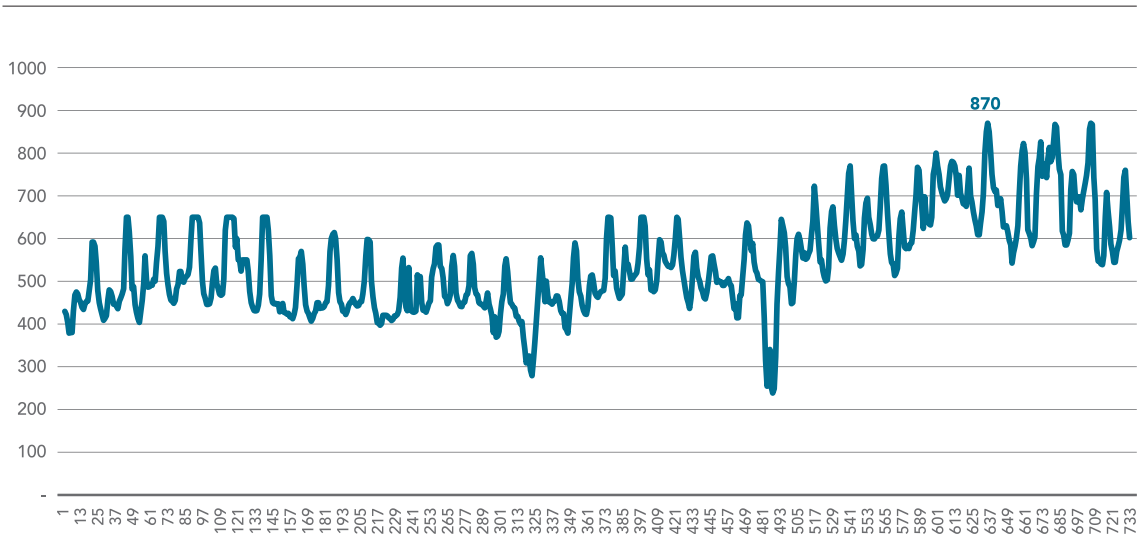


During August 2022, daily PUN values of 740 euro/MWh were recorded (on 29 August 2022) with hourly peaks exceeding 800 euro/MWh (870 euro/MWh the record at 9:00 p.m. on 30 August 2022).

Average daily PUN August 2022

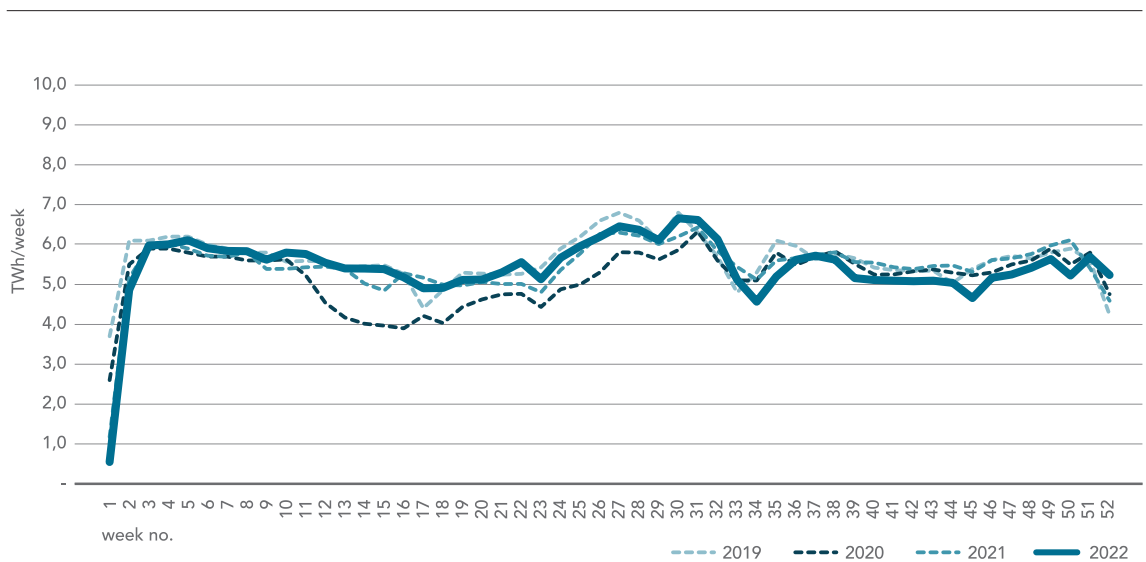


Hourly PUN August 2022

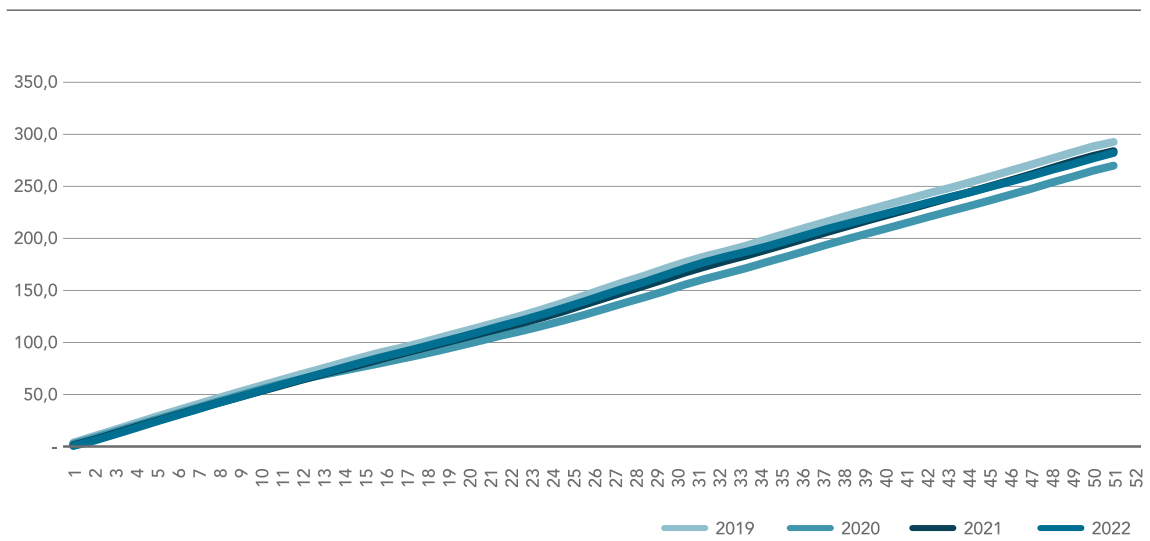


Domestic electricity demand fell sharply in the second half of the year. As can be seen in the chart below, national consumption was well above 2021 until July 2022, and then decreased significantly in the second half of 2022.

Domestic demand Italy, TWh

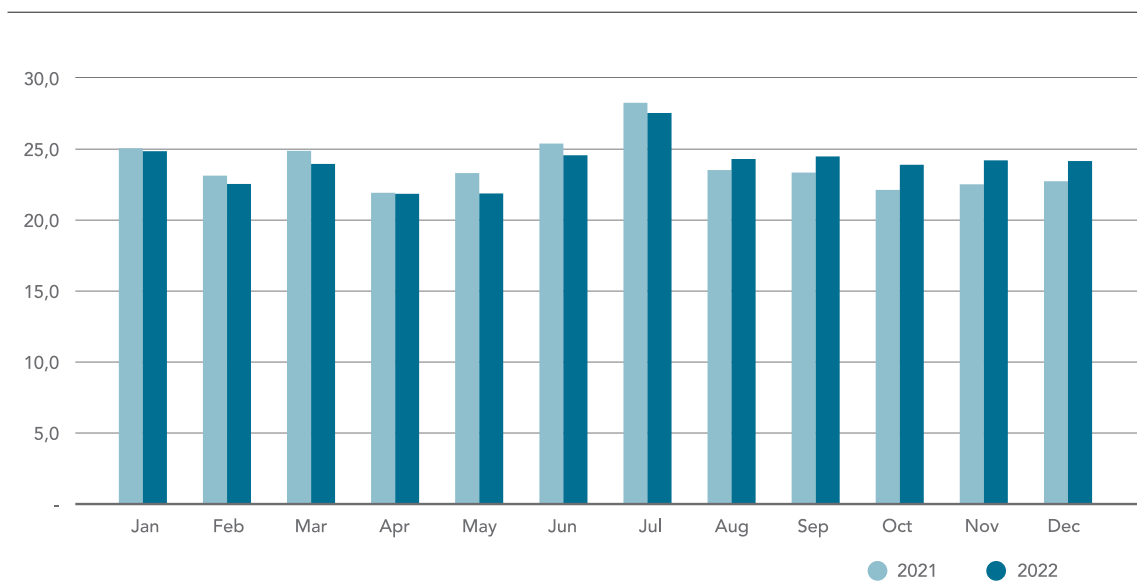


Cumulative domestic demand Italy, TWh



Especially in the second half of 2022, it can be seen that Italian national demand was lower than in 2021 (Source: Terna).

Italian electricity consumption, TWh source: Terna

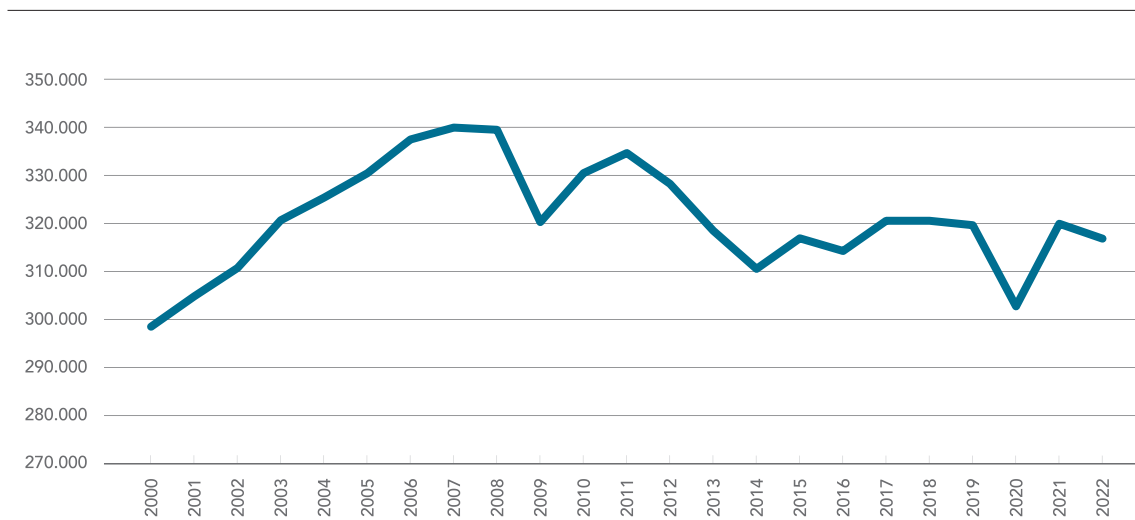


PERFORMANCE OF THE ENERGY MARKETS

ELECTRICITY

According to the latest available final data (from Terna S.p.A.), electricity consumption in Italy in 2022 stood at around 317 billion kWh, a decrease of 1% compared to 2021.

Electricity demand Italy, GWh



Consumption was supported by production with breakdown by source as follows:

Millions of kWh

	2022	2021	%change
Hydroelectric	27,959	44,878	-37.7%
Pump consumption in production ²	1,773	2,041	-13.1%
Thermal	193,287	182,234	6.1%
of which gas	155,399	151,871	2.3%
of which Biomass	17,120	17,495	-2.1%
of which coal	20,768	12,868	61.4%
Geothermal	5,444	5,535	-1.6%
Wind	20,358	20,724	-1.8%
Photovoltaic	27,552	24,633	11.8%
TOTAL PRODUCTION, NET	276,373	280,045	-1.3%
ENERGY FOR PUMPING	2,533	2,916	-13.1%
TOTAL NET PRODUCTION FOR CONSUMPTION	273,840	277,129	-1.2%
of which RES ³	98,433	113,265	-13.1%
of which NON RES	175,407	163,864	7.0%
Import	47,391	46,572	1.8%
Export	4,404	3,782	16.4%
FOREIGN BALANCE	42,987	42,790	0.5%
DEMAND IN ELECTRICITY ¹	316,827	319,919	-1.0%

(1) Demand in electricity = Total net production for consumption + Foreign balance, where Total net production for consumption = Total net production - energy for pumping

(2) Percentage production from pumping, calculated with the theoretical average yield from pumping in absorption

(3) Production from RES = Renewable Water + Biomass + Geothermal + Wind + Photovoltaic

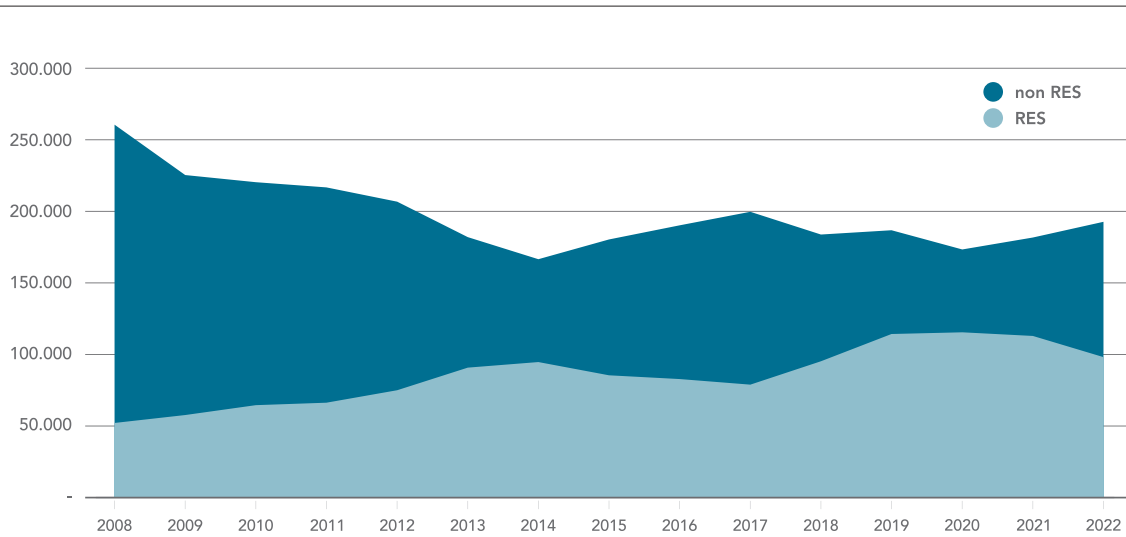
Net domestic production for consumption decreased by 1.2% compared to 2021, while the foreign balance increased slightly (+0.5%).

In 2022, electricity demand in Italy (317 TWh) was met with 274 TWh of domestic production (net of consumption for pumping, equal to 2.5 TWh) and a net balance of 43 TWh in imports/exports.

Of the 274 GWh of national production, 98 originate from RES (hydroelectric, biomass, geothermal, wind and photovoltaic) and 176 from NON RES (gas and coal).

There was a marked increase in electricity production from coal (+61% compared to 2021), due to the re-starting of plants which, due to the lack of natural gas, had to make a significant contribution to the Italian production mix.

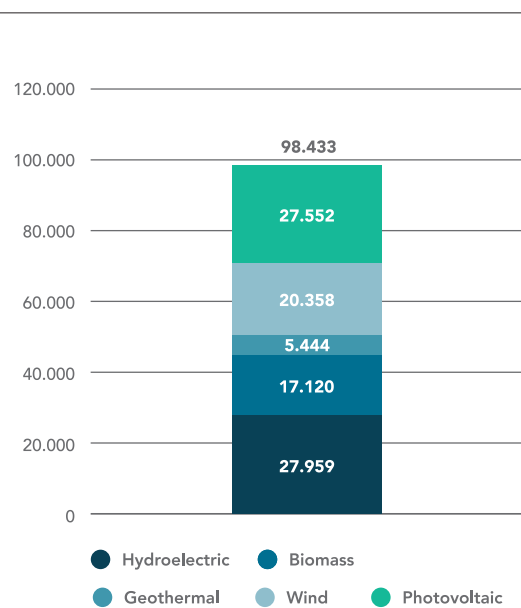
Historical trend of NON RES production and RES production, GWh



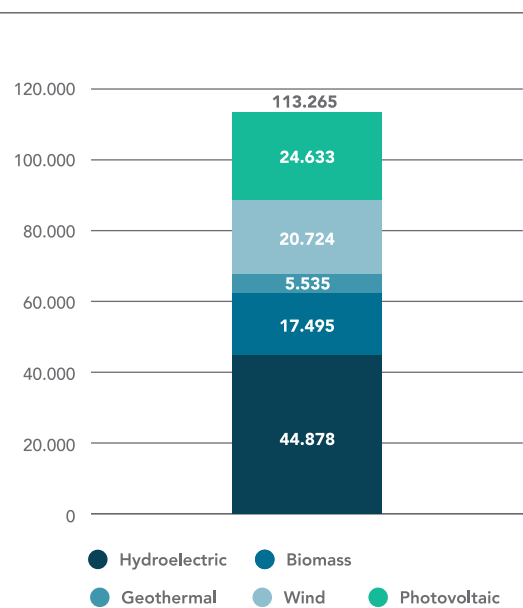
Compared to 2021, production from renewable sources decreased by 13%, mainly due to a decrease in the hydroelectric source which, though remaining the renewable source with the highest contribution (about 28 TWh in 2022), lost weight among renewable sources down to 28%, a very significant decrease compared to 2021 when the weight was 40%.

Below are the charts with the representations for both 2022 and 2021 of the details of the renewable sources.

Renewable Sources - detail, GWh 2022

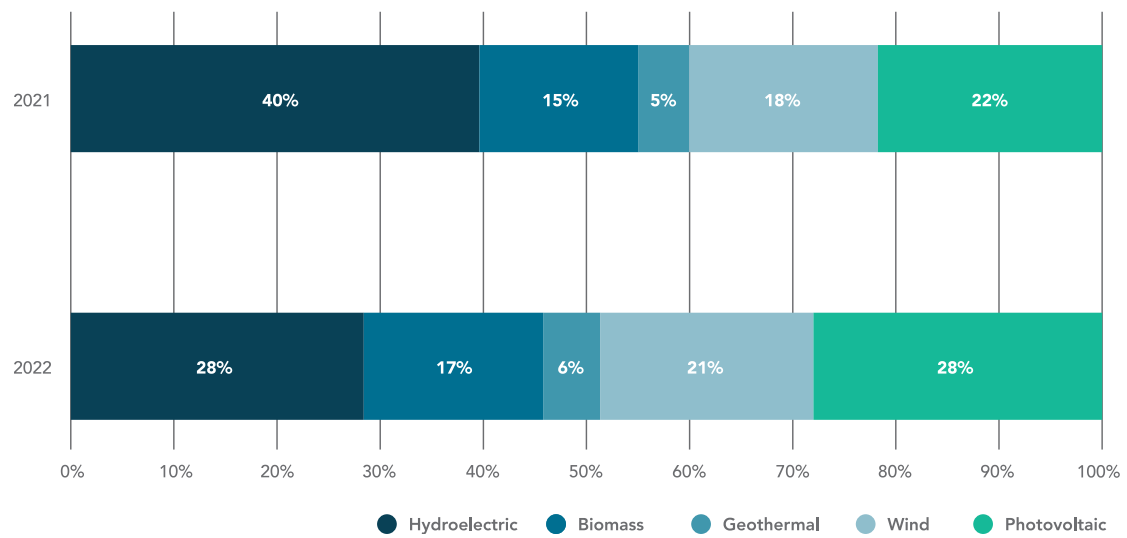


Renewable Sources - detail, GWh 2021



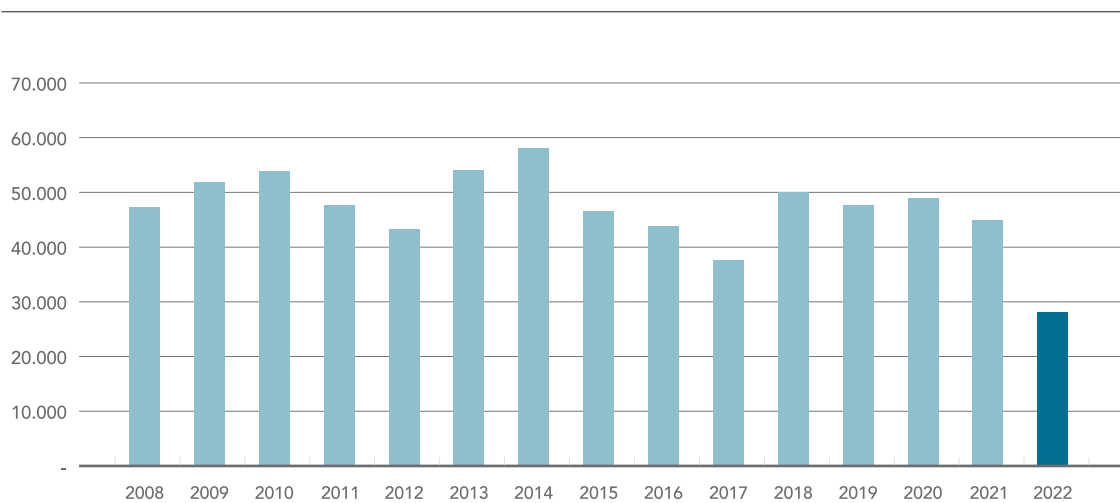
As can be seen, in 2022 hydroelectric production fell by more than 37% compared to 2021, while photovoltaic production increased by approximately 12% to around 27.5 TWh. Wind production was down slightly (-1.8% compared to 2021).

Renewable Sources - detail

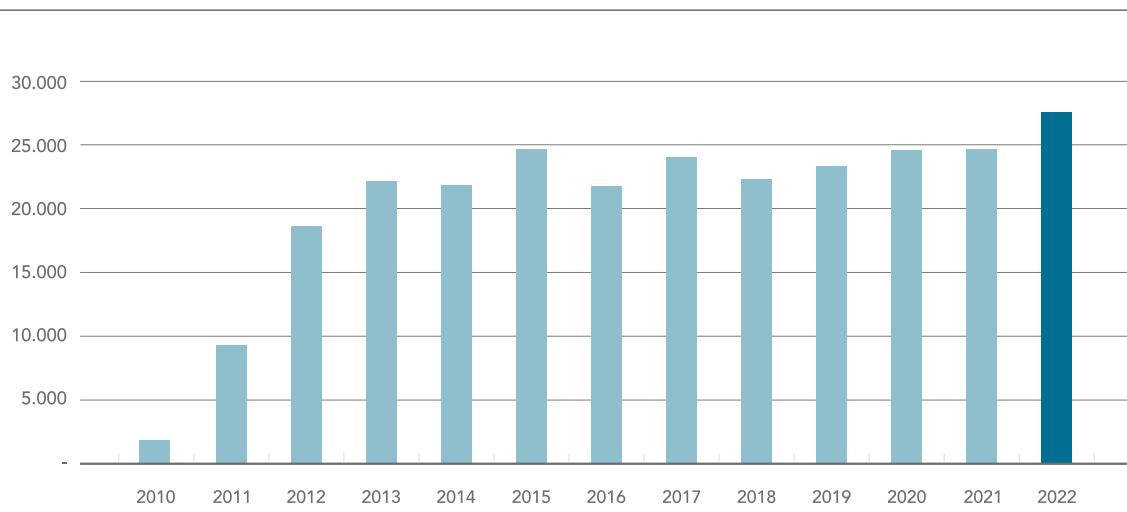


Below are a number of charts detailing the historical trend of production of the main renewable sources.

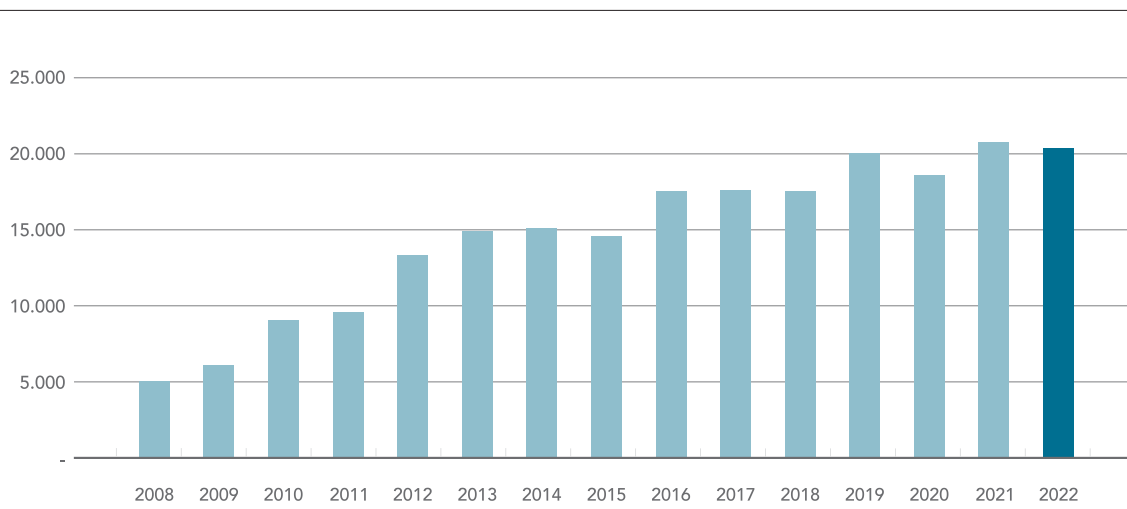
Historical trend of hydroelectric production, GWh



Historical trend of photovoltaic production, GWh



Historical trend of wind production, GWh



NATURAL GAS

The demand for gas in Italy in 2022 contracted by around 10% to approximately 68 billion cubic metres, compared to 76 billion cubic metres in 2021.

Monthly balance of natural gas Italy

(Millions of Standard cubic metres at 38.1 MJ/mc)

		JANUARY-DECEMBER		
		2022	2021	% Change
a)	DOMESTIC PRODUCTION	3.341	3.343	0,0%
b)	IMPORTS	72.380	72.592	-0,3%
	MAZARA DEL VALLO	23.554	21.169	11,3%
	GELA	2.619	3.231	-18,9%
	TARVISIO	13.976	29.061	-51,9%
	PASSO GRIES	7.587	2.170	249,7%
	MELENDUGNO	10.320	7.214	43,0%
	PANIGAGLIA	2.244	1.054	112,9%
	CAVARZERE	8.242	7.219	14,2%
	LIVORNO	3.786	1.416	167,5%
	GORIZIA	26	39	-34,4%
	Altri	25	19	31,0%
c)	Exports	4.587	1.543	197,2%
d)	Change in stocks	2.591	-1.591	-262,9%
e) = a)+b)-c)-d)	Gross Domestic Consumption	68.543	75.983	-9,8%

Source: Italian Ministry of the Environment and Energy Safety - Energy Department - DGIS

The very pronounced reduction in consumption in the second half of 2022, was due both to the drop in industrial consumption as a result of the very high price recorded from August 2022 onwards, and to a particularly mild winter, especially in October and November, and the government's exceptional energy saving measures required of households to deal with the energy crisis.

Natural gas consumption Italy, MSm3



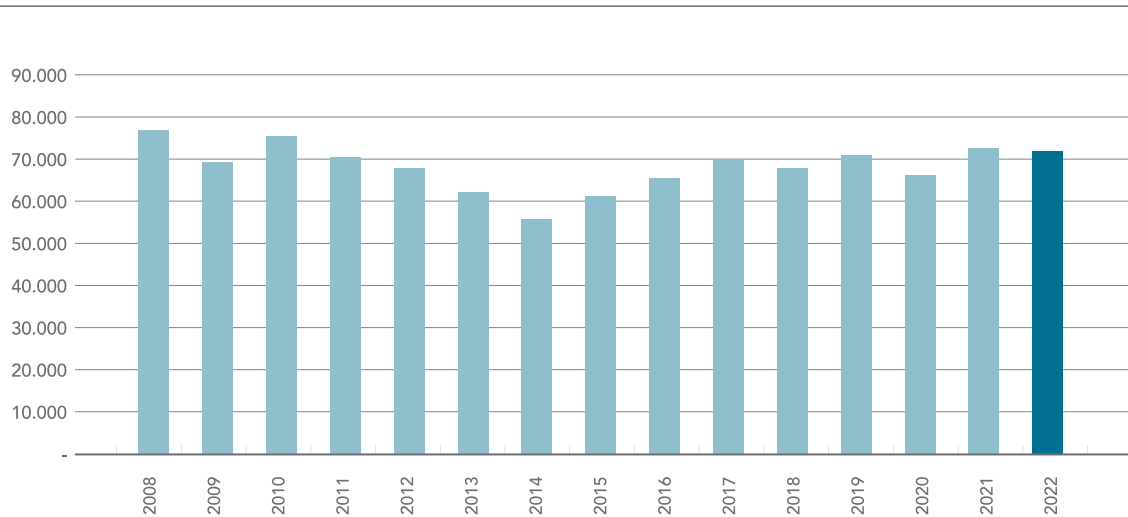
As regards gas procurement sources, the drop in national production was confirmed, which in 2022 amounted to 3.3 billion cubic metres (national production of natural gas was 8.6 billion cubic metres in 2012).

Domestic production, MSm3



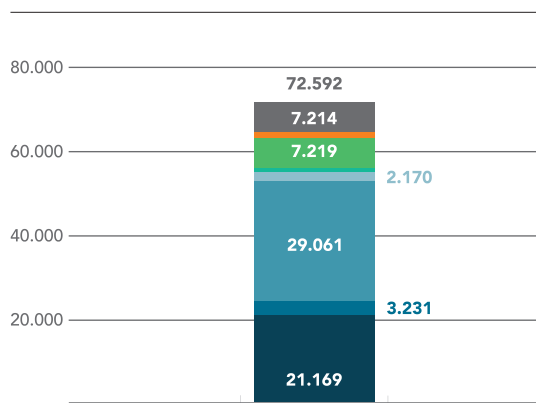
Despite the decrease in gas imports from Russia, natural gas imports in 2022 remained stable at around 72 billion cubic metres, supported by other procurement sources.

Natural gas import, MSm3

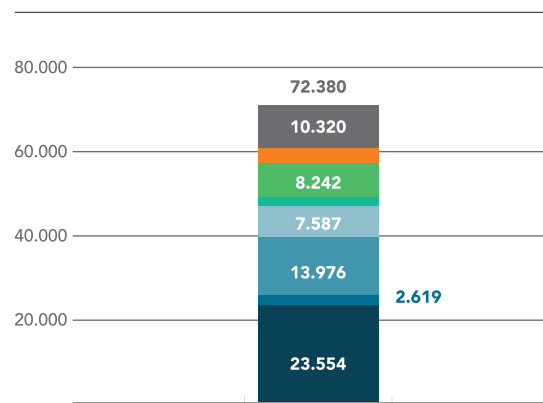


The domestic supply mix in 2022 saw a net decrease in volumes from Russia (-52% compared to 2021), offset by an increase in volumes of Algerian gas entering via Mazara del Vallo (+11% compared to 2021), volumes from Azerbaijan via TAP (+43% compared to 2021) and from LNG regasified at the terminals of Panigaglia +113% compared to 2021, Livorno (+167% compared to 2021) and Rovigo (+14% compared to 2021).

Gas import mix in Italy 2021



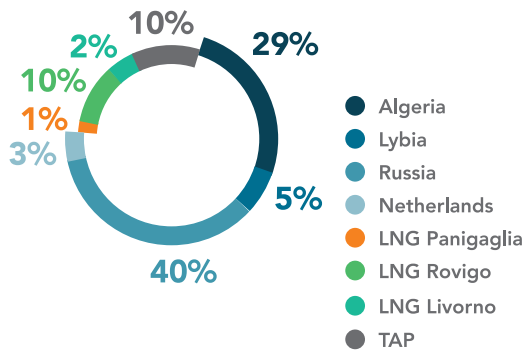
Gas import mix in Italy 2022



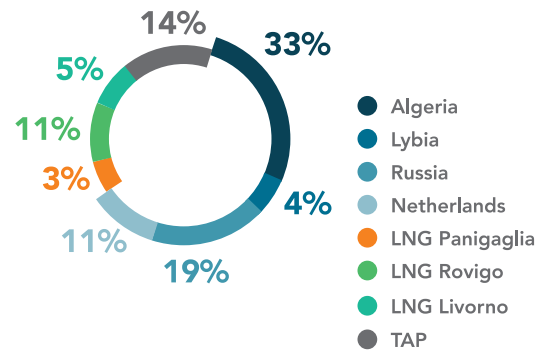
- Algeria
- Lybia
- Russia
- Netherlands
- LNG Panigaglia
- ING Rovigo
- ING Livorno
- TAP

It can be seen that the percentage weight of procurement from Russia halved from 40% recorded in 2021 to 20% in 2022.

2021

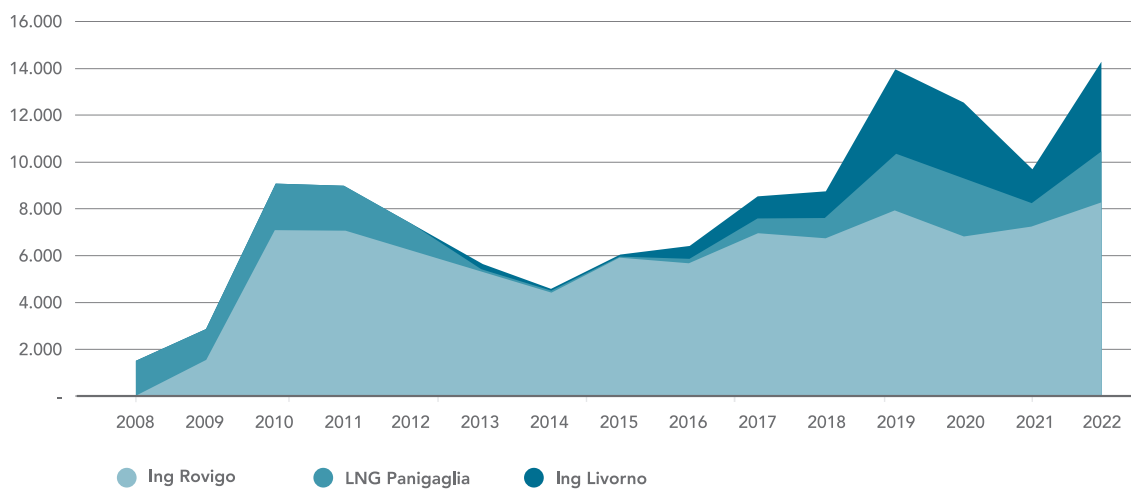


2022



LNG imports through the regasification terminals of Rovigo, Panigaglia and Livorno in 2022 amounted to 14.2 billion Sm³ (9.7 billion Sm³ in 2021).

LNG import mix in Italy, millions of m³



ELECTRICITY PRICES

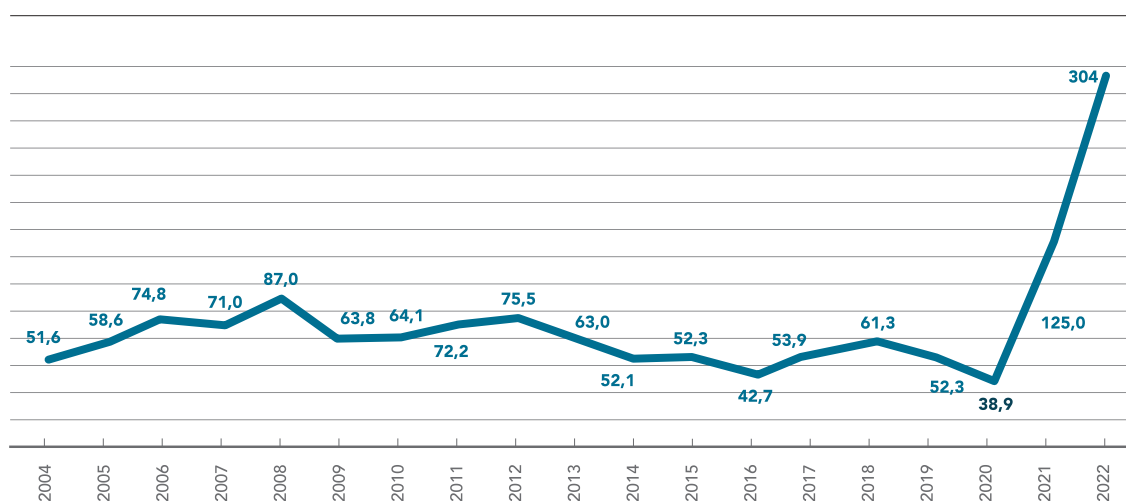
The national average PUN in 2022 was 303 euro/MWh (+143% the 2022 annual arithmetic average compared to the 2021 annual average, equal to 125 euro/MWh). The values of average monthly prices saw a sharp rise since the Russian invasion of Ukraine: starting from March, mainly due to the increase in the price of natural gas and CO₂, the PUN values progressively increased up to a record high of 543 euro/MWh in August 2022, and then fell back in the last quarter towards more contained values in line with those of 2021, though still very high compared to historical averages.

See below for more details:

average monthly PUN (€/MWh)	CHANGES			
	2022	2021	Chg.	%
January	224.5	60.7	163.8	270%
February	211.7	56.6	155.1	274%
March	308.1	60.4	247.7	410%
April	246.0	69.0	177.0	256%
May	230.1	69.9	160.1	229%
June	271.3	84.8	186.5	220%
July	441.7	102.7	339.0	330%
August	543.2	112.4	430.8	383%
September	429.9	158.6	271.3	171%
October	211.5	217.6	- 6.1	-3%
November	224.5	226.0	- 1.4	-1%
December	294.9	281.2	13.7	5%
AVERAGE FOR THE YEAR	303.1	125.0	178.1	143%

The annual average price of electricity (PUN) recorded in 2022 was by far the highest ever recorded since the Italian Electricity Exchange was established (2004).

Historical annual PUN, euro/MWh

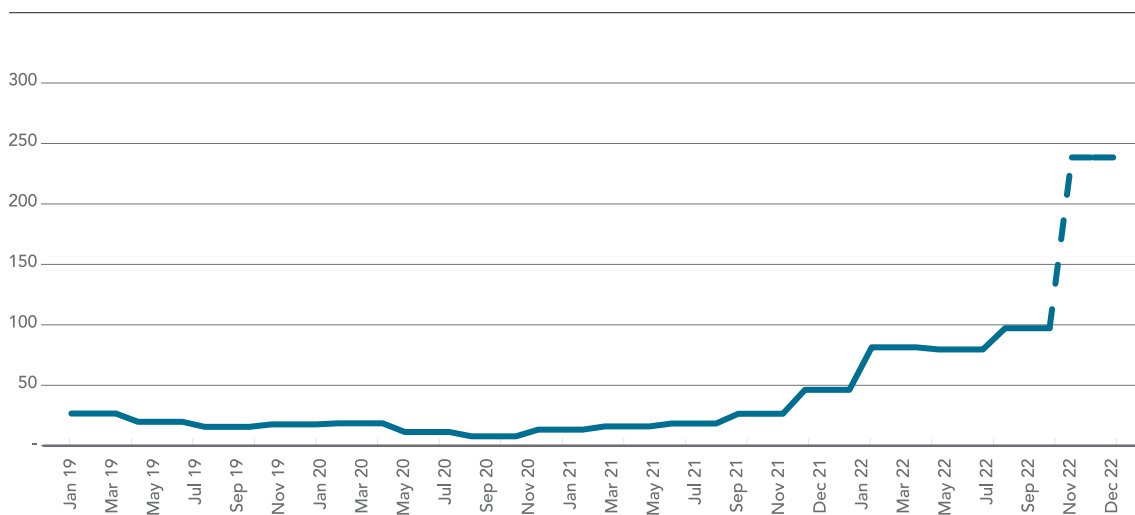


NATURAL GAS PRICES

Russia's invasion of Ukraine and the consequent decrease in Russian gas imports into Europe led to tension on the European and Italian balances of sources/uses, bringing natural gas prices to values never seen before, as already reported in the previous charts (chart of the historical TTF prices).

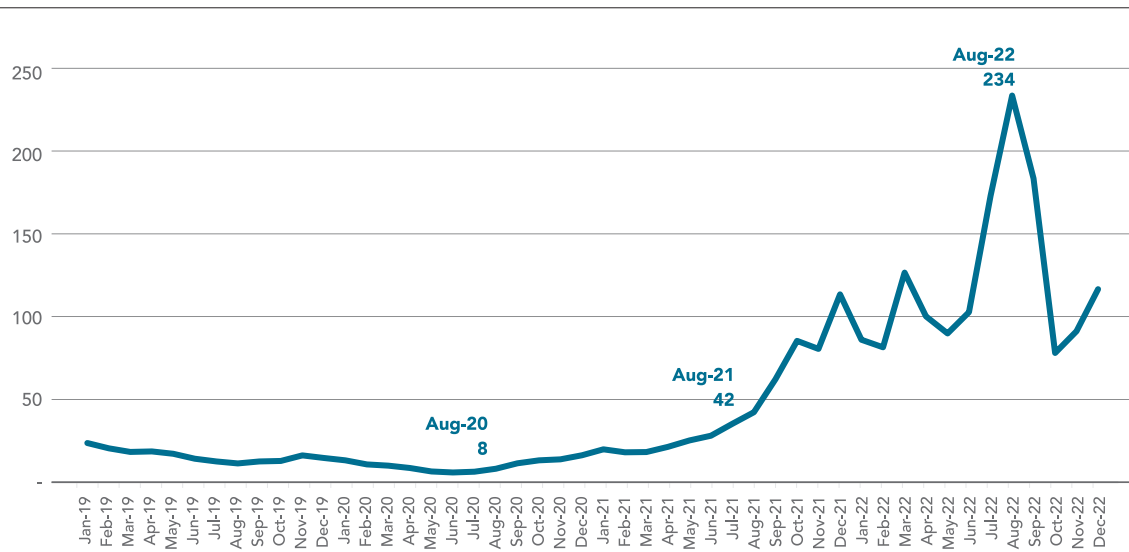
The value of the Pfor, the benchmark price of gas for households until 30 September 2022, increased from 6 euro/MWh in the third quarter of 2020 to 96 euro/MWh in the third quarter of 2022.

Pfor, euro/MWh



During 2022, ARERA intervened by modifying the methodology for calculating the reference price of natural gas for the protected households market, anchoring it from 1 October 2022 to the PSV Day Ahead price. Below is a representation of the PSV Day Ahead price over the last few years.

PSV DA, euro/MWh

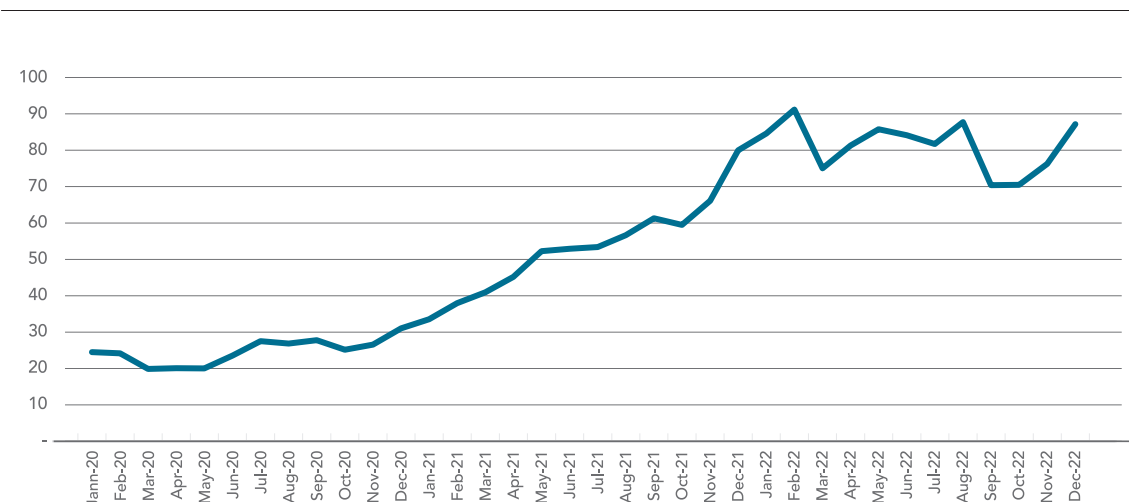


As shown, in the last part of the year the gas prices linked to the PSVDA fell considerably and consequently the prices to households were decidedly lower than those calculated with the old pricing methodology (PFOR), which in the fourth quarter of 2022 would have been over 230 euro/MWh.

CO₂ PRICES

CO₂ prices remained very high for all of 2022, with a peak of more than 90 euro/ton in February.

CO₂ spot, euro/ton



FUNCTIONAL UNBUNDLING - ARERA RESOLUTION NO. 296/2015/R/COM (TIUF).

With the approval from ARERA of the experimental procedure, the Self Audit Protocol in which, since 2016, the subsidiaries Novareti S.p.A. and Set Distribuzione S.p.A. have participated, was consolidated as an alternative method for complying with the functional separation restrictions.

Note that this is the first audit procedure expressly recognised by a Regulator as an additional tool in its operating structure to strengthen regulatory compliance in proactive, collaborative form with companies that innovate the ordinary dynamics of repressive enforcement.

The main innovative aspects and related benefits deriving from application of this protocol are listed below.

It introduced important formal exemptions (e.g. in relation to restrictions on commercially sensitive information, or to those relating to the submission of annual network infrastructure development plans to ARERA).

The Compliance Manager was recognised as auxiliary to the Regulator in the management of controls, and consequently the results reported to the Regulator by the Compliance Manager constitute a reliable sign of compliance in the context of accountability activities of the Distributor (DSO) and the vertically integrated company.

The Compliance Manager will be able to support ARERA in managing inspections on company premises in place of the ordinary Guardia di Finanza-ARERA teams of officials.

The reporting of situations of possible conflict with the regulatory framework would give rise not to a dispute and the initiation of sanction proceedings, but rather to a collaborative path in which to set up a remediation solution agreed with the offices of the Regulator.

With regard to the intercompany contracts segment, note that the procedure adopted, the only one formally approved by the Regulator thus far, guarantees a reliable assessment of compliance with the economic benchmarks envisaged in the TIUF.

In essence, these are results that constitute a real alternative platform for the regulated-regulator relationship with important benefits in terms of cost reduction and objectively appreciable regulatory risks.

BUSINESS SEGMENTS

SALE OF ELECTRICITY AND NATURAL GAS

The sector relating to the sale of methane gas recorded a slight decrease compared to the previous year with 489.2 million Sm³ sold at around 230,000 delivery points.

The volumes of electricity sold to end customers (including those served in the enhanced protection service market) amounted to approximately 4.1 TWh. The number of delivery points, around 490,000, is in line with that of the previous year.

ELECTRICITY PRODUCTION

REGULATORY AND TARIFF FRAMEWORK

THE REASSIGNMENT OF DIVERSION CONCESSIONS.

Given the complexity of the regulatory framework relating to the important and impactful issue of the reassignment of hydroelectric diversion concessions, for completeness of information and the need for an overview for their correct understanding, the considerations already contained in the report to the financial statements for the previous year, supplemented on the basis of developments in 2022.

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

Said law also provided as follows:

- a) the concessions of large diversions in the provinces of Trento and Bolzano, with expiration date prior to 31 December 2022, are extended de jure for the period useful to complete the public disclosure procedures and in any case not beyond the aforesaid date;
- b) to the concessionaire who, at its own expense, made investments on the "wet works" (penstocks, collection and regulation works, discharge channels) shall be recognise, at the expiry of the concession, an indemnity equal to the value of the part of asset that is not depreciated, according to criteria that shall be set forth in a provincial law.

Subsequently, with the entry into effect of Italian Law No. 160 of 27 December 2019 "State forecast budget for financial year 2020 and multi-year budget for the 2020-2022 three-year period" - ref. Articles 76 and 77 -

Article 13 of the consolidated text per Italian Presidential Decree No. 670 of 31 August 1972 was amended once again; more specifically, the words “31 December 2022” were replaced by the following: “31 December 2023” and following the words “the aforementioned date” the following was added: “and exercised up to that date under the conditions established by the Provincial laws and rules and regulations of the concession in place at the date of their expiry”.

On 21 October 2020, Provincial Law No. 9 was approved, which, by modifying Provincial Law No. 4/1998, regulated the procedural rules for the holding of competitions and therefore implemented the provisions of Art. 13 of Italian Presidential Decree No. 670 of 31 August 1972.

In November and December 2020, the Water and Energy Resources Management Department of the Autonomous Province of Trent notified the extension by right of the thirteen large hydroelectric concessions held by HDE “for the period needed to complete the public bidding process and, in any case, not later than 31 December 2023, pursuant to Article 13 of Italian Presidential Decree No. 670 of 31 August 1972 and Provincial Law No. 4 of 6 March 1998”.

In the light of the above and in consideration of the further postponement of the 31 December 2023 deadline to 31 December 2024 due to the regulations introduced in 2022 as described below, HDE arranged depreciation remodelling of the assets referred to in point a) above.

The precept set out in point b) above has been set out, though not exhaustively regulated, in Article 26-quater of the updated Provincial Law No. 4/1998; this Article states that the outgoing concession holder is entitled to an indemnity equal to the value of the part of the asset which has not been depreciated under the following conditions:

- I. exclusively in reference to investments on the assets referred to in the first paragraph of Article 25 of Italian Royal Decree No. 1775 of 1933, also provided for by the acts of concession, subject to authorisation of the Province, provided that the increase in the overall producibility of the plant or its modulating capacity or the overall efficiency of the same is achieved;
- II. the concession holder has entrusted the works, supplies and services undertaken in order to carry out the investments on the assets in compliance with the public evidence procedures provided for by the legislation on public contracts.

In consideration of the absence of investments with the characteristics referred to in point I. above and given the failure to define the indemnity calculation method, the assumption of zeroing the net book value of “wet works” at the end of the concession has been confirmed.

Further salient elements contained in the cited Provincial Law No. 9 of 21 October 2020 are as follows:

- with regard to the method used to evaluate so-called “dry” works (basically, hydroelectric power plants and their contents), the criterion set forth in paragraph 2 of Article 25 of Italian Royal Decree No. 1775 of 11 December 1933 is reiterated, contrary to what is established by the national legislation, “price equal to the estimated value of the material being worked, calculated at the time of entry into possession, not considering the income that can be made from it from any measurement”;
- the assets referred to in the preceding point may be acquired by the Autonomous Province of Trento; otherwise, the assets may be acquired by the incoming concession holder, if the latter provides for their use when submitting its bid; the provincial law therefore also establishes the concept of “cherry picking”, i.e. the right given to the incoming concession holder not to acquire all or part of the dry assets,

without the consequent obligation to pay compensation to the transferor. Any assets not transferred will therefore remain fully available to the transferor, which can freely dispose of them, also through sale to third parties other than the incoming concession holder;

- in the context of verifying the existence of interests in the competing use of water, which is a preliminary act with respect to the tender procedures, special consideration will be given to initiatives involving “positive effects on the territory and the community generated also by the historical electric cooperatives” referring to the case of self-production;
- the subject of the call for tender (concession and its characteristics) will be defined through an Environmental Impact Assessment procedure that will have as its initial reference the current concessions, possibly aggregated or, in some cases, unbundled, pre-restricted following the assessment of the existence of competing use interests referred to in the previous point;
- in accordance with the provisions of national law, concessions may be awarded through the use of one of the following methods:
 - a) running of a public procurement procedure;
 - b) assignment to mixed public-private companies established in accordance with the provisions of the same law;
 - c) through forms of public-private partnership, pursuant to Article 179 of Italian Legislative Decree No. 50 of 18 April 2016 (Public Contracts Code);
- the contents of the call for tender are defined as well as the requirements of the participants, part of which will be calibrated on the basis of the characteristics of the specific concession.

On 18 December 2020, the Italian Council of Ministers ordered that Provincial Law No. 9 of 21 October 2020 be challenged in the Constitutional Court, with subsequent appeal No. 140 of 24 December 2020, in the same way as it had already been ordered for similar regulations of the Lombardy, Veneto and Piedmont Region Administrations.

Against this challenge, Trento Autonomous Province, by means of two subsequent legislative measures, Provincial Law No. 6 of 23 April 2021 and Provincial Law No. 18 of 04 August 2021, amended the reference standard to incorporate the content of the aforementioned appeal.

The same legislative measures introduced important innovations also and above all with regard to the regulations governing concessions for small hydroelectric diversions, significantly modifying Provincial Law No. 18 of 8 July 1976 introducing ex novo the provision of a tender also for these concessions on their natural expiry, postponing the rules to a subsequent regulation the adoption of which, at the date of this report, is still pending.

In reference to regulatory developments concerning small hydroelectric diversion concessions, note the significance of Constitutional Court decision No. 265 of 10 November 2022 which, in relation to assessment of the constitutional nature of the extensions introduced by Friuli Venezia Giulia Regional Law 13/2021, expressed its opinion in favour, confirming that the specific case of the Public Contracts Code was inapplicable and emphasising that the current state regulatory framework on small hydroelectric diversion concessions, dating back to Regional Decree No. 1775/1933, is in no manner whatsoever inspired by competitive needs.

Despite the dismissal (in September 2021) of infringement proceedings 2011/2016 relating to Italy, together with similar proceedings against Germany, the United Kingdom, Poland, Austria and Switzerland, on 2 Au-

August 2022 the Italian Parliament, in compliance with NRRP provisions (prepared and approved prior to the aforementioned dismissal), approved Law 118/2022 (Annual Market and Competition Law 2021). Art. 7 of this law introduced remodelling and postponement of the deadlines granted by the Regional Authorities for completion of related legislative activities (31 December 2023) and for conclusion of the reassignment procedures (31 December 2025). Art. 7, paragraph 2 of the law amended Art. 13, paragraph 6 of Italian Presidential Decree No. 670 of 31 August 1972, confirming the extension to 31 December 2024 of concessions already expired under Law 34/2022 and dynamically linking this new deadline to a subsequent deadline which could be defined at national level ("or later date decided by the State for similar large hydroelectric diversion concessions located in Italy").

On 30 November 2022, the Provincial Council approved Law No. 16/2022 (in force from 9 December 2022) which, amending Provincial Law No. 4/98, envisages deferral from 2024 to 2029 of the deadline for conclusion of the reassignment procedures for large hydroelectric plant concessions due to expire by 31 December 2024. The aim of this Provincial Law is to mitigate the negative effects of the energy crisis in the short and long terms. The measure introduces the option for concession holders to submit a business plan to the Provincial Administration for increasing the efficiency, resilience, accumulation capacity, as well as the capacity and energy performances of existing plants. At the same time, a new variable charge was added to support energy consumption costs within the province.

On 2 February 2023, the Council of Ministers challenged the above-described Provincial Law before the Constitutional Court. The details and content of the related appeal are not yet known as at the preparation date of these financial statements.

CONCESSION FEES

From 1 January 2019 and until the expiry of the concessions, a redetermination of additional charges was recognised to take into account that the new DMVs were not applied. The remodelling led to an annual reduction in the charges of approximately 1 million euro compared to that paid up to 2018. This is by effect of:

- the adoption, by the Trento Autonomous Province (PAT), of the resolution of 5 October 2019, which implemented the provisions of Article 23 ter, paragraph 3 bis, of Provincial Law No. 4/1998;
- the execution by the Company and by the Trento Autonomous Province, on 19 October 2019, of the document for the mutually agreed termination of the Agreement relating to the experimental remodulation of the releases of water flow rates for the DMV, entered into with the PAT on 11 November 2016, but never implemented as a result of the stated positions and of the discussions held between the PAT and the local authorities involved.

"WINDFALL" MEASURES

During 2022, numerous regulations were issued and amended multiple times for collection of presumed "windfalls" associated with business activities carried out by renewable source energy producers in an electricity market which, after the anomalous price trend for gas that began in the second half of 2021, saw unprecedented prices and volatility.

Art. 15-bis of Italian Decree Law 4/2022 ("Sostegni TER"), as amended by Italian Decree Law 115/2022 ("Aiuti bis"), envisaged that:

- from 1 February 2022 to 30 June 2023, a two-way compensation mechanism will be applied to energy prices, in reference to electricity supplied to the network by:
 - a) PV plants with capacities of >20 kW that benefit from fixed bonuses under the “Conto Energia” mechanism, not dependent on market prices;
 - b) plants with capacities of >20 kW powered by solar, hydroelectric, geothermoelectric and wind sources which have no access to incentive mechanisms and became operational prior to 1 January 2010.
- The GSE calculates the difference between a reference price (58 euro/MWh for northern Italy) and a market price as follows:
 1. for PV plants with capacities of >20 kW (point a) powered by solar, wind, geothermal and run-of-the-river hydroelectric, the zone price per hour on the electricity market, i.e. for supply contracts signed before 27 January 2022 (and for 2023 those signed before 5 August 2022) - the price stated in the contracts;
 2. for other plants (point b), the arithmetic monthly average zone price per hour on the electricity market, i.e. for supply contracts signed before 27 January 2022 (and for 2023 those signed before 5 August 2022) - the price stated in the contracts.
- If the difference between the reference price and market price as calculated above is positive, the GSE disburses the related amount to the producer. If negative, the GSE asks the producer to pay the corresponding amount or offset it against other items.
- The difference is settled between the GSE and the producer solely for supply contracts signed before 27 January 2022 (and for 2023 those signed before 5 August 2022), provided these contracts are not linked to energy market spot price trends and, in any event, were not signed at an average price more than 10% above the reference market price, limited to the duration of the contracts.
- For the purpose of points 1) and 2) above, the only valid contracts are those signed between companies pertaining to the same group as the producer, even if not producers themselves, and other natural persons or legal entities external to the producer’s corporate group.

As envisaged in the aforementioned Art. 15-bis, on 21 June 2022 the GSE published Resolution 266/2022/R/eel, containing detailed implementing measures, on its web site. Following that publication, producer generated the information, figures and declarations necessary to implement the regulatory measure.

In October 2022, the first economic settlements were paid by the GSE (cumulatively for February to August 2022). Afterwards, the settlements were arranged on a monthly basis, with payment adjustments envisaged following recalculation of the average year-end sale prices in the early months of 2023.

In December 2022, GSE settlements were suspended as a result of the Lombardy Regional Administrative Court decision which on 1 December 2022, accepting the appeals submitted by a number of operators, cancelled Resolution 266/2022. On 18 January 2023, after accepting the ARERA claim (challenging the aforementioned decision), the Italian State Council suspended the effects of decisions based on which the Regional Administrative Court in Milan cancelled Resolution 266/2022/R/eel.

This government measure resulted in a charge for the year ended 31 December 2022 of 34,654 thousand euro.

The 2023 Budget Law, in implementation of Regulation (EU) No. 2022/1854, approved on 29 December 2022, introduced an additional one-way mechanism that requires payment to the GSE from 1 December 2022 to 30 June 2023 of revenues, if any, referring to the difference between the market price and the 180

euro/MWh cap value, associated with renewable source production plants not already subject to the 58 euro/MWh cap introduced by Art. 15-bis of Italian Decree Law 4/2022. The implementing measures were assigned to ARERA, which has the task (not yet completed) of issuing a resolution to be adopted within 30 days of entry into force of the law "also in continuity with operating methods defined in implementation of the provisions of Article 15-bis of Italian Decree Law No. 4 of 27 January 2022". This measure had no effect on the Group for the year ended 31 December 2022.

Art. 37, Italian Decree Law No. 21 of 21 March 2022, in force from 24 March 2022, as amended, (Italian Decree Law 50/2022) introduced an extraordinary contribution to limit the effects of the price increase for businesses and consumers for 2022. The contribution is payable by companies involved in production and import activities, for subsequent resale, of electricity, methane gas or natural gas extraction, by resellers of electricity from methane gas or of natural gas extraction, and from entities that produce, distribute and market oil products.

In application of Italian Decree Law 50/2022, the "Aiuti" (Aid) Decree Law, which amended the original provisions of Italian Decree Law 21/2022 in terms of the extent of the contribution and the reference period, the withdrawal is calculated on the increase in the balance between purchase and sale transactions net of VAT, invoiced in the period October 2021-April 2022 compared to the period October 2020-April 2021, provided that this increase is at least 10% and greater than 5 million euro. The contribution applies by up to 25%, calculated on the threshold balance increased from 10% to 25% allowed by the "Aiuti" Decree Law 50/2022. Payment of the contribution was envisaged in the sum of 40% as payment on account by 30 June 2022 and the balance by 30 November 2022. This government measure resulted in a charge for the year ended 31 December 2022 of 33,178 thousand euro, included in the Income Statement under "Taxes" item.

Lastly, the 2023 Budget Law envisaged a new "solidarity contribution" applied to entities that are producers of electricity and gas, that produce, distribute and market oil products, electricity and gas resellers and entities that import electricity or gas for subsequent resale. This contribution, payable if at least 75% of revenues (in the tax period prior to that in progress as at 1 January 2023) derives from the activities indicated, equals 50% of the IRES taxable amount, in the period prior to that in progress as at 1 January 2023, which exceeds by at least 10% the average income in the four tax periods prior to that in progress as at 1 January 2022, with a limit set at 25% of the shareholders' equity. The amount shall be paid by the end of the sixth month after year end (or the end of the month after approval of the financial statements). This government measure resulted in a charge for the year ended 31 December 2022 of 21,257 thousand euro, included in the Income Statement under "Taxes" item.

INITIATIVES AND INVESTMENTS

The investments made by the Group's main hydroelectric production company in 2022, totalling 9,532 thousand euro, mainly refer to efficiency maintenance activities (Stay in Business, 6,686 thousand euro), the adaptation of plants to legal requirements on environment and safety (Mandatory, 2,375 thousand euro), development activities (Development, 5 thousand euro), preparatory activities for participation in tenders for the renewal of hydroelectric concessions (LIC Development, 320 thousand euro) and the purchase of new equipment (146 thousand euro); the investments for the most significant activities are described below.

S. Massenza plant: 859 thousand euro recognised for the replacement of dischargers and hydraulic systems for units 1 and 6, 355 thousand euro for the installation of the static exciters on units 1 and 6 and 468 thousand euro for upgrading of the engine room ventilation system.

Torbole plant: 1,369 thousand euro recognised for renovation works on the unit 1 turbine.

Cimego plant: 481 thousand euro recognised for gradient upgrading works.

Malga Boazzo reservoir: 208 thousand euro recognised for upgrading of the dam discharge control circuit.

Cogolo plant: 203 thousand euro recognised for works to upgrade to CEI 016 standard and 357 thousand euro for extraordinary maintenance of the plant roof.

Carzano plant: 227 thousand euro recognised for extraordinary maintenance of the Maso intake works following the VAIA storm 28-30 October 2018.

VOLUMES AND OPERATING EFFICIENCY

Most of the hydroelectric generating plants are owned by the companies HDE (a 60% investee), DEE (51%), SFE (50%) and Primiero Energia (19.94%). In addition to these equity investments, Dolomiti Energia Holding directly owns the hydroelectric plants of S. Colombano (50% investment), Basso Leno, Chizzola, Grottole, Novaline, Tesino and 3 power-driven cogeneration plants in Rovereto as well as the combined cycle turbo-gas plant of Ponti sul Mincio (5% investment). Three photovoltaic plants are also in operation in Rovereto and Trento, with a total nominal capacity of 80 kWp and monitored in terms of operations and productivity.

The Group's total energy output in 2022 was 2,140 GWh (3,513 in 2021), of which 2,057 GWh hydroelectric.

ELECTRICITY DISTRIBUTION

REGULATORY AND TARIFF FRAMEWORK

In 2022, the reference regulations of the electricity distribution system did not undergo any particular changes or significant interventions. It should be remembered that EU, national and provincial rules govern the sector, given the legal responsibility attributed to the Trento Autonomous Province.

At national level, the sector is regulated by Italian Legislative Decree No. 79 of 16 March 1999 (the Bersani Decree), implementing Directive 96/92/EC, which requires that distribution companies in operation at the date of entry into force of their provisions continue to provide the service as a monopoly until 31 December 2030, based on the concession issued by the Italian Ministry; subsequently the award must be via tender.

In the provincial context, following the transfer of energy-related functions from the State to the Autonomous Provinces from 1 January 2000, the structure of electricity distribution was regulated through the distribution plan approved by the provincial government on 27 September 2013. This Plan identified a single area for the province and dictated the methods for gradual reorganisation of the service, in which SET Distribuzione plays the role of aggregating entity.

This basic regulatory context, substantially unaltered, must however be supplemented by a series of measures of a lower ranked regulatory hierarchy, but not for this without mandatory and operational significance and scope for companies in the sector. This refers, in particular, to the measures adopted by ARERA in its areas of responsibility and which also form an integral and substantial part of the reference regulatory framework.

INITIATIVES AND INVESTMENTS

It should be recalled that the technical structures of SET Distribuzione SpA prepared a multi-year plan of the investment needs on the network. This plan contemplates, with focused interventions that have already been identified, a time horizon until 2025 and it is the reference for the communications prescribed by the Authority within the scope of the integrated regulation on unbundling.

Overall, the investments made in 2022 totalled 38.5 million euro.

TECHNICAL INVESTMENTS DUE TO UTILITY REQUEST

The interventions on the MV and LV network to satisfy the connection requests of utilities increased compared to 2021 for a total of around 14.76 million euro.

In 2022 the grid connections of photovoltaic plants (No. 3,509) and other mainly hydroelectric production plants tripled, for a total installed capacity of over 453 MW.

Connection requests for accumulation systems associated with generating plants from a renewable source, mainly photovoltaic, were almost four times higher than in previous years.

TECHNICAL INITIATIVE INVESTMENTS

During the year, Set Distribuzione initiatives relating to network enhancement, improvement of the service and regulatory upgrading of plants, the volume of activity was in line with previous years and amounted to approximately 10.9 million euro.

Work continued on interventions that guarantee the maximum return in terms of improving the quality of the service provided to users, wherever possible adopting low-environmental impact solutions. The plan to reduce the number of overhead lines in wooded sections continued, as did the technological renewal of primary and secondary substations.

With regard to the primary substations, the installation of new control panels with fibre optic connections continues, preparatory to the new automated fault detection techniques on the MV network.

On the medium voltage grid, the main investments carried out in 2022 by your Company can be summarised as follows:

- laying new MV underground cables to assure a second power supply to some locations and to replace overhead lines with bare conductors, totalling 37.8 km;
- replacements of lines with bare conductors in wooded areas with lines with insulated overhead cable, totalling 2 km of MV lines;
- requalification of numerous obsolete secondary substations, fitted with motorised protected switchboards or with switches, in order to improve the continuity of the service and the selectivity of faults on the medium voltage network and allow it to be controlled remotely from the Integrated Remote Control Centre of Trento.

REDUCTION OF ENVIRONMENTAL IMPACT

During the year, action continued to reduce environmental impact by overhauling existing plants and using the best solutions for the construction of new plants:

- undergrounding of overhead power lines
- reduction in the number of pole-mounted transformers
- use of transformers equipped with insulating oil of plant origin
- use of medium voltage switches without sulphur hexafluoride gas

TECHNOLOGICAL DEVELOPMENT

The push to electrify consumption and increase production from renewable sources calls for a need to manage the electricity grid in an increasingly advanced way, also using distributed flexibility resources where possible as also incentivised by ARERA Resolution 352/2021/R/EEL. From this perspective, the plan for technological development of the protection and control equipment adopted in the primary and secondary substations continues (reaching 70% at the end of 2022), as well as the development of communication systems between the central systems and the equipment installed along the medium and low voltage network.

The installation plan for the new advanced supervision system continues in the primary substations, increasing the control of strategic assets as well as the level of safety of personnel working at the plant.

In 2022, preparatory activities were completed on the systems that will allow virtualisation of the remote control system and the observability of MV production plants with nominal capacity of >1 MW.

During the year, the experimental phase of the "Drones" project was successfully completed, confirming this new technology as useful in periodic or fault inspection activities.

VOLUMES AND OPERATING EFFICIENCY

Electricity grid and distribution management is provided by SET Distribuzione in approximately 160 Trentino Municipalities.

The total electricity distributed was 2,640 GWh (2,586 GWh in 2021).

Additional information:

Electricity distribution		2022	2021
High voltage grids	km	0	0
Medium voltage grids	km	3,562	3,524
Low voltage grids	km	9,058	8,859
Total customers connected to the grid	n.	337,807	334,631

QUALITY OF THE SERVICE PROVIDED

TECHNICAL QUALITY

In 2022, the indicators relating to the number and duration of outages generally show a trend in line with the previous year, particularly in the medium and low concentration area where most of the users served are located.

The 2021 results, published with ARERA resolution 622/2022/R/eel, show once again that SET Distribuzione is among the best companies in the electricity distribution sector, allowing your Company, as recognition for the excellent results achieved, to obtain a bonus of 1.68 million euro, which is the highest in terms of relative value per user among the medium-large sized entities. In detail, in each of the areas of competence (high, medium and low concentration of users), the average duration of the outages in 2021 was better than the targets the Authority assigned to SET Distribuzione (high concentration: standard 28 minutes - result 14.31 minutes; medium concentration: standard 45 minutes - result 15.23 minutes; low concentration: standard 68 minutes - result 26.09 minutes).

With regard to the number of outages, in each of the areas, the results were better than the standard (high concentration: standard 1.2 - results 0.65; medium concentration: standard 2.25 - result 0.81; low concentration: standard 4.30 - result 1.53).

COMMERCIAL QUALITY

During 2022, due to external factors mainly attributable to the tax concessions governed by Italian Decree Law No. 34/2020 (the 110% superbonus), there were strong increases in demand for services on the electricity network, mainly focused on system transfers (for the installation of thermal insulation systems in buildings) and especially in requests for connection to the photovoltaic plants network (relating to the works "driven" by the 110% superbonus). Compared to 2021, there was a 200% increase in active connections (mainly from photovoltaic sources).

The SET Distribuzione structure, despite implementing reactive reorganisations of resources and optimising processes during the year, suffered from the inevitable delays in provision of the services requested. Due to the way the regulation of commercial quality is conceived, these delays led to the obligation for SET Distribuzione to disburse automatic indemnities to applicants who have suffered delays in the provision of requested services. The amount of these automatic indemnities amounted to 94,650 euro disbursed in 2022 to passive users and 192,000 euro disbursed in 2022 to active users.

NATURAL GAS DISTRIBUTION

REGULATORY AND TARIFF FRAMEWORK

The interventions of the Regulatory Authority for Energy, Networks and Environment (ARERA), in addition to the lines and objectives already outlined in 2021 and in the Authority's Strategic Framework for the four-year period 2022-2025, were developed in particular regarding the definition and development of measures — in compliance with and in implementation of Decrees Law issued by the Italian Government — to mitigate the effects of the price increases of energy resources and the consequent increases in bills for end customers.

In addition to cost containment measures for end customers, given the international context and the energy procurement crisis, during the year ARERA also took steps, again in coordination with other provisions adopted at national level, to adopt provisions to promote the security of energy procurement, particularly measures on the filling of storage facilities and the monitoring of imported gas procurement contracts. At the beginning of the year, the Authority — following consultation 465/2021/A and the periodic hearings with stakeholders held in November 2021 — approved Resolution 2/2022/A by which it adopted its “Strategic framework for the three-year period 2022-2025”, containing the strategic objectives and main lines of action for this period, also with reference to the gas distribution sector. In the middle of the year, on the other hand, Resolution 203/2022/A was published, in which ARERA reported on the activities carried out in 2021 in relation to indications in the previous “Strategic framework for the three-year period 2019-2021”, justifying any deviations with respect to what was envisaged for 2021 and highlighting the impacts of the Covid-19 epidemiological emergency, in terms of timing and implementation methods of the objectives. At the end of June, the Authority (through Resolution 269/2022/R/gas) also completed the procedure relating to review of the metering service regulation, with redefinition of the outputs and performance of the metering service through smart meters (commissioning, collection frequency and time granularity of the metering data, frequency for making metering data available, compensation to be paid to end customers and sales companies).

With Resolution 231/2022/R/com, ARERA concluded the procedure, initiated by resolution 571/2021/R/com aimed at standardising and updating the procedures for verifying the commercial quality data for the distribution, metering and sales services for gas and electricity and of the contractual quality data for the water service.

With Resolution 269/2022/R/gas issued on 23 June 2022, ARERA published the review of the metering service regulation, with redefinition of the outputs and performance of the metering service through smart meters, modifying the current metering service regulation for their commissioning, frequency and metering data collection method for G4 and G6 smart gas meters and automatic indemnities to end customers; a system of indemnities against distributors was also envisaged, aimed at increasing the performance of distribution companies in recording and making available metering data and also introducing some adjustments to sales company invoicing obligations to end customers. The measure also envisaged partial compensation — in consideration of a predetermined physiological level of unsuccessful remote reading — of the costs incurred by the distribution companies for indemnities for unread meters disbursed to end customers.

In terms of tariffs, during 2022 the Authority also carried out the usual periodic updates to a number of tariff

components (relating to general system charges for the natural gas sector). At the time of these updates, given the significant problems of energy prices, the increase in energy bills and the legislative measures adopted in this regard, the Authority, as already envisaged at the end of 2021 for the first quarter of the year, ordered the elimination, for all customers in the gas sector, of the components relating to management charges, the introduction of supplementary social bonuses and, for the second and third quarters (Resolutions 148/2022/R/gas and 296/2022/R/gas), an update to an element of the UG2 distribution tariff component (through the application of a negative sign component to consumption brackets up to 5 thousand Sm³/year), in order to immediately transfer to end customers, especially those of small dimensions, the containment effects of the measures adopted in relation to the exceptional situation of gas market tension.

Of considerable importance during 2022, due to the impact of the costs of the upcoming methanisation investment in newly developed areas, as part of the procedure launched for application of the provisions of the aforementioned Article 114-ter (Resolution 435/2020/R/gas), on 19 July 2022 the Authority published the consultation paper 337/2022/R/gas in which, once again highlighting the conflicting profiles with European law, it expressed the intention to disapply Article 114-ter (in the light of European Court of Justice case law, inaugurated with the well-known judgement of 29 June 1989, Fratelli Costanzo; in case C-103/88, EU:C:1989:256; plus the recent judgement of 4 December 2018, The Minister for Justice and Equality, case C-378/17, EU:C 2018:979).

For the Authority, Article 114-ter of Italian Decree Law 34/2020 not only has unreasonable content, "in that it 'simulates' the results of an administrative procedure that should instead be carried out by the Authority, and defines the results authoritatively, without however having carried out the necessary preliminary activities (i.e. without the aforementioned cost-benefit analysis being carried out on the individual investments in question); but above all, in doing so, it creates an unprecedented (and unlawful) compression of the Authority's own prerogatives and powers which, though envisaged in Italian law (in particular Italian Law 481/95 and Article 23 of Italian Legislative Decree 164/00), are however based on European Union law, in particular Articles 39 and 41 of Directive 2009/73/EC", giving rise "for the Member State, to the ban on introducing provisions that compress the autonomy and independence of the regulatory authority in the adoption of decisions regarding the approval of tariffs".

Attention is also drawn to the fact that Article 114-ter was introduced after the aforementioned Council of State rulings 778, 779 and 780 of 2020 and in fact exceeds the administrative judgements formed with respect to companies operating in those locations.

ARERA refers to the underlying issue of the different structures of the gas and electricity sectors: while the latter is subject to an obligation of universality (see Directive 2009/73/EC), to which the principle of the single national tariff is linked (Article 3, Italian Law 481/95), for the natural gas sector, however, in the absence of similar legal provisions (at EU or national level), "the universal nature of the service" has always been described by the Authority as the availability of the service itself "at cost conditions that reflect transparent economic conditions, while the generalised diffusion of the service, which would entail an increase in the cost of meeting the country's energy needs, does not appear to be justified".

For the Authority, the distorting effects tracing back to the aforementioned Article 114-ter receive greater emphasis in the current era, associated with the natural gas price crisis, made even more acute by the Russia-Ukraine conflict given that:

"- on the one hand, the provision in question incentivises the creation of new methanisation and network developments, unrelated to any real cost-benefit assessment, despite an international scenario in which

natural gas becomes a potentially scarce resource, and the drive to access and develop alternative sources is increasingly strong;

- on the other hand, the tariff increase arising from the Authority's obligation to guarantee full recognition of the investment cost, whatever that may be, will further stress the upward trend in prices that is causing hardship for end consumers".

Following these arguments, ARERA adopted Resolution 525/2022/R/gas of 25 October 2022 containing "Provisions on application of the cap on tariff recognition of investments in start-up locations", and Resolution 528/2022/R/gas of 25 October 2022 containing "Criteria for the formulation of observations on tender notices for assignment of the natural gas distribution service in locations identified in Article 114-ter of Italian Decree Law No. 34 of 19 May 2020".

With the aforementioned measures, the Authority arranged the disapplication of Article 114-ter. With regard to the tariff regulation of natural gas distribution and metering, the Authority decided, also for the locations contemplated by Article 114-ter, to maintain application of the current cap on investments envisaged by resolution 570/2019/R/gas.

In relation to tender evaluations, resolution 528/2022/R/gas, also with reference to the same locations, establishes that the post-award investments to be made by companies assigned the gas distribution service as a result of the bids, for the part exceeding the level corresponding to the minimum development conditions, and which is therefore not supported by suitable cost-benefit analysis, cannot be used in determination of the level of invested capital relevant for tariff purposes.

INITIATIVES AND INVESTMENTS

The investments, in line with recent years, were allocated mainly to the modernisation of existing infrastructures (including extensions in already served Municipalities) and to the completion of previously planned works.

Investments made in the gas sector in 2022 totalled 24.2 million euro (20.8 million euro in 2021), and the main interventions involved:

- extraordinary maintenance of existing plants and distribution networks;
- replacement of traditional meters with electronic ones;
- the extension of the pipelines in the managed municipalities.

From a management point of view, the use of digital devices introduced following the "industrialisation" of field activities and tools to support operations through a Work Force Management tool as a potential technological enabler was consolidated in 2022, and planning was arranged to extend use to emergency response activities.

In 2022, the ISO 9001:2018, ISO 14001:2018 and ISO 45001:2018 certifications were reconfirmed in relation to the quality management, environmental and occupational health and safety management systems regarding the management, construction, operation and maintenance of natural gas distribution plants and networks.

During 2022, Novareti participated in two tender procedures, launched respectively by the Municipal Administrations of Canazei and Cavalese, for the concession, through public project financing, of the construction and temporary management of the natural gas distribution plant in those municipalities, pending award of the concession for management of the public gas distribution service in the Single Area of Trento.

The purpose of the concession is the construction of the initial networks, management of the public natural gas distribution service, including in particular: i) the final and executive planning of works to be carried out, safety coordination during the planning and execution phase — including any additions/changes proposed by the Concessionaire in the technical bid submitted during the tender phase — as well as the Works Management; ii) the construction of an urban network and related plants for the distribution of natural gas, including any additions/changes proposed by the Concessionaire in the technical bid submitted during the tender phase; iii) the management, on a transitional basis, of the public natural gas distribution service, including ordinary and extraordinary maintenance of the network. The total presumed value of the concession, net of VAT, amounts to 7,212 thousand euro (of which 5,033 thousand euro relating to the total for distribution plant construction works and 2,179 thousand euro relating to management of the service, conventionally assuming a service management duration of 5 years) for Canazei and to 2,492 thousand euro (of which 1,831 thousand euro relating to the total works and 661 thousand euro relating to management of the service, conventionally assuming a management duration of 5 years) for Cavalese.

The concession will remain in force until the start of the area concession and, in any case, no later than 12 years from commissioning of the plants, the duration of which is already included in the value of the concession. Participation in this tender and a possible award would represent an opportunity for Novareti to consolidate its provincial presence in relation to natural gas distribution. This consolidation would strengthen and benefit the company also in view of the future tender for award of the natural gas distribution concession for the Trento Single Area.

The results will be announced in the first few months of 2023.

Of note for the calendar year 2022 is that widespread application of the “Superbonus” has led to a reduction in gas redelivery points (PDR) following the replacement of fossil fuel heat generators with electric heat pumps in around three hundred units.

METERING

On the issue of gas metering, in 2022 activities continued for the replacement of traditional meters with new production electronic meters in compliance with the objectives established by resolution 501/2020/R/GAS of 1 December 2020, which for Novareti identified a minimum replacement percentage of 85% of the existing fleet, a value achieved during the last quarter of the year.

VOLUMES AND OPERATING EFFICIENCY

Distribution is carried out in 88 municipalities in the Trento province, Valle dell'Adige, Valsugana and Tesino, Valle di Non, Valle dei Laghi, the upland of Paganella, the valleys of Cembra, Fiemme and Fassa and the uplands of Folgaria, Lavarone and Luserna; the cogeneration and district heating plant is fuelled in the municipality of Cavalese, where the high pressure pipeline passes. Distribution is also carried out in 2 municipalities outside the Trento province (Brentino Belluno and Salorno).

Gas distributed during the year totalled 291.4 million m³ (341.8 million m³ in 2021).

Natural gas		2022	2021
Length of the network	km	2.696	2.652
Total utility contracts	No.	168.470	168.766

COMMERCIAL QUALITY

The level of commercial quality is measured by means of a general corporate index that represents the percentage of services performed within the standard times prescribed by ARERA, in particular of the services subject to specific levels of quality to be guaranteed to the requesting party for which the automatic indemnities rules apply.

In 2022, the general index of the services performed within the standard times, for quality of service parameter purposes, amounted to 99.04%.

AREA TENDERS

It should be remembered that Provincial Law No. 18 of 4 August 2021 amended Art. 39 of Provincial Law No. 20 of 4 October 2012 by inserting the following:

“3 quater. The publication deadline for the call for tender envisaged in this article is postponed if the deadline for the issue of preliminary opinions or observations by ARERA is postponed or passed, for the period corresponding to the suspension or delay. Furthermore, the deadline is deferred for the time necessary in the event of exercise of the substitute power of municipal authorities pursuant to article 2, paragraph 6, of Italian Ministerial Decree No. 226 of 12 November 2011 (Regulations for tender criteria and the assessment of bids for award of the natural gas distribution service, in implementation of article 46-bis, Italian Decree Law No. 159 of 1 October 2007, converted with amendments to Italian Law No. 222 of 29 November 2007).”

As the deadline for execution of the tender was postponed, in 2022 the Company continued to prepare/update the documentation requested by the Trento contracting authority in preparation for finalisation of the gas tender.

With regard to the possible participation in tenders outside the province, Novareti had expressed its in-

terest in participating in the negotiated procedure launched by ATAC Civitanova SpA for the selection of a partner and targeting joint participation in the gas tender to be called in the Macerata 2 nord-est ATEM. Macerata 2 nord-est ATEM has a total of 55,200 PDRs with 677 km of network. ATAC Civitanova SpA is currently present in this ATEM with 22,131 PDRs and approximately 187 km of network, covering 34% of the ATEM. The other operators present are Astea (28%), 2i Rete Gas (14%), Adrigas (11%) and Italgas (11%).

In 2022, Novareti SpA therefore submitted: i) an industrial bid containing an illustrative report describing the technical-operational structure that the Company undertakes to make available to ATAC Civitanova SpA, its previous experience in similar areas, the additional services that the Company undertakes to make available if selected as partner, the projects to increase energy efficiency and reduce emissions carried out or in progress and the inclusion policies promoted internally; ii) an economic bid containing the amount that Novareti, if selected as partner, undertakes to make available to the water transport network to be established with ATAC to cover the costs incurred by the parties for participation in the Macerata 2 nord-est area tender in relation to the use of external funding. Novareti, having carried out an analysis and estimate of the potential external costs, therefore intends to submit an economic bid for a maximum total of 600,000 euro.

After the selection process, Novareti was selected as partner by ATAC Civitanova SpA. Consequently, considering that ATAC Civitanova SpA is the outgoing operator with the largest share of PDRs and kilometres of network under management, being selected as partner clearly represents an excellent opportunity in view of the future tender for the Macerata 2 nord-est ATEM. Moreover, given that: i) the Macerata 2 nord-est ATEM in terms of morphology and socio-territorial characteristics is similar to the ATEM currently managed by Novareti; ii) participation in the tender for the Macerata 2 nord-est ATEM represents an opportunity for Novareti to expand its presence in Italy by strengthening its territorial presence in the natural gas distribution business, with consequent expansion of the catchment area, as well as to carry out a general rehearsal for the future Trento ATEM tender.

COGENERATION AND DISTRICT HEATING

REGULATORY AND TARIFF FRAMEWORK

With regard to obligations dictated by the Regulatory Authority for Energy, Networks and Environment (ARERA), note the following main aspects for 2022:

- a) The second regulatory period for connections and withdrawals (TUAR - Consolidated Law on Connections and Withdrawals) began on 1 January 2022 and will end on 31 December 2025 (Resolution No. 463/2021/R/tlr);
- b) Since 1 January 2022, the second regulatory period regarding the commercial quality of the district heating and district cooling service has been in force (District Heating Commercial Quality Regulation, RQCT), which will end on 31 December 2025 (Resolution No. 526/2021/R/tlr);
- c) For the two-year period 2021–2023, the “Regulation of the technical quality of the district heating and

cooling service" (RQTT) is in force (Resolution 548/2019/R/TLR).

- d) Beginning of the first regulatory period 2022–2024 relating to the "Regulation of the technical quality of the district heating and cooling service" (TIMT), from 1 January 2022 to 31 December 2024 (Resolution 478/2020/R/TLR), updated by Resolution No. 710/2022/R/TLR on 20 December 2022. For the reporting of data to ARERA, the WEB-TLC portal was implemented with the new "meter verification" service in order to facilitate compliance with the timing and reporting of data, allowing the related documentation to be archived.
- e) Continuation of the 2020-2023 regulatory period relating to "Transparency of the district heating and cooling service (TITT) (Resolution 313/2019/R/TLR), which applies entirely to the seller, i.e. Dolomiti Energia, except for consultation of the operator Novareti for the technical aspects and the "Disclosure obligations for entities operating in the district heating and cooling sector (OITLR) (Resolution 574/2018/R/TLR);
- f) Implementation of the portal dedicated to the Quality of the WEB-TLC District Heating service with the aim of making input more practical and facilitating reporting of the data to ARERA with the archiving of specific documentation.
- g) On 15 March 2022, Resolution No. 102/2022/R/COM, known as TIAO (Integrated text of personal data disclosure obligations) relating to the methods for acquiring and updating the key personal data of entities operating in the sectors under the Authority's responsibility.

With regard to the commercial aspects of district heating, tariff updates were arranged quarterly up to September 2022 and monthly from October 2022, with prices based on the type of customer served.

They are divided into:

- users connected to the cogeneration plants in piazzale Degasperri and via Zeni in Rovereto, where the tariffs are defined in relation to the price for the supply of natural gas, under a restricted regime, including excise duties, according to the updates to components defined periodically by ARERA, considering the specific type of customer;
- users relating to the "Le Albere" residential complex in Trento, where the fixed and variable heat portion is linked to the trend of similar heating prices envisaged for "Apartment blocks" for the Rovereto Municipal Authority;
- users to whom a dual tariff is applied, with a variable portion and a fixed portion, with update linked to performance of the ISTAT FOI index, excluding tobacco products.

For 2022, the VAT rates applied to district heating remained unchanged, at 10% and 22% respectively for:

- type for residential use;
- for the remaining tariff types.

Note that in 2022 ARERA carried out a "Fact-finding survey on the evolution of district heating prices and costs" in the period January 2020 – March 2022, for which Novareti collected all the data requested and submitted it on 31 May 2022.

With Resolution 547/2022/R/TLR, on 2 November 2022 ARERA announced the outcome of the survey, reporting that the prices applied by the district heating service operators were generally higher than the cost of providing an equivalent service using gas boilers. However, in ARERA's analysis, the transition to

alternative air conditioning services involves enormous investment costs, given the need to install a new system for the production of thermal energy, sufficient to constitute a significant barrier to exiting from the district heating market.

The details of the price analysis carried out by ARERA were provided in Annex A of the resolution. In general, ARERA's findings only partially impact the determination of the tariffs applied to customers served by the Novareti district heating networks.

In its conclusions, the Authority indicates, as a possible solution, the introduction of a "cost reflective" regulation of the district heating service prices, reserving the right "to define the general criteria for determining the tariffs, including the methods for recovering capital and operating costs, as well as the accounting separation criteria for the allocation of costs common to multiple activities."

FUEL PROCUREMENT

As regards the purchase of natural gas for the cogeneration plants and thermal energy production boilers, for the Via Zeni plant in Rovereto and the "Le Albere" plant in Trento until September 2022 these were at prices set by ARERA, with quarterly updates of the price components for the supply of natural gas under a restricted regime, while for the industrial zone cogeneration plant in Piazzale Degasperì, Rovereto, the purchase of natural gas is at market prices.

Since October 2022, the supply of natural gas by Dolomiti Energia to all the production plants has been regulated by a commodity price consisting of a base linked to the monthly average of the PSVDA index, used by ARERA to set the price of natural gas to customers in the protection service market, plus a spread of 15 eurocents.

The fact that district heating tariffs are contractually linked to the avoided cost for the supply of natural gas, under a restricted regime, established by ARERA on the basis of the PSVDA, makes the spread on the cost of gas a component not transferable to the tariff for the end customer.

INITIATIVES AND INVESTMENTS

In 2022, the project to replace the natural gas-powered internal combustion prime mover and the related electrical generator of the Tecnofin cogeneration plant in via Zeni, Rovereto, was completed through a purchase tender in the first half of 2022 and signing of the supply contract in July 2022. The launch of the calibrated thermo-fluid dynamics modelling of the existing network was important to the management and possible expansion of the district heating network, which is expected to conclude in the first half of 2023 and will allow a rational approach to the network operations.

On 6 October 2022, the proposal was submitted for works to make the district heating network in the Municipality of Rovereto more efficient in response to the PUBLIC INVITATION FOR THE SUBMISSION OF PLANNING PROPOSALS FOR THE DEVELOPMENT OF DISTRICT HEATING SYSTEMS TO BE FUNDED AS PART OF THE NRRP, MISSION 2, COMPONENT 3, INVESTMENT 3.1 FINANCED BY THE EUROPE-

AN UNION - NextGenerationEU ----- granting and disbursement of incentives in favour of investment projects for the development of efficient district heating or district cooling systems in implementation of investment 3.1 "Development of district heating systems" with the deadline for proposal submissions of 6 October 2022.

The proposal envisaged the installation of a heat accumulator with a capacity of 500 m³ at the Industrial area plant and a groundwater heat pump with a capacity of approximately 1.7 MW at the Tecnofin plant for an economic value of 3,153,700 euro, of which estimation of the grant required from NRRP funds of 1,085,400 euro. The outcome of the proposal was acceptable but not eligible for funding.

VOLUMES AND OPERATING EFFICIENCY

Heat distribution via the district heating network was carried out in the Rovereto municipal area and in the "Le Albere" district in Trento, where refrigerated water for air conditioning was also distributed.

In 2022, the following quantities of energy were supplied:

- 76 GWh of heating and cooling
- 35.7 GWh of electricity.

The Industrial area cogeneration plant in Rovereto, also subject to Emission Trading System obligations, emitted 10,654 t of CO₂, 9,013 of which payable at a cost of 81 euro/t.

With regard to the district heating networks, note that in 2022 a section of transport pipe and an interception valve on the Rovereto district heating network were replaced near the Fire Station adjacent to the SS12 state road. This work led to suspension of the service for users located on the left bank of the Leno stream for 9 hours and therefore beyond the 8 hours envisaged as the maximum limit by ARERA, for which a specific and detailed filing of the relative documentation is mandatory.

At the beginning of 2022, a thermovector fluid leak was also repaired in via Macello, Rovereto, at the point of an underground utility valve. The first response, with ticket No. T132560C, was a call out on the afternoon of Saturday, 9 April 2022.

INTERNAL USER NETWORK MANAGEMENT

As part of activities related to the industrial zone cogeneration plant in Rovereto, there is also management of the Internal User Network (RIU) of Rovereto, which via medium voltage cable connects the plant and the Suanfarma facility to the national grid managed by Terna, by means of a 132/20 kV transformer.

The RIU is regulated by ARERA as part of the Closed Distribution Systems.

Note that on 18 August 2022, due to a transformer fault in an MV voltmeter, there was a blackout in the Internal User Network and consequently also at the Suanfarma plant, lasting about 30 minutes.

INTEGRATED WATER CYCLE AND WASTE TREATMENT SERVICES

REGULATORY AND TARIFF FRAMEWORK

It should be noted that the activities of the Water Sector, following the effects of the popular referendum on the regulation of local public services and the consequent indications received from the municipalities where the service is currently carried out, are destined to be removed from the scope of Novareti's activities. In this regard, in 2022, there were no particular new developments and no significant progress was made in this area.

We would like to underline how your Novareti's activities continue in any case in a regular manner and without being subject to particular conditions in its operating and investment choices. The only element of normal prudence involves the preparation of multi-year investment plans in the water sector, shared with the main Municipalities receiving the Water Service, in order to prevent any possible future distortion.

INITIATIVES AND INVESTMENTS

In 2022, work continued to enhance the water structures, consistently with the multi-year business plan issued and presented to the municipal administrations in 2018.

Investments in the sector in 2022, even in the presence of a not fully defined regulatory framework and of the uncertain outlook for the Company, totalled 9.2 million euro (8.7 million euro in 2021).

Operatively, in the Trento municipality the replacement of the pipeline trunks continued with the entry into operation of the new automatic management system of the valley bottom pipeline, which manages pressure regulation, well activation and valve opening according to the maximum use of the energy from solar panels, minimising electricity consumption and water leaks. Furthermore, a number of new hydraulic districts are being built which allow a further increase in management and leak detection efficiency.

In the municipality of Rovereto, as regards the Water Supply Service, a new tank was built to serve the hills area. Network replacements also continued, preparatory to construction of the hydraulic districts. As regards the Sewerage Service, the rainwater collection system with groundwater dispersion was further upgraded to allow a better flow of rainwater in the event of particularly intense events, especially in the Noriglio district.

Minor interventions were carried out in the other municipalities managed.

METERING

In 2019, the team dedicated to the massive replacement of water meters was established, and it worked on the definition of the technical regulations for the preparation of the tender for the supply of the new devices. Mass replacement of meters continued in 2022, while the survey and scheduling phases of the

replacements continue in parallel. The set of meters is being replaced with smart meters that will allow remote reading with the operator passing by in a car. At the same time, all connections shall be overhauled. The new remote system to capture readings using drive-by technology is being tested.

VOLUMES AND OPERATING EFFICIENCY

The service is provided in 9 Trentino municipalities (approximately 200,000 residents), essentially located in the Adige Valley. During the final months of 2022, management of the water service began for the municipality of Isera.

The water quantities supplied to the network totalled 27.4 million m³ (30.8 million in 2021).

Additional information:

Water cycle		2022	2021
Length of the network	km	1,467*	1,111
Total utility contracts	No.	76,272	76,272

(*) the figure includes utility connections.

WASTE MANAGEMENT

REGULATORY FRAMEWORK

The Economic and Financial Plans to define the service tariff for the five-year period 2022-25 were prepared on the basis of the MTR2, the calculation method introduced by ARERA with various defining resolutions, and were delivered to the Rovereto Municipal Administration on 27 January 2021 and to the Trento Municipal Administration on 3 February 2021.

On 25 October 2022, ARERA approved the five-year Economic and Financial Plan for Trento (second approval in Italy), whilst that for Rovereto was approved on 17 January 2023 (twelfth approval in Italy). To date, ARERA has only approved 18 Economic and Financial Plans in Italy.

Also note the latest ARERA resolution No. 15/2022/R/RIF of 18 January 2022 entitled "Regulation of the quality of the municipal waste management service", which defines the quality standards relating to user management: from service activation to billing management; from the response to requests for information/complaints to the contact methods; as well as the provisions regarding the obligation of continuity and regularity of the waste collection and transport services and the street sweeping and cleaning service, the latter aspect of course having a much greater impact on our Company. For example, art. 35.2 of at-

tachment A to the aforementioned resolution requires the preparation of a "Collection and transport plan" from which it is possible to deduce, for each road/street, the scheduled date and time slot for waste collection. Similarly and of greater impact for the office will be compliance with Article 42 "obligations regarding the continuity and regularity of the street sweeping and cleaning service" which requires a plan of these activities to be prepared, indicating the date and time slot for providing the services, with the obligation to recover any services not promptly performed within 24 hours.

At the end of 2022, the Municipal Administrations, at the proposal of Dolomiti Ambiente, approved level 1 of the quality of collection and sweeping services, in line with the vast majority of Italian operators in the sector.

INITIATIVES AND INVESTMENTS

In 2022, the area's activities related to:

- municipal waste collection, including street sweeping and washing and the cleaning of public areas in the municipalities of Trento and Rovereto;
- collection of special waste
- preparation of a public-private partnership project, presented to Comunità della Vallagarina in July 2021, obtaining the statement of public interest by resolution of 22 November 2021. During 2022, Comunità della Vallagarina is expected to launch the tender for award of the service management concession (a 17-year concession with a value of around 136 million euro).

The investments made in municipal sanitation services in 2022 totalled approximately 1.4 million euro (1.9 million euro in 2021).

Of particular note is the updating of the vehicle fleet with purchases for approximately 1.2 million euro, in addition to advances paid for a number of withdrawals expected in 2023, involving the purchase of: 8 compactors, 2 sweepers, presses and containers, one roll-off with automatic crane, small sweeping vehicles.

In addition, the first two automatic distributors were purchased for the distribution of sacks and bags for separate waste collection.

VOLUMES AND OPERATING EFFICIENCY

In 2022, 69,707 tons were collected (71,781 tons in 2021), 132,295 utility contracts were managed, also considering the appurtenances (148,593 in 2021) and 88,799 taxpayers were served (88,630 in 2021).

Note a certain turbulence in the curve in May and June for mixed waste, coinciding with the beginning of the crisis of contributions for mixed and bulky waste.

It is also worth noting the decrease in the production of mixed waste in Rovereto in the last 2 months of the year, months that coincide with the start of the quantity-based tariff, which will certainly benefit Rovereto in reducing disposal costs.

In 2022, separate waste collection in the municipality of Trento reached 82.1% (83.8% in 2021) and 81.1% in the municipality of Rovereto (82.7% in 2021). The slight decrease in the separate waste sector is attributable to the crisis of contributions in the Province of Trento.

OTHER BUSINESS ACTIVITIES

The laboratory – specialised in the quality control of drinking water and the analysis of soils and waste – supports both the Dolomiti Energia Group's activities and many Trentino municipalities for which it performs analyses on the potability of the water in the water supply networks and on the wastewater coming from the purification processes. It is also a reference point for the environmental controls of many entities, professionals and companies that today make up a significant portion of its clientele.

Overall, during the year 11,829 samples were examined (12,691 in 2021), of which 55% (58.5% in 2021) for third parties. New instrumentation was recently purchased for the accreditation of the new parameters required by the evolving drinking water regulations. The Dolomiti Energia Group laboratory, in fact, operates with an analysis process quality management system compliant with the provisions of the European UNI CEI EN ISO/IEC 17025:2005 standard which requires compliance with specific and strict quality and organisational standards.

HUMAN RESOURCES

As at 31 December 2022 the Group workforce numbered 1,424 (1,418 in 2021). A total increase of 6 employees took place in the year compared to 2021.

	2022	2021	Differenza
Dolomiti Energia Holding	219	211	8
Dolomiti Ambiente	264	262	2
Dolomiti Energia	192	200	(8)
Novareti	224	222	2
Dolomiti Energia Solutions	22	22	-
SET Distribuzione	263	271	(8)
Gasdotti Alpini	3	3	-
Dolomiti Edison Energy	30	30	-
Hydro Dolomiti Energia	183	175	8
Dolomiti Energia Trading	24	22	2
TOTAL	1,424	1,418	6

Comparison of the situation of the Group 2022 - 2021 by grade

	executives	managers	employees	manual workers	total
Situation as at 31/12/2022	18	62	777	567	1,424
Situation as at 31/12/2021	19	58	768	573	1,418
CHANGE 2022 VS. 2021	(1)	4	9	(6)	6

Training and skills development in the Health, Safety and Environment areas are of vital importance to regulatory compliance, as well as the commitment of the Dolomiti Energia Group to all its stakeholders.

Respect for the individual as such and for their health and safety are equally fundamental. Failure to pay attention to this issue could lead to a risk that cannot be underestimated.

The development and maintenance of the area's Technical Skills is a requirement for success for the Group's people to perform their work in an increasingly excellent manner and improve processes. Failure to develop role skills leads to stagnation for both the company and the individual, fuelling the risk of the company leaving the market and in the second case putting the company itself at risk.

57% (45% in 2021) of the training initiatives involved the topic of health, safety and the environment and

30% (32% in 2021) involved the development and maintenance of technical-specialist skills of the sector.

2022 also saw a growing number of commitments regarding digital and soft skills. The focus on the personal and professional development of people has gained increasing interest for both employers and department managers, with Human Resources sponsoring more and more. Attention to these skills, also enhanced by assessment processes, makes it possible to raise the current and future managerial standards, accompanying the culture of care in people and allowing the development of those skills necessary to maintain business continuity in an increasingly volatile and uncertain environment.

Overall (reference population: employees, temporary workers, interns and other co-workers), there was a 16% increase in the training provided or 39,070 hours (33,550 in 2021) of which 37,830 hours to employees.

Staff training and development is carried out on the basis of specific annual plans. Projects for the acquisition and growth of both technical and managerial skills are constructed in order to develop careers and potential. These paths aim to accompany identified resources in the growth of their roles and responsibilities.

99% (same percentage in 2021) of employees attended at least 1 training course; 1,079 courses were held (1,085 in 2021) for a total (criterion adopted: average hourly cost of parties involved in the training and the cost of training recognised in the financial statements) of 1,840,539 euro (1,514,992 euro in 2021).

RESEARCH AND DEVELOPMENT

In 2022, activities with high innovation content continued, on one hand with the reservation of strategic relationships and on the other with the implementation of real solutions in support of corporate processes, of the operation and advanced management of the Group's activities.

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

- supporting and incentivising the digitisation of production processes;
- valuing worker productivity;
- ground-up development of processes (and supporting software).

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

- the analysis, redesign and digitisation of all processes to serve the gas and electricity customer base;

- the design and implementation of data analysis tools to support the identification of strategic, prevention and support actions for business processes;
- the design and implementation of tools for the automation of activities on the networks to optimise intervention times and the quality of interventions;
- the implementation of the redundancy of remote control systems of hydroelectric plants and of the electricity, water and gas distribution;
- the study and implementation of new software for water district management and the preventive identification of leaks in the water supply systems;
- the set-up and design of the process and software directed at the execution of energy management activities to balance and optimise the Group's energy sources (Plants and outside purchases) with respect to the consumption of its electricity and gas customer base;
- the reorganisation and digitisation of the gas and electricity network management processes, directed at further maximising the efficiency and level of service to users;
- the evolution of the model and of the processes for managing and valuing the Group's own human resources, directed at fulfilling the potential of the Group's employees by introducing new ongoing information, collaboration and training tools;
- introduction of automated management tools for documentation and protocolling and digital signature operations
- the creation of application software to optimise waste management, resource management and route optimisation of vehicles travelling in the area;
- the setup, design and introduction of new Data Center solutions for the management of business applications and data, based on Cloud technology to increase the level of resilience, security and scalability of the Group's IT infrastructures (initiative in progress).

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

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

OSMOSE: within the European Framework Programme for Research and Innovation, in 2022 work terminated in connection with the Horizon 2020 project called "OSMOSE"; the leader was the French TSO RTE and the project involved the main European Grid Operators (TERNA, REE, ELES, REN and ELIA), several Universities, Research Centres and industrial partners including Hydro Dolomiti Energia. The purpose of the OSMOSE project was to demonstrate the technical feasibility of an "optimal" mix of flexibility solutions, able to maximise the technical-economic efficiency of the European electrical system, assuring its security and reliability. Hydro Dolomiti Energia was particularly involved in the work packages relating to experimental activities aimed at the use of hydroelectric production and pumping plants for balancing the cross-border electricity grid.

SUNRISE: in 2022, Hydro Dolomiti Energia began an important research activity as part of the new Horizon 2020 project called SUNRISE: "Strategies and Technologies for United and Resilient Critical Infrastructures and Vital Services in Pandemic-Stricken Europe". This initiative, which involves various industrial and institutional partners at European level, aims to develop active cooperation and joint response strategies in the field of European Critical Infrastructures (ECIs) and, at the same time, to increase the preparation and

equipment of the CIs to adequately assess, address and manage the risks created by future pandemics. The Company will focus in particular on the proposition and examination of a case study consisting in remote inspection of strategic hydraulic works (using drones, combined satellite remote reading-signal processing based on artificial intelligence systems).

Renewable energy production systems: Hydro Dolomiti Energia continued the experimentation of innovative technology continued for the conversion of hydraulic energy into electricity, which can be installed and used along open-channel hydraulic transport works designed by the partner HE-Powergreen S.r.l. with which a specific agreement was signed in 2020. During 2022, testing activities continued on the machinery installed along the Biffis canal, relating to the Bussolengo Chievo concession, owned by HDE, which will continue, pursuant to the provisions of the agreement referred to above, for one more year.

The commissioning of a floating photovoltaic system was completed in 2022 at the Dampone charge basin: experimental in nature, it is the first in Italy to be built on the waters of a hydroelectric basin and has a peak capacity of 98.2 kW with an estimated production of 114 MWh/year. For the installation, a floating platform was launched and anchoring systems constructed suitable for accommodating changes in level in the basin. This type of system has numerous advantages, including better cooling of the panels thanks to their proximity to water, the option of using water's property to reflect light (two aspects that contribute to increasing energy efficiency compared to a land-installed system), savings in land use, reduced maintenance costs and no land consumption.

Innovative calculation systems: in 2022 the commitment of Hydro Dolomiti Energia continued as regards preparatory activities for the experimental production of computing power through the use of electricity drawn from auxiliary services of SEU-configuration plants; the procurement of special electronic devices and plant preparation continued for the installation of a computer system at the Dro hydroelectric plant, voluntarily slowed in view of the energy market price trend during the year. The experimental activity is expected to begin in 2023.

Hydrogen: in 2022, a course of in-depth study was completed in the field of hydrogen production from electricity generated by run-of-the-river hydroelectric plants; in this context, a specific consultancy contract was assigned to the FBK research company. The opportunity and possibility of implementing trials will be assessed in the future. Again in the first quarter of 2022, collaborations were concluded with the Bruno Kessler Foundation and DNV, respectively, aimed at providing a general in-depth analysis of the effects induced by mixing hydrogen with natural gas on the distribution network (leaks, impacts on materials, safety, etc.) and on end uses, as well as detailed investigation on the compatibility of existing high and medium pressure networks at different mixing levels. In addition, in collaboration with the Istituto Italiano della Saldatura (Italian Institute of Welding), new technical rules were drawn up for the welding and control of steel pipes for the transport of hydrogen.

APC project: this is a project for the advanced, real time management of the Trento water supply pipeline with the purpose of optimising pipeline pressure, in order to reduce water losses and electricity consumption, and generally to boost the efficiency of the water system. The system is managed by an advanced controller coupled to a real-time model, which assesses, in addition to the normal (real and virtual) water parameters of the pipeline, also external factors such as temperature, solar irradiation and the weather forecast: hence, use of the renewable energies obtained from dedicated solar plants is maximised, optimally exploiting the management of tanks and pumping systems. The system is developing continuously to better match network demand.

Remote management systems: during autumn 2022, the mass replacement campaign of all low-voltage electricity meters was launched, according to the timing and methods agreed with ARERA in the PMS2 Plan.

In order to adapt the Systems to the progressive installation and management of latest production electricity meters, in 2022 the previous remote management system called "TMM" developed by Dolomiti Energia Holding was decommissioned and replaced with the new remote management system called "2Beat", produced and developed by the company Gridspertise and adopted by all the main Italian distributors.

Again for the management of new meters and related information flows, SET has developed the MDM System, a custom database structured on the need to manage, validate and send quarterly readings to all third parties involved (SII, Terna, GSE, CSEA).

These new systems are also made available to the distribution companies AIR and AGS.

With reference to the natural gas metering service provided for Novareti, at the end of 2022 the mass market users (class G4-G6) in service, through a remote management system based on the point-multipoint technique via radio at 169 MHz, amounted to 85% of the total, in line with regulatory obligations.

Workforce Management: In 2022, the project was completed within SET Distribuzione and Novareti, enabling use of the Workforce Management system in all the units for which it was designed.

Water network management: work continued on optimising water supply management through advanced simulation and network control tools. In particular, a new controller is in implementation phase for the management of water districts and predictive detection of leaks. The campaign for the mass replacement of traditional meters with smart meters continues.

The experimentation of new monitoring systems of the sewerage networks is in the initial stages in order to determine any inefficiencies and the presence of parasitic water.

Gas network and district heating management: two pilot projects aimed at technological upgrades in the management of cathodic protection of natural gas distribution pipes were launched and successfully completed. The large-scale installation of the new technologies tested is expected in the next two years. A new full-digital REMI primary substation was built, which provides remote control of all process variables and automation of the main regulation processes. The plant is expected to be commissioned in 2023.

The reference target of 80% was reached for the remote controlled reduction units, and exceeded at some plants. The first ultrasonic meters were installed to monitor flow rates through the main network hubs. About fifty network terminals were installed to monitor delivery pressures to end customers.

In terms of stress and emergency management, a further application of advanced virtual reality training for operating personnel was completed, applying it to objective cases of critical infrastructure situations such as significant leaks on underground pipelines.

The fluid dynamics modelling activity also involved the Rovereto district heating network. Sophisticated instrumentation consisting of temperature probes, pressure transducers and data loggers was purchased to calibrate the model.

Electricity network management: during 2022, the improvement of business processes continued, supported by the introduction of increasingly innovative and functional digital solutions, in concert with the

growth of personnel skills in these areas. The push to electrify consumption and increase production from renewable sources calls for a need to manage the electricity grid in an increasingly advanced way, also using distributed flexibility resources where possible as also incentivised by ARERA Resolution 352/2021/R/EEL. From this perspective, the plan for technological development of the protection and control equipment adopted in the primary and secondary substations continues (reaching 70% at the end of 2022), as well as the development of communication systems between the central systems and the equipment installed along the medium and low voltage network.

Pilot projects were undertaken to assess new technologies and sensors on both the medium voltage and low voltage networks.

Activities continued in relation to the European project STARDUST (Horizon 2020), in which the Company tests innovative communication and sensor solutions for collecting information from plants.

The use of drones as standard technology for scheduled and unscheduled inspections of medium voltage lines was validated, with planning to expand the internal team of pilots and the related fleet available.

Also in 2022, staff participated in technical committees and sector associations considered strategic in Italy and in Europe.

Cyber Security: Dolomiti Energia Group, aware of the extremely significant role of corporate information and IT systems in the achievement of strategic objectives, considering the continuous growth and evolution of cyber threats and aware that IT security is a continuous improvement process, in 2022 continued on its path, implementing activities and initiatives in the different technological, organisational and personnel fields. The path, which is constantly evolving, has included the following activities:

- adoption of technologies and services for prevention and defence from cyber-attacks;
- Vulnerability Assessment and Penetration Test of exposed applications;
- increasing the security perimeter of the Group's industrial networks;
- organisational changes, definition and revision of adequate policies and procedures;
- continuous sensitisation of personnel and definition of awareness plans dedicated to all employees.

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

RELATED PARTY TRANSACTIONS

DOLOMITI ENERGIA HOLDING SPA RELATIONS WITH THE LOCAL AUTHORITIES

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

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

INFRAGROUP RELATIONS

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

Service agreements signed between Dolomiti Energia Holding and the subsidiaries Dolomiti Energia, Novareti, Dolomiti Energia Solutions, SET Distribuzione, Hydro Dolomiti Energia and Dolomiti Energia Trading. It governs general administrative, IT, technical and logistics services provided by Dolomiti Energia Holding.

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

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

Business lease agreement between SET Distribuzione and Dolomiti Energia regarding the customer management business unit leased from SET to Dolomiti Energia. The fee is set to 433 thousand euro.

FINANCIAL AND TAX SERVICES

Agreements are in force governing economic and organisational relations with authorities for the tax consolidation scheme, Group VAT and cash pooling, entered into with the subsidiaries Dolomiti Energia, SET, Novareti, Dolomiti Energia Solutions, Dolomiti Energia Trading, Depurazione Trentino Centrale, Hydro Dolomiti Energia, DGNL and Dolomiti Edison Energy.

Infra-Group debit/credit and purchase/sales relations and such relations with subsidiaries are illustrated in detail in Note 10 of the Explanatory Notes to the Separate Financial Statements and in Note 9 of the Explanatory Notes to the Consolidated Financial Statements.

BUSINESS OUTLOOK

The first few months of the year were unfortunately marked by a persistent scarcity of rainfall which, in addition to recording particularly low production in the first quarter, also risks compromising - in the absence of a significant change in the climate trend - the production levels of at least the entire first half of the year, given the low amount of snow at high altitude, which as at 15 March represents the lowest level in the last 10 years.

Sadly, this situation is having a significant detrimental effect on electricity production, making the expected improvement on 2022 results unlikely if these conditions were to remain.

Commercial activities are forecast to improve compared to the previous year, in particular from the second half of the year, even if the results will depend to a significant extent both on market performance and above all on the ongoing regulatory developments. During the year, the decisions implemented for repositioning of the customer portfolio should also begin to produce their full effect, taking into account the new market context (such as reduction of fixed price offers, tightening of customer selection procedures with regard to credit ratings, insurance of trade receivables as regards VAT).

The outlook for the Group's other activities is positive. The transfer with effect from 1 April 2023 of the municipal electricity company in Cavalese (to SET Distribuzione as regards the network infrastructures and to Dolomiti Energia with regard to customers) and of the networks of the municipality of Palù del Fersina, already managed by SET Distribuzione with a lease contract, should be mentioned.

Dolomiti Energia Solutions is continuing its energy efficiency improvements and for 2023 has a strong orders portfolio that will allow it to grow further. The consequences and the related remedies to be implemented to manage the strong change in the scenario brought about by the recent regulations, now about to be converted in Parliament, which blocked the opportunity of operating through the invoice discount mechanism or the assignment of receivables.

The outlook is therefore positive on the whole, even taking into account that the uncertainties linked to the complex phase experienced by the entire market, linked in particular to well-reported geopolitical tensions, still make the macroeconomic scenario in general - specifically that of commodities - extremely unstable.

TREASURY SHARES

As at 31 December 2022, Dolomiti Energia Holding owned 26,369,875 treasury shares with a nominal value of 26,369,875 euro. The percentage of this shareholding comes to 6.4%.

As at 31 December 2022, Dolomiti Energia Holding did not own, either directly or through trust companies or third parties, any shares in parent companies.

Rovereto, 29 March 2023

on behalf of the Board of Directors
Dolomiti Energia Holding SpA
Chairperson
Arlanch Silvia

DOLOMITI ENERGIA HOLDING SPA

Financial Statements as at 31 December 2022





Statement of Financial Position

(figures in Euro)

AS AT 31 DECEMBER

Assets	Notes	2022	2021
NON-CURRENT ASSETS			
Rights of use	8.1	1,872,799	2,369,873
Intangible assets	8.2	16,360,259	17,937,250
Property, Plant and Equipment	8.3	45,314,183	45,192,821
Equity investments	8.4	822,635,505	822,955,286
Non-current financial assets	8.5	10,635,355	4,000,000
Deferred tax assets	8.6	6,161,582	8,032,104
Other non-current assets	8.7	1,771,251	404,310
TOTAL NON-CURRENT ASSETS		904,750,934	900,891,644
CURRENT ASSETS			
Inventories	8.8	5,289	451,790
Trade receivables	8.9	11,860,487	16,329,166
Income tax credits	8.10	4,030,476	7,000,150
Current financial assets	8.11	446,517,496	534,247,159
Other current assets	8.12	15,691,184	17,169,885
Cash and cash equivalents	8.13	16,501,685	77,263,194
TOTAL CURRENT ASSETS		494,606,617	652,461,344
TOTAL ASSETS		1,399,357,551	1,553,352,988
Shareholders' equity			
Share capital	8.14	411,496,169	411,496,169
Reserves	8.14	137,784,494	122,079,328
Reserve - IAS 19	8.14	(313,256)	(465,677)
Net profit/(loss) for the year	8.14	48,337,188	45,298,156
TOTAL SHAREHOLDERS' EQUITY		597,304,595	578,407,976
Liabilities			
NON-CURRENT LIABILITIES			
Provisions for non-current risks and charges	8.15	1,372,389	1,372,389
Employee benefits	8.16	2,385,028	2,861,522
Deferred tax liabilities	8.6	2,000,981	116,591
Non-current financial liabilities	8.17	529,776,580	194,485,876
Other non-current liabilities	8.18	77,032	42,241
TOTAL NON-CURRENT LIABILITIES		535,612,010	198,878,619
CURRENT LIABILITIES			
Provisions for current risks and charges	8.15	862,972	858,131
Trade payables	8.19	14,500,249	17,325,365
Current financial liabilities	8.17	227,760,730	737,710,535
Other current liabilities	8.18	23,316,995	20,172,362
Total current liabilities		266,440,946	776,066,393
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,399,357,551	1,553,352,988

Comprehensive Income Statement

(figures in Euro)

AS AT 31 DECEMBER

	Notes	2022	2021
Revenue	9.1	22,214,209	16,078,351
Other revenue and income	9.2	29,054,460	31,646,834
TOTAL REVENUE AND OTHER INCOME		51,268,669	47,725,185
Raw materials, consumables and merchandise	9.3	(14,900,217)	(10,187,620)
Service costs	9.4	(24,837,776)	(22,194,227)
Personnel costs	9.5	(14,294,343)	(13,170,433)
Amortisation, depreciation, allocations, write-downs and net write-backs (write-downs) of receivables	9.6	(9,763,194)	(9,378,940)
Other operating costs	9.7	(2,591,538)	(1,868,118)
TOTAL COSTS		(66,387,068)	(56,799,338)
Gains and expenses from equity investments	9.8	51,916,972	51,902,276
OPERATING RESULT		36,798,573	42,828,123
Financial income	9.9	14,493,278	3,883,876
Financial charges	9.9	(4,746,218)	(2,835,422)
PROFIT BEFORE TAX		46,545,633	43,876,577
Taxes	9.10	1,791,555	1,421,579
PROFIT/(LOSS) FOR THE YEAR (A)		48,337,188	45,298,156
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Actuarial profit/(Loss) for employee benefits		269,984	(13,627)
Tax effect on actuarial profit/(loss) for employee benefits		(117,563)	(332,546)
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (B1)		152,421	(346,173)
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Profit/(Loss) on cash flow hedge instruments		12,468,741	3,815,773
Tax effect on change in fair value in cash flow hedge derivatives		(3,549,102)	(1,171,343)
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (B2)		8,919,639	2,644,430
TOTAL OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX EFFECT (B) = (B1)+(B2)		9,072,060	2,298,257
TOTAL AGGREGATE RESULT FOR THE YEAR (A)+(B)		57,409,248	47,596,413

Cash Flow Statement

(figures in thousands of Euro)

		AS AT 31 DECEMBER	
	Notes	2022	2021
PROFIT/(LOSS) FOR THE YEAR		48,337	45,298
ADJUSTMENTS FOR:			
Amortisation/depreciation of:			
- rights of use	9.6	558	570
- intangible assets	9.6	6,404	6,170
- property, plant and equipment	9.6	2,802	2,639
Allocations to/(absorptions from) provisions for risks and charges	8.16; 8.17	612	475
(Gains)/expenses from equity investments	9.8	(51,917)	(51,902)
Financial (income)/charges	9.9	(9,747)	(1,048)
(Capital gains)/Capital losses from sale of property, plant and equipment		555	(88)
Other non-monetary elements	9.5	(26)	(10)
Income taxes	9.10	(1,792)	(1,422)
<i>Cash flow from operations before changes in net working capital</i>		(4,214)	682
CHANGES IN NET WORKING CAPITAL:			
(Increase)/Decrease in inventories	8.8	447	(309)
(Increase)/Decrease in trade receivables	8.9	4,469	(5,250)
(Increase)/Decrease in other assets	8.12	27,994	37,688
Increase/(Decrease) in trade payables	8.20	(2,825)	2,367
Increase/(Decrease) in other liabilities	8.19	4,365	(1,166)
Dividends collected	9.8	52,383	52,032
Interest and other financial income collected	9.9	11,759	2,608
Interest and other financial expenses paid	9.9	(4,298)	(3,030)
Utilisation of provisions for risks and charges	8.16; 8.17	(931)	(2,129)
Income taxes paid		(24,170)	(38,993)
CASH FLOWS FROM OPERATIONS (A)		64,979	44,500
Net investments in intangible assets	8.2	(5,171)	(8,968)
Net investments in property, plant and equipment	8.3	(3,134)	(1,834)
Net investments in equity investments	8.4	(1,136)	(16,235)
(Increase)/decrease in other investment activities	8.11	91,444	(441,363)
CASH FLOWS FROM INVESTMENT ACTIVITIES (B)		82,003	(468,400)
Financial payables (new issues of long-term loans)	8.18	350,000	100,000
Financial payables (reimbursements and other net changes)	8.18	(519,230)	424,181
Dividends paid		(38,513)	(38,513)
CASH FLOWS FROM FINANCING ACTIVITIES (C)		(207,743)	485,668
Effect of changes on cash and cash equivalents (d)		-	-
Increase/(decrease) in cash and cash equivalents (a+b+c+d)		(60,761)	61,768
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		77,263	15,495
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		16,502	77,263

Statement of changes in Shareholders' Equity

(in thousands of Euro)

	Share capital	Legal reserve	Share premium reserve	Treasury shares reserve	Other reserves and retained earnings	Net profit/(loss) for the year	Total Shareholders' Equity
BALANCE AS AT 1 JANUARY 2021	411,496	34,741	994	(53,515)	122,607	53,001	569,324
TRANSACTIONS WITH SHAREHOLDERS:							
Dividend distribution	-	-	-	-	-	(38,513)	(38,513)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	-	-	-	-	-	(38,513)	(38,513)
ALLOCATION TO RESERVES OF PROFIT/(LOSS) FOR THE YEAR	-	2,650	-	-	11,838	(14,488)	-
AGGREGATE RESULT FOR THE YEAR:							
Net profit (loss)	-	-	-	-	-	45,298	45,298
Other comprehensive profit (loss), net of tax effect	-	-	-	-	2,299	-	2,299
TOTAL AGGREGATE RESULT FOR THE YEAR	-	-	-	-	2,299	45,298	47,597
BALANCE AS AT 31 DECEMBER 2021	411,496	37,391	994	(53,515)	136,744	45,298	578,408
TRANSACTIONS WITH SHAREHOLDERS:							
Dividend distribution	-	-	-	-	-	(38,513)	(38,513)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	-	-	-	-	-	(38,513)	(38,513)
ALLOCATION TO RESERVES OF PROFIT/(LOSS) FOR THE YEAR	-	2,265	-	-	4,520	(6,785)	-
AGGREGATE RESULT FOR THE YEAR							
Net profit (loss)	-	-	-	-	-	48,337	48,337
Other comprehensive profit (loss), net of tax effect	-	-	-	-	9,073	-	9,073
TOTAL AGGREGATE RESULT FOR THE YEAR	-	-	-	-	9,073	48,337	57,410
BALANCE AS AT 31 DECEMBER 2022	411,496	39,656	994	(53,515)	150,337	48,337	597,305

EXPLANATORY NOTES

1. GENERAL INFORMATION

Dolomiti Energia Holding S.p.A. (the “Company” of “DEH”) mainly operates in the management of equity investments and, in a marginal way, in the production of energy from hydroelectric sources.

Dolomiti Energia Holding S.p.A. is a company established and domiciled in Italy and organised according to legislation of the Italian Republic, with registered office in Rovereto, via Alessandro Manzoni 24. As at 31 December 2022, the Company’s share capital was held by:

Shareholder	No. of shares	%
PUBLIC ENTITIES		
FINDOLOMITI ENERGIA Srl	199,612,381	48.51%
TRENTO MUNICIPAL ADMINISTRATION	24,315,908	5.91%
ROVERETO MUNICIPAL ADMINISTRATION	17,852,031	4.34%
MORI MUNICIPAL ADMINISTRATION	5,060,563	1.23%
ALA MUNICIPAL ADMINISTRATION	3,852,530	0.94%
BIM ADIGE	3,373,989	0.82%
BIM SARCA-MINCIO-GARDA	3,322,260	0.81%
OTHER PUBLIC AUTHORITIES	5,290,357	1.29%
UTILITY		
AMAMBIENTE S.p.A.	12,630,771	3.07%
AIR AZIENDA INTER.LE ROTALIANA S.p.A.	4,085,912	0.99%
CEDIS CONSORZIO ELETTRICO STORO Scarl	2,783,799	0.68%
PRIMIERO ENERGIA	2,430,900	0.59%
CEIS CONSORZIO ELETTRICO IND.LE STENICO	2,322,983	0.56%
CEPF POZZA DI FASSA	944,716	0.23%
ACSM AZIENDA CONS.LE SERV.MUNICIP. S.p.A.	823,006	0.20%
AZ. SERV. MUNICIPAL. - TIONE DI TRENTO	14,850	0.00%
PRIVATE ENTITIES		
FT ENERGIA S.p.A.	28,727,315	6.98%
FONDAZIONE CASSA RISP. TRENTO AND ROVERETO	22,218,753	5.40%
EQUITIX ITALIA HOLDCO 1 SRL	20,574,809	5.00%
I.S.A. - IST. ATEINO DI SVILUPPO S.p.A.	17,442,965	4.24%
ENERCOOP S.r.l.	7,417,550	1.80%
ERMINIA MONTAGNA	27,540	0.01%
ELETTROMETALLURGICA TRENTINA Srl	203	0.00%
LUCIANA POMARA	203	0.00%
PUBLIC ENTITIES	262,680,019	63.84%
PRIVATE ENTITIES	96,409,338	23.43%
UTILITY	26,036,937	6.33%
TREASURY SHARES	26,369,875	6.41%
TOTAL	411,496,169	100%

2. SUMMARY OF THE ACCOUNTING STANDARDS ADOPTED

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

2.1 PREPARATION BASIS

The European Regulation (EC) No. 1606/2002 of 19 July 2002, introduced the obligation to apply the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), as endorsed by the European Union ("EU IFRS" or "International Accounting Standards"), as from accounting periods beginning in 2005, for the preparation of financial statements of companies with shares and/or bonds listed in one of the regulated markets of the European Community. Following the above-mentioned European Regulation, on 28 February 2005 the Italian Legislative Decree No. 38 was issued, then amended by Italian Decree Law No. 91 of 24 June 2014, which also governed the possible adoption of International Accounting Standards by unlisted companies for the drawing up of their financial statements.

The Company elected to adopt the above-mentioned option for the drafting of its financial statements as at 31 December 2016, by identifying the day 1 January 2015 as transition date to IFRSs ("Transition Date"). Additionally, on 14 July 2017, the Company finalised the listing transactions on the Irish Stock Exchange of a previously existing bond loan for a residual nominal amount of 5 million euro, taking on the classification as a Public Interest Entity (PIE) and therefore with the obligation to draw up its own financial statements in accordance with the EU IFRS standards.

The 2022 Financial Statements were drawn up in compliance with EU IFRS standards in force at their approval date. It should be noted that the wording EU IFRS means all "International Financial Reporting Standards", all "International Accounting Standards" (IAS), as well as all interpretations of "International Reporting Interpretations Committee" (IFRIC), previously called "Standing Interpretation Committee" (SIC) which, at the date of approval of the Financial Statements had been endorsed by the European Union according to the procedure envisaged by Regulation (EC) No. 1606/2002, approved by the European Parliament and the European Council on 19 July 2002.

The Financial Statements were drafted on a going concern basis and based on the conventional criterion of historical cost, except for some accounting items that were recognised at fair value, pursuant to provisions set out in the International Accounting Standards.

These Financial Statements were drawn up based on the best knowledge of EU IFRS standards and taking account of the best knowledge on the matters. Any future guidelines and interpretation updates will be reflected in the following years, according to the modalities envisaged from time to time by reference accounting standards.

With regard to the health emergency caused by the Covid-19 pandemic, which ended in 2022, the Company took this into account in the analysis of estimates and assumptions that characterise the financial statements values.

These draft Financial Statements were approved by the Company's Board of Directors on 29 March 2023.

2.2. FORM AND CONTENT OF ACCOUNTS

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

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

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

These financial statements were drawn up in Euro, functional currency of the Company. The figures reported in the statements, as well as in the tables included in the Explanatory Notes, are expressed in thousands of Euro, unless otherwise indicated.

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

2.3 RELATIONS WITH SUBSIDIARIES

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

- a) a cash pooling agreement was signed between Dolomiti Energia Holding S.p.A. and a number of subsidiaries for centralised cash and supplier payments management (Cash Pooling);
- b) the Company benefited from the regulations envisaged by Article 73, last paragraph, of the Italian Presidential Decree 633/72 (Group VAT) for VAT payments;
- c) the Company opted for the national tax consolidation with regard to direct taxes.

2.4 MEASUREMENT CRITERIA

RIGHTS OF USE (LEASES)

The Company holds tangible assets used in carrying out its business activities, through long-term rental contracts. At the contract start date, it is determined whether the contract is or contains a lease. The definition of a lease under IFRS 16 is applied when the contract transfers the right to control the use of an underlying asset for a period of time in exchange for consideration. The Company recognises an asset consisting of the right to use the underlying asset and a lease liability on the effective date of the contract (i.e. the date on which the underlying asset is available for use). The asset consisting of the right of use represents the lessee's right to use the underlying asset for the duration of the lease and its initial measurement corresponds to the lease liability, initially measured at the present value of the payments due under

the contract, to be paid over its term. In calculating the present value of the payments due, the lessee's marginal borrowing rate at the effective date of the lease is used. After the effective date, the lease liability is measured at amortised cost using the effective interest rate method and restated as certain events occur. The Company applies the exception to the recognition of short-term leases to its contracts with a duration of 12 months or less from the effective date; it also applies the exception to the recognition of leases in which the underlying asset is of "low value" and the amount of which is estimated as not significant. Payments due on short-term leases and those where the underlying asset is of low value are recognised as an expense on a straight-line basis over the term of the contract. In accordance with the provisions of the standard, the Company separately reports interest expense on lease liabilities and portions of depreciation for assets consisting of the right of use.

INTANGIBLE ASSETS

Concessions and other intangible assets include non-monetary elements and are identifiable assets lacking physical substance, controlled by the company and able to produce future economic benefits. Concessions and other intangible assets are recognised at purchase and/or production cost, including directly attributable expenses incurred to prepare the asset for use, net of accumulated amortisation and possible impairment losses.

Other intangible assets are amortised from the time at which the asset becomes available for use. Their amortisation is apportioned systematically in relation to the residual possible use, i.e. based on their estimated useful life.

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

	Term/Rate %
Concessions	20 years
Patent and software rights	20%

PROPERTY, PLANT AND EQUIPMENT

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

Financial charges, directly attributable to the acquisition, construction and production of an asset, which justify a capitalisation pursuant to IAS 23, will be capitalised on the asset itself as part of its cost.

Charges borne for ordinary and/or cyclical maintenance and repairs are directly charged to income statement, when incurred. The capitalisation of costs related to the expansion, modernisation or improvement of the structural elements whether owned or leased is made within the limits established to be separately classified as assets or part of an asset.

Improvements on third-party assets include costs borne for the set up and modernisation of real estates that are not owned.

Assets are depreciated on a straight-line basis, with rates that allow for depreciation of assets until the end of their useful life.

The useful life estimated by the Company for each single category of property, plant and equipment is as follows:

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

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

Assets from A.S.M. S.p.A., acquired prior to 31 December 1997

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

Assets from SIT S.p.A. acquired prior to 31 December 1997

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

Assets acquired after 31 December 1997

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

Revaluation of assets as at 01 January 2003 as a result of the merger

- The capital gain of 44,276,481 euro emerging from assessment of the extraordinary transaction for the merger by absorption of SIT and ASM into Dolomiti Energia (now Dolomiti Energia Holding SpA), confirmed by the expert appointed by the Court President, was allocated as described below:
- 8,107,734 euro to Dolomiti Energia S.p.A. (now Dolomiti Energia Holding SpA) assets
 - land 5,907,256 euro
 - new office building 2,200,478 euro
- 36,168,747 euro on the assets of the water and gas cycle contributed to Dolomiti Reti S.p.A. (now Novareti SpA).

These capital gains were amortised according to the average residual lives of individual asset classes as defined by the expert report obtained to determine the merger share swaps.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

EQUITY INVESTMENTS

Equity investments in subsidiaries, associates and joint ventures are recognised at purchase or formation cost.

Should impairment indicators occur, the recoverability of the book value is assessed by comparing the book value with the value in use, calculated by discounting prospective cash flows of the equity investments and, whenever possible, the hypothetical sales value, determined based on recent transactions or market multiples, whichever higher.

The portion of losses exceeding the book value is recorded in a specific liability fund to the extent that the Company considers that there are legal or implicit obligations to cover losses and in any case within the limits of the book shareholders' equity. If the subsequent performance of the investee subject to write-down shows such an improvement that the reasons for the write-downs no longer apply, the investments are revalued within the limits of the write-downs recorded in previous years.

Dividends from equity investments are recognised in the income statement when shareholders are entitled to receive the payment.

TRADE RECEIVABLES AND OTHER CURRENT AND NON-CURRENT ASSETS

Trade receivables and other current and non-current assets include financial instruments, mainly related to receivables from customers, not resulting and not listed on any active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified in the shareholders' equity, under current assets, except for those with a contract expiry term after twelve months from the reporting date of the financial statements, which are classified under non-current assets.

These financial assets are recognised under assets when the Company becomes a party in the contracts related therewith, and are derecognised from assets, when the right to receive cash flows is transferred together with all risks and benefits associated to the transferred asset.

Trade receivables and other current and non-current assets are originally recorded at their fair value and then at amortised cost, by using the effective interest rate, less impairment losses.

Impairment losses in receivables are recognised in the income statement when there is objective evidence that the Company will not be able to recover the receivables based on contract terms.

The value of trade receivables is shown in the financial statements net of the relevant provisions for write-downs, which is determined on the basis of risk situations in order to align the amount value of receivables to their estimated realisable value.

NON-DERIVATIVE FINANCIAL ASSETS

Non-derivative financial assets are distinguished by fixed or calculable payments not listed in an active market, for which the Company's objective is to achieve the contractual cash flows represented by payment of the principal and interest. These financial assets are stated under current assets if their maturity term is within 12 months; otherwise, they are stated under non-current assets.

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

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

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

INVENTORIES

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

FINANCIAL DERIVATIVES

All derivative financial instruments (including embedded derivatives) are measured at fair value. Derivative instruments can be accounted for using the hedge-accounting approach only when:

Gli strumenti finanziari derivati possono essere contabilizzati secondo le modalità stabilite per l'hedge accounting solo quando:

- at inception of the hedging, the hedging relationship is formally defined and documented;
- hedging is assumed to be highly effective;

- effectiveness can be reliably measured;
- the hedge itself can be highly effective during the various accounting periods for which it is designated.

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

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

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

DETERMINATION OF FAIR VALUE OF FINANCIAL INSTRUMENTS

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

CASH AND CASH EQUIVALENTS

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

TREASURY SHARES

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

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

FINANCIAL LIABILITIES, TRADE AND OTHER PAYABLES

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

Financial liabilities are classified under current liabilities, except in the event the Company has an unconditional right to defer payment for at least 12 months from the reference date.

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

PROVISIONS FOR RISKS AND CHARGES

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

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

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

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

PERSONNEL-RELATED PROVISIONS

Personnel-related provisions include: i) defined-contribution plans and ii) defined-benefit plans.

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

With reference to defined-benefit plans, Company net liabilities are determined separate for each plan, by estimating the current value of future benefits that employees have accrued over the year and prior years, and deducting fair value of any plan assets. The current value of obligations is based on the use of actuarial methods, which assign the benefit deriving from the plan to the periods in which the obligation arises (Projected Unit Credit Method) and is based on actuarial assumptions that are objective and comparable. Plan assets are measured and recognised at fair value.

If the above calculation reports a possible asset, the amount to be paid is limited to the actual value of each economic benefit available, under the form of reimbursements or reductions of future contributions to the plan (asset threshold).

The cost components of defined benefits are recognised as follows:

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

PUBLIC GRANTS

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

Investment grants, including non-monetary grants measured at fair value, are recorded as deferred income, systematically and rationally charged as income over the useful life of the asset.

ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current and current assets of disposal groups are classified as held for sale if the related book value is recovered mainly through the sale. This condition is deemed as fulfilled when the sale is highly probable and the asset, or disposal group, is available for immediate sale in its current conditions. Non-current assets held for sale, current and non-current assets related to disposal groups and liabilities directly attributable are recognised in the statement of financial position, separate from other assets and liabilities.

Non-current assets held for sale are not amortised and are measured at the lower of their book value and the related fair value, less the costs of sale.

Any difference between book value and fair value, less the costs of sale, is charged to the income statement as write-down. Any recoveries in value are recognised until recovery of the previously recorded write-downs, including those that were recognised before the classification of the asset as held for sale.

Non-current assets, as well as current and non-current assets of disposal groups, classified as held for sale, represent a discontinued operation if, either of the following occurs:

- they represent a business unit of core business or a geographical area of core business; or

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

The results of the discontinued operations, as well as any capital gain/loss from the sale, are disclosed separate in the income statement, under a special item, less all related tax effects. The financial values of discontinued operations are also disclosed for years considered for comparison purpose.

REVENUE RECOGNITION

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

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

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

- i. revenue from sales of goods is recognised when, along with control over the asset, the risks and benefits related to the ownership of the assets are transferred to the purchaser and their amount can be determined reliably;
- ii. revenue for sales and transport of electricity is recognised when the supply or service is provided, even if not yet invoiced. This revenue is based on stock exchange prices and contract prices, taking into account, when applicable, the tariffs and criteria established by measures of law and by the Regulatory Authority for Energy Networks and Environment, in force during the reference period. Revenue not yet ascertained with the counterparty is determined with appropriate estimates;
- iii. revenue for the sale of certificates is recorded upon transfer thereof.
- iv. revenue from services rendered is recorded upon supply, or according to contract clauses.

RECOGNITION OF COSTS

Costs are recognised upon acquisition of an asset or service.

TAXES

Current taxes are calculated based on the taxable income for the year, by applying tax rates in force at the reporting date.

Prepaid and deferred taxes are calculated based on all differences that arise between tax value of an asset or liability and the related carrying amount. Prepaid taxes, including those related to prior tax losses, are recognised to the extent that it is probable that there will be future taxable income to which that tax loss can be applied. Prepaid and deferred taxes are determined by using the tax rate that it is estimated will be applicable in the years in which the differences will be realised or extinguished, based on the enacted or substantially enacted tax rate at the reporting date.

Current, prepaid and deferred taxes are recognised in the income statement, except for those related to items directly debited or credited to shareholders' equity; in this case, also the related tax effect will be recognised directly to shareholders' equity.

"WINDFALL" MEASURES

During 2022, numerous regulations were issued and amended multiple times for collection of presumed "windfalls" associated with business activities carried out by renewable source energy producers in an electricity market which, after the anomalous price trend for gas that began in the second half of 2021, saw unprecedented prices and volatility.

Art. 15-bis of Italian Decree Law 4/2022 ("Sostegni TER"), as amended by Italian Decree Law 115/2022 ("Aiuti bis"), envisaged that:

- from 1 February 2022 to 30 June 2023, a two-way compensation mechanism will be applied to energy prices, in reference to electricity supplied to the network by:
 - a. PV plants with capacities of >20 kW that benefit from fixed bonuses under the "Conto Energia" mechanism, not dependent on market prices;
 - b. plants with capacities of >20 kW powered by solar, hydroelectric, geothermoelectric and wind sources which have no access to incentive mechanisms and became operational prior to 1 January 2010.
- The GSE calculates the difference between a reference price (58 euro/MWh for northern Italy) and a market price as follows:
 1. for PV plants with capacities of >20 kW (point a) powered by solar, wind, geothermal and run-of-the-river hydroelectric, the zone price per hour on the electricity market, i.e. for supply contracts signed before 27 January 2022 (and for 2023 those signed before 5 August 2022) - the price stated in the contracts;
 2. for other plants (point b), the arithmetic monthly average zone price per hour on the electricity market, i.e. for supply contracts signed before 27 January 2022 (and for 2023 those signed before 5 August 2022) - the price stated in the contracts;

- If the difference between the reference price and market price as calculated above is positive, the GSE disburses the related amount to the producer. If negative, the GSE asks the producer to pay the corresponding amount or offset it against other items.
- The difference is settled between the GSE and the producer solely for supply contracts signed before 27 January 2022 (and for 2023 those signed before 5 August 2022), provided these contracts are not linked to energy market spot price trends and, in any event, were not signed at an average price more than 10% above the reference market price, limited to the duration of the contracts.
- For the purpose of points 1) and 2) above, the only valid contracts are those signed between companies pertaining to the same group as the producer, even if not producers themselves, and other natural persons or legal entities external to the producer's corporate group.

As envisaged in the aforementioned Art. 15-bis, on 21 June 2022 the GSE published Resolution 266/2022/R/eel, containing detailed implementing measures, on its web site. Following that publication, producer generated the information, figures and declarations necessary to implement the regulatory measure.

In October 2022, the first economic settlements were paid by the GSE (cumulatively for February to August 2022). Afterwards, the settlements were arranged on a monthly basis, with payment adjustments envisaged following recalculation of the average year-end sale prices in the early months of 2023.

In December 2022, GSE settlements were suspended as a result of the Lombardy Regional Administrative Court decision which on 1 December 2022, accepting the appeals submitted by a number of operators, cancelled Resolution 266/2022. On 18 January 2023, after accepting the ARERA claim (challenging the aforementioned decision), the Italian State Council suspended the effects of decisions based on which the Regional Administrative Court in Milan cancelled Resolution 266/2022/R/eel.

This government measure resulted in a charge for the year ended 31 December 2022 of 178 thousand euro, included in the Income Statement under "Other operating costs" item.

The 2023 Budget Law, in implementation of Regulation (EU) No. 2022/1854, approved on 29 December 2022, introduced an additional one-way mechanism that requires payment to the GSE from 1 December 2022 to 30 June 2023 of revenues, if any, referring to the difference between the market price and the 180 euro/MWh cap value, associated with renewable source production plants not already subject to the 58 euro/MWh cap introduced by Art. 15-bis of Italian Decree Law 4/2022. The implementing measures were assigned to ARERA, which has the task (not yet completed) of issuing a resolution to be adopted within 30 days of entry into force of the law "also in continuity with operating methods defined in implementation of the provisions of Article 15-bis of Italian Decree Law No. 4 of 27 January 2022". This measure had no effect on the Company for the year ended 31 December 2022.

Art. 37, Italian Decree Law No. 21 of 21 March 2022, in force from 24 March 2022, as amended, (Italian Decree Law 50/2022) introduced an extraordinary contribution to limit the effects of the price increase for businesses and consumers for 2022. The contribution is payable by companies involved in production and import activities, for subsequent resale, of electricity, methane gas or natural gas extraction, by resellers of electricity from methane gas or of natural gas extraction, and from entities that produce, distribute and market oil products.

In application of Italian Decree Law 50/2022, the "Aiuti" (Aid) Decree Law, which amended the original provisions of Italian Decree Law 21/2022 in terms of the extent of the contribution and the reference period, the withdrawal is calculated on the increase in the balance between purchase and sale transactions net of VAT, invoiced in the period October 2021-April 2022 compared to the period October 2020-April 2021,

provided that this increase is at least 10% and greater than 5 million euro. The contribution applies by up to 25%, calculated on the threshold balance increased from 10% to 25% allowed by the “Aiuti” Decree Law 50/2022. Payment of the contribution was envisaged in the sum of 40% as payment on account by 30 June 2022 and the balance by 30 November 2022. This measure had no effect on the Company for the year ended 31 December 2022.

Lastly, the 2023 Budget Law envisaged a new “solidarity contribution” applied to entities that are producers of electricity and gas, that produce, distribute and market oil products, electricity and gas resellers and entities that import electricity or gas for subsequent resale. This contribution, payable if at least 75% of revenues (in the tax period prior to that in progress as at 1 January 2023) derives from the activities indicated, equals 50% of the IRES taxable amount, in the period prior to that in progress as at 1 January 2023, which exceeds by at least 10% the average income in the four tax periods prior to that in progress as at 1 January 2022, with a limit set at 25% of the shareholders’ equity. The amount shall be paid by the end of the sixth month after year end (or the end of the month after approval of the financial statements). This measure had no effect on the Company for the year ended 31 December 2022.

3. ESTIMATES AND ASSUMPTIONS

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

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

- a) Impairment Test: the carrying amount of property, plant and equipment and intangible assets is periodically tested for impairment and whenever circumstances or events require a more frequent assessment. Whenever it is deemed that a carrying amount of a group of fixed assets has suffered an impairment loss, the same is written-down to the related recoverable value, estimated based on the use and future sale of the asset, in relation to provisions set out in the latest business plans. It is deemed that estimates of these recoverable values are reasonable. However, possible changes in the estimate factors, on which the calculation of the aforesaid recoverable values is based, might result in different valuations.
- b) Provision for write-downs: the provision for write-downs reflects the best estimate made by directors on doubtful receivables from customers. This estimate is based on expected losses incurred by the Company, determined according to past experience made for similar receivables, current and historic overdue amounts, the careful monitoring of creditworthiness and projections on economic and market positions.
- c) Prepaid taxes: accounting for prepaid taxes takes place on the basis of expectations of taxable income in future years to be used for their recovery. The valuation of the taxable revenue expected for the pur-

poses of accounting for prepaid taxes depends on factors that can vary over time and significantly affect the recoverability of the receivables from prepaid taxes.

- d) Provisions for risks and charges: with respect to legal risks, allocations are recognised representing the risk of an unfavourable outcome of disputes. The value of provisions in the financial statements related to these risks represents the best estimate to date made by directors. This estimate entails the adoption of assumptions depending on factors that might change over time and that might therefore have a significant impact on current estimates made by directors in the drafting of Company financial statements.
- e) Fair value of derivative financial instruments: the calculation of the fair value of unlisted financial assets, such as derivatives, is determined through financial measurement methods generally used and that require basic assumptions and estimates. These assumptions might not occur in the expected times and modalities. Estimates made by the Company might therefore differ from closing figures.

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

The following accounting standards and amendments to the accounting standards issued by IASB and implemented by the European Union, where foreseen, are mandatorily applicable starting from 1 January 2022.

- Amendments to IFRS 3 “Business Combinations” (document issued on 14 May 2020 and approved on 2 July 2021). The amendments envisage that in order to identify the assets and liabilities of the acquiree, reference must be made to the new definitions of assets and liabilities in the new Conceptual Framework (updated in March 2018, replacing the previous “Framework for the preparation and presentation of financial statements” published in 2001 and partially revised in 2010), with the sole exception of the acquiree liabilities assumed which, after the acquisition date, are accounted for in accordance with IAS 37 “Provisions, contingent liabilities and contingent assets” or IFRIC 21 “Levies”. This exception seeks to avoid recognition by an acquiree of a liability or contingent liability based on the new definition in the Conceptual Framework and then write it off by applying the recognition criteria envisaged in IAS 37 and IFRIC 21.
- Amendments to IAS 16 “Property, Plant and Equipment” (document issued on 14 May 2020 and approved on 2 July 2021). The amendments envisage that income from the sale of goods produced during the testing phase of an asset (the period prior to that in which the asset is located and in operational condition in the manner intended by company management) must be recognised under profit/(loss) for the year. Therefore, recognition of such income as a direct decrease in the cost of the asset is no longer permitted. Goods produced and awaiting sale are recognised among inventories in accordance with IAS 2 “Inventories”. The cost of production does not include the accumulated depreciation of the asset used to produce them, as the latter is not yet subject to depreciation. The entity must indicate in the Notes the amount of revenues and costs relating to goods produced, that are not part of core business output, and the financial statements’ items in which these revenues and costs are recognised (if not presented separately in the statements).
- Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” (document issued on 14 May 2020 and approved on 2 July 2021). The amendment specifies which costs must be considered

when assessing whether a contract will be onerous, i.e. if the non-discretionary costs necessary for fulfilment of the obligations assumed exceed the economic benefits that are expected to be obtained from the contract. It clarified that the costs necessary to fulfil the contract include incremental costs (i.e. costs which would not be incurred in the absence of the contract), such as labour and direct raw materials, and also a portion of other costs directly associated with fulfilment that the entity cannot avoid, such as the allocation of depreciation for an element of property, plant and equipment used in fulfilment of the contract.

- Annual Improvements to IFRS Standards 2018–2020 (document issued on 14 May 2020 and approved on 2 July 2021). These are amendments that clarify, correct or remove redundant or conflicting wording or formulations in the text of the following standards:
 - IFRS 1 “First-time adoption of International Financial Reporting Standards”: subsidiaries, associates or joint ventures applying IFRS for the first time after their parent company/shareholding entity has the option, at the transition date, to measure its assets and liabilities at the same values recognised in the consolidated financial statements of the parent company/shareholding entity, net of any effects deriving from consolidation procedures or measurement at equity. The amendment to IFRS 1 envisages that, if the exemption described above is applied, the entity has the option, at the transition date, to recognise the translation reserve at the same value recognised in the consolidated financial statements of the parent company/shareholding entity.
 - IFRS 9 “Financial Instruments”: the standard envisages that a change to the contractual terms of a financial liability is substantial if the changed cash flows, including any commission paid net of commission received, and discounted and the original effective interest rate, deviate by at least 10% from the present value of cash flows prior to the change. The amendment clarifies that the 10% test must only include commissions paid or received between the borrower and the lender, and commissions paid or received by the borrower or lender on behalf of the other party.
 - IFRS 16 “Leases”: the amendment eliminates from illustrative example No. 13 of IFRS 16 the accounting treatment in the lessee’s financial statements of any reimbursement, from the lessor, for leasehold improvements, in that it was concluded that the example was not backed by a suitable explanation. In the illustrative example, the reimbursement was considered a lease incentive, but should have been recognised in accordance with other standards, though IFRS 16 defines “lease incentives” as “payments made by a lessor to a lessee associated with a lease, or the reimbursement by a lessor of costs of a lessee”. The amendment was not submitted for EU approval as the illustrative examples do not form an integral part of IFRS 16.
 - IAS 41 “Agriculture”: it was clarified that in the fair value measurement of biological assets, cash flows associated with taxes must not be compulsorily excluded. This amendment derives from the fact that, in practice, the discount rate used by market participants is usually a post-tax rate and consequently the cash flows subject to discounting must also be post-tax.

With reference to the application of these standards, amendments and new interpretations, it should be noted that there was no impact on the Company’s 2022 financial statements.

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

The following accounting standards, amendments to accounting standards and interpretations issued by the IASB and incorporated by the European Union at the date of presentation of the 2022 financial statements must be applied for the financial years following 2022.

- Amendments to IAS 1 “Presentation of financial statements” and IFRS Practice Statement 2 (issued on 12 February 2021 and approved on 3 March 2022). The aim of this project is to define guidelines for the selection of accounting policies to be described in the explanatory notes to the financial statements. It is envisaged that an entity should provide a description in the explanatory notes to the financial statements only of material accounting policies and not all significant accounting policies. Information is material if, considered with other information reported, prepared for general purposes, can reasonably influence the decisions made by the key financial statements users. Preference must be given to accounting policies applied to specific transactions of the entity, avoiding generic information or mere duplication of the provisions of IFRS Accounting Standards. The IASB also amended “IFRS Practice Statement 2 - Making Materiality Judgements”, which is not subject to EU approval and which aims to clarify how to apply the concept of materiality to the disclosure on accounting principles. The amendments to IAS 1 are effective from financial years starting on or after 1 January 2023; early application is permitted. Since IFRS Practice Statements are non-binding guidelines, no compulsory effective date has been specified for the amendments to IFRS Practice Statement 2.
- Amendments to IAS 8 “Accounting policies, changes in accounting estimates and errors: definition of accounting estimates” (issued on 12 February 2021 and approved on 3 March 2022). The aim of this project is to clarify the distinction between changes in accounting policies (effects generally recognised retroactively) and changes in accounting estimates (effects recognised prospectively). A new definition is provided of accounting estimate, i.e. monetary amounts recognised in the financial statements, characterised by uncertainty as regards their measurement and made to achieve the objective of the accounting standard applied (e.g. fair value estimate [IFRS 13], credit losses [IFRS 9], net realisable value [IAS 2] or the useful life of property, plant and equipment [IAS 16]). Accounting estimates are the result of measurement approaches which, in addition to the input include estimation techniques, such as credit loss measurement according to IFRS 9, and valuation techniques, such as the estimated fair value of investment property. Changes to an input or measurement approach as a result of new information becoming available, a major experience or new developments, are changes to accounting estimates, except in cases of correction of errors from previous years. The amendments to IAS 8 are effective from financial years starting on or after 1 January 2023; early application is permitted.
- Amendments to IAS 12 “Income taxes: deferred tax related to assets and liabilities arising from a single transaction” (issued on 7 May 2021 and approved on 12 August 2022). The objective of this project is to clarify the accounting treatment of deferred tax in relation to assets and liabilities recognised in the financial statements as a result of a single transaction, the carrying amounts of which differ from the tax values (for example, recognition of a right of use asset and a financial liability in application of IFRS 16). The amendments to IAS 12 envisage that the exemption from initial recognition of deferred tax assets/liabilities does not apply when a single transaction gives rise to the recognition in the financial statements of an asset or liability for which temporary differences of equal value are identifiable. In addition, deferred tax assets/liabilities must be recognised in the financial statements by considering the asset and liability separately, and recognition of their net value is not permitted. Deferred tax assets are

recognised only if considered recoverable. The amendments to IAS 12 are effective from financial years starting on or after 1 January 2023; early application is permitted.

- IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and approved on 23 November 2021), including the amendment to IFRS 17 issued on 25 June 2020. The new accounting standard establishes the criteria for the recognition, measurement, presentation and disclosure of insurance contracts and fully replaces IFRS 4 Insurance Contracts issued in 2005. IFRS 17 will be applied to all insurance contracts, with reference to the issuer. The scope of this new standard is to supply a model for the recognition of insurance contracts, which is more useful and consistent with respect to all insurance companies. The new standard will be effective for annual periods beginning on or after 1 January 2023 and comparative data will be required to be presented; early application is permitted for entities that apply IFRS 9 on or before the date of first application of IFRS 17.
- Amendments to IFRS 17 “Insurance contracts: initial application of IFRS 17 and IFRS 9 - comparative information” (issued on 9 December 2021 and approved on 9 September 2022). The amendments allow for the application of a transitional option, relating to comparative information on financial assets presented on first-time adoption of IFRS 17. The amendment aims to help entities avoid temporary accounting mismatches between insurance contract financial assets and liabilities, and therefore improve the usefulness of the comparative information. IFRS 17, which incorporates the amendment, is applicable from financial years starting on or after 1 January 2023.

Its application is not expected to have any impact for the Company.

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

- Amendments to IAS 1 “Presentation of financial statements” (issued on 23 January 2020, 15 July 2020 and 31 October 2022). The amendments, which are effective from 1 January 2024 with early application permitted, clarify the requirements to be considered in determining whether, in the statement of financial position, payables and other liabilities with an uncertain settlement date should be classified as current or non-current (including payables extinguishable by conversion into equity instruments). The proposed changes clarify that a liability is classed as current when, at the closing date of the year, the entity does not have the right to defer its payment for at least 12 months. The right to defer payment must not be unconditional, but rather substantial and existent at the year-end date. It is irrelevant whether the entity intends to exercise this right or not during the subsequent 12 months (e.g. the intention to refinance a loan by extending its maturity) and any decisions adopted between the reporting date and the publication of the financial statements (e.g. decision to arrange early repayment of the loan). Furthermore, if the right to defer payment beyond 12 months on a liability arising from a loan agreement is dependent on compliance with covenants, classification of the liability is current or non-current must take the following into account:
 - compliance with contractual covenants up to the financial statements closing date is material in determining the existence or not of the right to defer payment of the liability for at least 12 months;
 - compliance with contractual covenants up to the financial statements closing date is not material in determining the existence or not of the right to defer payment of the liability for at least 12 months.

With reference to disclosure in the financial statements, the entity must provide the following additional information in the explanatory notes to the financial statements in reference to subsequent events that do not result in an adjustment:

- long-term refinancing of a liability classed as current;
- settlement of a breach of a long-term loan agreement classified as a current liability;
- granting by the lender of a grace period for settlement of a breach of a long-term loan agreement classified as a current liability;
- settlement of a liability classed as non-current.

If the entity has liabilities deriving from loan agreements classed as non-current, on which the right to defer payment is dependent upon compliance with covenants to be calculated in the 12 months after the closing date of the financial statements, the following additional information must be provided in the explanatory notes to the financial statements:

- amount of non-current liabilities subject to compliance with covenants in the following 12 months;
- description of the covenants and indication of the dates on which the entity must comply with them;
- events and circumstances, if any, proving the entity's difficulty in complying with the covenants (e.g. action taken before and/or after the reporting date to avoid breach of the covenants, the fact that the covenants to be complied with in the following 12 months would be breached if the figures as at year end were used).

- Amendment to IFRS 16 "Leases: lease liability in a sale and leaseback" (issued on 22 September 2022). The amendments, which are effective from 1 January 2024 with early application permitted, refer to the recognition of a sale transaction. The following accounting standards and amendments to the accounting standards issued by IASB and implemented by the European Union, where foreseen, are mandatorily applicable starting from 1 January 2021.

7. INFORMATION ON FINANCIAL RISKS

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

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

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

The management of the related financial risks is governed and monitored at centralised level. In particular, the dedicated department is in charge of assessing and approving the provisional financial requirements,

while monitoring their performance and implementing adequate correction measures, if applicable.

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

7.1 MARKET RISK

7.1.1 INTEREST RATE RISK

The Company utilises external financial resources in the form of credit facilities, and uses cash on hand in bank deposits. Changes in market interest rates affect the cost and the yield of the various credit facilities and uses, therefore affecting the amount of Company financial income and charges. With regard to the measurement of financial charges related to indebtedness, the Company, which is exposed to interest rate fluctuations, regularly assesses its exposure to the interest rate risk and manages it by adopting less onerous credit facilities.

As at 31 December 2022, the Company's indebtedness also included a bond loan amounting to 5,051,800 euro.

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

The main characteristics of derivatives subscribed by the Company and in place as at 31 December 2022 and 2021 to hedge interest rate fluctuations are summarised as follows:

IRS

AS AT 31 DECEMBER 2022		
Date of transaction	25/05/2017	26/05/2017
Company	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa
Counterparty	Unicredit	Intesa San Paolo
Effective date	01/01/2021	01/01/2021
Maturity	30/09/2032	30/09/2032
Notional in Euro	40.625.000	40.625.000
Floating interest rate	3M Euribor (floor -0.80)	3M Euribor (floor -0.80)
Fixed interest rate	1.3400%	1.3235%
Fair value	3.275.725	3.359.630

AS AT 31 DECEMBER 2022		
Date of transaction	25/05/2017	26/05/2017
Company	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa
Counterparty	Unicredit	Intesa San Paolo
Effective date	01/01/2021	01/01/2021
Maturity	30/09/2032	30/09/2032
Notional in Euro	44.791.666	44.791.666
Floating interest rate	3M Euribor (floor -0.80)	3M Euribor (floor -0.80)
Fixed interest rate	1.3400%	1.3235%
Fair value	(2.935.960)	(2.897.426)

Sensitivity Analysis related to interest rate risk

The Company's exposure to interest rate risk was measured through a sensitivity analysis that considered current financial liabilities. Within the hypotheses made, the effects on the Company's Income Statement and Shareholders' Equity as at 31 December 2022 were evaluated with respect to a possible change in market rates, which discounted 50 bps write-up and write-down, respectively. The calculation method applied the hypothesis of changes in both balances of the gross bank indebtedness and interest rate paid during the year to remunerate these floating rate liabilities. This analysis is based on the assumption of a general and prompt change in the reference interest rate level.

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

(in thousands of Euro)

	Impact on profit, net of tax effect		Impact on Shareholders' Equity, net of tax effect	
	- 50 bps	+ 50 bps	- 50 bps	+ 50 bps
Year ended 31 December 2022	1,768	(1,768)	1,768	(1,768)
Year ended 31 December 2021	192	(1,994)	192	(1,994)

7.2 CREDIT RISK

The credit risk represents the Company's exposure to possible losses resulting from the non-fulfilment of obligations undertaken by the counterparties.

This type of risk is managed by the Company through special procedures and mitigation measures, aimed at both assessing creditworthiness of the counterparty and constantly checking that the exposure thresholds be complied with, as well as through adequate guarantees.

Trade receivables are recognised in the financial statements net of any write-downs determined on the basis of the default risk of the counterparties, taking into account the information available on solvency of the customer and the historical data.

The overall exposure to credit risk as at 31 December 2022 and 31 December 2021 is represented by the sum of financial assets recorded in the financial statements, summarised as follows:

(in thousands of Euro)

AS AT 31 DECEMBER

	2022	2021	change
Trade receivables	12,501	16,970	(4,469)
Financial assets	457,152	538,247	(81,095)
Other assets	17,462	17,586	(124)
Provision for write-downs	(641)	(641)	-
TOTAL	486,474	572,162	(85,688)

Trade receivables as at 31 December 2022 are shown in this table by due date.

(in thousands of Euro)

	Due	Past due 0-30 days	Past due 31-60 days	Past due 61-90 days	Past due 90-180 days	Past due after 180 days
Trade receivables	11,838	47	165	1	2	448
TOTAL	11,838	47	165	1	2	448

7.3 LIQUIDITY RISK

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

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

A prudent management of the liquidity risk originated by normal operations involve the maintenance of an adequate level of cash and cash equivalents, short-term securities and the availability of provisions that could be obtained through an adequate amount of credit lines. The Company's liquidity requirements are monitored by a centralised department, in view of securing the finding of financial resources and adequate investment/yield of liquidity.

The change in the market scenarios (significant increase in commodity prices) has led to a considerable absorption of funds (increase in current assets). The Company therefore requested and obtained new bank credit facilities to ensure adequate financial flexibility and correct management of liquidity risk.

The following table analyses the financial liabilities (including trade and other payables) that are expected to be redeemed within the year, in a period between one and five years and after 5 years:

(in thousands of Euro)

AS AT 31 DECEMBER 2022

	Maturity		
	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
	Trade payables	14,500	-
Payables due to banks and other lenders	227,761	408,059	121,718
Other payables	23,317	77	-
TOTAL	265,578	408,136	121,718

(in thousands of Euro)

AS AT 31 DECEMBER 2021

	Maturity		
	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
	Trade payables	17,325	-
Payables due to banks and other lenders	737,711	56,101	138,385
Other payables	20,172	42	-
TOTAL	775,208	56,143	138,385

7.4 FAIR VALUE ESTIMATE

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

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

Company financial instruments recognised at fair value are classified under level 2 and the general criterion used to calculate the same is the current value of future cash flows envisaged by the instrument being measured.

The following table shows assets and liabilities measured at fair value as at 31 December 2022 and 31 December 2021:

<i>(in thousands of Euro)</i>	AS AT 31 DECEMBER 2022		
Liabilities	Level 1	Level 2	Level 3
Derivative instruments <i>(interest rate swap)*</i>	-	6,635	-

[* this amount includes the fair value of all derivatives that, under an accounting viewpoint, are classified as hedging].

<i>(in thousands of Euro)</i>	AS AT 31 DECEMBER 2021		
Liabilities	Level 1	Level 2	Level 3
Derivative instruments <i>(interest rate swap)*</i>	-	(5,833)	-

[* this amount includes the fair value of all derivatives that, under an accounting viewpoint, are classified as hedging].

It should be noted that trade receivables and payables were measured at carrying amount, as the latter is deemed as similar to the current value.

The following table shows financial assets and liabilities as at 31 December 2022 and 31 December 2021 broken down by category:

(in thousands of Euro)

AS AT 31 DECEMBER 2022

	Financial assets/liabilities measured at amortised cost	Financial assets/liabilities measured at fair value FVOCI	Financial assets/liabilities measured at fair value FVTPL	Total
CURRENT ASSETS				
Cash and cash equivalents	16,502	-	-	16,502
Trade receivables	11,860	-	-	11,860
Other assets and other current financial assets	462,209	-	-	462,209
NON-CURRENT ASSETS				
Other assets and other non-current financial assets	6,072	6,335	-	12,407
CURRENT LIABILITIES				
Trade payables	14,500	-	-	14,500
Current financial liabilities	227,761	-	-	227,761
Other current liabilities	23,317	-	-	23,317
NON-CURRENT LIABILITIES				
Non-current financial liabilities	529,777	-	-	529,777
Other non-current liabilities	77	-	-	77

(in thousands of Euro)

AS AT 31 DECEMBER 2021

	Financial assets/liabilities measured at amortised cost	Financial assets/liabilities measured at fair value FVOCI	Financial assets/liabilities measured at fair value FVTPL	Total
CURRENT ASSETS				
Cash and cash equivalents	77,263	-	-	77,263
Trade receivables	16,329	-	-	16,329
Other assets and other current financial assets	551,428	-	-	551,428
NON-CURRENT ASSETS				
Other assets and other non-current financial assets	4,404	-	-	4,404
CURRENT LIABILITIES				
Trade payables	17,325	-	-	17,325
Current financial liabilities	737,111	-	-	737,111
Other current liabilities	20,172	-	-	20,172
NON-CURRENT LIABILITIES				
Non-current financial liabilities	188,653	5,833	-	194,486
Other non-current liabilities	42	-	-	42

7.5 RISCHI LEGATI AL CAMBIAMENTO CLIMATICO

Climate change has always characterised and conditioned the history of our planet, but the global warming we have been witnessing for about 150 years is anomalous, because it is triggered by man and his actions. The consequences of climate change still underway have translated into an already evident global warming, with significant reductions in glaciers and an increase in extreme weather events. Climate change is becoming more and more of a climate crisis, because the climate has always changed, but not so quickly and not with rigid and complex infrastructures like cities and the production system that most industrialised countries are used to.

As confirmed in numerous studies and publications available in scientific literature, the effects of climate change expected for the thermo-pluviometric regime will modify the availability of water resources, altering the extent and seasonality of runoff into surface waterways. With regard to the situation in Trentino, detailed hydrological studies, some of which targeting the analysis of a specific context by the Company, others in the public domain and of a more general context, have shown that there will be a substantial constancy over time in the quantity of cumulative annual precipitation, with very limited precipitation intensity variations, thanks to the persisting effectiveness of convective phenomena generated due to the Alpine topography.

As regards temperature and evapotranspiration, there will be a more marked increase in the long term rather than in the medium term: estimates assume an average increase of 1°C in the short term (2025-2040) and of 2°C in the long term (2041-2060).

Confirming the effect of climate change on the variation in temporal distribution of weather events, in the last 18 months there have been significantly lower levels of rainfall and snowfall compared to historical averages and therefore equally decreased production levels. This leads management to arrange careful and continuous monitoring of current and future climate changes, in order to safeguard the profitability of its business and the technical-economic value of the physical assets servicing hydroelectric production.

8. NOTES TO THE STATEMENT OF FINANCIAL POSITION

8.1 RIGHTS OF USE

Changes in item "Rights of Use" are shown hereunder for the years ended 31 December 2022 and 2021:

(in thousands of Euro)

	Rights of use of buildings	Rights of use of other goods	Total
BALANCE AS AT 1 JANUARY 2021	2,359	439	2,798
<i>Of which:</i>			
<i>Historical cost</i>	10,360	645	11,005
<i>Accumulated amortisation</i>	(8,001)	(206)	(8,207)
Increases	-	142	142
Amortisation	(384)	(186)	(570)
BALANCE AS AT 31 DECEMBER 2021	1,975	395	2,370
<i>Of which:</i>			
<i>Historical cost</i>	10,360	730	11,090
<i>Accumulated amortisation</i>	(8,385)	(335)	(8,720)
Increases	-	60	60
Amortisation	(379)	(178)	(557)
BALANCE AS AT 31 DECEMBER 2022	1,596	277	1,873
<i>Of which:</i>			
<i>Historical cost</i>	10,299	704	11,003
<i>Accumulated amortisation</i>	(8,703)	(427)	(9,130)

"Rights of use of buildings" amounting to 1,596 thousand euro mainly refer to contracts related to the real estate property destined as registered office in Rovereto (TN).

"Rights of use of other goods" amounting to 277 thousand euro refer to contracts for vehicles with an average duration of 5 years. For the company cars, the Company decided on long-term rentals and at the expiry of these contracts, they are replaced with new vehicles and new long-term contracts; sometimes, at the natural expiry of these contracts, they are extended for a further 12 months without a formal renewal.

The information required under EU standard IFRS 16 par. 53 is provided below.

(in thousands of Euro)

	Notes	As at 31 December 2022
Amortisation of rights of use	9.6	557
Interest expense on financial liabilities for leases	9.9	66
Short-term contract related costs	9.4	157
Costs related to contracts for low value goods	9.4	589
Costs related to variable lease payments not included in the measurement of the liability		-
Income from sub-leasing of substantial assets in the right of use		-
TOTAL OUTGOING FINANCIAL FLOW FOR LEASES		909
Profits/(losses) from sales and leaseback transactions		-

8.2 INTANGIBLE ASSETS

Changes in item "Intangible assets" are shown hereunder for the years ended 31 December 2022 and 2021:

(in thousands of Euro)

	Concessions	Industrial patent and intellectual property rights	Other	Total
BALANCE AS AT 1 JANUARY 2021	3,767	11,375	48	15,190
<i>Of which:</i>				
<i>Historical cost</i>	7,824	55,063	2,329	65,216
<i>Accumulated amortisation</i>	(4,057)	(43,688)	(2,281)	(50,026)
Increases	-	8,966	2	8,968
Net decreases	-	(52)	-	(52)
Amortisation	(383)	(5,780)	(6)	(6,169)
BALANCE AS AT 31 DECEMBER 2021	3,384	14,509	44	17,937
<i>Of which:</i>				
<i>Historical cost</i>	7,824	63,964	2,320	74,108
<i>Accumulated amortisation</i>	(4,440)	(49,455)	(2,276)	(56,171)
Increases	116	4,720	334	5,170
Net decreases	-	(344)	-	(344)
Amortisation	(385)	(6,012)	(6)	(6,403)
BALANCE AS AT 31 DECEMBER 2022	3,115	12,873	372	16,360
<i>Of which:</i>				
<i>Historical cost</i>	7,940	66,151	2,654	76,745
<i>Accumulated amortisation</i>	(4,825)	(53,278)	(2,282)	(60,385)

The item Concessions refers to charges on franchises on small water diversions of the Mini Idro plants purchased from Dolomiti Energia Holding in previous years (2,562 thousand euro). The amortisation of the concession is related to its duration, equal to twenty years with expiry in 2029; It also includes a thirty-year concession of the Oleificio Costa power plant of 440 thousand euro, expiring in 2048, and a surface right with a duration of 25 years, acquired in 2022 for the construction of a photovoltaic plant for a net value of 113 thousand euro.

Industrial patent and intellectual property rights fully include the costs relating to the acquisition, implementation and development of software serving the activities carried out by the companies belonging to the Dolomiti Energia Group, with an increase of 4,720 thousand euro.

8.3 PROPERTY, PLANT AND EQUIPMENT

Changes in item "Property, plant and equipment" are shown hereunder for the years ended 31 December 2022 and 2021:

(in thousands of Euro)

	Land and buildings	Plant and equipment	Industrial and commercial fittings	Other assets	Work in progress and advance payments	Total
BALANCE AS AT 1 JANUARY 2021	27,187	13,697	686	2,090	2,199	45,859
<i>Of which:</i>						
<i>Historical cost</i>	40,460	37,871	4,338	12,179	2,199	97,047
<i>Accumulated depreciation</i>	(13,273)	(24,174)	(3,652)	(10,089)	-	(51,188)
Increases	893	689	32	223	280	2,117
Net decreases	-	(137)	-	(7)	-	(144)
Reclassifications	95	924	-	-	(1,019)	-
Depreciation	(1,158)	(753)	(152)	(576)	-	(2,639)
BALANCE AS AT 31 DECEMBER 2021	27,017	14,420	566	1,730	1,460	45,193
<i>Of which:</i>						
<i>Historical cost</i>	41,448	38,945	4,370	12,317	1,460	98,540
<i>Accumulated depreciation</i>	(14,431)	(24,525)	(3,804)	(10,587)	-	(53,347)
Increases	758	1,738	361	252	91	3,200
Net decreases	(8)	(266)	(1)	(2)	-	(277)
Reclassifications	1	289	-	-	(290)	-
Depreciation	(1,264)	(891)	(125)	(522)	-	(2,802)
BALANCE AS AT 31 DECEMBER 2022	26,504	15,290	801	1,458	1,261	45,314
<i>Of which:</i>						
<i>Historical cost</i>	42,199	40,613	4,709	12,410	1,261	101,192
<i>Accumulated depreciation</i>	(15,695)	(25,323)	(3,908)	(10,952)	-	(55,878)

With regard to property, plant and equipment, costs have been capitalised for services provided by internal staff for 476 thousand euro.

The item land includes that related to hydro and thermoelectric works (316 thousand euro), and other land purchased for expansion projects of company offices for 4,357 thousand euro. On 1 January 2003, following the merger by incorporation of SIT and ASM into Dolomiti Energia (now Dolomiti Energia Holding SpA), a capital gain of 5,907 thousand euro was allocated to land (note 2.4).

The item buildings also includes capitalisations of buildings of the hydroelectric production plants with a residual value of 1,834 thousand euro; improvements made in the offices in Rovereto, which are rented from the Municipality, for a residual value of 2,118 thousand euro, as well as the building of the offices in Trento, for a residual value of 3,843 thousand euro, and the building "Le Albere" in Trento, for a residual value of 4,460 thousand euro. On 1 January 2003, following the merger by incorporation of SIT and ASM into Dolomiti Energia (now Dolomiti Energia Holding SpA), a capital gain of 2,200 thousand euro was allocated to the item buildings (note 2.4), for a residual value at 31 December 2022 of 444 thousand euro.

The item plant and equipment includes machinery for the power plants and transferable works related to the hydroelectric power plants of S. Colombano, Sorne, Tesino and Mini Idro, for the residual value of 13,817 thousand euro, proprietary thermoelectric equipment and photovoltaic plants (1,031 thousand euro). This also includes fixed systems of the corporate offices and charge stations for the vehicle fleet for a net value of 442 thousand euro.

The item industrial and commercial fittings includes equipment for the chemical-bacteriological laboratory (residual value of 706 thousand euro), as well as remote control systems and other equipment for the hydroelectric sector (residual value of 8 thousand euro) and other inventory fittings (residual value 87 thousand euro).

The item other assets concerns furniture and office equipment (residual value of 756 thousand euro) and hardware for a residual value of 686 thousand euro.

At the end of the year, work in progress amounted to 1,261 thousand euro and mainly involved feasibility studies and projects for the company headquarters in Trento (1,134 thousand euro), as well as work on the hydroelectric power plants started during the year but not yet completed for 119 thousand euro.

8.4 EQUITY INVESTMENTS

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

	AS AT 31 DECEMBER		
	2022	2021	change
Equity investments in subsidiaries	747,700	747,700	-
Equity investments in associates and joint ventures	51,084	51,504	(420)
Equity investments in other companies	23,851	23,751	100
TOTAL	822,635	822,955	(320)

Changes in equity investments in subsidiaries, associates, joint ventures and other companies for the year ended 31 December 2022 and 2021 are shown hereunder:

Description of equity investments

(in thousand of Euro)

	Percentage owned	Carrying amount as at 31 December 2021	Changes in 2022	Reclassif. in 2022	Carrying amount in 2022	Provision for write-downs as at 31 December 2021	Changes in 2022	Provision for write-downs as at 31 December 2022	Net Value as at 31 December 2022	Net Value as at 31 December 2021
DOLOMITI EN.SOLUTIONS SRL	100.00%	5,916	-	-	5,916	-	-	-	5,916	5,916
NOVARETI SPA	100.00%	139,266	-	-	139,266	-	-	-	139,266	139,266
DOLOMITI EN.HYDRO POWER SRL	100.00%	4,500	-	-	4,500	-	-	-	4,500	4,500
DOLOMITI GNL SRL	100.00%	1,600	-	-	1,600	-	-	-	1,600	1,600
DOLOMITI AMBIENTE SRL	100.00%	16,010	-	-	16,010	-	-	-	16,010	16,010
GASDOTTI ALPINI SRL	100.00%	1,010	-	-	1,010	-	-	-	1,010	1,010
DOLOMITI EN.TRADING SPA	98.72%	13,334	-	-	13,334	-	-	-	13,334	13,334
DOLOMITI ENERGIA SPA	82.96%	32,619	-	-	32,619	-	-	-	32,619	32,619
S.E.T.DISTRIBUZIONE SPA	69.34%	85,800	-	-	85,800	-	-	-	85,800	85,800
DOLOMITI TRANSITION ASSET SRL	66.67%	7,128	-	-	7,128	-	-	-	7,128	7,128
HYDRO DOLOMITI ENERGIA SRL	60.00%	408,402	-	-	408,402	-	-	-	408,402	408,402
DEP.TRENTINO CENTRALE Sc.ar.l.	57.00%	6	-	-	6	-	-	-	6	6
DOLOMITI EDISON ENERGY SRL	51.00%	32,109	-	-	32,109	-	-	-	32,109	32,109
TOTAL SUBSIDIARIES		747,700	-	-	747,700	-	-	-	747,700	747,700
SF ENERGY SRL	50.00%	27,545	-	-	27,545	-	-	-	27,545	27,545
NEOGY SRL	50.00%	3,400	1,000	-	4,400	(2,944)	(1,456)	(4,400)	-	456
IVI GNL SRL	50.00%	580	-	-	580	-	-	-	580	580
GIUDICARIE GAS SPA	43.35%	839	-	-	839	-	-	-	839	839
EPQ SRL	33.00%	12,843	-	-	12,843	-	-	-	12,843	12,843
TECNODATA TRENTINA SRL	25.00%	377	36	-	413	-	-	-	413	377
BIOENERGIA TRENTINO SRL	24.90%	1,769	-	-	1,769	-	-	-	1,769	1,769
AGS SPA	20.00%	7,095	-	-	7,095	-	-	-	7,095	7,095
TOTAL ASSOCIATED COMPANIES AND JOINT VENTURES		54,448	1,036	-	55,484	(2,944)	(1,456)	(4,400)	51,084	51,504
PRIMIERO ENERGIA SPA	19.94%	4,614	-	-	4,614	-	-	-	4,614	4,614
INIZIATIVE BRESCIANE SPA	16.53%	17,659	-	-	17,659	-	-	-	17,659	17,659
SPREENTECH VENTURES SRL	12.05%	-	100	-	100	-	-	-	100	-
BIO ENERGIA FIEMME SPA	11.46%	785	-	-	785	-	-	-	785	785
CHERRYCHAIN SRL	10.00%	300	-	-	300	-	-	-	300	300
DISTR. TECN. TRENTINO S.c.ar.l.	2.49%	5	-	-	5	-	-	-	5	5
ISTITUTO ATESINO SVIL.SPA	0.32%	387	-	-	387	-	-	-	387	387
CONS.ASSINDUSTRIA ENERGIA	0%	1	-	-	1	-	-	-	1	1
CASSA RURALE ROVERETO	0%	-	-	-	-	-	-	-	-	-
TOTAL OTHER COMPANIES		23,751	100	-	23,851	-	-	-	23,851	23,751
TOTAL EQUITY INVESTMENTS		825,899	1,136	-	827,035	(2,944)	(1,456)	(4,400)	822,635	822,955

(in thousand of Euro)

	Percentage owned	Carrying amount as at 31 December 2020	Changes in 2021	Reclassif. in 2021	Carrying amount in 2021	Provision for write-downs as at 31 December 2020	Changes in 2021	Provision for write-downs as at 31 December 2021	Net Value as at 31 December 2021	Net Value as at 31 December 2020
DOLOMITI EN.SOLUTIONS SRL	100.00%	5,916	-	-	5,916	-	-	-	5,916	5,916
NOVARETI SPA	100.00%	139,266	-	-	139,266	-	-	-	139,266	139,266
DOLOMITI EN.HYDRO POWER SRL	100.00%	4,500	-	-	4,500	-	-	-	4,500	4,500
DOLOMITI GNL SRL	100.00%	1,100	500	-	1,600	-	-	-	1,600	1,100
DOLOMITI AMBIENTE SRL	100.00%	16,010	-	-	16,010	-	-	-	16,010	16,010
GASDOTTI ALPINI SRL	100.00%	10	1,000	-	1,010	-	-	-	1,010	10
DOLOMITI EN.TRADING SPA	98.72%	13,334	-	-	13,334	-	-	-	13,334	13,334
DOLOMITI ENERGIA SPA	83.03%	32,619	-	-	32,619	-	-	-	32,619	32,619
S.E.T.DISTRIBUZIONE SPA	69.60%	85,801	(1)	-	85,800	-	-	-	85,800	85,801
DOLOMITI TRANSITION ASSET SRL	66.67%	-	7,128	-	7,128	-	-	-	7,128	-
HYDRO DOLOMITI ENERGIA SRL	60.00%	408,402	-	-	408,402	-	-	-	408,402	408,402
DEP.TRENTINO CENTRALE Sc.ar.l.	57.00%	6	-	-	6	-	-	-	6	6
DOLOMITI EDISON ENERGY SRL	51.00%	32,109	-	-	32,109	-	-	-	32,109	32,109
TOTAL SUBSIDIARIES		739,073	8,627	-	747,700	-	-	-	747,700	739,073
SF ENERGY SRL	50.00%	27,545	-	-	27,545	-	-	-	27,545	27,545
NEOGY SRL	50.00%	3,000	400	-	3,400	(1,000)	(1,944)	(2,944)	456	2,000
IVI GNL SRL	50.00%	580	-	-	580	-	-	-	580	580
GIUDICARIE GAS SPA	43.35%	838	1	-	839	-	-	-	839	838
EPQ SRL	33.00%	-	12,843	-	12,843	-	-	-	12,843	-
TECNO DATA TRENTINA SRL	25.00%	-	377	-	377	-	-	-	377	-
BIOENERGIA TRENTINO SRL	24.90%	1,769	-	-	1,769	-	-	-	1,769	1,769
AGS SPA	20.00%	7,095	-	-	7,095	-	-	-	7,095	7,095
TOTAL ASSOCIATED COMPANIES AND JOINT VENTURES		40,827	13,621	-	54,448	(1,000)	(1,944)	(2,944)	51,504	39,827
PRIMIERO ENERGIA SPA	19.94%	4,614	-	-	4,614	-	-	-	4,614	4,614
INIZIATIVE BRESCIANE SPA	16.53%	17,659	-	-	17,659	-	-	-	17,659	17,659
BIO ENERGIA FIEMME SPA	11.46%	785	-	-	785	-	-	-	785	785
CHERRYCHAIN SRL	10.00%	300	-	-	300	-	-	-	300	300
DISTR. TECN. TRENTINO Sc.ar.l.	2.49%	5	-	-	5	-	-	-	5	5
ISTITUTO ATESINO SVIL.SPA	0.32%	387	-	-	387	-	-	-	387	387
CONS.ASSINDUSTRIA ENERGIA	0%	1	-	-	1	-	-	-	1	1
CASSA RURALE ROVERETO	0%	-	-	-	-	-	-	-	-	-
TOTAL OTHER COMPANIES		23,751	-	-	23,751	-	-	-	23,751	23,751
TOTAL EQUITY INVESTMENTS		803,651	22,248	-	825,899	(1,000)	(1,944)	(2,944)	822,955	802,651

SUBSIDIARIES

DOLOMITI ENERGIA SOLUTIONS Srl – Trento. Fully paid-up Share Capital of 120,000 euro, represented by 120,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The company operates in the renewable energy, savings and energy efficiency sector, and is qualified for the design, construction and redevelopment of photovoltaic systems and public lighting systems. The financial year ended 31 December 2022 recorded a net profit of 3,033,253 euro.

NOVARETI S.p.A. – Rovereto. Fully paid-up Share Capital of 28,500,000 euro, represented by 28,500,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The financial year ended 31 December 2022 recorded a profit of 8,787,224 euro. The company is engaged in the distribution of network services: gas, cogeneration, district heating and the fully integrated water cycle.

DOLOMITI ENERGIA HYDRO POWER Srl – Trento. Fully paid-up Share Capital of 100,000 euro, represented by 100,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The company operates in the hydroelectric sector, managing a number of power stations, as well as holding investments in companies that produce energy from renewable sources. The financial year ended 31 December 2022 recorded a profit of 788,028 euro.

DOLOMITI GNL Srl – Trento. Fully paid-up Share Capital of 600,000 euro, represented by 600,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The company is still in the development phase of LNG distribution infrastructure and, as at 31 December 2022, reported a loss of 37,654 euro.

DOLOMITI AMBIENTE Srl – Rovereto. Fully paid-up Share Capital of 2,000,000 euro, represented by 2,000,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The company operates in the municipal waste services segment of Trento and Rovereto. As at 31 December 2022 it recorded a profit of 2,991,171 euro.

GASDOTTI ALPINI Srl – Rovereto. Fully paid-up Share Capital of 10,000 euro, represented by 10,000 shares of 1 euro each; Dolomiti Energia Holding holds 100% of the Share Capital. The company, established at the end of 2021 for the regional transport of natural gas, has not completed the authorisation process. It closed the year as at 31 December 2022 with a loss of 5,515 euro.

DOLOMITI ENERGIA TRADING S.p.A. – Trento. Fully paid-up Share Capital of 2,478,429 euro, represented by 2,478,429 shares with a value of 1 euro each; Dolomiti Energia Holding holds 98.72% of the Share Capital, equal to 2,446,829 shares with a nominal value of 2,446,829 euro. The company is a Group wholesaler in charge of the wholesale marketing of electricity from renewable sources and natural gas. It closed the year as at 31 December 2022 with a loss of 17,558,564 euro.

DOLOMITI ENERGIA S.p.A. – Trento. Fully paid-up Share Capital of 20,423,673 euro, represented by 20,423,673 shares of 1 euro each; Dolomiti Energia Holding holds 82.96% of the Share Capital equal to 16,942,700 shares with a nominal value of 16,942,700 euro. On 29 December 2021, the Shareholders' Meeting resolved to increase the share capital from 20,414,755 euro to 20,423,673 euro, fully released by one shareholder through the contribution in kind of the electricity marketing business unit of the Castello-Molina di Fiemme Municipal Administration; the effects of this transaction started from 1 January 2022. Dolomiti Energia is the Group's commercial company, dedicated to providing the best energy, gas and other services to Italian households and businesses. The financial year ended 31 December 2022 recorded a loss of 30,641,612 euro.

SET DISTRIBUZIONE S.p.A. – Rovereto. Fully paid-up Share Capital of 120,637,335 euro, represented by 120,637,335 shares with a value of 1 euro each; Dolomiti Energia Holding holds 69.34% of the Share Capital, equal to 83,645,346 shares with a nominal value of 83,645,346 euro. On 29 December 2021, the Shareholders' Meeting resolved to increase the Share Capital from 120,175,128 euro to 120,637,335 euro, fully released by the shareholder Castello-Molina di Fiemme Municipal Administration through the contribution in kind of the electricity distribution business unit; the effects of this transaction started from 1 January 2022. The financial year ended 31 December 2022 recorded a profit of 11,480,718 euro. The company is an electricity distributor in more than 160 municipal administrations in the Trento Autonomous Province, in which it is the concession holder.

DOLOMITI TRANSITION ASSETS Srl – Trento. Fully paid-up Share Capital of 1,000,000 euro, represented by 1,000,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 66.67% of the Share Capital, equal to 666,667 shares with a nominal value of 666,667 euro. The company, born from the partnership with EPQ srl, was established in 2021 to operate in the field of energy transition and sustainability. As at 31 December 2022, it closed the financial year with a profit of 23,752 euro.

HYDRO DOLOMITI ENERGIA Srl – Trento. Fully paid-up Share Capital of 3,000,000 euro, represented by 3,000,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 60% of the Share Capital, equal to 1,800,000 shares with a nominal value of 1,800,000 euro. The company is a leader in Trentino in the production of energy from renewable sources, operating its own 22 power stations and others under direct management. As at 31 December 2022, it closed the financial year with a profit of 45,291,915 euro.

DEPURAZIONE TRENINO CENTRALE S. Cons. a r.l. (in liquidation) – Trento. Fully paid-up Share Capital of 10,000 euro, represented by 10,000 shares of 1 euro each; Dolomiti Energia Holding holds 57% of the Share Capital equal to 5,700 holdings with a nominal value of 5,700 euro. From 1 January 2021, the company no longer manages the purification plants in the Trentino Central Basin. For this reason the company was placed in liquidation on 6 August 2021. The interim liquidation balance sheet closed on 31 December 2022 records a profit of 2,455 euro.

DOLOMITI EDISON ENERGY Srl – Trento. Fully paid-up Share Capital of 5,000,000 euro, represented by 5,000,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 51% of the Share Capital, equal to 2,550,000 shares with a nominal value of 2,550,000 euro. The company, a joint venture between Dolomiti Energia and Edison, operates in the sector of electricity production from renewable sources in the province of Trento, through the management of five large hydroelectric plants; it closed the year as at 31 December 2022 with a loss of 476,004 euro.

ASSOCIATES AND JOINT VENTURES

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

NEOGY Srl – Bolzano. Fully paid-up Share Capital of 750,000 euro, represented by 750,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 50.00% of the Share Capital, equal to 375,000 shares with a nominal value of 375,000 euro. The company was established from the joint venture between Dolomiti Energia and Alperia in order to jointly promote electrical mobility and with the aim of organising a widespread recharging infrastructure in the territory to serve both private customers and companies. In this business expansion phase, during the year the company was recapitalised for 1,000

thousand euro. Analysing past losses and those of 2022, it was prudentially decided to fully write-down the residual value of the equity investment (1,456 thousand euro).

IVI GNL Srl – Santa Giusta Oristano. Fully paid-up Share Capital of 1,100,000 euro, represented by 1,100,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 50% of the Share Capital, equal to 550,000 shares with a nominal value of 550,000 euro. IVI GNL operates in the sector of gaseous fuels distribution and the construction of regasification and storage plants for liquid methane gas.

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

EPQ Srl - Trento. Share Capital of 100,000 euro fully paid-up, divided into 100,000 shares with a value of 1 euro each; Dolomiti Energia holds 33% of the Share Capital, equal to 33,000 shares and a nominal value of 33,000 euro. The investee operates in the field of energy management and transition.

TECNODATA TRENTINA Srl – Trento. Fully paid-up Share Capital of 12,560 euro, represented by 12,560 shares with a value of 1 euro each; Dolomiti Energia Holding holds 25% of the Share Capital, equal to 3,140 shares with a nominal value of 3,140 euro. In April 2022, the Shareholders' Meeting resolved to increase the Share Capital from 11,556 euro to 12,560 euro, fully subscribed by the shareholders. The company operates in the IT field of interconnection services.

BIOENERGIA TRENTINO Srl – San Michele All'Adige. Fully paid-up Share Capital of 3,000,000 euro, represented by 3,000,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 24.90% of the Share Capital, equal to 747,000 shares with a nominal value of 747,000 euro. The company was established with the aim of producing renewable energy by using biomass derived from waste.

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

OTHER COMPANIES

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

INIZIATIVE BRESCIANE S.p.A. – Breno (BS). Fully paid-up Share Capital of 26,018,840 euro, represented by 5,203,768 shares with a value of 5 euro each; Dolomiti Energia Holding holds 16.53% of the Share Capital, equal to 859,993 shares with a nominal value of 4,299,965 euro. The company operates in the production of electricity from renewable sources, managing over forty hydroelectric plants located in the provinces of Brescia, Bergamo, Cremona, Trento and Lucca.

SPREENTECH VENTURES Srl – Rovereto (TN). Fully paid-up Share Capital of 50,000 euro, represented by 50,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 12.05% of the Share Capital, equal to 6,024 shares with a nominal value of 6,024 euro. Established in April 2022, the company

stems from a major Trento-based project of Polo Edilizia 4.0, with the task of constructing a state-of-the-art centre of excellence for the development of skills, offer of services and innovations to support businesses, managers and industries in the construction sector.

BIO ENERGIA FIEMME S.p.A. – Cavalese. Fully paid-up Share Capital of 7,058,964 euro, represented by 1,176,494 shares with a value of 6 euro each; Dolomiti Energia Holding holds 11.46% of the Share Capital, equal to 134,800 shares with a nominal value of 808,800 euro. The company operates in the district heating and circular energy fields, producing alternative energy and heat from fossil fuels, in addition to producing pellets from wood waste.

CHERRYCHAIN Srl – Pergine Valsugana. Fully paid-up Share Capital of 265,000 euro, represented by 265,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 10% of the Share Capital, equal to 26,500 shares with a nominal value of 26,500 euro. The company works in the ICT sector, mainly dealing with software development, digital identity management systems and regulatory compliance.

DISTRETTO TECNOLOGICO TRENINO Soc. Cons. a r.l. – Rovereto. Fully paid-up Share Capital of 201,000 euro, represented by 201,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 2.49% of the Share Capital, equal to 5,000 shares with a nominal value of 5,000 EURO. The company is committed to environmental sustainability.

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

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

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

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

Subsidiaries		Percentage owned
DOLOMITI ENERGIA SOLUTIONS	SRL	100.00%
NOVARETI	SPA	100.00%
DOLOMITI ENERGIA HYDRO POWER	SRL	100.00%
DOLOMITI GNL	SRL	100.00%
DOLOMITI AMBIENTE	SRL	100.00%
GASDOTTI ALPINI	SRL	100.00%
DOLOMITI ENERGIA TRADING	SPA	98.72%
DOLOMITI ENERGIA	SPA	82.96%
SET DISTRIBUZIONE	SPA	69.34%
DOLOMITI TRANSITION ASSET	SRL	66.67%
HYDRO DOLOMITI ENERGIA	SRL	60.00%
DEPUR.TRENT.CENTR. (in liquidation)	SCARL	57.00%
DOLOMITI EDISON ENERGY	SRL	51.00%
TOTAL SUBSIDIARIES		
Associates and joint ventures		Percentage owned
SF ENERGY (*)	SRL	50.00%
NEOGY (*)	SRL	50.00%
IVI GNL (*)	SRL	50.00%
GIUDICARIE GAS	SPA	43.35%
EPQ SRL (*)	SRL	33.00%
TECNODATA TRENTINA	SRL	25.00%
BIOENERGIA TRENTINO	SRL	24.90%
AGS	SPA	20.00%
TOTAL ASSOCIATED COMPANIES AND JOINT VENTURES		
Other companies		Percentage owned
PRIMIERO ENERGIA	SPA	19.94%
INIZIATIVE BRESCIANE	SPA	16.53%
SPREENTECH VENTURES	SRL	12.05%
BIO ENERGIA FIEMME	SPA	11.46%
CHERRYCHAIN	SRL	10.00%
DISTRETTO TECNOLOGICO TRENTINO	SCARL	2.49%
ISTITUTO ATESSINO SVILUPPO	SPA	0.32%
CONS.ASSINDUSTRIA ENERGIA	CONS.	0.00%
CASSA RURALE ROVERETO	SCARL	0.00%
TOTAL OTHER COMPANIES		
TOTAL EQUITY INVESTMENTS		

(*) The values of share capital, shareholders' equity and profit for the year relate to the year 2022, unlike the other associates and joint ventures for which the values for the year 2021 are shown.

Registered office associates	Share Capital in 2022	Shareholders' Equity in 2022	Profit/(Loss) for the year 2022	Cost	Actual
Via Fersina 23 - 38123 Trento	120,000	6,745,420	3,033,253	5,915,576	5,915,576
Via Manzoni 24 - 38068 Rovereto	28,500,000	340,165,005	8,787,224	139,266,500	139,266,500
Via Fersina 23 - 38123 Trento	100,000	4,442,841	788,028	4,500,000	4,500,000
Via Fersina 23 - 38123 Trento	600,000	684,548	(37,654)	1,600,000	1,600,000
Via Manzoni 24 - 38068 Rovereto	2,000,000	26,409,744	2,991,171	16,010,000	16,010,000
Via Manzoni 24 - 38068 Rovereto	10,000	980,699	(5,515)	1,010,000	1,010,000
Via Fersina 23 - 38123 Trento	2,478,429	31,032,480	(17,558,564)	13,334,259	13,334,259
Via Fersina 23 - 38123 Trento	20,423,673	82,620,303	(30,641,612)	32,619,062	32,619,062
Via Manzoni 24 - 38068 Rovereto	120,637,335	239,321,852	11,480,718	85,800,504	85,800,504
Via Fersina 23 - 38123 Trento	1,000,000	10,846,078	23,752	7,128,000	7,128,000
Viale Trieste 43 - 38121 Trento	3,000,000	670,213,024	45,291,915	408,402,210	408,402,210
Via Fersina 23 - 38123 Trento	10,000	68,422	2,455	5,700	5,700
Via Fersina 23 - 38123 Trento	5,000,000	52,471,052	(476,004)	32,108,741	32,108,741
				747,700,552	747,700,552

Registered office associates	Share Capital in 2021	Shareholders' Equity in 2021	Profit/(Loss) for the year 2021	Cost	Actual
Via Dodiciville 8 - 39100 Bolzano	7,500,000	18,995,330	28,110	27,545,000	27,545,000
Via Dodiciville 8 - 39100 Bolzano	750,000	(130,109)	(3,042,265)	4,400,000	-
Loc.Cirras - 09096 Santa Giusta OR	1,100,000	999,382	(35,606)	580,000	580,000
Via Stenico 11 - 38079 Tione-Trento	1,780,023	3,317,322	61,360	838,789	838,789
Via Fersina 23 - 38123 Trento	100,000	7,348,449	5,149,672	12,843,239	12,843,239
Via R.Guardini 17 - 38121 Trento	11,556	454,251	84,492	413,539	413,539
loc.Cadino 18/1 38010 S.Michele AA	3,000,000	9,337,350	1,649,860	1,768,935	1,768,935
Via Ardaro 27 - 38066 Riva d.Garda	23,234,016	55,824,442	3,095,158	7,094,721	7,094,721
				55,484,223	51,084,223

Registered office associates	Share Capital in 2021	Shareholders' Equity in 2021	Profit/(Loss) for the year 2021	Cost	Actual
Via Guadagnini 31-38054 Fiera Primiero	9,938,990	60,969,286	16,878,249	4,614,702	4,614,702
Piazza Vittoria 19 - 25043 Breno BS	26,018,840	70,956,999	5,176,918	17,658,513	17,658,513
P.za Manifattura 1 - 38068 Rovereto	-	-	-	100,000	100,000
Via Pillocco, 4 - 38033 Cavalese	7,058,964	14,018,293	1,184,883	784,639	784,639
V.le Dante, 151 - 38057 Pergine Valsug.	265,000	1,104,987	57,355	300,000	300,000
P.za Manifattura 1 - 38068 Rovereto	201,000	848,599	142,193	5,000	5,000
Viale A.Olivetti, 36 - 38122 Trento	79,450,676	139,559,353	6,287,052	387,200	387,200
Via Degasperri 77 - 38123 Trento	-	-	-	516	516
Via Manzoni 1 - 38068 Rovereto	-	-	-	160	160
				23,850,730	23,850,730
				827,035,505	822,635,505

In the above table some qualified equity investments are recorded at a higher value than the percentage equity pertaining to Dolomiti Energia Holding. In this cases the Company reported no loss in value and deems that the higher value is due to expected future results for these investees. In particular, the subsidiary Dolomiti GNL carries out activities that are still in the development phase in the field of energy efficiency and distribution of LNG and from which increasing positive results are expected in the next few years; Dolomiti Energia Hydro Power (acquired in 2020) and SF Energy are companies that manage hydroelectric energy production plants through concessions with expiry dates that justify significant future cash flows, as well as Iniziative Bresciane, a company whose shares are traded on the Euronext Growth Milan market and whose book value approximates the market price. Lastly, in 2021 the Company acquired 33% of the share capital of EPQ srl, a company operating in the energy market to support high-energy consumption companies to best enhance their energy assets; major results are expected in the future, especially from the competitive advantage the investee is exploiting in a new, strongly expanding market.

With regard to the 60% equity investment in Hydro Dolomiti Energia Srl (HDE) and the 51% equity investment in Dolomiti Edison Energy (DEE), companies that operate large-scale diversionary hydroelectric power plants located mainly in the Trento Autonomous Province under concessions, most of which will expire in the next few years, the following is a summary of the regulatory framework governing concessions for large-scale diversionary power plants.

Depreciable amount of certain elements of the provincial hydroelectric supply chain following Italian Law No. 205/2017, Italian Law No. 160/2019, Italian Law No. 9/2020 and Italian Law No. 118/2022.

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

Said law also provided as follows:

- a) the concessions of large diversions in the provinces of Trento and Bolzano, with expiration date prior to 31 December 2022, are extended de jure for the period useful to complete the public disclosure procedures and in any case not beyond the aforesaid date;
- b) to the concessionaire who, at its own expense, made investments on the "wet works" (penstocks, collection and regulation works, discharge channels) shall be recognise, at the expiry of the concession, an indemnity equal to the value of the part of asset that is not depreciated, according to criteria that shall be set forth in a provincial law.

Subsequently, with the entry into effect of Italian Law No. 160 of 27 December 2019 "State forecast budget for financial year 2020 and multi-year budget for the 2020-2022 three-year period" - ref. Articles 76 and 77 - Article 13 of the consolidated text per Italian Presidential Decree No. 670 of 31 August 1972 was amended once again; more specifically, the words "31 December 2022" were replaced by the following: "31 December 2023" and following the words "the aforementioned date" the following was added: "and exercised up to that date under the conditions established by the Provincial laws and rules and regulations of the concession in place at the date of their expiry".

On 21 October 2020, Provincial Law No. 9 was approved, which, by modifying Provincial Law No. 4/1998, regulated the procedural rules for the holding of competitions and therefore implemented the provisions of Art. 13 of Italian Presidential Decree No. 670 of 31 August 1972.

In November and December 2020, the Water and Energy Resources Management Department of the Autonomous Province of Trent notified the extension by right of the thirteen large hydroelectric concessions held by HDE "for the period needed to complete the public bidding process and, in any case, not later than 31 December 2023, pursuant to Article 13 of Italian Presidential Decree No. 670 of 31 August 1972 and Provincial Law No. 4 of 6 March 1998".

In the light of the above and in consideration of the further postponement of the 31 December 2023 deadline to 31 December 2024 due to the regulations introduced in 2022 as described below, the company arranged depreciation remodelling of the assets subject to reversion free of charge.

The precept set out in point b) above has been set out, though not exhaustively regulated, in Article 26-quater of the updated Provincial Law No. 4/1998; this Article states that the outgoing concession holder is entitled to an indemnity equal to the value of the part of the asset which has not been depreciated under the following conditions:

- I. exclusively in reference to investments on the assets referred to in the first paragraph of Article 25 of Italian Royal Decree No. 1775 of 1933, also provided for by the acts of concession, subject to authorisation of the Province, provided that the increase in the overall producibility of the plant or its modulating capacity or the overall efficiency of the same is achieved;
- II. the concession holder has entrusted the works, supplies and services undertaken in order to carry out the investments on the assets in compliance with the public evidence procedures provided for by the legislation on public contracts.

In consideration of the absence of the investees Hydro Dolomiti Energia Srl and Dolomiti Edison Energy Srl of investments with the characteristics referred to in point I. above and given the failure to define the indemnity calculation method, the assumption of zeroing the net book value of "Wet works" at the end of the concession has been confirmed in the financial statements of the investees.

Further salient elements contained in the cited Provincial Law No. 9 of 21 October 2020 are as follows:

- with regard to the method used to evaluate so-called "dry" works (basically, hydroelectric power plants and their contents), the criterion set forth in paragraph 2 of Article 25 of Italian Royal Decree No. 1775 of 11 December 1933 is reiterated, contrary to what is established by the national legislation, "price equal to the estimated value of the material being worked, calculated at the time of entry into possession, not considering the income that can be made from it from any measurement";
- the assets referred to in the preceding point may be acquired by the Autonomous Province of Trento; otherwise, the assets may be acquired by the incoming concession holder, if the latter provides for their use when submitting its bid; the provincial law therefore also establishes the concept of "cherry picking", i.e. the right given to the incoming concession holder not to acquire all or part of the dry assets, without the consequent obligation to pay compensation to the transferor. Any assets not transferred will therefore remain fully available to the transferor, which can freely dispose of them, also through sale to third parties other than the incoming concession holder;

- in the context of verifying the existence of interests in the competing use of water, which is a preliminary act with respect to the tender procedures, special consideration will be given to initiatives involving “positive effects on the territory and the community generated also by the historical electric cooperatives” referring to the case of self-production;
- the subject of the call for tender (concession and its characteristics) will be defined through an Environmental Impact Assessment procedure that will have as its initial reference the current concessions, possibly aggregated or, in some cases, unbundled, pre-restricted following the assessment of the existence of competing use interests referred to in the previous point;
- in accordance with the provisions of national law, concessions may be awarded through the use of one of the following methods::
 - running of a public procurement procedure;
 - assignment to mixed public-private companies established in accordance with the provisions of the same law;
 - through forms of public-private partnership, pursuant to Article 179 of Italian Legislative Decree No. 50 of 18 April 2016 (Public Contracts Code);
- the contents of the call for tender are defined as well as the requirements of the participants, part of which will be calibrated on the basis of the characteristics of the specific concession.

On 18 December 2020, the Italian Council of Ministers ordered that Provincial Law No. 9 of 21 October 2020 be challenged in the Constitutional Court, with subsequent appeal No. 140 of 24 December 2020, in the same way as it had already been ordered for similar regulations of the Lombardy, Veneto and Piedmont Region Administrations.

Against this challenge, Trento Autonomous Province, by means of two subsequent legislative measures, Provincial Law No. 6 of 23 April 2021 and Provincial Law No. 18 of 04 August 2021, amended the reference standard to incorporate the content of the aforementioned appeal.

The same legislative measures introduced important innovations also and above all with regard to the regulations governing concessions for small hydroelectric diversions, significantly modifying Provincial Law No. 18 of 8 July 1976 introducing ex novo the provision of a tender also for these concessions on their natural expiry, postponing the rules to a subsequent regulation the adoption of which, at the date of these financial statements, is still pending.

In reference to regulatory developments concerning small hydroelectric diversion concessions, note the significance of Constitutional Court decision No. 265 of 10 November 2022 which, in relation to assessment of the constitutional nature of the extensions introduced by Friuli Venezia Giulia Regional Law 13/2021, expressed its opinion in favour, confirming that the specific case of the Public Contracts Code was inapplicable and emphasising that the current state regulatory framework on small hydroelectric diversion concessions, dating back to Regional Decree No. 1775/1933, is in no manner whatsoever inspired by competitive needs.

Despite the dismissal (in September 2021) of infringement proceedings 2011/2016 relating to Italy, together with similar proceedings against Germany, the United Kingdom, Poland, Austria and Switzerland, on 2 August 2022 the Italian Parliament, in compliance with NRRP provisions (prepared and approved prior to the aforementioned dismissal), approved Law 118/2022 (Annual Market and Competition Law 2021). Art. 7 of this law introduced remodelling and postponement of the deadlines granted by the Regional Authorities

for completion of related legislative activities (31 December 2023) and for conclusion of the reassignment procedures (31 December 2025). Art. 7, paragraph 2 of the law amended Art. 13, paragraph 6 of Italian Presidential Decree No. 670 of 31 August 1972, confirming the extension to 31 December 2024 of concessions already expired under Law 34/2022 and dynamically linking this new deadline to a subsequent deadline which could be defined at national level (“or later date decided by the State for similar large hydroelectric diversion concessions located in Italy”).

On 30 November 2022, the Provincial Council approved Law No. 16/2022 (in force from 9 December 2022) which, amending Provincial Law No. 4/98, envisages deferral from 2024 to 2029 of the deadline for conclusion of the reassignment procedures for large hydroelectric plant concessions due to expire by 31 December 2024. The aim of this Provincial Law is to mitigate the negative effects of the energy crisis in the short and long terms. The measure introduces the option for concession holders to submit a business plan to the Provincial Administration for increasing the efficiency, resilience, accumulation capacity, as well as the capacity and energy performances of existing plants. At the same time, a new variable charge was added to support energy consumption costs within the province.

On 2 February 2023, the Council of Ministers challenged the above-described Provincial Law before the Constitutional Court. The details and content of the related appeal are not yet known as at the preparation date of these financial statements.

8.5 NON-CURRENT FINANCIAL ASSETS

The item “Non-current financial assets” as at 31 December 2022 and 31 December 2021 is detailed as follows:

	AS AT 31 DECEMBER		
	2022	2021	change
Financial receivables from associates	4,000	4,000	-
IRS derivatives	6,635	-	6,635
TOTAL	10,635	4,000	6,635

The item “Non-current financial assets” includes the real estate fund Clesio (net carrying amount of zero), with an original historical cost of 15,678 thousand euro, deriving from the subscription of 322 units of the Clesio real estate fund, of which 101 units received by way of dividend in kind from Urbin S.p.A. for 5,512 thousand euro in 2008 and 221 units purchased during 2011 for 10,166 thousand euro after the liquidation of the same company. In previous years, the Company decided to fully write down the residual amount of the units, on a prudential basis due to the very poor performance of the property market and the difficulty in liquidating the Fund units.

In 2021, the Company signed a long-term financing plan in favour of the associate SF Energy for a maximum financing amount of 15,000 thousand euro, with interest at market rates and payable in multiple

instalments by 31 December 2026. The shareholder loan must be repaid no later than 31 December 2040, with the option of early repayment. As at year end, Dolomiti Energia Holding had disbursed tranches for a total of 4,000 thousand euro, unchanged compared to 31 December 2021.

The Company entered into derivative contracts (IRS) to hedge exposure to the fluctuations in cash flows deriving from the payment of instalments on a variable-rate loan. The fair value of derivatives as at 31 December 2022 was positive for 6,635 thousand euro (negative 5,833 thousand euro as at 31 December 2021), and is recognised among non-current financial assets as a balancing entry for a specific equity reserve.

8.6 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities as at 31 December 2022 and 31 December 2021 are broken down by type of temporary differences as follows:

	AS AT 31 DECEMBER		
	2022	2021	change
<i>(in thousands of Euro)</i>			
Property, plant and equipment	358	404	(46)
Provision for write-downs	114	114	-
Production bonuses	247	246	1
Provisions for risks and charges	402	402	-
Fair value of derivatives	-	1,660	(1,660)
Non-deductible interest expense	926	926	-
Real estate fund write-down	3,763	3,763	-
Other	2	4	(2)
Membership fees	16	-	16
Employee termination and other benefits	180	336	(156)
IFRS 16	153	177	(24)
TOTAL DEFERRED TAX ASSETS	6,161	8,032	(1,871)
Property, plant and equipment	55	60	(5)
Provision for write-downs	57	57	-
Fair value of derivatives	1,889	-	1,889
TOTAL DEFERRED TAXES	2,001	117	1,884

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

(in thousands of Euro)

	as at 31/12/2021	Increases/ (Decreases) in Income State- ment	Increases/ (Decreases) in Shareholders' Equity	Other changes in Income Statement	Other changes in Sharehol- ders' Equity	as at 31/12/2022
DEFERRED TAX ASSETS:						
Property, plant and equipment	404	(46)	-	-	-	358
Provision for write-downs	114	-	-	-	-	114
Production bonuses	246	1	-	-	-	247
Provisions for risks and charges	402	-	-	-	-	402
Fair value of derivatives	1,660	-	(1,660)	-	-	-
Non-deductible interest expense	926	-	-	-	-	926
Real estate fund write-down	3,763	-	-	-	-	3,763
Other	4	(2)	-	-	-	2
Membership fees	-	16	-	-	-	16
Employee termination and other benefits	336	(39)	(117)	-	-	180
IFRS 16	177	(24)	-	-	-	153
TOTAL DEFERRED TAX ASSETS	8,032	(94)	(1,777)	-	-	6,161
Property, plant and equipment	60	(5)	-	-	-	55
Provision for write-downs	57	-	-	-	-	57
Fair value of derivatives	-	-	1,889	-	-	1,889
TOTAL DEFERRED TAXES	117	(5)	1,889	-	-	2,001

8.7 OTHER NON-CURRENT ASSETS

The item "Other non-current assets" as at 31 December 2022 and 2021 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2022	2021	change
Other assets	1,771	404	1,367
TOTAL	1,771	404	1,367

The item "other non-current receivables" includes ecobonus tax credits for 1,517 thousand euro, purchased by the subsidiary Dolomiti Energia Solutions and which will be used in the coming years. The item also includes guarantee deposits paid to suppliers (56 thousand euro), portions of deferred income for multi-year SW fees (118 thousand euro) and other multi-year receivables (42 thousand euro).

8.8 INVENTORIES

The item "Inventories" as at 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	AS AT 31 DECEMBER		
	2022	2021	change
Raw materials and consumables	5	452	(447)
TOTAL	5	452	(447)

Inventories of raw materials refer to stocks of meters and other materials (5 thousand euro) purchased by the Parent Company for the subsidiaries. The decrease compared to 31 December 2021 derives from the near total sale of meters for measuring electricity and gas consumption to the subsidiaries SET Distribuzione and Novareti, engaged in a mass replacement campaign with end users.

8.9 TRADE RECEIVABLES

The item "Trade receivables" as at 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	AS AT 31 DECEMBER		
	2022	2021	change
Receivables from customers	5,699	8,642	(2,943)
Receivables from subsidiaries	6,657	8,205	(1,548)
Receivables from associates	44	12	32
Receivables from parent companies	101	111	(10)
Provision for write-downs	(641)	(641)	-
TOTAL	11,860	16,329	(4,469)

The item "trade receivables", shown net of the related provision for write-downs, mainly includes receivables from customers deriving from the sale of energy produced and from the invoiced chemical analysis laboratory services. The decrease in receivables from customers of 2,943 thousand euro derives essentially from a decrease in receivables for the sale of thermoelectric energy produced by the combined cycle gas turbine plant of Ponti sul Mincio.

Receivables from subsidiaries include receivables for general services provided by the Company as defined in the Report on Operations, to which reference is made for a more in-depth description of the dealings between related parties.

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

The provision for write-downs did not record any changes in 2021 and 2022.

(in thousands of Euro)

	Provision for write-downs
AS AT 1 JANUARY 2020	641
Provisions/Uses	-
AS AT 31 DECEMBER 2021	641
Provisions/Uses	-
AS AT 31 DECEMBER 2022	641

8.10 INCOME TAX CREDITS

The item "Income tax credits" as at 31 December 2022 and 2021 is broken down as follows:

(in thousands of Euro)

	AL 31 DICEMBRE		
	2022	2021	change
IRES credit (corporate tax)	3,650	6,984	(3,334)
Other receivables	380	16	364
TOTAL	4,030	7,000	(2,970)

The Group IRES credit as at 31 December 2022, determined in application of the tax consolidation agreement, represents the greater value of the tax prepayments made during the year compared to the Group IRES payable accrued for 2022.

As at 31 December 2022 and 2021, the company had no direct tax payables.

8.11 CURRENT FINANCIAL ASSETS

The item "Current financial assets" as at 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	as at 31 December		
	2022	2021	change
Financial assets - subsidiaries	442,585	531,801	(89,216)
Financial assets - associates	3,932	2,438	1,494
Other financial assets	-	8	(8)
TOTAL	446,517	534,247	(87,730)

Financial receivables from subsidiaries include receivables for cash pooling and related interest for 441,148 thousand euro as at 31 December 2022 (530,904 thousand euro at the end of the previous year). The Parent Company also recognises other receivables for sureties and commissions for making funds available to subsidiaries for 1,437 thousand euro as at 31 December 2022 (897 thousand euro as at 31 December 2021), up due to the increase in guarantees required by certain subsidiaries, in particular Dolomiti Energia SpA and Dolomiti Energia Trading SpA.

The receivable relating to associates includes receivables for a shareholder loan granted to IVI Gnl for a nominal amount of 125 thousand euro (unchanged compared to 31 December 2021), repayable in the short term, an interest-bearing shareholder loan granted to Neogy for a nominal value of 2,750 thousand euro (2,250 thousand euro at the end of the previous year) and related interest, as well as an amount due from EPQ srl as 2021 dividends resolved during the year and not yet paid as at 31 December 2022 (990 thousand euro).

8.12 OTHER CURRENT ASSETS

The item "Other current assets" as at 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	AS AT 31 DECEMBER		
	2022	2021	change
VAT credit	7,355	4,879	2,476
Prepayments and accrued income	593	793	(200)
Other receivables	272	197	75
Renewable source certificates	125	216	(91)
Advances/Deposits	54	50	4
Receivables from Social security institutions	3	13	(10)
Receivables from subsidiaries	7,289	11,022	(3,733)
TOTAL	15,691	17,170	(1,479)

The VAT credit is the year-end balance of the centralised management of Group VAT, recording a considerable increase compared to 31 December 2021.

Prepayments mainly include software fees paid in advance (332 thousand euro), charges for guarantee policies (51 thousand euro), and prepayments for hydroelectric surcharges equal to 204 thousand euro.

The item Renewable source certificates refers to the receivable deriving from the right to receive GRIN Certificates based on the production of energy from hydroelectric sources, to be collected by CSEA and pertaining to 2022 (125 thousand euro).

Receivables from subsidiaries, totalling 7,289 thousand euro, represent the receivables deriving from application of the tax consolidation agreement (11,022 thousand euro at the end of 2021) and are due from subsidiaries recording an IRES tax payable as at 31 December 2022.

TAX CONSOLIDATION SCHEME

Detailed below are the main characteristics of the contract governing relations between Dolomiti Energia Holding and its subsidiaries as part of the "national tax consolidation scheme" (SET Distribuzione, Novareti, Dolomiti Energia, Dolomiti Energia Solutions, Dolomiti Energia Trading, Hydro Dolomiti Energia, Dolomiti Edison Energy, Dolomiti GNL and Dolomiti Transition Asset):

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

8.13 CASH AND CASH EQUIVALENTS

The item "Cash and cash equivalents" as at 31 December 2022 and 2021 is broken down as follows:

(in thousands of Euro)	as at 31 December		
	2022	2021	change
Bank and postal current accounts	16,500	77,261	(60,761)
Cash on hand	2	2	-
TOTAL CASH AND CASH EQUIVALENTS	16,502	77,263	(60,761)

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

8.14 SHAREHOLDERS' EQUITY

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

As at 31 December 2022, the Company's share capital amounted to 411,496,169 euro and comprised 411,496,169 ordinary shares, with a nominal value of 1 euro each.

The Shareholders' Equity is broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2022	2021	change
Share capital	411,496	411,496	-
Legal reserve	39,656	37,391	2,265
Share premium reserve	994	994	-
Treasury shares reserve	(53,515)	(53,515)	-
<i>OTHER RESERVES AND RETAINED EARNINGS</i>			
Revaluation reserve	1,128	1,128	-
Contributions reserve	13,177	13,177	-
Extraordinary reserve	89,130	89,130	-
Deferred tax reserve	19,437	19,437	-
Merger surplus from share swap reserve	33,866	33,866	-
FTA reserve	(17,011)	(21,532)	4,521
Reserve for retained earnings and losses carried forward	6,176	6,176	-
Reserve - IAS 19	(313)	(466)	153
Reserve for hedges on expected cash flows	4,747	(4,172)	8,919
OTHER RESERVES	150,337	136,744	13,593
Net profit/(loss) for the year	48,337	45,298	3,039
TOTAL SHAREHOLDERS' EQUITY	597,305	578,408	18,897

The Revaluation Reserve was set up following the merger by absorption of the former companies SIT S.p.A. and A.S.M. S.p.A.; this reserve is subject to tax deferment.

The Contributions Reserve was set up by resolution of the Shareholders' Meeting and refers to the transfer of business activities to Dolomiti Energia S.p.A. (former Trenta SpA).

The FTA reserve includes the equity effect of the passage to IFRS standards, determined at the transition date of 1 January 2015.

The Deferred Tax Reserve reflects the positions below:

Deferred Tax Reserve

	Balance as at 31 December 2021
Pre-1993 contributions reserve - water	2,734
Pre-1993 contributions reserve - gas	9,602
Pre-1993 contributions reserve - Reg. Laws	30
Pre-1993 contributions reserve - alt. sources	5
Pre-1993 contributions reserve - substation meter reading	51
PRE-1993 CONTRIBUTIONS RESERVES	12,422
POST-1993 CONTRIBUTIONS RESERVES	7,015
TOTAL DEFERRED TAX RESERVE	19,437

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

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

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

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

(in thousand of Euro)

	31/12/2022	Possibility of use (*)	Available portion	Usage summary for past three years	
				TO COVER LOSSES	FOR OTHER REASONS
I) SHARE CAPITAL	411,496				
EQUITY RESERVES					
Share premium reserve	994	A,B	994	-	-
Revaluation reserves	1,128	A,B,C	1,128	-	-
Merger surplus from share swap/ elimination reserve	33,866	A,B	33,866	-	-
Reserve for hedges on expected cash flows	4,747	-	-		
PROFIT RESERVES					
Legal reserve	39,656	B	-	-	-
Treasury shares reserve	(53,515)	-	-	-	-
Contributions reserve	13,177	A,B,C	13,177	-	-
Extraordinary reserve	89,130	A,B,C	89,130	-	-
Deferred tax reserve	19,437	A,B,C	19,437	-	-
FTA RESERVE	(17,011)				-
Retained earnings or losses carried forward	6,176	A,B,C	6,176		-
Reserve - ias 19	(313)				
TOTAL	548,968		163,908	-	-
NON-DISTRIBUTABLE PORTION			(34,860)		
RESIDUAL DISTRIBUTABLE PORTION			129,048		

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

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

The Revaluation reserve and Deferred tax reserve, if distributed, would lead to the payment of related taxes.

8.15 PROVISIONS FOR RISKS AND NON-CURRENT AND CURRENT CHARGES

The items "Provisions for non-current risks and charges" and "Provisions for current risks and charges" as at 31 December 2022 and 2021 are broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2022	2021	change
Provision for plant risks	1,372	1,372	-
TOTAL PROVISION FOR NON-CURRENT RISKS	1,372	1,372	-

A provision for plant risks as at 31 December 2022 amounted to 1,372 thousand euro, and was allocated to cover the risk of costs incurred in connection with the operation of plants and associated areas (1,304 thousand euro) and to cover the cost of divesting thermoelectric power plants (68 thousand euro), which, even if written down, could generate additional disposal costs. There were no changes in the provision during the year.

The item "Provisions for current risks and charges" amounted to 863 thousand euro as at 31 December 2022 and is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2022	2021	change
Provision for performance bonus	863	858	5
TOTAL PROVISION FOR CURRENT RISKS	863	858	5

The provision for performance bonuses includes the estimated liability for employee performance bonuses, to be paid in 2023 on the basis of the final results for 2022 (863 thousand euro). The provision as at 31 December 2021 was used after the final balance of the previous year's results was calculated for 635 thousand euro; the excess (223 thousand euro) was released and recognised under contingent assets in the income statement.

8.16 EMPLOYEE BENEFITS

The item "Employee benefits", as at 31 December 2022, included 1,673 thousand euro related to the Provision for employee termination benefits and 712 thousand euro related to other employee benefits.

Other benefits include additional monthly wages for achieved age limits or for accrued right to pension, loyalty bonuses and golden medals for the achievement of determined age requirement in the company, discounts on the supply price of household electricity, limited to some former employees during pension.

Changes in the Provision for employee termination benefits and other employee benefits as at 31 December 2022 and 31 December 2021, are broken down as follows:

<i>(in thousands of Euro)</i>		AS AT 31 DECEMBER 2021					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Energy discounts	Medals	Total	
LIABILITIES AT BEGINNING OF THE YEAR	2,173	343	327	266	88	3,197	
Current cost of service	-	20	11	-	6	37	
Interest to be discounted	8	1	1	-	-	10	
Benefits paid	(207)	(36)	(44)	(98)	(8)	(393)	
Actuarial losses/(gains)	-	21	(16)	-	9	14	
Transfers	-	(3)	-	-	-	(3)	
LIABILITIES AT END OF THE YEAR	1,974	346	279	168	95	2,862	

<i>(in thousands of Euro)</i>		AS AT 31 DECEMBER 2022					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Energy discounts	Medals	Total	
LIABILITIES AT BEGINNING OF THE YEAR	1,974	346	279	168	95	2,862	
Current cost of service	-	22	9	-	7	38	
Interest to be discounted	19	3	2	-	1	25	
Benefits paid	(160)	(40)	(15)	(70)	(11)	(296)	
Actuarial losses/(gains)	(181)	(34)	(45)	-	(10)	(270)	
Transfers	21	3	-	-	2	26	
LIABILITIES AT END OF THE YEAR	1,673	300	230	98	84	2,385	

In October 2018, the Company reached an agreement with the trade union organisations that, as from 1 January 2020, provides for payment of a one-off gross amount in replacement of the electricity tariff reductions for former retired employees and surviving beneficiary spouses as at the date of 31 December 2018 with charges borne by Dolomiti Energia Holding. Moreover, in November 2021, the Company signed an agreement with the representatives of the workers that also governs the establishment of tariff subsidies for employees still on the workforce. The agreement provides for maintenance of the economic benefit entailing the supply of electricity on favourable terms for its employees until they retire if they are employed

in one of the Group companies. An ad personam amount will be given once the discount recognised is stopped when the employee retires. On the basis of this, the Energy Discount provision is no longer subject to actuarial measurement.

The assumptions used for actuarial evaluations are shown hereunder:

AS AT 31 DECEMBER	
	2022
Technical annual discount rate	3.77% - 3.63%
Annual inflation rate	5.9% per il 2023. 2.3% per il 2024. 2.0% dal 2025
Annual rate of total compensation increase	6.9% per il 2023. 3.3% per il 2024. 3.0% dal 2025
Rate of increase in employee termination benefits	5.9% per il 2023. 3.2% per il 2024. 3.0% dal 2025

A sensitivity analysis, as at 31 December 2022, related to the main actuarial assumptions included in the calculation model is shown hereunder, considering the base line scenario described above and increasing and decreasing the annual average discount rate, the average inflation rate and the turnover rate. The results obtained can be summarised in the following table:

(in thousands of Euro) AS AT 31 DECEMBER 2022

	Discount rate +0.50%	Discount rate -0.50%	Inflation rate +0.25%	Inflation rate -0.25%	Turnover rate +2.00%	Turnover rate -0.50%
TFR	1,612	1,737	1,692	1,655	1,683	1,670

8.17 FINANCIAL LIABILITIES (CURRENT AND NON-CURRENT)

The table hereunder shows current and non-current financial liabilities as at 31 December 2022 and 2021:

(in thousands of Euro) AS AT 31 DECEMBER

	2022		2021		change	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Payables due to banks	118,267	522,903	564,335	181,251	(446,068)	341,652
Bond loans	-	5,052	-	5,052	-	-
IRS derivatives	-	-	-	5,833	-	(5,833)
Payables for cash pooling to subsidiaries	108,413	-	169,516	-	(61,103)	-
Payables due to other lenders	581	1,822	635	2,350	(54)	(528)
Other financial payables	500	-	3,225	-	(2,725)	-
TOTAL	227,761	529,777	737,711	194,486	(509,950)	335,291

Payables due to banks include three loans with the following characteristics:

- the loan disbursed in 2016 by the European Investment Bank (EIB) for a nominal 100,000 thousand euro, maturing in 2032 and with a residual value as at 31 December 2022 of 81,250 thousand euro (89,583 thousand euro at the end of the previous year). The contract envisages the payment of quarterly deferred floating rate instalments; to hedge interest rate risk, the Company has entered into IRS derivative contracts for a notional value of 100,000 thousand euro, the fair value of which as at 31 December 2022 was positive for 6,635 thousand euro (note 8.5);
- the loan disbursed in 2021 by the European Investment Bank (EIB) for a nominal 100,000 thousand euro, maturing in 2037 and with a residual value as at 31 December 2022 of 100,000 thousand euro (unchanged compared to the end of the previous year). The contract envisages the payment of quarterly deferred fixed-rate instalments, the first of which due on 30 June 2025 and the last on 31 March 2037;
- the loan disbursed on 28 December 2022 by a pool of banks for 350,000 thousand euro, maturing on 30 September 2025 and with a residual value as at 31 December 2022 of 349,986 thousand euro, determined in application of the amortised cost criterion. The contract envisages an initial grace period and then payment of quarterly deferred floating-rate instalments, the first of which due on 31 March 2024 and the last on 30 September 2025. The credit facility is backed by a guarantee given by SACE S.p.A. pursuant to the "Aiuti" (Italian Decree Law no. 50 of 17 May 2022 as amended) Decree for 80% of the amounts disbursed as principal plus interest and accessory charges. The guarantee charge for 2022 amounts to 12 thousand euro. In application of the provisions of the contractual agreements with the lending banks, the loan disbursed to Dolomiti Energia Holding SpA was made available by the latter to the subsidiary Dolomiti Energia through cash pooling operations, and used by the subsidiary to support its own working capital.

The three loans indicated above envisage, as usual for financial transactions of this kind, a series of commitments borne by the Company ("Covenants") and a series of limitations on the possibility of carrying out certain transactions, if not in compliance with certain financial parameters or specific exceptions provided for in the respective contracts. Specifically, in fact, there are certain limitations on the assumption of financial debt, the carrying out of certain investments and disposals of assets and corporate activities. The anomalous and unpredictable market conditions that characterised the year 2022 (for which reference is made to the Management Report) did not allow the Company to fully comply with the covenants of the EIB loans. By the end of the 2022 financial year, the EIB granted the Company a specific "waiver" for the covenants as at 31 December 2022 and some financial covenants were also revised for the years 2023-2024 to adapt them to the changed market conditions, if the scenario that characterised the year 2022 should also be repeated in the coming months. With regard to the loan with SACE guarantee, the related covenants were fully respected. Payables due to banks also include current account overdrafts for 69,933 thousand euro (zero in 2021) and payables for the disbursement of "hot money" for 40,000 thousand euro (556,000 thousand euro as at 31 December 2021).

BOND LOAN

The outstanding Bond Loan has a residual amount of 5,052 thousand euro; on 27 July 2021, the amendment to the loan regulation was decided, envisaging the name change (Dolomiti Energia Holding Spa - Subordinato - tasso variabile 2010 – 2029) and determination of the new maturity date as 1 August 2029.

As at 31 December 2022 and 31 December 2021, the Company had the following bond loans in place:

Bond loans

<i>(in thousands of Euro)</i>								
AS AT 31 DECEMBER 2022								
					Accounting balance			
	COMPANY'	TAKING OUT	MATURITY	OPENING BALANCES	TOTAL	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Fondazione CARITRO	Dolomiti Energia Holding SpA	10-feb-10	01-ago-29	30,000	5,052	-	-	5,052
TOTAL					5,052	-	-	5,052

<i>(in thousands of Euro)</i>								
AS AT 31 DECEMBER 2021								
					Accounting balance			
	COMPANY'	TAKING OUT	MATURITY	OPENING BALANCES	TOTAL	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	BEYOND 5 YEARS
Fondazione CARITRO	Dolomiti Energia Holding SpA	10-feb-10	01-ago-29	30,000	5,052	-	-	5,052
TOTAL					5,052	-	-	5,052

The following table shows the breakdown and changes during the year in liabilities for rental and lease agreements, recognised under payables due from other lenders, determined in accordance with EU IFRS 16.

<i>(in thousands of Euro)</i>					
	as at 31.12.2021	New Contracts ⁱ	Refunds	as at 31.12.2022	of which current quota
Financial payables for buildings	2,582	-	(464)	2,118	450
Financial payables for other moveable assets	403	60	(178)	285	131
PAYABLES DUE TO OTHER LENDERS	2,985	60	(642)	2,403	581

Below is a breakdown of Dolomiti Energia Holding SpA's net financial indebtedness as at 31 December 2022 and 2021, determined in accordance with the document published by ESMA on 4 March 2021 "Guidelines on disclosure obligations" pursuant to Regulation (EU) 2017/1129 (the Prospectus Regulation), the adoption of which was also recommended by CONSOB through "Warning Notice No. 5/21" of 29 April 2021.

(in thousands of Euro)	AS AT 31 DECEMBER	
	2022	2021
A. Cash	16,502	77,263
B. Cash and cash equivalents	-	-
C. Other current financial assets	446,517	534,247
D. Cash and cash equivalents (A+B+C)	463,019	611,510
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(219,428)	(729,378)
F. Current portion of non-current financial debt	(8,333)	(8,333)
G. Current financial indebtedness (E+F)	(227,761)	(737,711)
H. Current net financial indebtedness (D+G)	235,258	(126,201)
I. Non-current financial debt (excluding the current portion and debt instruments)	(524,725)	(183,601)
J. Debt instruments	(5,052)	(5,052)
K. Trade payables and other non-current payables	-	-
L. Non-current financial indebtedness (I+J+K)	(529,777)	(188,653)
M. Total financial indebtedness (H+L)	(294,519)	(314,854)

8.18 OTHER LIABILITIES (CURRENT AND NON-CURRENT)

The items "Other non-current liabilities" and "Other current liabilities" as at 31 December 2022 and 2021 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER		
	2022	2021	change
Accrued liabilities and deferred income	77	42	35
TOTAL OTHER NON-CURRENT LIABILITIES	77	42	35

Deferred income refers to multi-year operating grants.

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2022	2021	change
Social security and welfare payables	818	822	(4)
Accrued liabilities and deferred income	54	222	(168)
VAT	825	461	364
IRPEF	465	432	33
Other tax payables	35	35	-
Other payables	319	584	(265)
Payables to employees	612	622	(10)
Payables for direct and indirect taxes to subsidiaries	20,189	16,994	3,195
TOTAL OTHER CURRENT LIABILITIES	23,317	20,172	3,145

Social security payables concerned charges and withholding taxes to employees at the end of the financial year, paid in the following month. Similarly, payables for IRPEF concerned withholding taxes for December, paid in January 2023.

The payables to employees include payables for holidays, leaves and overtime hours accrued over the year and to be taken in the following year, for a total of 612 thousand euro.

The Parent Company recognises payables to subsidiaries for Group VAT of 6,248 thousand euro (3,796 thousand euro at the end of the previous year) and IRES tax payables resulting from the tax consolidation scheme for 13,941 thousand euro (13,198 thousand euro as at 31 December 2021).

8.19 TRADE PAYABLES

The item "Trade payables" as at 31 December 2022 and 2021 is broken down as follows:

(in thousands of Euro)

	AS AT 31 DECEMBER		
	2022	2021	change
Payables to subsidiaries	3,354	3,279	75
Payables to associates	4	-	4
Payables to parent companies	277	261	16
Payables to other companies	10,865	13,785	(2,920)
TOTAL TRADE PAYABLES	14,500	17,325	(2,825)

The item payables to subsidiaries includes all relations between Dolomiti Energia Holding with Group companies and includes, among the more significant amounts, seconded personnel, service contracts and all supplies of goods and services.

The item payables to parent companies is related to payables due to the Municipal Administration of Rovereto for rentals.

Trade payables to other companies include payables for invoices received for 3,320 thousand euro (9,115 thousand euro at the end of the previous year), and for invoices to be received equal to 7,545 thousand euro (4,670 thousand euro at the end of 2021); the balance for the previous year included major works invoiced at the end of the year and paid at the beginning of 2022.

9. NOTES TO THE INCOME STATEMENT

9.1 REVENUE

The item "Revenue" for the years ended 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	FOR THE YEAR ENDED 31 DECEMBER		
	2022	2021	variazione
Electricity production	19,616	13,768	5,848
Energy certificates	1,443	1,008	435
Distribution and grids	-	64	(64)
Other services	1,155	1,238	(83)
TOTAL	22,214	16,078	6,136

Hydroelectric energy production recorded a sharp decline in 2022, affected by drought and very low rainfall (25,027 MWh in 2022 – 62,705 MWh in 2021); revenues achieved in 2022 amounted to 2,595 thousand euro compared to 4,528 thousand euro in 2021.

Revenues from thermoelectric energy sales amounted to 17,021 thousand euro in 2022 (9,240 thousand euro in 2021) and derive from production by the combined cycle gas turbine plant in Ponti sul Mincio; the considerable increase was caused by the rise in market prices, despite a slight decrease in production (46,128 MWh in 2022 – 48,951 MWh in 2021). For a complete and more detailed overview of production performance for the year, please refer to the Report on Operations.

Energy certificates refer to the revenue from the former green certificate incentive tariff recognised by the GSE and accrued in 2022 on the production of thermoelectric energy.

Other services regarded sales of laboratory chemical analyses for third parties for 1,155 thousand euro (1,238 thousand euro in 2021).

All revenue was achieved in Italy.

9.2 OTHER REVENUE AND INCOME

The item "Other revenue and income" for the years ended 31 December 2022 and 2021 is broken down as follows:

(in thousands of Euro)

	PER L'ESERCIZIO CHIUSO AL 31 DICEMBRE		
	2022	2021	change
Other revenue	357	427	(70)
S. Colombano Operations	544	445	99
Real estate income	373	369	4
Gains from standard operations	57	179	(122)
Other revenue and income	1,044	3,169	(2,125)
Software user license revenue	391	664	(273)
Services to third parties	5	7	(2)
Revenue from services to subsidiaries	24,254	23,189	1,065
Revenue from services to associates	21	19	2
Seconded personnel	975	946	29
Core contingent assets	484	891	(407)
Grants - plants	6	-	6
Operating grants	544	1,342	(798)
TOTAL	29,055	31,647	(2,592)

This item includes mainly:

- "Other revenue and income" which mainly refer to sales of materials and meters that the Company purchases and resells to Subsidiaries and to other customers (981 thousand euro in 2022, 2,901 thousand euro in 2021). It also includes the turnover for guided tours of the hydroelectric plants as part of the Hydrotour project for 53 thousand euro;
- revenue with subsidiaries mostly referred to service contracts entered into to regulate the administrative, logistics and IT services between the Parent Company and Subsidiaries (20,523 thousand euro), bank sureties and parent company guarantees for 2,903 thousand euro in 2022, up 1,282 thousand euro on last year, sanitisation services for Covid-19 emergency management (100 thousand euro) and advisory and other services (470 thousand euro);
- revenue for "seconded personnel" refers to its personnel seconded to Hydro Dolomiti Energia (579 thousand euro), Dolomiti Energia Solutions (179 thousand euro), Dolomiti Ambiente (180 thousand euro) and Dolomiti Energia (37 thousand euro);
- contingent assets are essentially attributable for 223 thousand euro to adjustments to costs estimated in the 2021 financial statements and surplus after actual use; also included are adjustments on hydroelectric fees and other adjustments of a commercial nature (184 thousand euro);
- operating grants referred to GRIN incentives granted by the GSE to producers of energy from renewable sources (284 thousand euro in 2022 compared to 1,332 thousand euro in 2021); they also include contributions in the form of tax credits for non-energy-intensive/gas-intensive companies, recognised to partially offset the higher charges incurred by companies for the increase in electricity and gas prices (67 thousand euro). Lastly, the item includes contributions collected on training projects (168 thousand euro).

9.3 RAW MATERIALS, CONSUMABLES AND MERCHANDISE

The item "Raw materials, consumables and merchandise" for the years ended 31 December 2022 and 2021 is broken down as follows:

	FOR THE YEAR ENDED 31 DECEMBER		
	2022	2021	change
Purchases of elect. raw materials	1,104	304	800
Purchases of gas raw materials	12,355	6,622	5,733
Purchases of inventories	473	3,018	(2,545)
Purchase of fuels and vehicle spare parts	144	103	41
Purchases of laboratory and chemicals	230	169	61
Changes in inventories of raw materials, consumables and merchandise	446	(308)	754
Contingent liabilities on purchases	-	2	(2)
Other purchases	148	278	(130)
TOTAL	14,900	10,188	4,712

In detail they include:

- purchases of electricity and gas relate to the thermoelectric energy production of the Mincio plant, which the Company co-owns with A2A Spa and AGSM-AIM Spa; the strong increase is due to the sharp increase in the prices of electricity and especially natural gas, which have reached unprecedented levels;
- among the purchases of materials managed in stock are the purchase of meters (448 thousand euro compared to 2,277 thousand euro in the previous year) and other materials for the production plants (25 thousand euro);
- the item "other purchases" includes consumables not managed in stock, such as PPE devices and sanitisation products for managing the Covid-19 emergency, recording a decrease compared to 2021 after the end of the health emergency.

9.4 SERVICE COSTS

The item "Service costs" for the years ended 31 December 2022 and 2021 is broken down as follows:

(in thousands of Euro)	FOR THE YEAR ENDED 31 DECEMBER		
	2022	2021	change
External maintenance services	13,246	11,812	1,434
Insurance, banking and financial services	674	598	76
Other services	3,339	3,050	289
Commercial services	564	340	224
General services	4,527	3,887	640
Contingent liabilities for services	123	606	(483)
Rental expense	85	58	27
Rental fees	660	576	84
Water diversion charges	1,620	1,267	353
TOTAL	24,838	22,194	2,644

External maintenance services essentially concern the operation and maintenance of the systems, the costs to manage the hydroelectric and thermal power plants (2,963 thousand euro), hardware and software fees (9,606 thousand euro in 2022 compared to 8,576 thousand euro in 2021) and the maintenance of buildings and the vehicle fleet (670 thousand euro).

Insurance service costs corresponded to 526 thousand euro, while the banking and financial services comprised bank commissions and charges for guarantees and financial professional services that amounted to 148 thousand euro.

The item "other services" includes services provided to employees for 931 thousand euro mainly relating to canteen, payslip processing and training expenses. Cleaning and security services (678 thousand euro), technical, IT and consultancy professional services are also included for a total amount of 1,557 thousand euro (1,498 thousand euro in the previous year).

Commercial services include transmission, modulation and balancing services, as well as service contracts with subsidiaries (452 thousand euro in 2022, 281 thousand euro in 2021), as well as sponsorship, advertising and communication services (112 thousand euro).

Telephone costs (1,748 thousand euro), utility bills and annual membership fees (1,410 thousand euro) and costs for seconded personnel (617 thousand euro) are included under General services. The item also includes costs for financial statements' certification and fees to directors and statutory auditors (notes 12 and 13). Fees were duly paid during the year to the Board of Statutory Auditors in compliance with Shareholders' Meeting resolutions. The fees paid to the Board of Directors were decided by the Shareholders' Meeting, and for special offices by the Board of Directors.

Contingent liabilities include adjustments on hydroelectric fees (48 thousand euro) and other costs for services pertaining to previous periods settled during the year (74 thousand euro).

Rental fees refer to the cost of hiring vehicles for the Company's business with contracts of less than 12 months and the cost of hiring goods of less than 5 thousand euro (electronic office machines).

The water diversion fees include state charges (271 thousand euro), surcharges to BIM (471 thousand euro), surcharges to riparian municipalities (105 thousand euro) and fees for the supply of electricity pursuant to Art. 13 of Italian Presidential Decree 670/72 (766 thousand euro).

9.5 PERSONNEL COSTS

The item "Personnel costs" for the years ended 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	FOR THE YEAR ENDED 31 DECEMBER		
	2022	2021	change
Wages and salaries	10,632	9,820	812
Social security costs	3,157	2,969	188
Employee termination benefits	734	672	62
Other costs	(229)	(291)	62
TOTAL	14,294	13,170	1,124

Personnel costs include an estimate of employee bonuses earned as a result of the achievement of corporate objectives for the amount of 863 thousand euro (858 thousand euro in the previous year). The item "Other costs" includes costs for temporary personnel (34 thousand euro) and the value of capitalised internal costs (therefore deducted from personnel costs) for a total amount of 476 thousand euro (434 thousand euro in the previous year).

The total increase in personnel costs is attributable primarily to the hiring of 19 persons (12 persons in the previous year) against 11 terminations. As regards the seconding of employees over the year, reference is made to section "Human Resources" in the Report on Operations. As at 31 December 2022, the Company had a workforce of 219, including: 10 executives, 23 managers, 177 white collar employees and 9 manual workers.

9.6 AMORTISATION, DEPRECIATION, ALLOCATIONS, WRITE-DOWNS AND WRITE-BACKS (WRITE-DOWNS) OF RECEIVABLES

The item "Amortisation, depreciation, allocations, write-downs and write-backs (write-downs) of receivables" for the years ended 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	FOR THE YEAR ENDED 31 DECEMBER		
	2022	2021	change
Amortisation of rights of use	557	570	(13)
Amortisation of intangible assets	6,403	6,170	233
Depreciation of property, plant and equipment	2,802	2,639	163
Credit losses	1	-	1
TOTAL	9,763	9,379	384

Amortisation and depreciation in 2022 increased compared to 2021 as a result of significant investments the Company made in patents and software serving the Group (4,720 thousand euro) and in plant and equipment (1,738 thousand euro).

9.7 OTHER OPERATING COSTS

The item "Other operating costs" for the years ended 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	FOR THE YEAR ENDED 31 DECEMBER		
	2022	2021	change
Miscellaneous costs	298	468	(170)
Sales management expenses	1,624	1,020	604
IMU (property tax)	246	246	-
Core contingent liabilities	108	56	52
Losses from standard operations	268	39	229
Postal charges	2	2	-
Other taxes	46	37	9
TOTAL	2,592	1,868	724

Other costs include stamp and registry tax, vehicle circulation tax, stationary costs and other sundry charges for the company's ordinary management.

Sales management expenses refer to the costs for fulfilling the CO2 emissions obligations on thermoelectric production of the Mincio plant (1,446 thousand euro) and charges for 178 thousand euro payable to the GSE deriving from application of the windfall regulations pursuant to Art. 15, Italian Decree Law 4/2022 (note 2.4).

The contingent liabilities are essentially attributable to prior years' costs and adjustments to revenue estimated in previous years, which generated adjustments in the current year (108 thousand euro).

The losses from standard operations include disposal of the hydroelectric plants of Ponte Cornicchio (268 thousand euro) following the extraordinary maintenance works and replacement of the plant equipment units.

Other taxes and duties include stamp duty and the annual contributions to ARERA and CONSOB.

9.8 GAINS AND EXPENSES FROM EQUITY INVESTMENTS

The item "Gains and expenses from equity investments" for the years ended 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	FOR THE YEAR ENDED 31 DECEMBER		
	2022	2021	variazione
Dividends from subsidiaries	50,159	51,152	(993)
Dividends from associates and joint ventures	1,204	1,744	(540)
Dividends and income from other Companies	2,010	950	1,060
Write-downs of equity investments and securities	(1,456)	(1,944)	488
TOTAL	51,917	51,902	15

Dividends collected over the year and recognised in the income statement were from subsidiaries: SET Distribuzione (5,019 thousand euro), Hydro Dolomiti Energia (40,800 thousand euro), Dolomiti Energy Edison (2,040 thousand euro) and Dolomiti Ambiente (2,300 thousand euro).

Dividends from associates and joint ventures were paid by Alto Garda Servizi (125 thousand euro), by EPQ srl (990 thousand euro, not yet collected as at 31 December 2022), by Tecnodata Trentina (15 thousand euro) and by Bioenergia Trentino (74 thousand euro).

The item "income from other companies" includes the collection of dividends from Primiero Energia (1,288 thousand euro), Iniziative Bresciane (688 thousand euro), Bioenergia Fiemme (20 thousand euro) and Istituto Atesino Sviluppo (14 thousand euro).

The write-down concerns the equity investment of the associate Neogy srl for 1,456 thousand euro, already written down in the previous year for 1,944 thousand euro (note 8.4).

9.9 FINANCIAL INCOME AND CHARGES

The items "Financial income" and "Financial charges" for the years ended 31 December 2022 and 2021 are broken down as follows:

<i>(in thousands of Euro)</i>			
	FOR THE YEAR ENDED 31 DECEMBER		
	2022	2021	change
Financial income			
Financial income from subsidiaries	14,117	3,644	10,473
Financial income from associates	129	72	57
Financial income from other companies	247	168	79
TOTAL	14,493	3,884	10,609

The item "Financial income from subsidiaries" includes interest accrued on positive cash pooling balances (12,404 thousand euro, compared to 2,494 thousand euro last year - the change is mainly due to the increase in the debt exposure of the Group's commercial companies to the parent company and the increase in the rate applied on the cash pooling ratio), commissions for the provision of funds (1,499 thousand euro in 2022 compared to 820 thousand euro in 2021) and other interest on loans to subsidiaries (214 thousand euro in 2022 compared to 330 thousand euro in the previous year).

Financial income from associates includes interest on shareholder loans granted to SF Energy (100 thousand euro) and to Neogy (29 thousand euro).

Other financial income relates to interest accrued on bank and postal current accounts (52 thousand euro) and income from "hot money" (194 thousand euro).

<i>(in thousands of Euro)</i>			
	FOR THE YEAR ENDED 31 DECEMBER		
	2022	2021	change
Financial charges			
Financial charges due to subsidiaries, associates and joint ventures	(627)	(141)	(486)
Financial charges due to other companies	(4,027)	(2,605)	(1,422)
Interest to be discounted	(92)	(89)	(3)
TOTAL	(4,746)	(2,835)	(1,911)

The item "Financial charges due to other companies" includes interest expense on bank current accounts for 952 thousand euro (11 thousand euro in the previous year), interest expense on mortgages for 2,770 thousand euro (2,502 thousand euro in 2021) and interest on the bond loan for 101 thousand euro (85 thousand euro in 2021). The increase in charges compared to the previous year derives from the increase in rates on current accounts and loans.

9.10 TAXES

The item "Taxes" for the years ended 31 December 2022 and 2021 is broken down as follows:

	FOR THE YEAR ENDED 31 DECEMBER		
	2022	2021	change
Current taxes	(506)	-	(506)
Deferred taxes	4	16	(12)
Prepaid taxes	(93)	(125)	32
Income/charge from tax consolidation scheme	2,361	1,556	805
Taxes from prior years	26	(25)	51
TOTAL	1,792	1,422	370

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

	FOR THE YEAR ENDED 31 DECEMBER			
	2022	%	2021	%
PROFIT BEFORE TAX	46,546		43,877	
Theoretical IRES	11,171	24,00%	10,530	24,00%
Permanent differences	(43,799)		(48,229)	
Temporary differences	(163)		(1,274)	
ACE	476		-	
IRES taxable amount	2,108		(5,626)	
Actual IRES	506		(1,350)	
OPERATING RESULT	36,799		42,828	
Interest margin	9,773		1,059	
Costs without relevance for IRAP purposes	14,770		13,604	
Revenue without relevance for IRAP purposes	(51,917)		(51,902)	
TOTAL	9,425		5,589	
Theoretical IRAP	438	4,65%	260	4,65%
Permanent differences	(13,621)		(11,892)	
Temporary differences	(887)		(905)	
ACTUAL IRAP	-		-	
CURRENT INCOME TAXES	506		-	
TAX CONSOLIDATION INCOME	-		(1,350)	

10. RELATED PARTY TRANSACTIONS

Related parties are defined as the parties that share with the Company the same controlling entity, the companies that directly or indirectly control it, are controlled or are subjected to joint control, as well as companies in which the Parent Company holds an equity investment able to exercise a significant influence.

For the years ended 31 December 2022 and 2021, the main transactions with related parties concerned the following:

(in thousands of Euro)

	AS AT 31 DECEMBER							
	2022				2021			
	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES
DTC	292	1	(214)	(98)	585	3	(494)	(188)
Dolomiti Energia	6,973	208,999	(325)	(7,466)	5,974	50,463	(274)	(5,727)
Dolomiti Energia Solutions	2,795	32,538	(271)	-	567	13,511	(143)	(478)
Set Distribuzione	1,129	8	(76)	(39,076)	1,397	8	(75)	(52,169)
Novareti	1,131	44,107	(226)	(2,272)	1,622	35,200	(19)	(697)
Hydro Dolomiti Energia	7,647	105	(2,108)	(58,367)	12,412	110	(1,158)	(109,163)
Dolomiti Edison Energy	138	16,416	-	(1,763)	93	4,145	-	(1,094)
Dolomiti Energia Trading	649	138,511	(17)	(4,963)	897	424,890	(1,037)	(5,299)
Dolomiti GNL	55	1,884	-	(15)	16	1,637	-	(42)
IVI GNL	5	-	-	-	-	-	-	-
Dolomiti En.Hydro Power	2	1	-	(623)	(8)	541	-	-
Gasdotti Alpini	-	-	(89)	(530)	-	-	(76)	(661)
Dolomiti Transition Asset	9	-	-	(10,842)	-	-	-	(10,679)
Dolomiti Ambiente	481	15	(28)	(3,087)	551	1,293	(2)	(339)
TOTAL	21,306	442,585	(3,354)	(129,102)	24,106	531,801	(3,278)	(186,536)

(in thousands of Euro)

FOR THE YEAR ENDED 31 DECEMBER

	2022								2021							
	REVENUE			PURCHASES			FINANCIAL INCOME	FINANCIAL CHARGES	REVENUE			PURCHASES			FINANCIAL INCOME	FINANCIAL CHARGES
	Goods	Services	Other	Goods	Services	Other			Goods	Services	Other	Goods	Services	Other		
DTC	-	5	-	-	-	-	5	-	-	40	-	-	-	-	21	-
Dolomiti Energia	-	5,937	-	-	(538)	(27)	2,626	-	-	5,915	-	-	(362)	(16)	173	(41)
Dolomiti Energia Solutions	-	809	1	-	(651)	-	881	-	-	786	-	(6)	(502)	-	218	-
Set Distribuzione	-	5,204	-	(3)	(145)	-	10	(244)	-	5,877	6	-	(146)	(2)	10	(100)
Novareti	-	5,347	-	-	(206)	-	1,312	-	-	6,280	454	-	(2)	-	616	-
Hydro Dolomiti Energia	-	3,857	-	-	(1,601)	-	344	(322)	-	3,954	26	-	(1,389)	-	674	-
Dolomiti Edison Energy	-	577	-	-	-	-	229	-	-	558	1	-	-	-	70	-
Dolomiti Energia Trading	1,746	3,057	-	-	(17)	-	8,645	-	2,521	1,841	-	-	(17)	(1,020)	1,778	-
Dolomiti GNL	-	13	-	-	-	-	15	-	-	12	-	-	-	-	5	-
Dolomiti En.Hydro Power	-	25	-	-	-	-	9	(2)	-	25	-	-	-	-	33	-
Gasdotti Alpini	-	-	-	-	(89)	-	-	(2)	-	-	-	-	(76)	-	-	-
Dolomiti Transition Asset	-	50	-	-	-	-	4	(41)	-	-	-	-	-	-	-	-
Dolomiti Ambiente	-	1,786	-	-	(91)	-	37	(16)	-	1,823	22	-	(21)	-	46	-
TOTAL	1,746	26,667	1	(3)	(3,338)	(27)	14,117	(627)	2,521	27,111	509	(6)	(2,515)	(1,038)	3,644	(141)

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

11. GUARANTEES AND COMMITMENTS

The breakdown of guarantees and commitments undertaken by the Company as at 31 December 2022 and 2021, in favour of third parties and mainly in the interest of other companies in the Dolomiti Energia Group is provided below:

(in thousands of Euro)

FOR THE YEAR ENDED 31 DECEMBER

	2022	2021	variazione
Guarantees given to third parties	546,533	308,853	237,680
Financial commitments in favour of third parties	185,389	100,067	85,322
TOTAL	731,922	408,920	323,002

The banking/insurance system has undertaken commitments in favour of third parties and in the interest of the Company for the following values:

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER		
	2022	2021	variazione
Usage of signature facilities to issue bank/insurance guarantee	3,012	2,019	993
TOTAL	3,012	2,019	993

Guarantees given to third parties (546,533 thousand euro) include parent company guarantees issued in favour of subsidiaries/associates, in the amount of 264,828 thousand euro (185,148 thousand euro as at 31 December 2021), as well as guarantees given to banks and insurance companies for loans/credit lines granted to investees, in the amount of 281,705 thousand euro (123,705 thousand euro at the end of previous year). The Company also undertook financial commitments in favour of third parties, equal to 185,389 thousand euro, in relation to counter-guarantees released to the financial system for the issue of bank guarantees.

12. FEES TO DIRECTORS AND STATUTORY AUDITORS

The fees to directors and statutory auditors of the Company, for the years ended 31 December 2022 and 2021 are broken down as follows:

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
Fees to Directors	417	443
Fees to Board of Statutory Auditors	89	89
TOTAL	506	532

Remunerations are substantially in line with the previous year.

13. INDEPENDENT AUDITORS' FEES

The following table shows the remuneration received by the independent auditors PricewaterhouseCoopers S.p.A. for the auditing services of the financial statements for the years ended 31 December 2022 and 2021, as well as remuneration for other audit services:

<i>(in thousands of Euro)</i>	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
Statutory audit	48	45
Other audit services	8	51
TOTAL	56	96

14. AGREEMENTS NOT DISCLOSED IN THE STATEMENT OF FINANCIAL POSITION

No agreements are to be reported that are not disclosed in the Statement of Financial Position and that could significantly affect the Company's financial position and results of operations.

15. SIGNIFICANT EVENTS OCCURRED AFTER YEAR END

No significant events after the reporting date of these financial statements are to be reported that have not been recognised and that would significantly change the equity, financial and economic representation of the 2022 financial statements.

16. REVENUE OR COST ELEMENTS OF EXCEPTIONAL EXTENT OR IMPACT

Pursuant to article 2427, item 13, of the Italian Civil Code, it is noted that, during the year, the Company reported no revenue or costs of exceptional extent or impact.

17. TRANSPARENCY IN THE PUBLIC FUNDING SYSTEM

In application of Article 1, paragraphs 125 et seq. of Italian law 124/2017 (annual market and competition law) as reformulated by Article 35 of Italian decree law No. 34/2020 (growth decree), published on the Official Gazette No. 100 of 30 April 2021, please refer to the National Registry of State aid, section "Transparency" in order to view any funding, subsidies, benefits, contributions or aid, in money or in kind, that are not general and that are not of a payment or remuneration nature or for damages, actually disbursed by the public administrations and the parties described under Article 2-bis of Italian legislative decree No. 33/2013 in 2022.

18. PROPOSED ALLOCATION OF PROFITS OR LOSS COVERAGE

We propose to the Shareholders' Meeting that profit for the year of 48,337,188 euro be allocated as follows: for 2,416,859 euro (equal to 5% of profit for the year) to the legal reserve, deferring the decision regarding allocation of the residual profit of 45,920,329 euro to the resolution of the Shareholders' Meeting expressed on approval of the financial statements.

Rovereto, 29 March 2023

on behalf of the Board of Directors
Dolomiti Energia Holding SpA

Chairperson
Aranch Silvia

CERTIFICATION OF THE FINANCIAL STATEMENTS

The undersigned Silvia Arlanch and Michele Pedrini of Dolomiti Energia Holding SpA, taking account of provisions set out by regulations in force, hereby certify the following:

- the adequacy in relation to the business characteristics and
- the actual application of the administrative and accounting procedures for the formation of the financial statements during 2022.

No significant aspects emerged to this regard.

It is also certified that:

- the financial statements:
 - a) have been prepared under the applicable international accounting standards endorsed by the European Union, pursuant to EC Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
 - b) agree with the balances shown in the books and accounting entries;
 - c) give a true and fair view of the equity, economic and financial position of the Issuer.
- The Report on Operations includes a reliable analysis of performance and the results of operations, and of the general situation of the Issuer, together with a description of the principal risks and uncertainties to which it is exposed.

Rovereto, 29 March 2023

The Chairman
Silvia Arlanch

The Head of the Administration Department
Michele Pedrini

REPORTS





BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING

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

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

Dear Shareholders,

In accordance with the articles of association in force, the Board of Statutory Auditors was assigned the function of supervising compliance with law and with the articles of association, as well as compliance with the principles of sound administration pursuant to Article 2403 of the Italian Civil Code, whilst statutory audit of the accounts was assigned to the independent auditor PricewaterhouseCoopers S.p.A.

Following the admission to listing on the regulated market of the Irish Stock Exchange of the bond loan issued by the Company, it acquired the qualification of Public Interest Entity pursuant to Italian Legislative Decree No. 39 of 27 January 2010.

As a consequence of the above, and to the purpose herein:

- pursuant to Article 22 of the articles of association, the Board of Statutory Auditors acts as the "Internal Control and Auditing Committee", which is responsible for supervising and overseeing the audit and the internal control systems;
- the Company is bound to comply with provisions set out by Italian Legislative Decree 254/2016 and, among other things, prepare the Consolidated Non-financial Statement.

REPORT ON SUPERVISORY ACTIVITIES PURSUANT TO ARTICLE 2429, PARAGRAPH 2 OF THE ITALIAN CIVIL CODE

During the year ended 31 December 2022, our activities were governed by legal provisions and the "Code of Conduct of the Board of Statutory Auditors of unlisted companies" issued by the Italian Accounting Profession, published in December 2020 and in force from 1 January 2021.

This report brings to your attention the activities carried out and the results achieved.

The Financial Statements of Dolomiti Energia Holding S.p.A. for the year ended 31 December 2022 are submitted for your examination. They were drafted in compliance with Italian regulations governing their preparation and record a profit for the year of 48,337,188 euro. The financial statements were made available to us by the legal deadline.

The audit report of 12 April 2023, containing an unqualified opinion, was delivered to us by the independent auditor, PricewaterhouseCoopers S.p.A.

According to the Independent Auditor's Report, the financial statements for the year ended 31 December 2022 provide a true and fair view of the financial position, economic result and cash flows of your Company, and were drafted in compliance with regulations governing their preparation and with the International Financial Reporting Standards adopted by the European Union, as well as with measures issued in implementation of Article 9 of Italian Legislative Decree 38/05.

As it is not responsible for the statutory audit, the Board of Statutory Auditors performed supervisory activities on the financial statements as envisaged in Rule 3.8 of the "Code of Conduct for the Board of Statutory Auditors of unlisted companies", consisting in an overall summary control to confirm that the financial statements were prepared correctly. Audit of the accuracy of the accounting data, in fact, is the responsibility of the independent auditor.

SUPERVISORY ACTIVITIES PURSUANT TO ARTICLES 2403 ET SEQ., ITALIAN CIVIL CODE

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

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

We obtained information from the Board of Directors, suitably in advance and also during the meetings held, on the general performance of operations and on business outlook, with details of the more significant transactions in terms of size or characteristics performed by the company and its subsidiaries. Based on the information acquired, we have no particular comments to make.

We learned of and monitored the adequacy of the organisational, administrative and accounting structure and its actual operations, also through information obtained from department managers and, in this regard, we have no particular comments to make.

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

In our role as Internal Control and Audit Committee, pursuant to Article 19, paragraph 1 of Italian Legislative Decree 39/2010, as amended by Italian Legislative Decree 135/2016, we carried out the specific information, monitoring, control and audit functions provided for therein, dutifully fulfilling the tasks specified in the aforementioned legislation, among other things examining the additional report pursuant to Article 11 of Regulation (EU) 537/2014 that was made available on 12 April 2023 and on which the Board has no comments to make.

We supervised compliance with the provisions set out in Italian Legislative Decree 254/2016, by examining, among other things, the Consolidated Non-Financial Statement, while assessing the compliance with pro-

visions governing the drafting thereof pursuant to the aforesaid Decree.

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

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

No complaints were received from shareholders pursuant to Articles 2408 or 2409 of the Italian Civil Code.

We have not issued any reports to the Board of Directors pursuant to Article 15, Italian Decree Law No. 118/2021 or pursuant to Article 25-octies, Italian Legislative Decree No. 14 of 12 January 2019. We have not received reports from public creditors pursuant to Article 25-novies, Italian Legislative Decree No. 14 of 12 January 2019, or pursuant to Article 30-sexies, Italian Decree Law No. 152 of 6 November 2021, converted by Italian Law No. 233 of 29 December 2021, as amended.

No opinions or observations envisaged by law were issued by the Board of Statutory Auditors during the year.

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

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

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

COMMENTS ON THE FINANCIAL STATEMENTS

We have examined the draft financial statements as at 31 December 2022, whose figures are summarised below:

STATEMENT OF FINANCIAL POSITION	31/12/2022	31/12/2021
Assets	1,399,357,551	1,553,352,988
Liabilities	802,052,956	974,945,012
Shareholders' Equity	597,304,595	578,407,976
INCOME STATEMENT	31/12/2022	31/12/2021
Other revenue and income	51,268,669	47,725,185
Costs	- 66,387,068	- 56,799,338
CHANGE	- 15,118,399	- 9,074,153
Gains and expenses from equity investments	51,916,972	51,902,276
OPERATING RESULT	36,798,573	42,828,123
Financial income and charges	9,747,060	1,048,454
PROFIT BEFORE TAX	46,545,633	43,876,577
Taxes for the period	1,791,555	1,421,579
RESULT FOR THE YEAR	48,337,188	45,298,156

With regard to which we wish to report the following:

The financial statements for the year ended 31 December 2022 were drafted according to the International Accounting Standards – IAS and the International Financial Reporting Standards – IFRS, issued by the International Accounting Standards Board (IASB), as well as to IFRIC and SIC interpretations, endorsed by the European Union pursuant to Regulation (EC) No. 1606/2002 in force at the reporting date.

The financial statements were prepared in compliance with Article 9, paragraph 3 of Italian Law Decree No. 38 of 28 February 2005, as amended.

As we are not responsible for the full audit of the financial statements content, we monitored their overall presentation, general compliance with law in relation to its format and structure, and in this respect have no particular comments to make.

We checked compliance with the rules of law pertaining to the preparation of the report on operations pursuant to Article 2428 of the Italian Civil Code and, to this regard, we have no particular comments to make.

As far as we are aware, in preparing the financial statements the Directors did not deviate from regulations pursuant to Article 2423, paragraph 5 of the Italian Civil Code.

CONSOLIDATED NON-FINANCIAL STATEMENT

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

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

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

OBSERVATIONS AND PROPOSALS REGARDING APPROVAL OF THE FINANCIAL STATEMENTS

Considering the results of our activities and the opinion expressed in the Independent Auditor's Report, we have no reason to object to the shareholders' approval of the financial statements for the year ended 31 December 2022, as prepared by the Directors.

The Board of Statutory Auditors agrees with the proposed allocation of profit for the year as formulated by the Directors in the Notes to the Financial Statements.

Rovereto, 12 April 2023.

The Board of Statutory Auditors

Mr. Michele Iori
Mr. William Bonomi
Mrs. Maura Dalbosco



Independent auditor's report

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

To the shareholders of Dolomiti Energia Holding SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dolomiti Energia Holding SpA (the Company), which comprise the statement of financial position as of 31 December 2022, 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 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

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

Key Audit Matters

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

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311



Key Audit Matters
Auditing procedures performed in response to key audit matters

Evaluation on the recoverable value of the equity investment in Hydro Dolomiti Energia Srl

Note 8.4 “Equity investments” of the explanatory notes to the financial statements as of 31 December 2022.

The Company’s financial statements as of 31 December 2022 include Equity investments for Euro 822,6 million, of which Euro 408,4 million related to the subsidiary Hydro Dolomiti Energia Srl (hereinafter also HDE), whose activity consists in managing plants for the use of hydroelectric concessions, mainly located in the Autonomous Province of Trento.

Law 205 of 27 December 2017 (“2018 Budget Law”), the Law 160 of 27 December 2019 and subsequent regulatory provisions amended Article 13 of the Consolidated Law introduced by Presidential Decree no. 670 of 31 August 1972, prescribing that:

- the concessions of large diversions in the provinces of Trento and Bolzano, with expiration date prior to 31 December 2024, are extended *de jure* for the period useful to complete the public tendering procedures and in any case not beyond the aforesaid date;
- the concession-holder who, at its own expense, made investments related to “assets transferable for free”, shall be entitled to receive, at the expiry of the concession, an indemnity equal to the value of the part of the asset that has not been depreciated, determined according to criteria that have to be set forth in a provincial law.

Law 9 of 21 October 2020 of the Autonomous Province of Trento defined the criteria for the indemnification for “assets transferable for free”.

We analysed the findings of the audit of the financial statements as of 31 December 2022 of HDE.

We examined the Company’s management estimates of the cash flows expected in the period 2023-2024 from the equity investments in HDE.

We examined the appraisal commissioned by the Company’s management in 2022 to a third party expert for the estimate of the presumed repayment value of assets held by HDE that are not transferable for free, and verified the correspondence of the terminal values used in the impairment test with the values as per the appraisal.

We examined the impairment test, analysing the relating methodological correctness, the mathematical accuracy and, with the support of PwC network’s experts, the discount rate used; in addition, we verified the sensitivity analysis carried out by the directors in relation to the assumptions relevant to in order to identify the existence of any impairment of the equity investment.

Finally, we verified the adequacy and the completeness of the information included in the explanatory notes.

The equity investment in the subsidiary Hydro



Key Audit Matters

Auditing procedures performed in response to key audit matters

Dolomiti Energia Srl is entered in the financial statements at cost, and eventually impaired. Even in the absence of impairment indicators, as of 31 December 2022 the Company's management has done a specific impairment test based on the discounted cash flow expected from the equity investment.

Considering the significance of the equity investment in HDE, the development of the national and provincial regulations on concessions of large diversions as well as the expiry of the main concessions currently held by HDE, the evaluation of the Company's directors on the non-existence of impairment indicators for the equity investment in HDE represented a key matter in the audit of the financial statements.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

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

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



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

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

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

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

Report on Compliance with other Laws and Regulations

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

The directors of Dolomiti Energia Holding SpA are responsible for preparing a report on operations of Dolomiti Energia Holding SpA as of 31 December 2022, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Dolomiti Energia Holding SpA as of 31 December 2022 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations mentioned above is consistent with the financial statements of Dolomiti Energia Holding SpA as of 31 December 2022 and is prepared in compliance with the law.

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

Verona, 12 April 2023

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.

**CONSOLIDATED FINANCIAL STATEMENTS
2022**

DOLOMITI ENERGIA GROUP

Consolidated Financial Statements as at 31 December 2022





Consolidated Statement of Financial Position

(in thousands of Euro)

AS AT 31 DECEMBER

Assets	Notes	2022	2021
NON-CURRENT ASSETS			
Rights of use	7.1	7,027	7,941
Assets under concession	7.2	659,670	620,404
Goodwill	7.3	36,830	36,853
Intangible assets	7.3	47,802	47,168
Property, Plant and Equipment	7.4	925,251	924,593
Equity investments measured at equity and other companies	7.5	78,921	80,594
Non-current financial assets	7.6	10,715	4,085
Deferred tax assets	7.7	76,851	141,806
Other non-current assets	7.8	29,607	105,423
TOTAL NON-CURRENT ASSETS		1,872,674	1,968,867
Current assets			
Inventories	7.9	81,075	35,524
Trade receivables	7.10	642,712	501,951
Receivables for current taxes	7.11	9,317	11,547
Current financial assets	7.12	727,929	1,520,437
Other current assets	7.13	52,319	57,330
Cash and cash equivalents	7.14	85,376	88,216
TOTAL CURRENT ASSETS		1,598,728	2,215,005
TOTAL ASSETS		3,471,402	4,183,872
Shareholders' Equity			
Share capital	7.15	411,496	411,496
Reserves	7.15	434,055	286,144
Net profit/(loss) for the year	7.15	8,710	89,993
TOTAL GROUP SHAREHOLDERS' EQUITY		854,261	787,633
Capital and reserves - minority interests	7.15	371,156	319,139
Profit/(Loss) - minority interests	7.15	15,608	38,882
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY		1,241,025	1,145,654
Liabilities			
NON-CURRENT LIABILITIES			
Provisions for non-current risks and charges	7.16	24,105	23,075
Employee benefits	7.17	13,265	16,626
Deferred tax liabilities	7.7	183,980	197,087
Non-current financial liabilities	7.18	698,787	452,378
Other non-current liabilities	7.19	112,585	109,457
TOTAL NON-CURRENT LIABILITIES		1,032,722	798,623
Current liabilities			
Provisions for current risks and charges	7.16	17,082	6,965
Trade payables	7.20	353,077	342,372
Current financial liabilities	7.18	768,030	1,856,529
Liabilities for current taxes	7.21	22,665	5,075
Other current liabilities	7.19	36,801	28,654
TOTAL CURRENT LIABILITIES		1,197,655	2,239,595
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3,471,402	4,183,872

Consolidated Comprehensive Income Statement

(in thousands of Euro)

	Notes	AS AT 31 DECEMBER	
		2022	2021
Revenue	8.1	3,241,087	2,062,118
Revenue from works on assets under concession	8.2	66,901	63,449
Other revenue and income	8.3	45,724	51,148
TOTAL REVENUE AND OTHER INCOME		3,353,712	2,176,715
Raw materials, consumables and merchandise	8.4	(2,523,365)	(1,304,448)
Service costs	8.5	(427,686)	(503,393)
Costs from works on assets under concession	8.2	(65,492)	(62,151)
Personnel costs	8.6	(69,002)	(65,310)
Amortisation, depreciation, allocations and write-downs	8.7	(70,617)	(59,964)
Net write-backs (write-downs) of receivables	8.7	(7,423)	(2,253)
Other operating costs	8.8	(73,046)	(35,063)
Total costs		(3,236,631)	(2,032,582)
Result of equity investments measured at equity and other companies	8.9	1,382	552
OPERATING RESULT		118,463	144,685
Financial income	8.10	926	1,142
Financial charges	8.10	(10,193)	(7,987)
PROFIT BEFORE TAX		109,196	137,840
Taxes	8.11	(84,878)	(8,964)
NET PROFIT/(LOSS) FOR THE YEAR (A) OF CONTINUING OPERATIONS		24,318	128,876
Discontinuing operations		-	-
NET PROFIT/(LOSS) FOR THE YEAR (B) OF DISCONTINUING OPERATIONS		-	-
PROFIT/(LOSS) FOR THE YEAR		24,318	128,876
of which Group		8,710	89,993
of which Minority interests		15,608	38,883
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Actuarial profit/(loss) for employee benefits		1224	(115)
Tax effect on actuarial profit/(loss) for employee benefits		(281)	(570)
Other components			
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (C1)		943	(685)
COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT			
Profit/(loss) on cash flow hedge instruments		194,312	(181,142)
Tax effect on change in fair value in cash flow hedge derivatives		(55,865)	48,709
Other components			
TOTAL COMPREHENSIVE INCOME STATEMENT COMPONENTS THAT MIGHT BE SUBSEQUENTLY RECLASSIFIED IN INCOME STATEMENT (C2)		138,447	(132,433)
TOTAL OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX EFFECT (C) = (C1)+(C2)		139,390	(133,118)
TOTAL AGGREGATE RESULT FOR THE YEAR (A)+(B)+(C)		163,708	(4,242)
of which Group		104,691	8,928
of which Minority interests		59,017	(13,170)

Consolidated Cash Flow Statement

(in thousands of Euro)

FOR THE YEAR ENDED 31 DECEMBER

	2022	2021
PROFIT BEFORE TAX	109.196	137.840
ADJUSTMENTS FOR:		
Amortisation/depreciation of:		
- rights of use	2,225	2,191
- intangible assets	15,435	15,815
- property, plant and equipment	13,828	13,188
- assets under concession	27,952	26,814
Write-downs of assets	8,423	2,253
Allocations and releases of provisions	11,177	5,423
Result of equity investments measured at equity and other companies	1,600	551
Financial (income)/charges	9,267	6,845
Cash flow from operations before changes in net working capital	199,103	210,920
Increase/(Decrease) in provisions		
Increase/(Decrease) in employee benefits	(3,361)	(1,581)
(Increase)/Decrease in inventories	(58,147)	(13,998)
(Increase)/Decrease in trade receivables	(147,470)	(208,003)
(Increase)/Decrease in other assets/liabilities, deferred tax assets and liabilities	349,289	(311,769)
Increase/(Decrease) in trade payables	10,705	107,796
Interest and other financial income collected	926	1,142
Interest and other financial expenses paid	(10,193)	(7,987)
Utilisation of provisions for risks and charges	(30)	(1,917)
Taxes paid	(66,343)	(50,751)
CASH FLOWS FROM OPERATIONS (A)	274,479	(276,148)
Net investments in intangible assets	(16,046)	(15,086)
Net investments in property, plant and equipment	(14,487)	(20,667)
Net investments in assets under concession	(67,045)	(61,161)
Net investments in equity investments	(1,155)	(9,269)
(Increase)/Decrease in other investment assets	-	(3,678)
CASH FLOWS FROM INVESTMENT/DIVESTMENT ACTIVITIES (B)	(98,733)	(109,861)
Financial payables (new issues of long-term loans)	350,000	-
Short-term financial payables (reimbursements and other net changes)	(449,329)	90,041
Medium/long-term financial payables (reimbursements and other net changes)	(9,392)	358,274
Dividends paid	(69,865)	(64,143)
Change in consolidation area	-	7,064
CASH FLOWS FROM FINANCING ACTIVITIES (C)	(178,586)	391,236
Effect of changes on cash and cash equivalents (d)	-	-
<i>Increase/(Decrease) in cash and cash equivalents (a+b+c+d)</i>	<i>(2,840)</i>	<i>5,226</i>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	88,216	82,990
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	85,376	88,216

Consolidated statement of changes in shareholders' equity

(in thousands of Euro)

	Share capital	Share premium reserve	Treasury shares reserve
BALANCE AS AT 31 DECEMBER 2020	411,496	994	(64,751)
TRANSACTIONS WITH SHAREHOLDERS:			
Dividend distribution	-	-	-
Other transactions with shareholders	-	-	11,236
TOTAL TRANSACTIONS WITH SHAREHOLDERS	-	-	11,236
AGGREGATE RESULT FOR THE YEAR:			
Net profit (loss)	-	-	-
Change in consolidation area	-	-	-
Actuarial profit/(loss) for employee benefits, net of tax effect	-	-	-
Profit/(loss) on cash flow hedge instruments	-	-	-
TOTAL AGGREGATE RESULT FOR THE YEAR	-	-	-
BALANCE AS AT 31 DECEMBER 2021	411,496	994	(53,515)
TRANSACTIONS WITH SHAREHOLDERS:			
Dividend distribution	-	-	-
Other transactions with shareholders	-	-	-
TOTAL TRANSACTIONS WITH SHAREHOLDERS	-	-	-
AGGREGATE RESULT FOR THE YEAR:			
Net profit (loss)	-	-	-
Change in consolidation area	-	-	-
Actuarial profit/(loss) for employee benefits, net of tax effect	-	-	-
Profit/(loss) on cash flow hedge instruments	-	-	-
TOTAL AGGREGATE RESULT FOR THE YEAR	-	-	-
BALANCE AS AT 31 DECEMBER 2022	411,496	994	(53,515)

Other reserves and retained earnings	Total Other reserves	Net profit/(loss) pertaining to the Group	Total shareholders' equity pertaining to the Group	Shareholders' equity pertaining to minority interests	Total Shareholders' Equity
359,575	295,818	97,601	804,915	393,310	1,198,225
59,089	59,089	(97,601)	(38,512)	(25,630)	(64,142)
1,114	12,350	-	12,350	3,464	15,814
60,203	71,439	(97,601)	(26,162)	(22,166)	(48,328)
-	-	89,993	89,993	38,882	128,875
-	-	-	-	-	-
(619)	(619)	-	(619)	(66)	(685)
(80,494)	(80,494)	-	(80,494)	(51,939)	(132,433)
(81,113)	(81,113)	89,993	8,880	(13,123)	(4,242)
338,665	286,144	89,993	787,633	358,021	1,145,654
51,481	51,481	(89,993)	(38,512)	(31,352)	(69,864)
449	449	-	449	1,078	1,527
51,930	51,930	(89,993)	(38,063)	(30,274)	(68,337)
-	-	8,710	8,710	15,608	24,318
-	-	-	-	-	-
710	710	-	710	233	943
95,271	95,271	-	95,271	43,176	138,447
95,981	95,981	8,710	104,691	59,017	163,708
486,576	434,055	8,710	854,261	386,764	1,241,025

EXPLANATORY NOTES

1. GENERAL INFORMATION

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

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

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

As at 31 December 2022, the Parent Company's share capital was held by:

Shareholders	No. of Shares	%
PUBLIC ENTITIES		
Findolomiti Energia Srl	199,612,381	48.51%
Trento Municipal Administration	24,315,908	5.91%
Rovereto Municipal Administration	17,852,031	4.34%
Mori Municipal Administration	5,060,563	1.23%
Ala Municipal Administration	3,852,530	0.94%
Bim Adige	3,373,989	0.82%
Bim Sarca-Mincio-Garda	3,322,260	0.81%
Other Public Authorities	5,290,357	1.29%
UTILITY		
Amambiente S.p.a.	12,630,771	3.07%
Air Azienda Intercomunale Rotaliana S.p.a.	4,085,912	0.99%
Cedis Consorzio Elettrico Di Storo Scarl	2,783,799	0.68%
Primiero Energia	2,430,900	0.59%
CEIS Consorzio Elettrico Industriale di Stenico S.c.	2,322,983	0.56%
CEPF Pozza Di Fassa	944,716	0.23%
ACSM Azienda Consorziale Servizi Municipalizzati S.p.a.	823,006	0.20%
Az. Serv. Munic. - Tione Di Trento	14,850	0.00%
PRIVATE ENTITIES		
FT Energia S.p.a.	28,727,315	6.98%
Fondazione Cassa di Risparmio di Trento e Rovereto	22,218,753	5.40%
Equitix Italia Holdco 1 Srl	20,574,809	5.00%
I.S.A. - Ist. Atesino Di Sviluppo S.p.a.	17,442,965	4.24%
Enercoop S.r.l.	7,417,550	1.80%
Erminia Montagna	27,540	0.01%
Elettrometallurgica Trentina Srl	203	0.00%
Luciana Pomara	203	0.00%
TREASURY SHARES	26,369,875	
TOTAL	411,496,169	100.00%

2. SUMMARY OF THE ACCOUNTING STANDARDS ADOPTED

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

2.1 PREPARATION BASIS

The European Regulation (EC) No. 1606/2002 of 19 July 2002, introduced the obligation to apply the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), as endorsed by the European Union ("EU IFRS" or "International Accounting Standards"), as from accounting periods beginning in 2005, for the preparation of financial statements of companies with shares and/or bonds listed in one of the regulated markets of the European Community. Following the above-mentioned European Regulation, on 28 February 2005 the Italian Legislative Decree No. 38 was issued, then amended by Italian Decree Law No. 91 of 24 June 2014, which also governed the possible adoption of International Accounting Standards by unlisted companies for the drawing up of their consolidated financial statements.

The Group elected to adopt the above-mentioned option for the drafting of its consolidated financial statements as at 31 December 2016, by identifying 1 January 2015 as transition date to EU IFRSs ("Transition Date"). Additionally, on 14 July 2017, the Parent Company Dolomiti Energia Holding S.p.A. finalised the listing transactions on the Irish Stock Exchange of a previously existing bond loan for a residual nominal amount of 5 million euro, taking on the classification as a Public Interest Entity (PIE) and therefore with the obligation to draw up its own financial statements in accordance with the EU IFRS standards.

The Consolidated Financial Statements were drawn up in compliance with EU IFRS standards in force at the approval date of the same. It should be noted that the wording EU IFRS means all "International Financial Reporting Standards", all "International Accounting Standards" (IAS), as well as all interpretations of "International Reporting Interpretations Committee" (IFRIC), previously called "Standing Interpretation Committee" (SIC) which, at the date of approval of the Consolidated Financial Statements had been endorsed by the European Union according to the procedure envisaged by Regulation (EC) No. 1606/2002, approved by the European Parliament and the European Council on 19 July 2002.

The Consolidated Financial Statements were drafted on an ongoing basis and based on the conventional criterion of the historical cost, except for some accounting items that were recognised at fair value, pursuant to provisions set out in the International Accounting Standards.

These Consolidated Financial Statements were drawn up based on the best knowledge of EU IFRSs and taking account of the best knowledge on the matters. Any future guidelines and interpretation updates will be reflected in the following years, according to the modalities envisaged from time to time by reference accounting standards.

With regard to the impact of the Covid-19 pandemic, the effects of the health emergency that ended in 2022 were taken into account in the analysis of the estimates and assumptions used to characterise the financial statement amounts, and these figures reflect any impact. No specific risks have been identified

as a result of the Covid-19 pandemic that could affect the Group's ability to meet its commitments. These Consolidated Financial Statements were approved by the Company's Board of Directors on 29 March 2023.

2.2 FORM AND CONTENT OF ACCOUNTS

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

- i) the consolidated statement of financial position discloses current and non-current assets, separately and, similarly, current and non-current liabilities;
- ii) the consolidated comprehensive income statement includes the profit or loss for the year, as well as changes in shareholders' equity related to financial items that, as expressly envisaged by the International Accounting Standards, are recognised in the shareholders' equity components; and
- iii) the consolidated cash flow statement is disclosed according to the indirect method.

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

These financial statements were drawn up in Euro, functional currency of the Group.

The figures reported in the statements, as well as in the tables included in the Explanatory Notes, are expressed in thousands of Euro, unless otherwise indicated.

The Consolidated Financial Statements are audited by the Independent Auditors PricewaterhouseCoopers S.p.A., auditing company of both the Company and the Group.

2.3 CONSOLIDATION AREA AND CHANGES THEREIN

The Consolidated Financial Statements were prepared based on the accounts of both the Company and its subsidiaries, duly adjusted to conform them to the accounting principles of the Parent Company and the EU IFRS Standards.

During 2022, the scope of consolidation did not change compared to 2021.

2.4 CONSOLIDATION PRINCIPLES

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

SUBSIDIARIES

The subsidiaries are the companies controlled by the Group. The Group controls a company when it is exposed to the variable results of the same and has the power to influence such results by exercising its power on the company. In general, the existence of a control is inferred when the Company owns, either directly or indirectly, more than the half of the voting rights, also considering the possible voting rights that can be exercised or converted.

All subsidiaries are consolidated on a line-by-line basis, on the day in which the control has been transferred to the Group. Conversely, these companies are excluded from the consolidation area as from the day in which this control ceases.

Business combinations are recognised by the Group by using the acquisition method. According to this method:

- i) the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair values of assets transferred and liabilities undertaken by the Group as at the acquisition date, as well as equity instruments issued in exchange of the control of the acquired company. Ancillary costs related to the transaction are recognised in the income statement, when incurred;
- ii) identifiable assets acquired and liabilities undertaken are recognised at fair value at the acquisition date. An exception to the above are deferred tax assets and liabilities, assets and liabilities related to employee benefits, liabilities or equity instruments related to share-based payments of the acquired company of share-based payments related to the Group and issued in replacement of previous contracts of the acquired company, as well as assets (or groups of assets and liabilities) held for sale, which are instead measured based on their reference standard;
- iii) goodwill is represented by the surplus between the sum of the amount transferred in a business combination, the value of Shareholders' Equity pertaining to minority interests and the fair value of the possible equity investment previously owned in the acquired company, and the fair value of identifiable net assets acquired and liabilities undertaken upon acquisition. If the value of net assets acquired and liabilities undertaken at the acquisition date exceeds the sum of the amounts transferred, the value of shareholders' equity pertaining to minority interests and the fair value of any equity investment previously owned by the company acquired, this surplus is immediately accounted for as income from the transaction and recognised in the income statement;
- iv) any payments subject to condition precedent in the business combination agreement are measured at fair value at the acquisition date and are considered in the value of the amounts transferred in the business combination to calculate goodwill.

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

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

JOINT ARRANGEMENTS

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

2.5 MEASUREMENT CRITERIA

RIGHTS OF USE (LEASES)

The Group holds tangible assets used in carrying out its business activities, through long-term rental contracts. At the contract start date, it is determined whether the contract is or contains a lease. The definition of a lease under IFRS 16 is applied when the contract transfers the right to control the use of an underlying asset for a period of time in exchange for consideration. The Group recognises an asset consisting of the right to use the underlying asset and a lease liability on the effective date of the contract (i.e. the date on which the underlying asset is available for use). The asset consisting of the right of use represents the lessee's right to use the underlying asset for the duration of the lease and its initial measurement corresponds to the lease liability, initially measured at the present value of the payments due under the contract, to be paid over its term. In calculating the present value of the payments due, the lessee's marginal borrowing rate at the effective date of the lease is used. After the effective date, the lease liability is measured at amortised cost using the effective interest rate method and restated as certain events occur. The Group applies the envisaged exception to the recognition of short-term leases to its contracts with a duration of 12 months or less from the effective date; it also applies the envisaged exception to the recognition of leases in which the underlying asset is of "low value" and the amount of which is estimated as not significant. Payments due on short-term leases and those where the underlying asset is of low value are recognised as an expense on a straight-line basis over the term of the contract. In accordance with the provisions of the standard, the Group separately reports interest expense on lease liabilities and portions of depreciation for assets consisting of the right of use.

LEASED ASSETS (IFRIC 12)

Assets under concession represent the right of the Group to use assets under concession for the management of the electricity distribution service through the subsidiary SET Distribuzione S.p.A. and gas and water distribution services, through the subsidiary Novareti S.p.A., in the pertaining Municipalities in the Trentino Region. The method adopted is the so-called intangible asset method, taking account of the costs borne for the design and building of assets with mandatory return of the assets at expiration of the concession period. The amount corresponds to the fair value of design and building activities, added with financial charges that are capitalised during construction, in compliance with requirements set out by IAS 23. The fair value of building services is determined based on costs actually borne, added by a mark-up representing the best estimate on the remuneration of in-house costs for construction management and design activities carried out by the Group, equal to the mark-up that a general third-party constructor would ask to perform the same activity, as envisaged by IFRIC 12. The logics, underlying the way fair value is calculated, result from the fact that the concession-holder must apply provisions set out by IFRS 15 and therefore, if the fair value of services received (in this case the right to exploit the asset) cannot be reliably determined, the revenue is calculated based on the fair value of the construction services actually rendered. Assets related to construction services underway at the reporting date are measured based on the actual progress of works, pursuant to IFRS 15 and this measurement will be disclosed in the income statement, under item "Revenue from works on assets under concession".

As it is assumed that the future economic benefits of the asset will be used by the concession-holder, the assets under concessions will be amortised along the estimated concession or, in the event the concessions are expired, for the duration of the period estimated from the reporting date and the launch of a new tender for the granting of the concession. For the concession to distribute natural gas, the date by which the area tender had to be conducted was further extended by the contracting authority (Trento Autonomous Province) to the release date of related preliminary opinions and remarks by ARERA. Amortisation relating to the assets under concession relating to the distribution of natural gas relating to the distribution of natural gas was therefore calculated in consideration of this time span, taking the estimated RIV as at 31 December 2023 into consideration.

The amount to be amortised is represented by the difference between the acquisition value of assets under concession and their residual value, which is expected will be realised at the end of the useful life of the asset, according to regulations currently in force.

If specified in the concession agreement and can be reliably estimated, the residual value is intended as Residual Industrial Value (RIV). Conversely, the residual value is estimated as the net carrying amount of each single concession at the expiry date of the concession, as set out by the Provincial Law No. 6 of 17 June 2004.

When events occur that indicate impairment of these intangible assets, the difference between book value and recovery value is charged to the income statement. According to Group prior experience, the useful life of assets under concession is longer than the duration of the concession itself. Therefore, in estimating the provisions for the recovery charges of assets under concession, it is unnecessary to recognise charges related to recovery or replacement of assets under concession, as set out when the useful life of assets under concession is shorter than the duration of the concession itself.

GOODWILL

Goodwill is represented by the surplus between the sum of the amount transferred in a business combination, the value of shareholders' equity pertaining to minority interests and the fair value of the possible equity investment previously owned in the acquired company, and the fair value of identifiable net assets acquired and liabilities undertaken upon acquisition. If the value of net assets acquired and liabilities undertaken at the acquisition date exceeds the sum of the amounts transferred, the value of shareholders' equity pertaining to minority interests and the fair value of any equity investment previously owned by the company acquired, this surplus is immediately recognised as income in the income statement.

Goodwill is not amortised, but is tested for impairment ("impairment test") on a yearly basis. The possible reduction in value of goodwill is recognised in the event the recoverable value of goodwill be lower than its book value. The value of goodwill cannot be recovered in the event of a prior impairment loss.

The impairment test is performed at least every year, or in any case in the presence of impairment indicators.

INTANGIBLE ASSETS

Intangible assets include non-monetary elements and are identifiable assets lacking physical substance, controlled by the company and able to produce future economic benefits. Intangible assets are recognised at purchase and/or production cost, including directly attributable expenses incurred to prepare the asset for use, net of accumulated amortisation and possible impairment losses.

Intangible assets are amortised from the time at which the asset becomes available for use. Their amortisation is apportioned systematically in relation to the residual possible use, i.e. based on their estimated useful life.

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

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

PROPERTY, PLANT AND EQUIPMENT

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

Financial charges, directly attributable to the acquisition, construction and production of an asset, which justify a capitalisation pursuant to IAS 23, will be capitalised on the asset itself as part of its cost.

Charges borne for ordinary and/or cyclical maintenance and repairs are directly charged to income statement, when incurred. The capitalisation of costs related to the expansion, modernisation or improvement of the structural elements whether owned or leased is made within the limits established to be separately classified as assets or part of an asset.

Improvements on third-party assets include costs borne for the set up and modernisation of real estates that are not owned.

Assets are depreciated on a straight-line basis, with rates that allow for depreciation of assets until the end of their useful life.

The useful life estimated by the Group for each single category of property, plant and equipment is as follows:

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date of the financial statements, the non-financial assets are tested for impairment. When events occur that indicate impairment of non-financial assets, their recoverability is assessed by comparing the book value with the related recoverable value, represented by the fair value, less disposal charges, and the value in use, whichever higher. The value in use is determined by discounting the expected cash flows resulting from the use of the assets and, if significant and reasonably determined, from their disposal at the end of their useful life, net of disposal charges. Expected cash flows are determined based on reasonable assumptions that can be demonstrated and represent the best estimate of future economic conditions that will occur in the residual useful life of the asset, giving greater importance to external indications. Expected future cash flows, used to determine the value in use, are based on the latest economic and financial forecast containing forecasts on revenue, operating costs and investments. As regards assets that do not generate widely independent cash flows, the recoverable value is determined in relation to the Cash Generating Unit (i.e. the smallest independent CGU resulting from the continuous use), to which they belong. Discounting is carried out at a rate that reflects current market measurements of the time value of money and the specific risks of the asset, which are not already included in the cash flow estimates. In particular, the discount rate used is the Weighted Average Cost of Capital (WACC). The value in use is determined net of the tax effect, as this method produces values that are substantially equivalent to those that can be

obtained by discounting the cash flows, including taxes at a discount rate before taxes resulting from the post-tax measurement. The measurement is performed by each single asset or by Cash Generating Unit. When the reasons for impairment no longer exist, the value of assets is recovered and the adjustment is recognised in the income statement as write-up (value write-back). The write-back is carried out at the lower between recoverable value and book value, inclusive of prior write-downs and less amortisation instalments that would have been allocated if the asset were not impaired.

EQUITY INVESTMENTS

Equity investments in companies other than subsidiaries, associates and joint ventures, recorded under non-current assets, represent financial assets available for sale and are measured at fair value. The effects are charged to the shareholders' equity reserve related to the other comprehensive income components. Changes in fair value, recognised in the shareholders' equity, are charged to income statement upon write-down or disposal. When equity investments are not listed on a regulated market and the fair value cannot be reliably determined, they are measured at cost and adjusted to reflect impairment losses.

Dividends from equity investments are recognised in the income statement, under Gains and expenses from equity investments, when shareholders are entitled to receive the payment following the approval by the Shareholders' Meeting and the Board of Directors of subsidiaries.

TRADE RECEIVABLES AND OTHER CURRENT AND NON-CURRENT ASSETS

Trade receivables and other current and non-current assets include financial instruments, mainly related to receivables from customers, not resulting and not listed on any active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified in the shareholders' equity, under current assets, except for those with a contract expiry term after twelve months from the reporting date of the financial statements, which are classified under non-current assets.

These financial assets are recognised under assets when the Group becomes a party in the contracts related therewith, and are derecognised from assets, when the right to receive cash flows is transferred together with all risks and benefits associated to the transferred asset.

Trade receivables and other current and non-current assets are originally recorded at their fair value and then at amortised cost, by using the effective interest rate, less impairment losses.

Impairment losses in receivables are recognised in the income statement when there is objective evidence that the Group will not be able to recover the receivables based on contract terms.

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

NON-DERIVATIVE FINANCIAL ASSETS

Non-derivative financial assets are distinguished by fixed or calculable payments not listed in an active market, for which the Group's objective is to achieve the contractual cash flows represented by payment of the principal and interest. These financial assets are stated under current assets if their maturity term is within 12 months; otherwise, they are stated under non-current assets.

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

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

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

INVENTORIES

Inventories of raw, ancillary and consumable materials and merchandise are measured at the lower between average weighted cost and market value at the financial statement date. The average weighted cost is determined by reference period in relation to each inventory code. The average weighted cost includes the direct costs of labour and materials as well as (variable and fixed) indirect costs. Inventories related to energy certificates (TEE, GO, EUA and VER) are measured with the FIFO (first in first out) method, which is deemed as better reflecting the current market value, given that the prices of these certificates are subject to strong oscillations, also over periods shorter than twelve months. Inventories are constantly monitored and, when necessary, obsolete materials are written-down and charged to the Income Statement.

FINANCIAL DERIVATIVES

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

Derivative instruments can be accounted for using the hedge-accounting approach only when:

- at inception of the hedging, the hedging relationship is formally defined and documented;
- hedging is assumed to be highly effective;
- effectiveness can be reliably measured;

- the hedge itself can be highly effective during the various accounting periods for which it is designated.

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

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

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

DETERMINATION OF FAIR VALUE OF FINANCIAL INSTRUMENTS

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

SEGMENT DISCLOSURE

Information on business segments was provided according to provisions set out by IFRS 8 "Operating segments", which envisages disclosures that are consistent with the modalities the management had adopted to make operating decisions. Therefore, operating segments are identified and disclosures are made based on the internal reporting used by the management for the purpose of allocation resources to the various segments and the analysis of the related performance.

According to IFRS 8, an operating segment is a component of an entity that: i) undertakes business operations that generate revenue and costs (including revenue and costs concerning operations with other components of the same entity); ii) the operating results of which are reviewed periodically at the entity's highest operational decision-making level for the adoption of decisions on the resources to be allocated to the segment and an assessment of results; iii) for which separate financial statements information is available.

Operating segments identified by the management, in which all services and products supplied to customers are included, are identified as follows:

- Electricity production;
- Heat, Steam and Cooling production;
- Distribution and grids;

- Commercial and trading;
- Water cycle and Environment;
- Other minor services.

CASH AND CASH EQUIVALENTS

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

TREASURY SHARES

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

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

FINANCIAL LIABILITIES, TRADE AND OTHER PAYABLES

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

Financial liabilities are classified under current liabilities, except in the event the Group has an unconditional right to defer payment for at least 12 months from the reference date.

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

PROVISIONS FOR RISKS AND CHARGES

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

Provisions are recognised only when there is a current (statutory or implied) obligation for a future outgoing

of resources, resulting from a past event, and it is likely to be necessary to use such resources to fulfil the obligation. This amount represents the best estimate of the charge required to settle the obligation. The rate used to determine the current value of the liability reflects the current market values and considers the specific risk attributable to each single liability.

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

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

PERSONNEL-RELATED PROVISIONS

Personnel-related provisions include: i) defined-contribution plans and ii) defined-benefit plans.

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

With reference to defined-benefit plans, Group net liabilities are determined separate for each plan, by estimating the current value of future benefits that employees have accrued over the year and prior years, and deducting fair value of any plan assets. The current value of obligations is based on the use of actuarial methods, which assign the benefit deriving from the plan to the periods in which the obligation arises (Projected Unit Credit Method) and is based on actuarial assumptions that are objective and comparable. Plan assets are measured and recognised at fair value.

If the above calculation reports a possible asset, the amount to be paid is limited to the actual value of each economic benefit available, under the form of reimbursements or reductions of future contributions to the plan (asset threshold).

The cost components of defined benefits are recognised as follows:

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

PUBLIC GRANTS

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

Investment grants, including non-monetary grants measured at fair value, are recorded as deferred income, systematically and rationally charged as income over the useful life of the asset.

ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current and current assets of disposal groups are classified as held for sale if the related book value is recovered mainly through the sale. This condition is deemed as fulfilled when the sale is highly probable and the asset, or disposal group, is available for immediate sale in its current conditions. Non-current assets held for sale, current and non-current assets related to disposal groups and liabilities directly attributable are recognised in the statement of financial position, separate from other assets and liabilities.

Non-current assets held for sale are not amortised and are measured at the lower of their book value and the related fair value, less the costs of sale.

Any difference between book value and fair value, less the costs of sale, is charged to the income statement as write-down. Any recoveries in value are recognised until recovery of the previously recorded write-downs, including those that were recognised before the classification of the asset as held for sale.

Non-current assets, as well as current and non-current assets of disposal groups, classified as held for sale, represent a discontinued operation if, either of the following occurs:

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

The results of the discontinued operations, as well as any capital gain/loss from the sale, are disclosed separate in the income statement, under a special item, less all related tax effects. The financial values of discontinued operations are also disclosed for years considered for comparison purpose.

REVENUE RECOGNITION

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

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

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

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

RECOGNITION OF COSTS

Costs are recognised upon acquisition of an asset or service.

TAXES

Current taxes are calculated based on the taxable income for the year, by applying tax rates in force at the reporting date.

Prepaid and deferred taxes are calculated based on all differences that arise between tax value of an asset or liability and the related carrying amount. Prepaid taxes, including those related to prior tax losses, are recognised to the extent that it is probable that there will be future taxable income to which that tax loss

can be applied. Prepaid and deferred taxes are determined by using the tax rate that it is estimated will be applicable in the years in which the differences will be realised or extinguished, based on the enacted or substantially enacted tax rate at the reporting date.

Current, prepaid and deferred taxes are recognised in the income statement, except for those related to items directly debited or credited to Shareholders' Equity; in this case, also the related tax effect will be recognised directly to Shareholders' Equity. Taxes are offset when they are applied by the same tax authority and there is a legal right to offsetting.

"WINDFALL" MEASURES

During 2022, numerous regulations were issued and amended multiple times for collection of presumed "windfalls" associated with business activities carried out by renewable source energy producers in an electricity market which, after the anomalous price trend for gas that began in the second half of 2021, saw unprecedented prices and volatility.

Art. 15-bis of Italian Decree Law 4/2022 ("Sostegni TER"), as amended by Italian Decree Law 115/2022 ("Aiuti bis"), envisaged that:

- from 1 February 2022 to 30 June 2023, a two-way compensation mechanism will be applied to energy prices, in reference to electricity supplied to the network by:
 - a. PV plants with capacities of >20 kW that benefit from fixed bonuses under the "Conto Energia" mechanism, not dependent on market prices;
 - b. plants with capacities of >20 kW powered by solar, hydroelectric, geothermoelectric and wind sources which have no access to incentive mechanisms and became operational prior to 1 January 2010.
- The GSE calculates the difference between a reference price (58 euro/MWh for northern Italy) and a market price as follows:
 1. for PV plants with capacities of >20 kW (point a) powered by solar, wind, geothermal and run-of-the-river hydroelectric, the zone price per hour on the electricity market, i.e. for supply contracts signed before 27 January 2022 (and for 2023 those signed before 5 August 2022) - the price stated in the contracts;
 2. for other plants (point b), the arithmetic monthly average zone price per hour on the electricity market, i.e. for supply contracts signed before 27 January 2022 (and for 2023 those signed before 5 August 2022) - the price stated in the contracts;
- If the difference between the reference price and market price as calculated above is positive, the GSE disburses the related amount to the producer. If negative, the GSE asks the producer to pay the corresponding amount or offset it against other items.
- The difference is settled between the GSE and the producer solely for supply contracts signed before 27 January 2022 (and for 2023 those signed before 5 August 2022), provided these contracts are not linked to energy market spot price trends and, in any event, were not signed at an average price more than 10% above the reference market price, limited to the duration of the contracts.
- For the purpose of points 1) and 2) above, the only valid contracts are those signed between companies pertaining to the same group as the producer, even if not producers themselves, and other natural persons or legal entities external to the producer's corporate group.

As envisaged in the aforementioned Art. 15-bis, on 21 June 2022 the GSE published Resolution 266/2022/R/eel, containing detailed implementing measures, on its web site. Following that publication, producer generated the information, figures and declarations necessary to implement the regulatory measure.

In October 2022, the first economic settlements were paid by the GSE (cumulatively for February to August 2022). Afterwards, the settlements were arranged on a monthly basis, with payment adjustments envisaged following recalculation of the average year-end sale prices in the early months of 2023.

In December 2022, GSE settlements were suspended as a result of the Lombardy Regional Administrative Court decision which on 1 December 2022, accepting the appeals submitted by a number of operators, cancelled Resolution 266/2022. On 18 January 2023, after accepting the ARERA claim (challenging the aforementioned decision), the Italian State Council suspended the effects of decisions based on which the Regional Administrative Court in Milan cancelled Resolution 266/2022/R/eel.

This government measure resulted in a charge for the year ended 31 December 2022 of 34,654 thousand euro, included in the Income Statement under "Other operating costs" item.

The 2023 Budget Law, in implementation of Regulation (EU) No. 2022/1854, approved on 29 December 2022, introduced an additional one-way mechanism that requires payment to the GSE from 1 December 2022 to 30 June 2023 of revenues, if any, referring to the difference between the market price and the 180 euro/MWh cap value, associated with renewable source production plants not already subject to the 58 euro/MWh cap introduced by Art. 15-bis of Italian Decree Law 4/2022. The implementing measures were assigned to ARERA, which has the task (not yet completed) of issuing a resolution to be adopted within 30 days of entry into force of the law "also in continuity with operating methods defined in implementation of the provisions of Article 15-bis of Italian Decree Law No. 4 of 27 January 2022". This measure had no effect on the Group for the year ended 31 December 2022.

Art. 37, Italian Decree Law No. 21 of 21 March 2022, in force from 24 March 2022, as amended, (Italian Decree Law 50/2022) introduced an extraordinary contribution to limit the effects of the price increase for businesses and consumers for 2022. The contribution is payable by companies involved in production and import activities, for subsequent resale, of electricity, methane gas or natural gas extraction, by resellers of electricity from methane gas or of natural gas extraction, and from entities that produce, distribute and market oil products.

In application of Italian Decree Law 50/2022, the "Aiuti" (Aid) Decree Law, which amended the original provisions of Italian Decree Law 21/2022 in terms of the extent of the contribution and the reference period, the withdrawal is calculated on the increase in the balance between purchase and sale transactions net of VAT, invoiced in the period October 2021-April 2022 compared to the period October 2020-April 2021, provided that this increase is at least 10% and greater than 5 million euro. The contribution applies by up to 25%, calculated on the threshold balance increased from 10% to 25% allowed by the "Aiuti" Decree Law 50/2022. Payment of the contribution was envisaged in the sum of 40% as payment on account by 30 June 2022 and the balance by 30 November 2022. This government measure resulted in a charge for the year ended 31 December 2022 of 33,178 thousand euro, included in the Income Statement under "Taxes" item.

Lastly, the 2023 Budget Law envisaged a new "solidarity contribution" applied to entities that are producers of electricity and gas, that produce, distribute and market oil products, electricity and gas resellers and entities that import electricity or gas for subsequent resale. This contribution, payable if at least 75% of revenues (in the tax period prior to that in progress as at 1 January 2023) derives from the activities indicated,

equals 50% of the IRES taxable amount, in the period prior to that in progress as at 1 January 2023, which exceeds by at least 10% the average income in the four tax periods prior to that in progress as at 1 January 2022, with a limit set at 25% of the shareholders' equity. The amount shall be paid by the end of the sixth month after year end (or the end of the month after approval of the financial statements). This government measure resulted in a charge for the year ended 31 December 2022 of 21,257 thousand euro, included in the Income Statement under "Taxes" item.

3. ESTIMATES AND ASSUMPTIONS

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

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

- **Impairment Test:** the carrying amount of property, plant and equipment and intangible assets is periodically tested for impairment and whenever circumstances or events require a more frequent assessment. The impairment test shall be carried out on goodwill at least once a year when the accounts are closed. Whenever it is deemed that a carrying amount of a group of fixed assets has suffered an impairment loss, the same is written-down to the related recoverable value, estimated based on the use and future sale of the asset, in relation to provisions set out in the latest business plans. It is deemed that estimates of these recoverable values are reasonable. However, possible changes in the estimate factors, on which the calculation of the aforesaid recoverable values is based, might result in different valuations.
- **Provision for write-downs:** the provision for write-downs reflects the best estimate made by directors on doubtful receivables from customers. This estimate is based on expected losses incurred by the Group, determined according to past experience made for similar receivables, current and historic overdue amounts, the careful monitoring of creditworthiness and projections on economic and market positions.
- **Prepaid taxes:** accounting for prepaid taxes takes place on the basis of expectations of taxable income in future years to be used for their recovery. The valuation of the taxable revenue expected for the purposes of accounting for prepaid taxes depends on factors that can vary over time and significantly affect the recoverability of the receivables from prepaid taxes.
- **Provisions for risks and charges:** with respect to legal risks, allocations are recognised representing the risk of an unfavourable outcome of disputes. The value of provisions in the financial statements related to these risks represents the best estimate to date made by directors. This estimate entails the adoption of assumptions depending on factors that might change over time and that might therefore have a significant impact on current estimates made by directors in the drafting of Group financial statements.

- **Fair value of derivative financial instruments:** the calculation of the fair value of unlisted financial assets, such as derivatives, is determined through financial measurement methods generally used and that require basic assumptions and estimates. These assumptions might not occur in the expected times and modalities. Estimates made by the Group might therefore differ from closing figures.
- **Intangible assets:** the fair value of construction services that are included in assets under concession and are accounted for according to IFRIC 12, is determined based on the costs actually incurred, added with a mark-up. The latter represents the best estimate on the consideration of in-house costs for work management and planning performed by the Group, equal to the mark-up that a general third-party constructor might ask to render the same service, as envisaged by IFRIC 12.
- **Amortisation and depreciation of intangible assets and property, plant and equipment:** property, plant and equipment and intangible assets are depreciated/amortised on a straight-line basis along the useful life of each single asset. The useful life of property, plant and equipment and intangible assets is determined when they are purchased, based on the historic experience on similar assets, market conditions and advances concerning future events that might have an impact, such as changes in technology. The actual economic life might therefore differ from the estimated useful life. The Group assesses segment and technological changes on an annual basis, as well as any changes in contract provisions and in regulations in force related to the use of property, plant and equipment and intangible assets, and the recovery value used to update the residual useful life. The result of these analyses might modify the amortisation/depreciation period and therefore the amortisation/depreciation rate for both the current and future years.
- **Equalisation:** the “equalisation” component is estimated for an amount corresponding to the positive or negative difference between the revenue made from end customers and the “revenue restrictions” (VRT) calculated in accordance with the ARERA decisions, updated to the date the financial statements are prepared.

4. ACCOUNTING STANDARDS: AMENDMENTS, APPROVED AND NOT YET APPROVED

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

The following accounting standards and amendments to the accounting standards issued by IASB and implemented by the European Union, where foreseen, are mandatorily applicable starting from 1 January 2022.

- Amendments to IFRS 3 “Business Combinations” (document issued on 14 May 2020 and approved on 2 July 2021). The amendments envisage that in order to identify the assets and liabilities of the acquiree, reference must be made to the new definitions of assets and liabilities in the new Conceptual Framework (updated in March 2018, replacing the previous “Framework for the preparation and presentation of financial statements” published in 2001 and partially revised in 2010), with the sole exception of the acquiree liabilities assumed which, after the acquisition date, are accounted for in accordance with IAS 37 “Provisions, contingent liabilities and contingent assets” or IFRIC 21 “Levies”. This exception seeks to avoid recognition by an acquiree of a liability or contingent liability based on the new definition in the Conceptual Framework and then write it off by applying the recognition criteria envisaged in IAS 37 and IFRIC 21.
- Amendments to IAS 16 “Property, Plant and Equipment” (document issued on 14 May 2020 and approved on 2 July 2021). The amendments envisage that income from the sale of goods produced during the testing phase of an asset (the period prior to that in which the asset is located and in operational condition in the manner intended by company management) must be recognised under profit/(loss) for the year. Therefore, recognition of such income as a direct decrease in the cost of the asset is no longer permitted. Goods produced and awaiting sale are recognised among inventories in accordance with IAS 2 “Inventories”. The cost of production does not include the accumulated depreciation of the asset used to produce them, as the latter is not yet subject to depreciation. The entity must indicate in the Notes the amount of revenues and costs relating to goods produced, that are not part of core business output, and the financial statements’ items in which these revenues and costs are recognised (if not presented separately in the statements).
- Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” (document issued on 14 May 2020 and approved on 2 July 2021). The amendment specifies which costs must be considered when assessing whether a contract will be onerous, i.e. if the non-discretionary costs necessary for fulfilment of the obligations assumed exceed the economic benefits that are expected to be obtained from the contract. It clarified that the costs necessary to fulfil the contract include incremental costs (i.e. costs which would not be incurred in the absence of the contract), such as labour and direct raw materials, and also a portion of other costs directly associated with fulfilment that the entity cannot avoid, such as the allocation of depreciation for an element of property, plant and equipment used in fulfilment of the contract.
- Annual Improvements to IFRS Standards 2018–2020 (document issued on 14 May 2020 and approved on 2 July 2021). These are amendments that clarify, correct or remove redundant or conflicting wording

or formulations in the text of the following standards:

- IFRS 1 “First-time adoption of International Financial Reporting Standards”: subsidiaries, associates or joint ventures applying IFRS for the first time after their parent company/shareholding entity has the option, at the transition date, to measure its assets and liabilities at the same values recognised in the consolidated financial statements of the parent company/shareholding entity, net of any effects deriving from consolidation procedures or measurement at equity. The amendment to IFRS 1 envisages that, if the exemption described above is applied, the entity has the option, at the transition date, to recognise the translation reserve at the same value recognised in the consolidated financial statements of the parent company/shareholding entity.
- IFRS 9 “Financial Instruments”: the standard envisages that a change to the contractual terms of a financial liability is substantial if the changed cash flows, including any commission paid net of commission received, and discounted and the original effective interest rate, deviate by at least 10% from the present value of cash flows prior to the change. The amendment clarifies that the 10% test must only include commissions paid or received between the borrower and the lender, and commissions paid or received by the borrower or lender on behalf of the other party.
- IFRS 16 “Leases”: the amendment eliminates from illustrative example No. 13 of IFRS 16 the accounting treatment in the lessee’s financial statements of any reimbursement, from the lessor, for leasehold improvements, in that it was concluded that the example was not backed by a suitable explanation. In the illustrative example, the reimbursement was considered a lease incentive, but should have been recognised in accordance with other standards, though IFRS 16 defines “lease incentives” as “payments made by a lessor to a lessee associated with a lease, or the reimbursement by a lessor of costs of a lessee”. The amendment was not submitted for EU approval as the illustrative examples do not form an integral part of IFRS 16.
- IAS 41 “Agriculture”: it was clarified that in the fair value measurement of biological assets, cash flows associated with taxes must not be compulsorily excluded. This amendment derives from the fact that, in practice, the discount rate used by market participants is usually a post-tax rate and consequently the cash flows subject to discounting must also be post-tax.

With reference to the application of these standards, amendments and new interpretations, it should be noted that there was no impact on the Group’s 2022 consolidated financial statements.

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

The following accounting standards, amendments to accounting standards and interpretations issued by the IASB and incorporated by the European Union at the date of presentation of the 2022 financial statements must be applied for the financial years following 2022.

- Amendments to IAS 1 “Presentation of financial statements” and IFRS Practice Statement 2 (issued on 12 February 2021 and approved on 3 March 2022). The aim of this project is to define guidelines for the selection of accounting policies to be described in the explanatory notes to the financial statements. It is envisaged that an entity should provide a description in the explanatory notes to the financial statements only of material accounting policies and not all significant accounting policies. Information is

material if, considered with other information reported, prepared for general purposes, can reasonably influence the decisions made by the key financial statements users. Preference must be given to accounting policies applied to specific transactions of the entity, avoiding generic information or mere duplication of the provisions of IFRS Accounting Standards. The IASB also amended “IFRS Practice Statement 2 - Making Materiality Judgements”, which is not subject to EU approval and which aims to clarify how to apply the concept of materiality to the disclosure on accounting principles. The amendments to IAS 1 are effective from financial years starting on or after 1 January 2023; early application is permitted. Since IFRS Practice Statements are non-binding guidelines, no compulsory effective date has been specified for the amendments to IFRS Practice Statement 2.

- Amendments to IAS 8 “Accounting policies, changes in accounting estimates and errors: definition of accounting estimates” (issued on 12 February 2021 and approved on 3 March 2022). The aim of this project is to clarify the distinction between changes in accounting policies (effects generally recognised retroactively) and changes in accounting estimates (effects recognised prospectively). A new definition is provided of accounting estimate, i.e. monetary amounts recognised in the financial statements, characterised by uncertainty as regards their measurement and made to achieve the objective of the accounting standard applied (e.g. fair value estimate [IFRS 13], credit losses [IFRS 9], net realisable value [IAS 2] or the useful life of property, plant and equipment [IAS 16]). Accounting estimates are the result of measurement approaches which, in addition to the input include estimation techniques, such as credit loss measurement according to IFRS 9, and valuation techniques, such as the estimated fair value of investment property. Changes to an input or measurement approach as a result of new information becoming available, a major experience or new developments, are changes to accounting estimates, except in cases of correction of errors from previous years. The amendments to IAS 8 are effective from financial years starting on or after 1 January 2023; early application is permitted.
- Amendments to IAS 12 “Income taxes: deferred tax related to assets and liabilities arising from a single transaction” (issued on 7 May 2021 and approved on 12 August 2022). The objective of this project is to clarify the accounting treatment of deferred tax in relation to assets and liabilities recognised in the financial statements as a result of a single transaction, the carrying amounts of which differ from the tax values (for example, recognition of a right of use asset and a financial liability in application of IFRS 16). The amendments to IAS 12 envisage that the exemption from initial recognition of deferred tax assets/liabilities does not apply when a single transaction gives rise to the recognition in the financial statements of an asset or liability for which temporary differences of equal value are identifiable. In addition, deferred tax assets/liabilities must be recognised in the financial statements by considering the asset and liability separately, and recognition of their net value is not permitted. Deferred tax assets are recognised only if considered recoverable. The amendments to IAS 12 are effective from financial years starting on or after 1 January 2023; early application is permitted.
- IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and approved on 23 November 2021), including the amendment to IFRS 17 issued on 25 June 2020. The new accounting standard establishes the criteria for the recognition, measurement, presentation and disclosure of insurance contracts and fully replaces IFRS 4 Insurance Contracts issued in 2005. IFRS 17 will be applied to all insurance contracts, with reference to the issuer. The scope of this new standard is to supply a model for the recognition of insurance contracts, which is more useful and consistent with respect to all insurance companies. The new standard will be effective for annual periods beginning on or after 1 January 2023 and comparative data will be required to be presented; early application is permitted for entities that apply IFRS 9 on or before the date of first application of IFRS 17.

- Amendments to IFRS 17 “Insurance contracts: initial application of IFRS 17 and IFRS 9 - comparative information” (issued on 9 December 2021 and approved on 9 September 2022). The amendments allow for the application of a transitional option, relating to comparative information on financial assets presented on first-time adoption of IFRS 17. The amendment aims to help entities avoid temporary accounting mismatches between insurance contract financial assets and liabilities, and therefore improve the usefulness of the comparative information. IFRS 17, which incorporates the amendment, is applicable from financial years starting on or after 1 January 2023.

Its application is not expected to have any impact for the Group.

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

- Amendments to IAS 1 “Presentation of financial statements” (issued on 23 January 2020, 15 July 2020 and 31 October 2022). The amendments, which are effective from 1 January 2024 with early application permitted, clarify the requirements to be considered in determining whether, in the statement of financial position, payables and other liabilities with an uncertain settlement date should be classified as current or non-current (including payables extinguishable by conversion into equity instruments). The proposed changes clarify that a liability is classed as current when, at the closing date of the year, the entity does not have the right to defer its payment for at least 12 months. The right to defer payment must not be unconditional, but rather substantial and existent at the year-end date. It is irrelevant whether the entity intends to exercise this right or not during the subsequent 12 months (e.g. the intention to refinance a loan by extending its maturity) and any decisions adopted between the reporting date and the publication of the financial statements (e.g. decision to arrange early repayment of the loan). Furthermore, if the right to defer payment beyond 12 months on a liability arising from a loan agreement is dependent on compliance with covenants, classification of the liability is current or non-current must take the following into account:

- compliance with contractual covenants up to the financial statements closing date is material in determining the existence or not of the right to defer payment of the liability for at least 12 months;
- compliance with contractual covenants up to the financial statements closing date is not material in determining the existence or not of the right to defer payment of the liability for at least 12 months.

With reference to disclosure in the financial statements, the entity must provide the following additional information in the explanatory notes to the financial statements in reference to subsequent events that do not result in an adjustment:

- long-term refinancing of a liability classed as current;
- settlement of a breach of a long-term loan agreement classified as a current liability;
- granting by the lender of a grace period for settlement of a breach of a long-term loan agreement classified as a current liability;
- settlement of a liability classed as non-current.

If the entity has liabilities deriving from loan agreements classed as non-current, on which the right to defer payment is dependent upon compliance with covenants to be calculated in the 12 months after the closing

date of the financial statements, the following additional information must be provided in the explanatory notes to the financial statements:

- amount of non-current liabilities subject to compliance with covenants in the following 12 months;
 - description of the covenants and indication of the dates on which the entity must comply with them;
 - events and circumstances, if any, proving the entity's difficulty in complying with the covenants (e.g. action taken before and/or after the reporting date to avoid breach of the covenants, the fact that the covenants to be complied with in the following 12 months would be breached if the figures as at year end were used).
- Amendment to IFRS 16 "Leases: lease liability in a sale and leaseback" (issued on 22 September 2022). The amendments, applicable from 1 January 2024 with early application permitted, concern the accounting of a sale and leaseback transaction, which provides for the payment by the lessee-seller of variable fees.

5. MARKET RISK

5.1 INTEREST RATE RISK

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

As at 31 December 2022, the Group financial indebtedness included the following:

- bond loan, amounting to 110,000 thousand euro, at a fixed rate of 4.6%, issued by the subsidiary SET S.p.A.;
- bond loan, amounting to 5,052 thousand euro, at a floating rate, issued by the parent company Dolomiti Energia Holding S.p.A.;
- loan, amounting to 350,000 thousand euro, at floating rate, stipulated with a pool of banks by the parent company Dolomiti Energia Holding S.p.A. and 80% of which is backed by a SACE guarantee pursuant to the Aid Decree (Italian Law Decree no. 50 of 17 May 2022, as amended);
- floating rate loans benchmarked to the Euribor rate for the period and at fixed rate.

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

The main characteristics of derivatives subscribed by the Group to hedge interest rate fluctuations in place as at 31 December 2022 and 31 December 2021 are summarised as follows:

IRS

AS AT 31 DECEMBER 2022		
Date of transaction	25/05/2017	26/05/2017
Company	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa
Counterparty	Unicredit	Intesa San Paolo
Effective date	01/01/2021	01/01/2021
Maturity	30/09/2032	30/09/2032
Notional in Euro	40,625,000	40,625,000
Floating interest rate	Euribors 3M (floor -0,80)	Euribors 3M (floor -0,80)
Fixed interest rate	1.3400%	1.3235%
Fair value	3,275,725	3,359,630

AS AT 31 DECEMBER 2021		
Date of transaction	25/05/2017	26/05/2017
Company	Dolomiti Energia Holding Spa	Dolomiti Energia Holding Spa
Counterparty	Unicredit	Intesa San Paolo
Effective date	01/01/2021	01/01/2021
Maturity	30/09/2032	30/09/2032
Notional in Euro	44,791,666	44,791,666
Floating interest rate	Euribors 3M (floor -0,80)	Euribors 3M (floor -0,80)
Fixed interest rate	1.3400%	1.3235%
Fair value	(2,935,960)	(2,897,426)

SENSITIVITY ANALYSIS RELATED TO INTEREST RATE RISK

The Group's exposure to the interest rate risk was measured through a sensitivity analysis that considered the contracted floating rate exposures. Within the hypotheses made, the effects on the Group's Income Statement and Shareholders' Equity as at 31 December 2022 were evaluated with respect to a possible change in market rates, which discounted 50 bps write-up and write-down, respectively. The calculation method applied the hypothesis of changes in the interest rate applied during the year to the gross bank indebtedness and deposits. This analysis is based on the assumption of a general and prompt change in the reference interest rate level.

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

(In thousands of Euro)

	Impact on profit, net of tax effect		Impact on shareholders' equity, net of tax effect	
	- 50 bps	+ 50 bps	- 50 bps	+ 50 bps
Year ended 31 December 2022	1,768	(1,768)	1,768	(1,768)
Year ended 31 December 2021	192	(1,994)	192	(1,994)

5.2 COMMODITY RISK

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

The main characteristics of derivatives subscribed by the Group which, from an accounting point of view, are classified as hedging and non-hedging and in place as at 31 December 2022 and 31 December 2021 to hedge commodity price risk are summarised as follows:

Commodity

(in thousands of Euro)

AS AT 31 DECEMBER

	2022	2021
Date of transaction	2020/2021/2022	2020/2021
Company	Dolomiti Energia Trading SpA	Dolomiti Energia Trading SpA
Counterparty	varie (*)	varie (*)
Underlying	Power/Gas/CO2	Power/Gas/CO2
Maturity	2023/2024	2022/2023/2024
Notional buy transactions	817,268	1,101,027
Fair value of buy transactions	289,368	1,068,694
Notional sell transactions	862,636	1,176,240
Fair value of sell transactions	(303,994)	(1,273,562)

(*) European Energy Exchange, leading banks and electricity and gas wholesalers.

5.3 CREDIT RISK

The credit risk represents the Group's exposure to possible losses resulting from the non-fulfilment of obligations undertaken by the counterparties.

This type of risk is managed by the Group through special procedures and mitigation measures, aimed at both assessing creditworthiness of the counterparty and constantly checking that the exposure thresholds be complied with, as well as through adequate guarantees.

Trade receivables are recognised in the financial statements net of any write-downs determined on the basis of the default risk of the counterparties, taking into account the information available on solvency of the customer and the historical data.

The overall exposure to credit risk as at 31 December 2022 and 31 December 2021 is represented by the sum of financial assets recorded in the financial statements, summarised as follows:

<i>(in thousands of Euro)</i>	AS AT 31 DECEMBER	
	2022	2021
Receivables from customers	662,575	519,410
Receivables from associates	44	12
Receivables from parent companies	102	34
Provision for write-downs	(20,009)	(17,505)
TOTAL	642,712	501,951

5.4 LIQUIDITY RISK

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

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

A prudent management of the liquidity risk originated by normal operations involve the maintenance of an adequate level of cash and cash equivalents, short-term securities and the availability of provisions that could be obtained through an adequate amount of credit lines. The Group's liquidity requirements are monitored by a centralised department, in view of securing the finding of financial resources and adequate investment/ yield of liquidity.

The following table analyses the financial liabilities (including trade and other payables) that are expected to be redeemed within the year, in a period between one and five years and after 5 years:

(In thousands of Euro)

As at 31 December 2022	MATURITY		
	Within 1 year	Between 1 and 5 years	Beyond 5 years
Trade payables	353,077	-	-
Payables due to banks and other lenders	768,030	461,508	237,279
Liabilities for current taxes	22,665	-	-
Other payables	36,801	112,585	-
TOTAL	1,180,573	574,093	237,279

(In thousands of Euro)

As at 31 December 2021	MATURITY		
	Within 1 year	Between 1 and 5 years	Beyond 5 years
Trade payables	342,372	-	-
Payables due to banks and other lenders	1,856,529	204,105	248,273
Liabilities for current taxes	5,075	-	-
Other payables	28,654	109,457	-
TOTAL	2,232,630	313,562	248,273

5.5 FAIR VALUE ESTIMATE

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

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

Group financial instruments recognised at fair value are classified under level 2 and the general criterion used to calculate the same is the current value of future cash flows envisaged by the instrument being measured.

The following table shows assets and liabilities measured at fair value as at 31 December 2022 and 31 December 2021:

(in thousands of Euro)

AS AT 31 DECEMBER 2022

	Level 1	Level 2	Level 3
Derivative instruments (interest rate swaps)	-	6,635	-
Financial derivatives (commodities)*	-	(14,626)	-

[* this amount includes the fair value of all derivatives that, under an accounting viewpoint, are classified as both hedging and not hedging. The negative fair value of the financial derivatives (commodities) is composed of those with positive fair value for 684,651 thousand euro and negative fair value for 699,277 thousand euro.]

(in thousands of Euro)

AS AT 31 DECEMBER 2021

	Level 1	Level 2	Level 3
Derivative instruments (interest rate swaps)	-	(5,833)	-
Financial derivatives (commodities)*	-	(204,868)	-

[* this amount includes the fair value of all derivatives that, under an accounting viewpoint, are classified as both hedging and not hedging. The negative fair value of the commodity derivatives is composed of those with positive fair value for 1,221,945 thousand euro and negative fair value for 1,426,813 thousand.

It should be noted that trade receivables and payables were measured at carrying amount, as the latter is deemed as similar to the current value.

The following table shows financial assets and liabilities as at 31 December 2022 and 31 December 2021 broken down by category:

(In thousands of Euro)

AS AT 31 DECEMBER 2022

	Financial assets/liabilities measured at amortised cost	Financial assets/liabilities measured at fair value FVOCI	Financial assets/liabilities measured at fair value FVTPL	Total
CURRENT ASSETS				
Cash and cash equivalents	85,376	-	-	85,376
Trade receivables	642,712	-	-	642,712
Other current assets	52,319	-	-	52,319
Current financial assets	43,278	46,674	637,977	727,929
NON-CURRENT ASSETS				
Other non-current assets	29,607	-	-	29,607
Non-current financial assets	4,080	6,635	-	10,715
CURRENT LIABILITIES				
Trade payables	353,077	-	-	353,077
Current financial liabilities	123,627	29,819	614,584	768,030
Other current payables	36,801	-	-	36,801
NON-CURRENT LIABILITIES				
Non-current financial liabilities	643,912	2,818	52,057	698,787
Other non-current payables	112,585	-	-	112,585

(In thousands of Euro)

AS AT 31 DECEMBER 2021

	Financial assets/ liabilities measured at amortised cost	Financial assets/ liabilities measured at fair value FVOCI	Financial assets/ liabilities measured at fair value FVTPL	Total
CURRENT ASSETS				
Cash and cash equivalents	88,216	-	-	88,216
Trade receivables	501,951	-	-	501,951
Other current assets	57,330	-	-	57,330
Current financial assets	298,492	95,193	1,126,752	1,520,437
NON-CURRENT ASSETS				
Other non-current assets	105,423	-	-	105,423
Non-current financial assets	4,085	-	-	4,085
CURRENT LIABILITIES				
Trade payables	342,372	-	-	342,372
Current financial liabilities	572,957	122,734	1,160,838	1,856,529
Other current payables	28,654	-	-	28,654
NON-CURRENT LIABILITIES				
Non-current financial liabilities	303,304	12,327	136,747	452,378
Other non-current payables	109,457	-	-	109,457

As at 31 December 2022, current and non-current financial liabilities include the amount of 117,056 thousand euro as the value of fixed-rate bonds (note 7.19), whose fair value as at 31 December 2021 is a negative 118,821 thousand euro; this amount was calculated by applying measurement techniques with reference to non-observable market variables (level 3 classification and fair value equal to the current value of the future cash flows provided under the instrument being measured).

6. INFORMATION ON OPERATING SEGMENTS

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

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

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

The economic disclosure by operating segment is as follows:

<i>(in thousands of Euro)</i>		2022					
	Electricity production	Heat, Steam and Cooling production	Distribution and grids	Commercial and trading	Water cycle and Environment	Other minor services	Total
EBITDA	147,211	6,194	64,346	(30,916)	9,203	465	196,503
EBIT	132,653	3,922	37,472	(48,450)	1,944	(9,078)	118,463
<i>(in thousands of Euro)</i>		2021					
	Electricity production	Heat, Steam and Cooling production	Distribution and grids	Commercial and trading	Water cycle and Environment	Other minor services	Total
EBITDA	144,031	4,893	67,069	(14,624)	7,529	(1,997)	206,901
EBIT	127,618	2,796	42,618	(18,569)	1,296	(11,075)	144,684

7. NOTES TO THE STATEMENT OF FINANCIAL POSITION

7.1 RIGHTS OF USE

Changes in item "Rights of Use" are shown hereunder for the years ended 31 December 2022 and 2021:

(In thousands of Euro)

	Rights of use - buildings	Rights of use - other assets	Total
BALANCE AS AT 31 DECEMBER 2020	5,251	3,585	8,836
<i>Of which:</i>			
<i>Historical cost</i>	20,781	5,651	26,432
<i>Accumulated amortisation</i>	(15,530)	(2,066)	(17,596)
Increases	286	1,229	1,515
Amortisation	(1,101)	(1,090)	(2,191)
Disinvestments	(269)	(607)	(876)
Decreases (accumulated amortisation)	73	584	657
BALANCE AS AT 31 DECEMBER 2021	4,240	3,701	7,941
<i>Of which:</i>			
<i>Historical cost</i>	20,798	6,273	27,071
<i>Accumulated amortisation</i>	(16,558)	(2,572)	(19,130)
Increases	666	670	1,336
Amortisation	(1,108)	(1,117)	(2,225)
Disinvestments	(1,056)	(468)	(1,524)
Decreases (accumulated amortisation)	1,056	443	1,499
BALANCE AS AT 31 DECEMBER 2022	3,798	3,229	7,027
<i>Of which:</i>			
<i>Historical cost</i>	20,408	6,475	26,883
<i>Accumulated amortisation</i>	(16,610)	(3,246)	(19,856)

"Rights of use of buildings" amounting to 3,798 thousand euro refer to contracts on property complexes to be used as headquarters and offices all over the territory.

"Rights of use of other goods" amounting to 3,229 thousand euro refer to contracts for vehicles with an average duration of 5 years. For the company cars, the Group decided on long-term rentals and at the expiry of these contracts, they are replaced with new vehicles and new long-term contracts; sometimes, at the natural expiry of these contracts, they are extended for a further 12 months without a formal renewal.

The information required under EU standard IFRS 16 par. 53 is provided below.

(in thousands of Euro)

	Notes	As at 31 December 2022
Amortisation of rights of use	8.7	2,225
Interest expense on financial liabilities for leases	8.10	211
Short-term contract related costs	8.5	1,009
Costs related to contracts for low value goods	8.5	589
Costs related to variable lease payments not included in the measurement of the liability		-
Income from sub-leasing of substantial assets in the right of use		-
TOTAL OUTGOING FINANCIAL FLOW FOR LEASES		4,921
Profits/(losses) from sales and leaseback transactions		-

7.2 ASSETS UNDER CONCESSION

Changes in item "Assets under concession" are shown hereunder for the years ended 31 December 2022 and 2021:

(In thousands of Euro)

	Electric grid	Gas network	Water network	Total
BALANCE AS AT 31 DECEMBER 2020	316,160	190,501	70,133	576,794
<i>Of which:</i>				
<i>Historical cost</i>	768,977	368,870	141,723	1,279,570
<i>Accumulated amortisation</i>	(452,817)	(178,369)	(71,590)	(702,776)
Increases	33,375	29,184	8,381	70,940
Decreases (historical cost)	(230)	(978)	(356)	(1,564)
Decreases (accumulated amortisation)	167	526	355	1,048
Amortisation	(18,237)	(4,673)	(3,904)	(26,814)
BALANCE AS AT 31 DECEMBER 2021	331,235	214,560	74,609	620,404
<i>Of which:</i>				
<i>Historical cost</i>	802,122	397,076	149,748	1,348,946
<i>Accumulated amortisation</i>	(470,887)	(182,516)	(75,139)	(728,542)
Increases	34,740	24,310	9,145	68,195
Decreases (historical cost)	(1,312)	(889)	(506)	(2,707)
Decreases (accumulated amortisation)	983	290	457	1,730
Amortisation	(19,191)	(4,561)	(4,200)	(27,952)
BALANCE AS AT 31 DECEMBER 2022	346,455	233,710	79,505	659,670
<i>Of which:</i>				
<i>Historical cost</i>	835,550	420,497	158,387	1,414,434
<i>Accumulated amortisation</i>	(489,095)	(186,787)	(78,882)	(754,764)

The increases in assets under concession reflect the continuous extraordinary investments and improvements to the Group's gas and water networks and electricity networks.

IMPAIRMENT TESTS ON RIGHTS ON ASSETS UNDER CONCESSION

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

The test is performed by comparing the carrying value of the asset, or group of assets, included in the Cash Generating Unit, with the recoverable value of the same asset, resulting from the higher value between fair value (less any sales cost) and the value of net discounted cash flows that are estimated will be generated by the asset or the group of assets included in the CGU (value in use). The impairment test was based on the explicit cash flows stated in the budget and the 2024-2026 economic and financial plan prepared by management, alongside the expected residual value of the works and the assets built during the concession period, which is expected to be received at the end of the concession.

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

The cash flow discount rate used (WACC), which reflects market valuations of the cost of money and the specific risks of the business sector, net of taxes, is equal to 3.8% (5.2% before tax).

The impairment test performed highlighted no impairment losses with respect to amounts accounted for under rights on assets under concession referring to the distribution of electricity and therefore, no write-downs were made on these assets.

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

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

In light of such provisions, no impairment indicators were identified as regards assets under concession for the distribution of gas and assets under concession for the distribution of water.

7.3 GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in item "Goodwill and other intangible assets" are shown hereunder for the years ended 31 December 2022 and 2021:

(In thousands of Euro)

	Goodwill	Concessions	Industrial patent and intellectual property rights	Other	Work in progress and advance payments	Total
BALANCE AS AT 31 DECEMBER 2020	36,881	30,207	10,074	2,098	5,490	84,750
<i>Of which:</i>						
<i>Historical cost</i>	37,003	66,921	52,808	9,723	5,490	171,945
<i>Accumulated amortisation</i>	(122)	(36,714)	(42,734)	(7,625)	-	(87,195)
Increases	76	183	11,208	801	2,998	15,266
Decreases (historical cost)	-	-	(64)	-	(128)	(192)
Decreases (accumulated amortisation)	-	-	12	-	-	12
Amortisation	(104)	(8,541)	(6,505)	(517)	(148)	(15,815)
BALANCE AS AT 31 DECEMBER 2021	36,853	21,849	14,725	2,382	8,212	84,021
<i>Of which:</i>						
<i>Historical cost</i>	37,079	67,104	63,952	10,524	8,360	187,019
<i>Accumulated amortisation</i>	(226)	(45,255)	(49,227)	(8,142)	(148)	(102,998)
Increases	81	116	12,593	2,149	4,386	19,325
Decreases (historical cost)	-	-	(2,537)	-	(2,932)	(5,469)
Decreases (accumulated amortisation)	-	-	2,190	-	-	2,190
Amortisation	(104)	(6,009)	(8,285)	(1,037)	-	(15,435)
BALANCE AS AT 31 DECEMBER 2022	36,830	15,956	18,686	3,494	9,666	84,632
<i>Of which:</i>						
<i>Historical cost</i>	37,160	67,220	74,008	12,673	9,814	200,875
<i>Accumulated amortisation</i>	(330)	(51,264)	(55,322)	(9,179)	(148)	(116,243)

IMPAIRMENT TESTING ON GOODWILL AS AT 31 DECEMBER 2022

As envisaged by IAS 36, the Group performed impairment tests to verify the possible recovery in value of goodwill in the financial statements, for the CGUs coinciding with the companies SET Distribuzione (electricity distribution) and Dolomiti Energia (electricity and gas sales). The test is performed by comparing the carrying value of the asset, or group of assets, included in the Cash Generating Unit, with the recoverable value of the same asset, resulting from the higher value between fair value (less any sales cost) and the value of net discounted cash flows that are estimated will be generated by the asset or the group of assets included in the CGU (value in use).

For the CGU referring to electricity distribution activities, the goodwill of which amounted to 30,415 thousand euro, the impairment test was based on the explicit cash flows stated in the budget and the 2024-2026 economic and financial plan prepared by management, alongside the expected residual value of the works and the assets built during the concession period, which the Company expects to receive at the end of the concession. The cash flow discount rate used (WACC), which reflects market valuations of the cost of money and the specific risks of the business sector, net of taxes, is equal to 3.8% (5.2% before tax). The impairment test performed brought to light no impairment with reference to the CGU as at 31 December 2022 and, as a result, these assets were not written down.

For the CGU referring to electricity and gas sales, the goodwill of which amounted to 5,450 thousand euro, the impairment test was based on the explicit cash flows stated in the budget and the 2024-2026 economic and financial plan prepared by management. The cash flow discount rate used (WACC), which reflects market valuations of the cost of money and the specific risks of the business sector, net of taxes, is equal to 9.5%. The impairment test performed brought to light no impairment with reference to the amounts recognised in goodwill as at 31 December 2022 and, as a result, these assets were not written down.

For both CGUs, even increasing the WACC used by 25%, the impairment test would not bring to light any impairment.

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

Industrial patent and intellectual property rights fully include the costs relating to the acquisition, implementation and development of software serving the activities carried out by the companies belonging to the Dolomiti Energia Group.

7.4 PROPERTY, PLANT AND EQUIPMENT

Changes in item "Property, plant and equipment" are shown hereunder for the years ended 31 December 2022 and 2021:

(In thousands of Euro)

	Land and buildings	Plant and equipment	Industrial and commercial fittings	Other assets	Work in progress and advance payments	Total
BALANCE AS AT 31 DECEMBER 2020	91,137	806,921	3,262	7,669	8,125	917,114
<i>Of which:</i>						
<i>Historical cost</i>	134,732	1,522,290	20,387	28,733	8,125	1,714,267
<i>Accumulated depreciation</i>	(43,595)	(715,369)	(17,125)	(21,064)	-	(797,153)
Increases	3,085	15,659	6,395	1,431	(6,363)	20,207
Decreases (historical cost)	(5)	(7,379)	(1,353)	(236)	(1)	(8,974)
Decreases (accumulated depreciation)	3	8,343	881	207	-	9,434
Depreciation	(1,656)	(7,599)	(2,097)	(1,836)	-	(13,188)
BALANCE AS AT 31 DECEMBER 2021	92,564	815,945	7,088	7,235	1,761	924,593
<i>Of which:</i>						
<i>Historical cost</i>	138,476	1,483,184	25,429	29,928	1,761	1,678,778
<i>Accumulated depreciation</i>	(45,912)	(667,239)	(18,341)	(22,693)	-	(754,185)
Increases	988	10,123	849	1,112	5,423	18,495
Decreases (historical cost)	(7)	(3,556)	(25)	(238)	(2,883)	(6,709)
Decreases (accumulated depreciation)	-	2,448	24	228	-	2,700
Depreciation	(1,624)	(10,180)	(412)	(1,612)	-	(13,828)
BALANCE AS AT 31 DECEMBER 2022	91,921	814,780	7,524	6,725	4,301	925,251
<i>Of which:</i>						
<i>Historical cost</i>	140,121	1,442,365	26,253	30,802	4,301	1,643,842
<i>Accumulated depreciation</i>	(48,200)	(627,585)	(18,729)	(24,077)	-	(718,591)

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

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

With reference to the hydroelectric plants, the concessions on many of which are expiring in upcoming years, below is a summary of the reference regulatory framework for large diversion concessions.

REGULATORY AND TARIFF FRAMEWORK

The reassignment of diversion concessions.

Given the complexity of the regulatory framework relating to the important and impactful issue of the reassignment of hydroelectric diversion concessions, for completeness of information and the need for an overview for their correct understanding, the considerations already contained in the report to the financial statements for the previous year, supplemented on the basis of developments in 2022.

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

Said law also provided as follows:

- a) the concessions of large diversions in the provinces of Trento and Bolzano, with expiration date prior to 31 December 2022, are extended de jure for the period useful to complete the public disclosure procedures and in any case not beyond the aforesaid date;
- b) to the concessionaire who, at its own expense, made investments on the "wet works" (penstocks, collection and regulation works, discharge channels) shall be recognise, at the expiry of the concession, an indemnity equal to the value of the part of asset that is not depreciated, according to criteria that shall be set forth in a provincial law.

Subsequently, with the entry into effect of Italian Law No. 160 of 27 December 2019 "State forecast budget for financial year 2020 and multi-year budget for the 2020-2022 three-year period" - ref. Articles 76 and 77 - Article 13 of the consolidated text per Italian Presidential Decree No. 670 of 31 August 1972 was amended once again; more specifically, the words "31 December 2022" were replaced by the following: "31 December 2023" and following the words "the aforementioned date" the following was added: "and exercised up to that date under the conditions established by the Provincial laws and rules and regulations of the concession in place at the date of their expiry".

On 21 October 2020, Provincial Law No. 9 was approved, which, by modifying Provincial Law No. 4/1998, regulated the procedural rules for the holding of competitions and therefore implemented the provisions of Art. 13 of Italian Presidential Decree No. 670 of 31 August 1972.

In November and December 2020, the Water and Energy Resources Management Department of the Autonomous Province of Trent notified the extension by right of the thirteen large hydroelectric concessions held by HDE "for the period needed to complete the public bidding process and, in any case, not later than 31 December 2023, pursuant to Article 13 of Italian Presidential Decree No. 670 of 31 August 1972 and Provincial Law No. 4 of 6 March 1998".

In the light of the above and in consideration of the further postponement of the 31 December 2023 deadline to 31 December 2024 due to the regulations introduced in 2022 as described below, the Group arranged depreciation remodelling of the assets subject to reversion free of charge.

The precept set out in point b) above has been set out, though not exhaustively regulated, in Article

26-quer of the updated Provincial Law No. 4/1998; this Article states that the outgoing concession holder is entitled to an indemnity equal to the value of the part of the asset which has not been depreciated under the following conditions:

- I. exclusively in reference to investments on the assets referred to in the first paragraph of Article 25 of Italian Royal Decree No. 1775 of 1933, also provided for by the acts of concession, subject to authorisation of the Province, provided that the increase in the overall producibility of the plant or its modulating capacity or the overall efficiency of the same is achieved;
- II. the concession holder has entrusted the works, supplies and services undertaken in order to carry out the investments on the assets in compliance with the public evidence procedures provided for by the legislation on public contracts.

In consideration of the absence of investments with the characteristics referred to in point I. above and given the failure to define the indemnity calculation method, the assumption of zeroing the net book value of "wet works" at the end of the concession has been confirmed.

Further salient elements contained in the cited Provincial Law No. 9 of 21 October 2020 are as follows:

- with regard to the method used to evaluate so-called "dry" works (basically, hydroelectric power plants and their contents), the criterion set forth in paragraph 2 of Article 25 of Italian Royal Decree No. 1775 of 11 December 1933 is reiterated, contrary to what is established by the national legislation, "price equal to the estimated value of the material being worked, calculated at the time of entry into possession, not considering the income that can be made from it from any measurement";
- the assets referred to in the preceding point may be acquired by the Autonomous Province of Trento; otherwise, the assets may be acquired by the incoming concession holder, if the latter provides for their use when submitting its bid; the provincial law therefore also establishes the concept of "cherry picking", i.e. the right given to the incoming concession holder not to acquire all or part of the dry assets, without the consequent obligation to pay compensation to the transferor. Any assets not transferred will therefore remain fully available to the transferor, which can freely dispose of them, also through sale to third parties other than the incoming concession holder;
- in the context of verifying the existence of interests in the competing use of water, which is a preliminary act with respect to the tender procedures, special consideration will be given to initiatives involving "positive effects on the territory and the community generated also by the historical electric cooperatives" referring to the case of self-production;
- the subject of the call for tender (concession and its characteristics) will be defined through an Environmental Impact Assessment procedure that will have as its initial reference the current concessions, possibly aggregated or, in some cases, unbundled, pre-restricted following the assessment of the existence of competing use interests referred to in the previous point;
- in accordance with the provisions of national law, concessions may be awarded through the use of one of the following methods:
 - running of a public procurement procedure;
 - assignment to mixed public-private companies established in accordance with the provisions of the same law;
 - through forms of public-private partnership, pursuant to Article 179 of Italian Legislative Decree No. 50 of 18 April 2016 (Public Contracts Code);

- the contents of the call for tender are defined as well as the requirements of the participants, part of which will be calibrated on the basis of the characteristics of the specific concession.

On 18 December 2020, the Italian Council of Ministers ordered that Provincial Law No. 9 of 21 October 2020 be challenged in the Constitutional Court, with subsequent appeal No. 140 of 24 December 2020, in the same way as it had already been ordered for similar regulations of the Lombardy, Veneto and Piedmont Region Administrations.

Against this challenge, Trento Autonomous Province, by means of two subsequent legislative measures, Provincial Law No. 6 of 23 April 2021 and Provincial Law No. 18 of 04 August 2021, amended the reference standard to incorporate the content of the aforementioned appeal.

The same legislative measures introduced important innovations also and above all with regard to the regulations governing concessions for small hydroelectric diversions, significantly modifying Provincial Law No. 18 of 8 July 1976 introducing ex novo the provision of a tender also for these concessions on their natural expiry, postponing the rules to a subsequent regulation the adoption of which, at the date of this report, is still pending.

In reference to regulatory developments concerning small hydroelectric diversion concessions, note the significance of Constitutional Court decision No. 265 of 10 November 2022 which, in relation to assessment of the constitutional nature of the extensions introduced by Friuli Venezia Giulia Regional Law 13/2021, expressed its opinion in favour, confirming that the specific case of the Public Contracts Code was inapplicable and emphasising that the current state regulatory framework on small hydroelectric diversion concessions, dating back to Regional Decree No. 1775/1933, is in no manner whatsoever inspired by competitive needs.

Despite the dismissal (in September 2021) of infringement proceedings 2011/2016 relating to Italy, together with similar proceedings against Germany, the United Kingdom, Poland, Austria and Switzerland, on 2 August 2022 the Italian Parliament, in compliance with NRRP provisions (prepared and approved prior to the aforementioned dismissal), approved Law 118/2022 (Annual Market and Competition Law 2021). Art. 7 of this law introduced remodelling and postponement of the deadlines granted by the Regional Authorities for completion of related legislative activities (31 December 2023) and for conclusion of the reassignment procedures (31 December 2025). Art. 7, paragraph 2 of the law amended Art. 13, paragraph 6 of Italian Presidential Decree No. 670 of 31 August 1972, confirming the extension to 31 December 2024 of concessions already expired under Law 34/2022 and dynamically linking this new deadline to a subsequent deadline which could be defined at national level ("or later date decided by the State for similar large hydroelectric diversion concessions located in Italy").

On 30 November 2022, the Provincial Council approved Law No. 16/2022 (in force from 9 December 2022) which, amending Provincial Law No. 4/98, envisages deferral from 2024 to 2029 of the deadline for conclusion of the reassignment procedures for large hydroelectric plant concessions due to expire by 31 December 2024. The aim of this Provincial Law is to mitigate the negative effects of the energy crisis in the short and long terms. The measure introduces the option for concession holders to submit a business plan to the Provincial Administration for increasing the efficiency, resilience, accumulation capacity, as well as the capacity and energy performances of existing plants. At the same time, a new variable charge was added to support energy consumption costs within the province.

On 2 February 2023, the Council of Ministers challenged the above-described Provincial Law before the Constitutional Court. The details and content of the related appeal are not yet known as at the preparation date of these financial statements.

Concession fees

From 1 January 2019 and until the expiry of the concessions, a redetermination of additional charges was recognised to take into account that the new Deflussi Minimi Vitali (DMV) were not applied. The remodeling led to an annual reduction in the charges of approximately 1 million euro compared to that paid up to 2018. This is by effect of:

- the adoption, by the Trento Autonomous Province (PAT), of the resolution of 5 October 2019, which implemented the provisions of Article 23 ter, paragraph 3 bis, of Provincial Law No. 4/1998;
- the execution by the Company and by the Trento Autonomous Province, on 19 October 2019, of the document for the mutually agreed termination of the Agreement relating to the experimental remodulation of the releases of water flow rates for the DMV, entered into with the PAT on 11 November 2016, but never implemented as a result of the stated positions and of the discussions held between the PAT and the local authorities involved.

7.5 EQUITY INVESTMENTS MEASURED AT EQUITY AND OTHER COMPANIES

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

<i>(in thousands of Euro)</i>	AS AT 31 DECEMBER	
	2022	2021
Equity investments in associates	55,067	56,840
Equity investments in other companies	23,854	23,754
TOTAL EQUITY INVESTMENTS	78,921	80,594

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

Changes in equity investments in associates and other companies for the year ended 31 December 2022 and 2021 are shown hereunder:

(in thousands of Euro)

	% of share capital as at 31 December 2022	As at 1 January 2021	Acquisitions - Sales	Other changes	Revaluations	Write-downs	As at 31 December 2021	Acquisitions - Sales	Other changes	Write-downs, Revaluations, Adjustments	As at 31 December 2022
ASSOCIATES											
SF ENERGY	50.00%	26,518	-	-	-	(762)	25,756	-	-	(843)	24,913
IVI GNL	50.00%	518	-	-	-	(10)	508	-	-	(18)	490
NEOGY	50.00%	1,415	400	-	-	(1,359)	456	1,000	-	(1,456)	-
GIUDICARIE GAS	43.35%	1,391	-	-	-	26	1,417	-	-	-	1,417
EPQ	33.00%	-	12,843	-	-	(1,261)	11,582	-	-	(389)	11,193
RABBIES ENERGIA	31.02%	2,391	-	-	-	2	2,393	-	-	125	2,518
TECNODATA	25.00%	-	377	-	-	-	377	31	-	(35)	373
BIOENERGIA TRENTO	24.90%	1,705	-	-	-	(92)	1,613	-	-	(75)	1,538
MASOENERGIA	26.25%	1,564	-	-	-	(28)	1,536	-	-	(38)	1,498
AGS Riva del Garda	20.00%	10,270	-	-	-	479	10,749	-	-	(125)	10,624
SG ELETRICA BRASIL	20.00%	7	-	-	-	-	7	-	-	-	7
VERMIGLIANA	20.00%	457	-	-	-	(13)	444	-	-	30	474
RENEVABILITY	-	-	-	-	-	-	-	20	-	-	20
ENERGY_NET	20.00%	2	-	-	-	-	2	-	-	-	2
Lozen	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSOCIATES		46,238	13,620	-	-	(3,018)	56,840	1,051	-	(2,824)	55,067
OTHER COMPANIES											
PRIMIERO ENERGIA	19.94%	4,615	-	-	-	-	4,615	-	-	-	4,615
INIZIATIVE BRESCIANE	16.53%	17,660	-	-	-	-	17,660	-	-	-	17,660
BIO ENERGIA FIEMME	11.46%	785	-	-	-	-	785	-	-	-	785
CHERRYCHAIN	10.00%	300	-	-	-	-	300	-	-	-	300
C.LE TERMOEL. DEL MINCIO	5.00%	-	-	-	-	-	-	-	-	-	-
DISTR. TECNOL. TRENT. S. Cons.	1.77%	5	-	-	-	-	5	-	-	-	5
ISTITUTO ATEGINO SVILUPPO	0.32%	387	-	-	-	-	387	-	-	-	387
SPREENTECH	-	-	-	-	-	-	-	100	-	-	100
COOPERATIVA ENERGYLAND	-	1	-	-	-	-	1	-	-	-	1
CONS.ASSINDUSTRIA ENERGIA	-	1	-	-	-	-	1	-	-	-	1
TOTAL OTHER COMPANIES		23,754	-	-	-	-	23,754	100	-	-	23,854

Equity investments in associates were measured using the relative financial statements as at 31 December 2022 approved by the respective administrative bodies, with the exception of the equity investments in Giudicarie Gas, Rabbies Energia, Tecnodata, Bioenergia Trentino, Masoenergia, AGS Riva del Garda and Vermigliana for which the financial statements as at 31 December 2021 were used (the financial statements as at 31 December 2022 are not yet available).

The summary of economic and financial figures for joint ventures of the entity, as at 31 December 2022 and 2021, is shown hereunder:

<i>(Thousands of Euro)</i>	SUMMARY DATA AS AT 31.12.2022	
	SF Energy Srl 50%	Neogy srl 50%
Dividends received		
INCOME STATEMENT		
Revenue	16,678	4,424
GROSS OPERATING MARGIN	1,544	(2,149)
Amortisation, depreciation and write-downs	(1,063)	(830)
NET OPERATING RESULT	481	(2,979)
Interest income	11	-
Interest expense	(200)	(57)
Income taxes	(264)	(6)
PROFIT/(LOSS) FOR THE YEAR	28	(3,042)
STATEMENT OF FINANCIAL POSITION		
Total assets	31,659	9,670
Shareholders' Equity	18,995	(130)
Cash and cash equivalents	5,189	646
Current financial liabilities	50	(5,516)
Non-current financial liabilities	8,000	-
<i>(Thousands of Euro)</i>	SUMMARY DATA AS AT 31,12,2021	
	SF Energy Srl 50%	Neogy srl 50%
Dividends received		
INCOME STATEMENT		
Revenue	13,800	3,857
GROSS OPERATING MARGIN	1,314	(1,356)
Amortisation, depreciation and write-downs	(1,057)	(487)
NET OPERATING RESULT	257	(1,843)
Interest income	37	-
Interest expense	(112)	(32)
Income taxes	8	(21)
PROFIT/(LOSS) FOR THE YEAR	190	(1,896)
STATEMENT OF FINANCIAL POSITION		
Total assets	32,947	8,774
Shareholders' Equity	18,967	912
Cash and cash equivalents	14,421	754
Current financial liabilities	-	(4,500)
Non-current financial liabilities	-	-

ASSOCIATES AND JOINT VENTURES

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

SF ENERGY Srl – Bolzano. Fully paid-up Share Capital of 7,500,000 euro, represented by 7,500,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 50.00% of the Share Capital, equal to 3,750,000 shares with a nominal value of 3,750,000 euro. The company is the concession holder of the hydroelectric power plant of San Floriano (Egna) the valuation of the equity investment reflects expectations of significant future cash flows linked to the duration of the concessions.

NEOGY Srl – Bolzano. Fully paid-up Share Capital of 750,000 euro, represented by 750,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 50.00% of the Share Capital, equal to 375,000 shares with a nominal value of 375,000 euro. The company was established from the joint venture between Dolomiti Energia and Alperia in order to jointly promote electrical mobility and with the aim of organising a widespread recharging infrastructure in the territory to serve both private customers and companies. In this business expansion phase, during the year the company was recapitalised for 1,000 thousand euro. Analysing past losses and those of the current year, it was prudentially decided to fully write-down the residual value of the equity investment (1,456 thousand euro).

IVI GNL Srl – Santa Giusta Oristano. Fully paid-up Share Capital of 1,100,000 euro, represented by 1,100,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 50% of the Share Capital, equal to 550,000 shares with a nominal value of 550,000 euro. IVI GNL operates in the sector of gaseous fuels distribution and the construction of regasification and storage plants for liquid methane gas.

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

EPQ Srl - Trento. Share Capital of 100,000 euro fully paid-up, divided into 100,000 shares with a value of 1 euro each; Dolomiti Energia holds 33% of the Share Capital, equal to 33,000 shares and a nominal value of 33,000 euro. The investee operates in the field of energy management and transition.

TECNODATA TRENTINA Srl – Trento. Fully paid-up Share Capital of 12,560 euro, represented by 12,560 shares with a value of 1 euro each; Dolomiti Energia Holding holds 25% of the Share Capital, equal to 3,140 shares with a nominal value of 3,140 euro. In April 2022, the Shareholders' Meeting resolved to increase the Share Capital from 11,556 euro to 12,560 euro, fully subscribed by the shareholders. The company operates in the IT field of interconnection services.

BIOENERGIA TRENTINO Srl – San Michele All'Adige. Fully paid-up Share Capital of 3,000,000 euro, represented by 3,000,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 24.90% of the Share Capital, equal to 747,000 shares with a nominal value of 747,000 euro. The company was established with the aim of producing renewable energy by using biomass derived from waste.

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

areas.

RABBIES ENERGIA S.r.l. – Rabbi (TN). Fully paid-up Share Capital of 518,199.69 euro, divided up between the Shareholders Municipality of Malè, Municipality of Rabbi and Dolomiti Energia Hydro Power, which holds 31.02% of the Capital. The company produces hydroelectric energy.

MASO ENERGIA S.r.l. – Telve (TN). Fully paid-up Share Capital of 1,350,000 euro, divided up between the Shareholders Municipality of Malè, Municipality of Scurelle, Municipality of Telve, ACSM SpA and Dolomiti Energia Hydro Power, which holds 26.25% of the Capital. The company produces hydroelectric energy.

VERMIGLIANA S.r.l. – Ossana (TN). Fully paid-up Share Capital of 273,580 euro, divided up between the Shareholders Municipality of Ossana, Municipality of Vermiglio, Municipality of Pellizzano, Municipality of Pejo and Dolomiti Energia Hydro Power, which holds 20.00% of the Capital. The company produces hydroelectric energy.

OTHER COMPANIES

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

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

INIZIATIVE BRESCIANE S.p.A. – Breno (BS). Fully paid-up Share Capital of 26,018,840 euro, represented by 5,203,768 shares with a value of 5 euro each; Dolomiti Energia Holding holds 16.53% of the Share Capital, equal to 859,993 shares with a nominal value of 4,299,965 euro. The company operates in the production of electricity from renewable sources, managing over forty hydroelectric plants located in the provinces of Brescia, Bergamo, Cremona and Lucca.

SPREENTECH VENTURES Srl – Rovereto (TN). Fully paid-up Share Capital of 50,000 euro, represented by 50,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 12.05% of the Share Capital, equal to 6,024 shares with a nominal value of 6,024 euro. Established in April 2022, the company stems from a major Trento-based project of Polo Edilizia 4.0, with the task of constructing a state-of-the-art centre of excellence for the development of skills, offer of services and innovations to support businesses, managers and industries in the construction sector.

BIO ENERGIA FIEMME S.p.A. – Cavalese. Fully paid-up Share Capital of 7,058,964 euro, represented by 1,176,494 shares with a value of 6 euro each; Dolomiti Energia Holding holds 11.46% of the Share Capital, equal to 134,800 shares with a nominal value of 808,800 euro. The company operates in the district heating and circular energy fields, producing alternative energy and heat from fossil fuels, in addition to producing pellets from wood waste.

CHERRYCHAIN Srl – Pergine Valsugana. Fully paid-up Share Capital of 265,000 euro, represented by 265,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 10% of the Share Capital, equal to 26,500 shares with a nominal value of 26,500 euro. The company works in the ICT sector, mainly dealing with software development, digital identity management systems and regulatory compliance.

DISTRETTO TECNOLOGICO TRENINO Soc. Cons. a r.l. – Rovereto. Fully paid-up Share Capital of 201,000 euro, represented by 201,000 shares with a value of 1 euro each; Dolomiti Energia Holding holds 2.49% of the Share Capital, equal to 5,000 shares with a nominal value of 5,000 EURO. The company is committed to environmental sustainability.

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

7.6 NON-CURRENT FINANCIAL ASSETS

The item “Non-current financial assets” as at 31 December 2022 and 31 December 2021 is detailed as follows:

<i>(In thousands of Euro)</i>	AS AT 31 DECEMBER	
	2022	2021
Financial receivables from associates	4,000	4,000
Financial derivatives	6,635	-
Other	80	85
NON-CURRENT FINANCIAL ASSETS	10,715	4,085

The item “Non-current financial assets” includes the real estate fund Clesio (net carrying amount of zero as at 31 December 2022 and at the end of the previous year), with an original historical cost of 15,678 thousand euro, deriving from the subscription of 322 units of the Clesio real estate fund, of which 101 units received by way of dividend in kind from Urbin S.p.A. for 5,512 thousand euro in 2008 and 221 units purchased during 2011 for 10,166 thousand euro after the liquidation of the same company. In previous years, the Group decided to fully write down the residual amount of the units, on a prudential basis due to the very poor performance of the property market and the difficulty in liquidating the Fund units.

In 2021, the Group signed a long-term financing plan with and in favour of the investee SF Energy for a maximum financing amount of 15,000 thousand euro, with interest at market rates and payable in multiple instalments by 31 December 2026. The shareholder loan must be repaid no later than 31 December 2040, with the option of early repayment. As at year end, the Group disbursed tranches for a total of 4,000 thousand euro, unchanged compared to 31 December 2021.

The Group entered into derivative contracts (IRS) to hedge exposure to the fluctuations in cash flows deriving from the payment of instalments on a variable-rate loan. The fair value of derivatives as at 31 December 2022 was positive for 6,635 thousand euro (negative 5,833 thousand euro as at 31 December 2021), and is recognised among non-current financial assets as a balancing entry for a specific equity reserve.

7.7 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities as at 31 December 2022 and 31 December 2021 are broken down as follows:

(In thousands of Euro)

PREPAID TAXES	AS AT 31 DECEMBER	
	2022	2021
Fixed assets	38,751	39,439
Provision for write-downs	3,554	3,026
Production bonuses	1,202	1,124
Provisions for risks and charges	7,021	4,002
Fair value of derivatives	20,151	87,164
Non-deductible interest expense	936	937
Real estate fund write-down	3,763	3,763
Employee benefits	1,085	1,836
Other	388	515
TOTAL DEFERRED TAX ASSETS	76,851	141,806

(In thousands of Euro)

DEFERRED TAXES	AS AT 31 DECEMBER	
	2022	2021
Property, plant and equipment	126,052	126,069
Intangible assets	28,570	30,960
Goodwill	9,442	8,994
Provision for write-downs	57	57
Derivatives	19,821	30,968
Other	38	39
TOTAL DEFERRED TAXES	183,980	197,087

7.8 OTHER NON-CURRENT ASSETS

The item "Other non-current assets" as at 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	AS AT 31 DECEMBER	
	2022	2021
Prepayments and accrued income	1,265	1,410
Guarantee deposits	25,683	102,879
Other	2,659	1,134
TOTAL OTHER NON-CURRENT ASSETS	29,607	105,423

The item "other non-current assets" mainly includes guarantee deposits and, in particular, interest-free deposits paid as guarantee to the Energy Market Operator (GME) in order to operate in netting on the Italian Power Exchange (IPEX) and gas (MGAS) markets, on the Conti Energia forward platform and on the Daily Energy Products Market (MPEG) for 4,004 thousand euro (62,004 thousand euro as at 31 December 2021). During the year, the Group, which in 2021 had to increase the deposits set up with the GME for 54,000 thousand euro, was repaid deposits for a total of 58,000 thousand euro, returning to a value in line with 2020.

The balance also includes guarantee deposits on transactions carried out on the international stock markets for 5,652 thousand euro (22,203 thousand euro at the end of the previous year), a significant decrease compared to the balance at the end of 2021 following the reduction in commitments assumed and transactions carried out on these markets. This item, subject to continuous and systematic adjustments in relation to the volumes traded on the markets, led to reimbursements during the year of 248,301 thousand euro and payments of 231,750 thousand euro.

The balance at year end also includes, among other things, interest-free deposits in favour of SNAM Rete Gas for 4,540 thousand euro (5,100 thousand euro as at 31 December 2021), in favour of Terna Spa for a total of 9,029 thousand euro, paid in compliance with disciplinary provisions for the Capacity Market and for the dispatching service (10,967 thousand euro as at 31 December 2021), in addition to 500 thousand euro paid to Stogit Spa as a security deposit for the gas storage service (unchanged from the previous year).

7.9 INVENTORIES

The item "Inventories" as at 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	AS AT 31 DECEMBER	
	2022	2021
Raw materials, consumables and work in progress	78,694	33,708
Other inventories	2,381	1,816
TOTAL	81,075	35,524

Inventories of raw materials, equal to 78,694 thousand euro, include 30,735 thousand euro for the value of property, plant and equipment used mainly in construction of electricity, water and natural gas distribution networks and for contract work in progress (20,218 thousand euro as at 31 December 2021), increased by 10,517 thousand euro as a result of the company's strategic and operating policies.

They also include the value of stocks of natural gas and LNG in storage for 47,959 thousand euro (13,490 thousand euro at the end of the previous year). The change compared to the previous year reflects the company's strategic and operating policies; in particular, in 2022 all European countries, including Italy, established a forced storage filling programme during summer 2022 in order to cope with peaks in demand during winter 2022/2023. This led to a substantial increase in natural gas procurement prices which in August, in the last part of the storage injection phase, reached a record 232 euro/MWh. In addition, there was a very pronounced reduction in consumption in the second half of 2022, due both to the drop in industrial consumption as a result of the very high price recorded from August 2022 onwards, and to a particularly mild winter, especially in October and November, and the government's exceptional energy saving measures required of households to deal with the energy crisis.

The decrease in natural gas prices in the last quarter of 2022, also continuing in the first quarter of 2023, made it necessary to make a negative adjustment of 12,595 thousand euro to the natural gas stock as at 31 December 2022 to adjust the book value of the asset to its recoverable amount; the Group activated specific derivative contracts to hedge the fair value of the gas inventories, recognising a positive fair value of 12,595 thousand euro as at 31 December 2022. The adjustment of natural gas stocks to the recoverable value at the end of the year and the change in fair value of the related derivative contracts were recognised in the income statement under financial income and charges in application of the reference accounting standards.

The item "Other inventories" is instead related to the value of energy certificates (TEE, GO, CO2 units and VER certificates) traded on the market and not yet sold as at 31 December 2022.

7.10 TRADE RECEIVABLES

The item "Trade receivables" as at 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	AS AT 31 DECEMBER	
	2022	2021
Receivable from customers	662,575	519,410
Receivables from associates	44	12
Receivables from parent companies	102	34
Provision for write-downs	(20,009)	(17,505)
TOTAL	642,712	501,951

The item trade receivables, shown net of the related provision for write-downs, mainly includes receivables from customers and end users, relating to the sale price of goods and services offered by the Group. The balance shows strong growth compared to 31 December 2021, mainly due to the increase in the market prices of energy and gas.

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

The provision for write-downs recorded the following changes during the year:

<i>(in thousands of Euro)</i>	Provision for write-downs
AS AT 31 DECEMBER 2021	17,505
Allocations	7,042
Utilisations	(4,538)
AS AT 31 DECEMBER 2022	20,009

In December 2022, the Group arranged the factoring to third parties without recourse of trade receivables for a total of 26,839 thousand euro. The factoring of receivables not past due took place without notifying the related debtors, but with the transfer of all rights and risks to the factor, to which the Group guaranteed the existence and validity (but not the solvency) of the receivables. The Group therefore retained the contractual right to collect cash flows on these receivables from customers with, at the same time, the obligation of returning the amount collected to the factor.

7.11 RECEIVABLES FOR CURRENT TAXES

The item "Receivables for current taxes" as at 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	AS AT 31 DECEMBER	
	2022	2021
IRES	8,106	9,919
IRAP	1,211	1,628
TOTAL	9,317	11,547

The balance shown represents the excess of tax prepayments made by the Group with respect to the current tax payable accrued during the year.

7.12 CURRENT FINANCIAL ASSETS

The item "Current financial assets" as at 31 December 2022 and 2021 is broken down as follows:

<i>(In thousands of Euro)</i>	AS AT 31 DECEMBER	
	2022	2021
Loans to associates	3,932	2,438
Loans to others	39,128	295,811
Financial derivatives	684,651	1,221,945
Other receivables	218	243
CURRENT FINANCIAL ASSETS	727,929	1,520,437

The item "Other financial receivables", amounting to 39,128 thousand euro (295,811 thousand euro as at 31 December 2021), refers to the advance payment of the fair value of commodity derivative contracts entered into on regulated markets and with delivery in 2023/2024; the significant decrease compared to the previous year is due primarily to the decline in volumes traded on the international stock markets.

The item "Financial derivatives", equal to 685 million euro (1,222 million euro as at 31 December 2021) includes 59 million euro related to fair value as at 31 December 2022 of positive derivative contracts on commodities signed to hedge highly probable planned transactions and related to the purchase and sale of electricity and gas, and to hedge the fair value of natural gas stocks. The change in fair value of these derivatives to hedge cash flows, with an effective hedging relationship with the hedged item, were recorded in the special reserve in Shareholders' Equity (reserve for expected cash flow hedging transactions), less the related tax effect. The change in fair value of derivatives entered into to hedge the fair value of natural gas stocks, whose hedging relationship with the hedged item was effective, was recognised in the income statement for the year under financial income and charges.

The amount of 626 million euro is related to the fair value as at 31 December 2022 of positive derivative contracts on commodities that do not fulfil the eligibility requirements to be accounted for as hedging derivatives. The change in their fair value was recorded in the Income Statement for the year.

7.13 OTHER CURRENT ASSETS

The item "Other current assets" as at 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	AS AT 31 DECEMBER	
	2022	2021
Elect./gas tax credits	143	690
Group VAT credit	626	186
Other tax credits	2	574
Prepayments and accrued income	13,994	13,793
Ecobonus credits	-	2,033
Other receivables	1,875	1,499
Receivables from CSEA	23,832	15,941
Renewable source certificates	9,170	12,544
Advances/Deposits	2,362	9,723
Receivables from Social security institutions	93	125
Receivables from Public authorities for contributions	16	18
Receivables from Public authorities	205	205
TOTAL OTHER CURRENT ASSETS	52,319	57,330

The item "receivables from CSEA (Cassa per i Servizi Energetici e Ambientali)" mainly includes receivables for transport equalisation (distribution and measurement of electricity and gas) and network efficiency. It increased significantly compared to the end of the previous year due to the amount receivable for the equalisation of electricity procurement costs for the enhanced protection service market (6,375 thousand euro). Receivables for energy efficiency certificates (TEE) are also included in the item, down compared to 2021 due to the collections received from CSEA for the periods 2019/2021.

Contractual advances paid to suppliers for upcoming electricity purchases also decreased significantly compared to the previous year; the balance at the end of 2022 was at levels more in line with 2020, after experiencing strong growth at the end of 2021.

7.14 CASH AND CASH EQUIVALENTS

The item "Cash and cash equivalents" as at 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	AS AT 31 DECEMBER	
	2022	2021
Bank and postal current accounts	85,370	88,210
Cash on hand	6	6
TOTAL	85,376	88,216

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

7.15 SHAREHOLDERS' EQUITY

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

As at 31 December 2022, the Group's share capital amounted to 411,496,169 euro, and comprised 411,496,169 ordinary shares with a nominal value of 1.00 euro each.

As at 31 December 2022, the Dolomiti Energia Group held 26,369,875 treasury shares. In previous financial years, a number of Group companies released Assets under concession and Goodwill, applying the option envisaged in Italian Law Decree 104/2020, and the related equity reserves include 117,870 million euro which, if distributed, will qualify as taxable income pursuant to Article 13, paragraph 3 of Italian Law 323/2000.

7.16 PROVISIONS FOR CURRENT AND NON-CURRENT RISKS AND CHARGES

The item "Provisions for current risks and charges" amounted to 17,082 thousand euro as at 31 December 2022 and is broken down as follows:

<i>(in thousands of Euro)</i>	AS AT 31 DECEMBER	
	2022	2021
Provision for risks and charges	12,648	2,832
Provision for performance bonus	4,434	4,133
TOTAL PROVISION FOR CURRENT RISKS AND CHARGES	17,082	6,965

The provision for future risks and charges includes the estimated costs accrued for the year but which will become financially significant in 2023, of which the main costs (10,766 thousand euro) relate to the increase in risk situations in fixed price natural gas retail contracts. Provisions allocated in the year amounted to 11,466 thousand euro and uses totalled 1,650 thousand euro.

The provision for performance bonuses estimates the liability for employee performance bonuses, to be paid in 2023 on the basis of the final results relating to 2022. At the end of the previous year, a provision of 4,133 thousand euro had been estimated, used in full during the year and increased through an allocation of 4,434 thousand euro.

The item "Provisions for non-current risks and charges" amounted to 24,105 thousand euro as at 31 December 2022 and is broken down as follows:

<i>(in thousands of Euro)</i>	AS AT 31 DECEMBER	
	2022	2021
Provision for risks and charges	22,006	21,077
Provision for coverage of waste disposal charges	1,148	1,148
Pension fund	951	850
TOTAL PROVISIONS FOR NON-CURRENT RISKS AND CHARGES	24,105	23,075

PROVISIONS FOR RISKS AND CHARGES

The **provision for risks - plants**, of 7,387 thousand euro includes provisions made in previous years to cover the risk of charges resulting from the management of plants and adjoining areas (mainly referring to the costs of restoring the reservoirs managed by Hydro Dolomiti Energia Srl); 206 thousand euro was used during the year and the provision was increased by 1,188 thousand euro.

The **provision for charges - tax assessments** of 2,814 thousand euro refers to the amount allocated for Tax Authority disputes for 2019/2020, regarding the IRAP rate applied for 2014 and 2015.

The **provision for disputes and litigation** (95 thousand euro), intended to mainly cover potential liabilities that could derive from pending legal disputes or other litigation. During the year, the provision was used for 1,671 thousand euro.

IMU (property tax) provision of 8,873 thousand euro was established, in previous years, following subsequent reviews of how to calculate the property registry income of the property units used for special purposes, first by the Land Registry Service of the PAT and afterwards by the Territorial Agency (Circular 6/2012). Due to said changes, the Group received notices of assessment from the Land Registry Office concerning the calculation of the land registry income to attribute to the plants, and notices of assessment by the Municipalities concerning the higher tax (ICI/IMU) and relative sanctions and interest, determined on the income from said adjusted plants. The provision includes the estimate of the potential liabilities resulting from the above. During 2022, the IMU (property tax) provision changed due to allocations of 2,075 thousand euro and uses of 499 thousand euro.

Provision for facilitated energy - irrigation consortia, equal to 2,797 thousand euro - on 27 March 2012 a formal claim for damages was formulated to HDE, AEEG and CCSSE, and with letter of 23 September 2015, the formal claim for payment was formulated in favour of Consorzio di Bonifica Veronese of the facilitated tariff with reference to an annual quantity of 3 million kWh, for the period in which this amount had no longer been reimbursed by Cassa Conguaglio (Electricity compensation fund), i.e. from 2010 onwards, in addition to interests on arrears and ancillary costs until final settlement. The aforesaid deviation from the original convention agreed upon the assignment of the concession itself, which is now held by HDE (formerly Sima), envisaged an obligation to supply electricity free of charge in exchange of the equivalent further concession granted to the Consorzio di Bonifica Veronese (CUMA). This obligation was fulfilled directly by Enel until 2004 and was then transferred to Cassa Conguaglio per il Sistema Elettrico as general system charge, pursuant to resolution 148/04 of the Italian Regulatory Authority for Electricity Gas and Water (AEEG). With letter of 11 December 2015, HDE informed Consorzio di Bonifica Veronese that another legal case was in place (RG 258/2013) having as object matter the cancellation of the further renewal of the concession of the Consortium with Italian Decree GC No. 205/2013 of Verona and, therefore, the facilitated electricity supply would have been effective again only upon settlement of the dispute. The facilitated tariff for electricity supply was valued at the annual average value of electricity, published by AEEG, that defined an estimated cost from 2010 to 2022 of 2,797 thousand euro.

Other provisions for 40 thousand euro.

PROVISION FOR COVERAGE OF WASTE DISPOSAL CHARGES

Provision for coverage of waste disposal charges, equal to 1,148 thousand euro, was allocated in previous years to cover future expenses to be borne for the post-closure management of the landfill in Ischia Podetti, Municipality of Trento, which was then managed by the provider. Pursuant to Art. 102 quinquies of the Decree of the President of the Provincial Council No. 1-41/Italian Legisl. of 26 January 1987 (Consolidated provincial act on the safeguard of environment from pollution), as from 1 January 2014 the Trento Autonomous Province is entrusted with the management of landfills for urban waste, as well as their post-closure management. The Province has replaced the municipalities and the Municipality of Trento in all asset and liability transactions underway. Allocations made until this date by operators were left at the disposal of the same, to cover future charges related to the waste disposal service.

PENSION FUND

The provision for agents' leaving indemnities, equal to 951 thousand euro, was created in relation to the agency relation in place with its agents.

The changes in provisions for the years ended 31 December 2022 and 2021, are shown hereunder:

(in thousands of Euro)

	Provision for risks and charges	Provision for coverage of waste disposal charges	Pension fund
AS AT 31 DECEMBER 2020	22,286	1,235	700
Allocations	126	-	151
Utilisations	(1,335)	(87)	(1)
Releases	-	-	-
AS AT 31 DECEMBER 2021	21,077	1,148	850
Allocations	3,674	-	158
Utilisations	(1,275)	-	(57)
Releases	(1,470)	-	-
AS AT 31 DECEMBER 2022	22,006	1,148	951

Below is an update of the situation concerning the main outstanding disputes, against which no provisions for risks have been recognised, as they refer to cases lodged by the group or disputes for which the risk of an unfavourable outcome is deemed unlikely.

NOVARETI S.P.A. /ARERA – LOMBARDY REGIONAL ADMINISTRATIVE COURT - MILAN GEN. REG. NO. 2468/2017 (Decision No. 384/2017 and finding No. 139/2017)

The introductory appeal against ARERA before the Lombardy Regional Administrative Court is still pending and on 2 December 2022 a new petition for a hearing was filed. As things stand, the public hearing has not yet been scheduled.

NOVARETI S.P.A. /ARERA) – LOMBARDY REGIONAL ADMINISTRATIVE COURT - MILAN GEN. REG. NO. 84/2017 (Decision No. 219/2016)

By notice of extraordinary appeal to the President of the Republic on 26/11/2016 and filed with ARERA on 24/11/2016, a request was made for the partial overruling pursuant to Attachment A of decision No. 219/2016/A of 29 July 2016. Following the opposition filed by ARERA, the appeal was transposed to the courts before the Lombardy Regional Administrative Court. With decision-making decree no. 419/2022, the appeal was declared null and void.

NOVARETI S.P.A. /ARERA – LOMBARDY REGIONAL ADMINISTRATIVE COURT - MILAN GEN. REG. NO. 514/2020

On 24 February 2020, a notice of appeal was filed before the Lombardy Regional Administrative Court to overrule, not fully, but limited to certain profiles, the decision of 27 December 2019 570/2019/R/gas adopted by ARERA. As part of the same judgment, with an initial appeal on additional grounds, the Novareti Company requested the annulment of the two ARERA resolutions, No. 106/2020/r/gas and 107/2020/r/

gas in which the reference tariffs for gas distribution and measurement services for the years 2018 and 2019 are determined. With a second appeal for additional reasons, Novareti challenged ARERA resolution No. 117/2021/R/gas with which ARERA approved the final reference tariffs for gas distribution and metering services for 2020. With a third appeal for additional reasons, Novareti recently challenged resolution ARERA No. 350/2021/R/gas which, among other things, approved the final reference tariff for 2020 also for the town of Lavis managed by Novareti. With a fourth appeal for additional reasons, Novareti challenged ARERA resolution No. 154/2022/R/gas containing "Determination of the final reference tariffs for gas distribution and metering services for 2021. Amendments to the RTDG" and art. 33.3 of the RTDG as amended by art. 1.2 of ARERA resolution 154/2022/R/gas. With the fifth appeal for additional reasons, Novareti also challenged resolution 525/2022/R/gas (doc. 20) with which ARERA, to complete the regulations pursuant to art. 33.3. of the RTDG, has adopted provisions aimed at defining the application methods of the ceiling on the tariff recognition of investments in locations undergoing goodwill. With the sixth appeal for additional reasons, Novareti also challenged the ARERA resolution containing "Redetermination of reference tariffs for gas distribution and metering services for the years from 2009 to 2021", ARERA resolution 737/2022/R/gas "Interim update of the tariff regulation of gas distribution and metering services for the three-year period 2023-2025. Approval of the RTDG for the three-year period 2023-2025 and amendments to the standard network code for the gas distribution service" and as preliminary acts, ARERA resolution 406/2022/R/gas containing "Initiation of the procedure for the interim update of the RTDG" and DCO 571/2022/R/gas containing "Criteria for the interim update for the years 2023-2025 of the tariff regulation of gas distribution and metering services (RTDG)". The judgement is still pending on the merits and the hearing was scheduled for 05/04/2023.

NOVARETI S.P.A. / ARERA – LOMBARDY REGIONAL ADMINISTRATIVE COURT GEN. REG. NO. 7/2023

With an appeal filed on 23 December 2022, Novareti challenged Resolution 528/2022/R/gas because it involves the disapplication of Art. 114-ter of Italian Decree Law No. 34/2000 (Relaunch Decree), a regulation that imposes an obligation on the Authority to recognise full tariff coverage of investments for the enhancement or new construction of networks and plants in municipalities already methanised or to be methanised, for example in climate zone F and classified as mountain areas. The discussion hearing was set for 19 April 2023.

NOVARETI S.p.A / MUNICIPALITY OF LAVIS - TRENTO RISCOSSIONI - COURT OF TRENTO - GEN. REG. NO. 1959/2019

The Company issued a summons to file an appeal against tax payment order No. 20190000002 of 4 April 2019, with notice given on 19 April 2019, relating to the rent for the occupation of public property COSAP of the Municipality of Lavis. Following the first court hearing, the Judge granted the terms pursuant to Article 183, paragraph 6, Nos. 1, 2 and 3. The hearing for the definition of conclusions was held on 16 February 2022. Following this hearing, the Court adjourned the case for decision. At present, the ruling has not been filed.

NOVARETI S.P.A. /ARERA - CLARIFICATION OF 11.12.2020 - LOMBARDY - MILAN REGIONAL ADMINISTRATIVE COURT GEN. REG. NO. 298/2021

Proceedings brought by Novareti S.p.A. before the Regional Administrative Court for Lombardy to challenge the document entitled "Clarifications by the Authority on the subject of recognition of investments relating to the distribution service in area management" published on the institutional website - www.arera.it on 11.12.2020, as well as all connected, preliminary and consequent acts. The judgement was declared invalid with decision-making decree no. 451/2022

NOVARETI S.P.A. / Italian Ministry of Economic Development - LAZIO REGIONAL ADMINISTRATIVE COURT - GEN. REG. NO. 10742/2014

The initial appeal before the Regional Administrative Court of Lazio against the Ministerial Guidelines and the subsequent appeal on additional grounds against Italian Ministerial Decree No. 106/2015 are still pending and no public hearing has yet been set for the same. However, in view of several negative precedents that had arisen in the meantime, the company decided to abandon the dispute. With decision-making decree no. 9769/2022, the Regional Administrative Court declared lack of interest.

NOVARETI S.P.A./LAZIO REGIONAL ADMINISTRATIVE COURT-COGENERATION

The status of the appeals filed with the Regional Administrative Court of Lazio by the Company against decisions by GSE in relation to incentives connected with the production of energy from renewable or similar sources (green/white certificates) is currently as follows:

1. green certificates Rovereto "Tecnofin Area" cogeneration power plant - The appeal was upheld with a ruling by the Regional Administrative Court of Lazio, Extra Sect. III, 9 June 2020, No. 6259. The judgment has become *res judicata*, no appeal having been lodged with the Council of State within six months of publication;
2. white certificates Rovereto Industrial Area cogeneration power plant - Following GSE's rejection of the support scheme pursuant to the Italian Ministerial Decree of 5 September 2011, in a note dated 29 November 2013, GSE also rejected the incentive applications submitted by the Company in subsequent production years, prompting Novareti to appeal and file an appeal for additional grounds each year. The appeal and subsequent additional reasons presented by Novareti were accepted by judgment No. 12912 of the Lazio Regional Administrative Court, Extra Section III, of 14 December 2021. The judgment has become *res judicata*, no appeal having been lodged with the Council of State;
3. "Trentofrutta" cogeneration - In 2007, Novareti built a cogeneration unit at the Trento Frutta facility, Via De Gasperi 130, Trento, and managed it until 31/12/2017.

The Company obtained access to the "white certificate" support system from the GSE for each year from 2008 to 2013 and the assumption that the CAR plant would be recognised for each year from 2011 (the year in which said recognition was established in accordance with the above-mentioned Italian Ministerial Decree of 5 September 2011) to 2013. Following a control process on the plant in question, the GSE cancelled the access to the support system for the years 2008 and 2013 and the CAR recognition for the year 2013 and ordered the recovery of the previously issued white certificates. An appeal was filed against the order made by the GSE before the Lazio Regional Administrative Court since it was considered to be unlawful. During the disposal hearing of 20 January 2023, the Regional Administrative Court adjourned the case for decision. Novareti's appeal was rejected with decision No. 1797/2023, with the order to pay costs. The deadline for challenging the decision is still pending.

DOLOMITI ENERGIA S.P.A. - DOLOMITI ENERGIA TRADING S.P.A. / ACCISE PROVINCIALI 2010-2011

With regard to the dispute that certain customers brought against the subsidiaries Dolomiti Energia S.p.A. and Dolomiti Energia Trading S.p.A., related to the request for reimbursement of provincial excise duties paid in the 2010-2011 period, abrogated by the Government in 2012 because not compliant with Directive 2008/118/EC, given that the Companies have taken legal action against the claims; in the event of a negative outcome, the Companies will request reimbursement from the Tax Authority of any amounts to be returned to customers, as these are indirect taxes levied on them and paid in full to the Tax Authority, it was decided

not to allocate any provision during the year.

DOLOMITI ENERGIA S.P.A. / AGCM

The AGCM initiated proceedings in which it adopted a precautionary measure against the subsidiary Dolomiti Energia S.p.A. that provisionally suspends the implementation of new economic terms for the supply of electricity and gas following the contractual changes already communicated, but not yet applied and finalised as at 10 August 2022. The Company challenged the suspension measure adopted by the Authority before the Lazio Regional Administrative Court, also proposing a claim for precautionary suspension. By order published on 9 December 2022, the Regional Administrative Court, after noting that the case “requires adequate investigation of the merits”, set a very short deadline (22 February 2023) for the public hearing to discuss the merits, without however suspending the effectiveness of the contested measure. The Company therefore challenged the order of the Regional Administrative Court with an appeal before the Italian Council of State in order to insist on suspension of the AGCM measure pending the rapid judgement on the merits. The Italian Council of State, with order No. 75 of 13 January 2023, upheld the precautionary appeal proposed by the Company limited to the expiring/expired economic terms, instead postponing any further assessment relating to “finalisation” to the judgement on the merits of 22 February. The outcome of this hearing at the Lazio Regional Administrative Court is not known. In any case, the Company believes that it has adopted absolutely lawful commercial conduct, in a context of extreme uncertainty that has involved all operators, and therefore remains confident pending the ruling of the Regional Administrative Court and conclusion of the proceedings initiated by the Authority.

7.17 EMPLOYEE BENEFITS

The item “Employee benefits”, as at 31 December 2022, included 9,263 thousand euro related to the Provision for employee termination benefits and 4,002 thousand euro related to other employee benefits.

Other benefits include additional monthly wages for achieved age limits or for accrued right to pension, loyalty bonuses and golden medals for the achievement of determined age requirement in the company, discounts on the supply price of household electricity, limited to some former employees during pension.

Changes in the Provision for employee termination benefits and other employee benefits as at 31 December 2022 and 31 December 2021, are broken down as follows:

in thousands of Euro

	AS AT 31 DECEMBER 2022					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Energy discounts	Medals	Total
LIABILITIES AT BEGINNING OF THE YEAR	11,552	2,009	1,534	871	660	16,626
Current cost of service	55	-	-	-	-	55
Interest to be discounted	100	154	61	-	58	373
Benefits paid	(965)	(135)	(116)	(293)	(37)	(1,546)
Actuarial losses/(profits)	(1,196)	(336)	(343)	-	(94)	(1,969)
Losses (profits) at the time of repayment	-	-	-	-	-	-
Other changes	(283)	1	(14)	38	(16)	(274)
Change in consolidation area	-	-	-	-	-	-
LIABILITIES AT END OF THE YEAR	9,263	1,693	1,122	616	571	13,265

in thousands of Euro

	AS AT 31 DECEMBER 2021					
	Employee termination benefits	Loyalty bonuses	Additional monthly wages	Energy discounts	Medals	Total
LIABILITIES AT BEGINNING OF THE YEAR	12,628	1,998	1,597	1,334	650	18,207
Current cost of service	-	86	48	-	29	163
Interest to be discounted	90	78	36	-	27	231
Benefits paid	(773)	(113)	(149)	(350)	(36)	(1,421)
Actuarial losses/(profits)	115	(40)	(12)	-	19	82
Losses (profits) at the time of repayment	-	(3)	-	-	-	(3)
Other changes	(508)	3	14	(113)	(29)	(633)
Change in consolidation area	-	-	-	-	-	-
LIABILITIES AT END OF THE YEAR	11,552	2,009	1,534	871	660	16,626

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

	2022
Technical annual discount rate	3.77% – 3.63%
Annual inflation rate	5.9% for 2023; 2.3% for 2024; 2.0% for 2025
Annual rate of total compensation increase	6.9% for 2023; 3.3% for 2024; 3.0% for 2025
Rate of increase in employee termination benefits	5.9% for 2023; 3.2% for 2024; 3.0% for 2025

A sensitivity analysis, as at 31 December 2022, related to the main actuarial assumptions included in the calculation model is shown hereunder, considering the base line scenario described above and increasing and decreasing the annual average discount rate, the average inflation rate and the turnover rate. The results obtained can be summarised in the following table:

Sensitivity

(in thousands of Euro)

AS AT 31 DECEMBER 2022

	Discount rate +0,50%	Discount rate -0,50%	Inflation rate +0,25%	Inflation rate -0,25%	Turnover rate +2%	Turnover rate -2%
Employee termination benefits	8,920	9,625	9,364	9,164	9,325	9,245

7.18 FINANCIAL LIABILITIES (CURRENT AND NON-CURRENT)

The table hereunder shows current and non-current financial liabilities as at 31 December 2022 and 2021:

(in thousands of Euro)

AS AT 31 DECEMBER

	2022		2021	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Payables due to banks	118,989	522,903	564,353	181,250
Bond loans	2,107	114,949	3,357	114,938
Shareholder loans	-	-	3,200	-
Payables for derivative liabilities	644,403	54,875	1,283,573	149,074
Payables due to other lenders	2,532	6,060	2,046	7,115
TOTAL	768,030	698,787	1,856,529	452,378

Payables due to banks include three loans with the following characteristics:

- the loan disbursed in 2016 by the European Investment Bank (EIB) for a nominal 100,000 thousand euro, maturing in 2032 and with a residual value as at 31 December 2022 of 81,250 thousand euro (89,583 thousand euro at the end of the previous year). The contract envisages the payment of quarterly deferred floating rate instalments; to hedge interest rate risk, the Group has entered into IRS derivative contracts for a notional value of 100,000 thousand euro, the fair value of which as at 31 December 2022 was positive for 6,635 thousand euro (note 7.6);
- the loan disbursed in 2021 by the European Investment Bank (EIB) for a nominal 100,000 thousand euro, maturing in 2037 and with a residual value as at 31 December 2022 of 100,000 thousand euro (unchanged compared to the end of the previous year). The contract envisages the payment of quarterly deferred fixed-rate instalments, the first of which due on 30 June 2025 and the last on 31 March 2037;
- the loan disbursed on 28 December 2022 by a pool of banks for 350,000 thousand euro, maturing on 30 September 2025 and with a residual value as at 31 December 2022 of 349,986 thousand euro, determined in application of the amortised cost criterion. The contract envisages an initial grace period and then payment of quarterly deferred floating-rate instalments, the first of which due on 31 March 2024 and the last on 30 September 2025. The credit facility is backed by a guarantee given by SACE S.p.A. pursuant to the "Aiuti" Decree (Italian Law Decree no. 50 of 17 May 2022 as amended) for 80% of the amounts disbursed as principal plus interest and accessory charges. The guarantee charge for 2022 amounts to 12 thousand euro. In application of the provisions of the contractual agreements with the lending banks, the loan disbursed to the parent company Dolomiti Energia Holding SpA was used to support the working capital of Dolomiti Energia SpA.

The three loans indicated above envisage, as usual for financial transactions of this kind, a series of commitments borne by the Group ("Covenants") and a series of limitations on the possibility of carrying out certain transactions, if not in compliance with certain financial parameters or specific exceptions provided for in the respective contracts. Specifically, in fact, there are certain limitations on the assumption of financial debt, the carrying out of certain investments and disposals of assets and corporate activities. The anomalous and unpredictable market conditions that characterised the year 2022 (for which reference is made to the Management Report) did not allow the Group to fully comply with the covenants of the EIB loans. By the end of the 2022 financial year, the EIB granted Dolomiti Energia Holding SpA a specific "waiver" for the covenants as at 31 December 2022 and some financial covenants were also revised for the years 2023-2024 to adapt them to the changed market conditions, if the scenario that characterised the year 2022 should also be repeated in the coming months. With regard to the loan with SACE guarantee, the related covenants were fully respected. Payables due to banks also include payables for the disbursement of "hot money" for 40,000 thousand euro (556,000 thousand euro as at 31 December 2021).

BOND LOANS

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

change in the amount, reduced as from 10 August 2018 to 5,052 thousand euro. Lastly, on 27 July 2021 the amendment to the loan regulation was decided, envisaging the name change (Dolomiti Energia Holding Spa– Subordinato – tasso variabile 2010 – 2029) and determination of the new maturity date as 1 August 2029. This Bond Loan was listed on the regulated market of the Irish Stock Exchange (ISE).

On 27 February 2018 the subsidiary Dolomiti Energia listed a bond loan named “Dolomiti Energia SpA € 5,000,000 1.05 per cent Fixed Rate Notes due 2022” on the Irish regulated market (Irish Stock Exchange). The bond loan with a duration of 4 years, starting on 27 February 2018 and maturing on 10 August 2022, was repaid at par in 4 equal annual instalments, the last of which in 2022 for 1,250 thousand euro.

On 14 February 2018 the subsidiary SET listed a bond loan named “SET Distribuzione Tasso fisso 4.6 2006/2029” on the Irish regulated market (Irish Stock Exchange) for 110,000 thousand euro. The loan is backed by irrevocable first demand guarantee issued by the Trento Autonomous Province. The bond has a duration of 23 years as from 1 August 2006 and therefore until 1 August 2029, and shall be repaid at par in a single solution on the maturity date.

As at 31 December 2022 and 31 December 2021 the Group had the following bond loans in place, and the balance shown hereunder is the capital debt at year end:

<i>(in thousands of Euro)</i>									AS AT 31 DECEMBER 2022			
						Accounting balance						
	COMPANY	TAKING OUT	MATURITY	OPENING BALANCE	TOTAL	within 1 year	between 1 and 5 years	beyond 5 years				
Dolomiti Energia Holding SpA – Subordinato – tasso variabile 2010/2029	Dolomiti Energia Holding SpA	10-Feb-10	01-Aug-29	5,052	5,052	-	-	5,052				
SET distribuzione Tasso fisso 4.6 2006/2029	Set Distribuzione SpA	01-Aug-06	01-Aug-29	110,000	110,000	-	-	110,000				
					115,052	-	-	115,052				
<i>(in thousands of Euro)</i>									AS AT 31 DECEMBER 2021			
						Accounting balance						
	COMPANY	TAKING OUT	MATURITY	OPENING BALANCE	TOTAL	within 1 year	between 1 and 5 years	beyond 5 years				
Dolomiti Energia Holding SpA – Subordinato – tasso variabile 2010/2029	Dolomiti Energia Holding SpA	10-Feb-10	01-Aug-29	5,052	5,052	-	-	5,052				
Dolomiti Energia tasso fisso 2018/2022	Dolomiti Energia SpA	27-Feb-18	10-Aug-22	5,000	1,250	1,250	-	-				
SET distribuzione Tasso fisso 4.6 2006/2029	Set Distribuzione SpA	01-Aug-06	01-Aug-29	110,000	110,000	-	-	110,000				
TOTAL					116,302	1,250	-	115,052				

The shareholder loans referred to an interest bearing loan granted in 2016 by Findolomiti Energia Srl to the parent company originally for 3,400 thousand euro, 200 thousand euro of which was repaid in 2017 and the residual amount (3,200 thousand euro) in 2022.

The item derivative liabilities includes derivatives on commodities, equal to 699 million euro (1,427 million euro as at 31 December 2021), of which 33 million euro representing the fair value as at 31 December 2022

of negative derivative contracts on commodities, signed to hedge highly probable and planned transactions in relation to the purchase and sale of electricity and gas. These derivatives, with effective hedging relation with the hedged item, were recorded in the special reserve in Shareholders' Equity (reserve for expected cash flows of hedging transactions), less the related tax effect. The amount of 666 million euro is related to the fair value, as at 31 December 2022, of negative derivative contracts on commodities that do not fulfil the eligibility requirements to be accounted for as hedging derivatives. Their fair value was recorded in the Income Statement for the year.

The Group entered into derivative contracts (IRS) to hedge exposure to the fluctuations in cash flows deriving from the payment of instalments on a variable-rate loan. The fair value of derivatives as at 31 December 2021 was negative for 5,833 thousand euro (positive for 6,635 thousand euro as at 31 December 2022 – note 7.6).

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

(in thousands of Euro)

	as at 31.12.2021	New contracts	Refunds	as at 31.12.2022	of which current quota
Financial payables for buildings	5,094	666	(1,139)	4,621	1,252
Financial payables for other moveable assets	3,827	670	(1,217)	3,280	1,004
PAYABLES DUE TO OTHER LENDERS FOR LEASES AND RENTS	8,921	1,336	(2,356)	7,901	2,256

Below is a breakdown of the Group's net financial indebtedness as at 31 December 2022 and 2021, determined in accordance with the document published by ESMA on 4 March 2021 "Guidelines on disclosure obligations" pursuant to Regulation (EU) 2017/1129 (the Prospectus Regulation), the adoption of which was also recommended by CONSOB through "Warning Notice No. 5/21" of 29 April 2021.

(in thousands of Euro)	AS AT 31 DECEMBER	
	2022	2021
A. Cash	85,376	88,216
B. Cash equivalents	-	-
C. Other current financial assets	43,278	298,492
D. Cash and cash equivalents (A+B+C)	128,654	386,708
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(113,454)	(562,578)
F. Current portion of non-current financial debt	(10,174)	(10,379)
G. Current financial indebtedness (E+F)	(123,628)	(572,957)
H. Current net financial indebtedness (D+G)	5,026	(186,248)
I. Non-current financial debt (excluding the current portion and debt instruments)	(528,963)	(188,365)
J. Debt instruments	(114,949)	(114,938)
K. Trade payables and other non-current payables		
L. Non-current financial indebtedness (I+J+K)	(643,912)	(303,304)
M. Total financial indebtedness (H+L)	(638,886)	(489,552)

In line with practices adopted by other sector operators, the net financial indebtedness recorded in the above table does not include the fair value of derivatives.

7.19 OTHER LIABILITIES (CURRENT AND NON-CURRENT)

The items "Other non-current liabilities" and "Other current liabilities" as at 31 December 2022 and 2021 are broken down as follows:

(in thousands of Euro)	AS AT 31 DECEMBER	
	2022	2021
Accrued liabilities and deferred income	104,960	103,145
Guarantee deposits	7,625	6,311
TOTAL OTHER NON-CURRENT LIABILITIES	112,585	109,457

The accrued liabilities and deferred income are mainly due to grants for connections for natural gas (13,115 thousand euro) and for electricity connections (62,107 thousand euro) and for water service connections (8,626 thousand euro); grants for plants related to natural gas (4,109 thousand euro) and grants for plants related to the water service (7,923 thousand euro).

(in thousands of Euro)

	AS AT 31 DECEMBER	
	2022	2021
Social security and welfare payables	4,579	4,737
Accrued liabilities and deferred income	150	355
Tax on electricity/gas	5,040	6,502
Other taxes	31	65
IRPEF and VAT	2,927	2,480
Substitute tax	1,630	774
Other payables	13,906	4,834
RAI television fee	1,458	1,492
Payables to employees	3,024	2,872
Payable to PAT	368	455
Sewerage charge	3,687	4,087
TOTAL OTHER CURRENT LIABILITIES	36,801	28,654

The Group quantified the payable for charges accrued and not invoiced by the GSE as at 31 December 2022 at 7,683 thousand euro, in application of Art. 15-bis of Italian Decree Law 4/2022, which introduced to Italian law a two-way compensation mechanism on the price of electricity produced, among others, by plants with a capacity of more than 20 kW powered from hydroelectric sources. The payable is recorded under the item "Other payables".

The performance of other items included in other current liabilities follows the ordinary management dynamics of the various businesses.

7.20 TRADE PAYABLES

The item "Trade payables" includes amounts due for the supply of goods and services, and amounted to 353,077 thousand euro as at 31 December 2022 in line with that of the previous year (342,372 thousand euro as at 31 December 2021).

7.21 LIABILITIES FOR CURRENT TAXES

The item "Liabilities for current taxes", equal to 22,665 thousand euro as at 31 December 2022, refers to the debt position to Tax Authorities for current IRES and IRAP taxes for a total of 1,407 thousand euro (5,075 thousand euro as at 31 December 2021).

Tax payables also include 21,258 euro relating to the new "solidarity contribution" introduced by the 2023 Budget Law (please refer to the comments in the previous paragraph "Windfall measures"), the payment of which will be made in the first half of 2023.

<i>(in thousands of Euro)</i>	AS AT 31 DECEMBER	
	2022	2021
IRES	355	3,300
IRAP	1,052	1,775
WINDFALL	21,258	-
TOTAL	22,665	5,075

8. NOTES TO THE INCOME STATEMENT

8.1 REVENUE

The item "Revenue" for the years ended 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
Electricity revenue	2,424,992	1,644,572
Water resource revenue	23,588	21,409
Natural gas revenue	681,696	311,451
Heating revenue	11,819	7,645
Revenue from municipal waste services	31,230	28,463
Other revenue	66,165	47,934
Revenue from water treatment	1,597	646
TOTAL	3,241,087	2,062,118

The overall increase in the item "revenue" is mainly attributable to electricity and gas commodities. Revenue from their sale was positively influenced mainly by the considerable increase in sales prices that characterised 2022. Please refer to the Report on Operations for an in-depth analysis of the dynamics of commodity prices and a more complete understanding of the results achieved during the year by business line.

8.2 REVENUE AND COSTS FROM WORKS ON ASSETS UNDER CONCESSION

The item "Revenue and costs from works on assets under concession" for the years ended 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	FOR THE YEAR ENDED 31 DECEMBER			
	2022		2021	
	REVENUE	COSTS	REVENUE	COSTS
Electric grid	33,352	(32,537)	33,375	(32,599)
Gas network	24,357	(23,763)	21,388	(20,866)
Water network	9,192	(9,192)	8,686	(8,686)
TOTAL	66,901	(65,492)	63,449	(62,151)

This is the fair value of building services determined based on costs actually borne, added by a mark-up representing the best estimate on the remuneration of in-house costs for construction management and design activities carried out by the Group, equal to the mark-up that a general third-party constructor would ask to perform the same activity, as envisaged by IFRIC 12.

8.3 OTHER REVENUE AND INCOME

The item "Other revenue and income" for the years ended 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
Core contingent assets	21,370	30,224
Energy efficiency	4,050	2,329
Operating grants	2,258	6,899
Services to third parties	1,427	916
Gains from standard operations	175	769
Grants - plants	960	882
Revenue from plant management	752	920
Real estate income	1,129	1,101
Other revenue	13,604	7,107
TOTAL	45,724	51,148

The item other revenue and income mainly includes the income from energy efficiency certificates, the GRIN certificates, the applicable grants and the core non-recurring income, mainly from the adjustment of estimates from previous financial years, as well as adjustments of 2021 positive components attributable to the electricity commodity.

The item "energy efficiency", for 4,050 thousand euro, represents the value of the tariff contribution for energy efficiency projects or the market purchase of securities necessary to fulfil the mandatory primary energy saving scheme to which energy distributors are subject.

Among the core contingent assets for 2021, a contingent asset of 10,437 thousand euro was recognised as a result of the recalculation by ARERA of the quantities of energy efficiency certificates requested for 2020 (this recalculation had led to the simultaneous recognition in 2021 of a contingent liability for the same amount). Contingent assets realised in 2022 mainly include adjustments to end users for the electricity and gas commodities and referring to positive components of previous years; these are offset by contingent liabilities included in the item Costs for raw materials, consumables and merchandise.

8.4 COSTS FOR RAW MATERIALS, CONSUMABLES AND MERCHANDISE

The item "Raw materials, consumables and merchandise" for the years ended 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
Purchases of elect. raw materials	1,870,850	1,059,958
Purchases of gas raw materials	651,439	220,359
Purchases of inventories	17,642	4,933
Purchase of fuels and vehicle spare parts	1,488	1,247
Purchases of laboratory and chemicals	429	392
Changes in inventories of raw materials, consumables and merchandise	(53,645)	(7,382)
Energy certificates	18,153	18,251
Other purchases	5,648	5,363
Contingencies	11,361	1,328
TOTAL	2,523,365	1,304,448

The costs incurred for the purchase of electricity and gas commodities represent the main increase in the item compared to the previous year, as a result of the sharp increase in prices that affected the entire year under review. For a more in-depth analysis of market price trends, please refer to the review provided in the Report on Operations.

The item Contingent assets on purchases of raw materials includes the adjustments relating to the purchase of electricity and gas commodities for approximately 6 million euro, which are offset by the contingent assets included in the item Other revenue and income.

8.5 SERVICE COSTS

The item "Service costs" for the years ended 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
External maintenance services	44,194	32,172
Insurance, banking and financial services	6,253	5,513
Other services	21,187	16,940
Commercial services	235,265	346,153
General services	4,060	3,843
Financial statement certification	369	324
Board of Statutory Auditors	326	327
Directors	860	973
Miscellaneous costs	163	112
Rental expense	321	279
Rental fees	1,598	1,054
Easements	19	13
Service agreement charges	987	1,266
Business unit rental	547	562
Water diversion charges	109,942	91,739
Contingencies	1,597	2,121
TOTAL	427,686	503,393

The decrease in service costs is mainly attributable to the item "commercial services", which primarily includes electricity and gas transportation costs, which saw a further decrease compared to the previous year. In 2022, the costs related to the transport of energy commodities were strongly altered by manoeuvres carried out by the Authority to mitigate energy costs for end customers. In April 2022, the Authority introduced a new component (Resolution 148/2022/R/gas), the additional UG2, in effect a negative component of other general system charges. The negative value of this component increased during the year with consequent mitigation of the cost billed to end users, resulting in the elimination of system charges and the distribution cost in invoices relating to the gas transport service.

There was an increase in costs for "Water diversion fees", mainly due to costs relating to free energy pursuant to Art. 13, Italian Presidential Decree 670/1972, and also deriving from electricity price dynamics.

8.6 PERSONNEL COSTS

The item "Personnel costs" for the years ended 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
Wages and salaries	45,544	42,861
Social security costs	17,859	17,323
Employee termination benefits	3,682	3,506
Other costs	1,917	1,620
TOTAL	69,002	65,310

As at 31 December 2022, the Group had 1,424 employees.

The increase compared to the previous year largely depends on hires in 2021 and which for the first time in 2022 contributed with a full cost for the entire year.

8.7 AMORTISATION, DEPRECIATION, ALLOCATIONS, WRITE-DOWNS AND NET WRITE-BACKS (WRITE-DOWNS) OF RECEIVABLES

The item "Amortisation, depreciation, allocations and write-downs" for the years ended 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
Amortisation of intangible assets	15,435	15,815
Depreciation of property, plant and equipment	13,828	13,188
Amortisation of assets under concession	27,952	26,814
Amortisation of rights of use	2,225	2,191
Provisions for risks	11,177	1,956
TOTAL	70,617	59,964

Depreciation and amortisation in 2022 was slightly higher than in the previous year.

The item provisions for risks for the year of 11,177 thousand euro includes a provision of 10,766 thousand euro for estimated costs relating to the increase in risk situations in fixed-price natural gas retail contracts and 411 thousand euro in relation to the provision for facilitated energy to the irrigation consortia.

The item “Net write-backs (write-downs) of receivables” for the years ended 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
Write-down of receivables recognised to current assets	7,042	1,938
Credit losses	381	315
TOTAL	7,423	2,253

8.8 OTHER OPERATING COSTS

The item “Other operating costs” for the years ended 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
Energy efficiency charges	3,393	1,942
Core contingent liabilities	2,839	16,942
ICI (local property tax)	7,840	5,181
Miscellaneous costs	3,381	2,865
Municipal charges and agreements	1,914	1,821
Cts/social security fee	962	980
Other taxes	890	718
TOSAP/COSAP	14	9
Losses from standard operations	2,075	653
Other costs	49,739	3,951
TOTAL	73,046	35,063

The item “Energy efficiency charges”, equal to 3,393 thousand euro, represents the value for the purchase of energy efficiency certificates necessary to fulfil the obligation of primary energy savings for electricity and gas distributors.

The sharp increase in the item Other costs derives from the introduction of the windfall contribution pursuant to Art. 15-bis of Italian Decree Law 4/2022, amounting to 34,654 thousand euro, for details of which please refer to the comments in the paragraph “Windfall measures”. The item also includes Euro 12,310 thousand relating to differentials accrued on financial swap contracts entered into by the production companies to hedge the energy produced and sold in 2022, for which, however, the quantities of energy subject to hedging were higher than those actually produced.

8.9 RESULT OF EQUITY INVESTMENTS MEASURED AT EQUITY AND OTHER COMPANIES

The item "Result of equity investments measured at equity and other companies" for the years ended 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
Dividends and other income from other companies	2,009	1,827
Revaluations of equity investments	1,805	3,665
Write-downs of equity investments and securities	(2,432)	(4,940)
TOTAL	1,382	552

The dividends from other companies relate to the dividends of Primiero Energia, Iniziative Bresciane, Bio-Energia Fiemme and ISA.

The items revaluations and write-downs of equity investments and securities include primarily the valuation for the year of equity investments measured at equity.

8.10 FINANCIAL INCOME AND CHARGES

The items "Financial income" and "Financial charges" for the years ended 31 December 2022 and 2021 are broken down as follows:

<i>(in thousands of Euro)</i>	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
Financial income		
Financial income from associates	129	72
Financial income from other companies	797	615
Financial derivatives	-	455
TOTAL	926	1,142

<i>(in thousands of Euro)</i>	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
Financial charges		
Financial charges due to other companies	(9,447)	(7,696)
Right of use interest expense	(211)	(187)
Financial charges from discounting	(137)	(98)
Financial derivatives	(390)	-
Other	(8)	(6)
TOTAL	(10,193)	(7,987)

Income and expenses for financial derivatives were recognised by offsetting the positive Euro 1,138,012 thousand for the year 2022; Euro 2,015,572 thousand for the year 2021) and negative (Euro 1,138,402 thousand for the year 2022; Euro 2,015,117 for the year 2021) items to show the asset/liability contribution margin. The item Financial derivatives therefore includes the change in fair value, as at 31 December 2022, of derivative contracts on commodities that do not fulfil the requirements to be accounted for as hedging derivatives, in addition to differentials accrued and adjusted over the year for derivatives on commodities that are not eligible to be accounted for as hedging derivatives.

8.11 TAXES

The item "Taxes" for the years ended 31 December 2022 and 2021 is broken down as follows:

<i>(in thousands of Euro)</i>	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
Current taxes	34,998	43,107
Deferred taxes	(1,961)	(7,129)
Prepaid taxes	(2,547)	(27,989)
Taxes from prior years	82	975
Windfall	54,435	-
Contingent assets	(129)	-
TOTAL	84,878	8,964

The reconciliation between tax charge as per financial statements and theoretical tax charge is shown hereunder for the years ended 31 December 2022 and 2021:

(in thousands of Euro)

	FOR THE YEAR ENDED 31 DECEMBER			
	2022	%	2021	%
PROFIT BEFORE TAX	109,196		137,840	
Theoretical income taxes	26,207	24.0%	33,082	24.0%
IRES	43,186	39.5%	41,076	29.8%
IRAP	6,024	5.5%	5,307	3.9%
WINDFALL	54,435	49.9%		0.0%
Tax effect of permanent and other differences	(18,767)	(17.2%)	(37,419)	(27.1%)
TOTAL	84,878	77.7%	8,964	6.5%

The percentage of taxes compared to the gross profit for the year is heavily influenced by the legislative measures regarding the “windfalls”, amounting to a total of 54,435 thousand euro. With regard to the “Extraordinary contribution (Italian Decree Law 50/2022)” of 33,178 thousand euro and the “Solidarity contribution (Italian Law 197/2022)” of 21,257 thousand euro, please refer to the comments in the paragraph “Windfall measures”.

9. RELATED PARTY TRANSACTIONS

Related parties are defined as the parties that share with the Group the same controlling entity, the companies that directly or indirectly control it, are controlled or are subjected to joint control by the Parent Company, as well as companies in which the Parent Company holds an equity investment able to exercise a significant influence.

For the years ended 31 December 2022 and 2021, the main transactions with related parties concerned the following:

(in thousands of Euro)

	AS AT 31 DECEMBER									
	2022					2021				
	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	DIVIDENDS RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	DIVIDENDS RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES
SF Energy	575	4,050	-	686	-	702	4,048	-	680	-
TOTAL	575	4,050	-	686	-	702	4,048	-	680	-

(in thousands of Euro)

	AS AT 31 DECEMBER															
	2022						2021									
	REVENUE			PURCHASES			FINANCIAL INCOME	FINANCIAL CHARGES	REVENUE			PURCHASES			FINANCIAL INCOME	FINANCIAL CHARGES
Goods	Services	Other	Goods	Services	Other	Goods			Services	Other	Goods	Services	Other			
SF Energy	-	1,720	-	8,312	-	-	100	-	-	1,985	-	6,568	-	-	56	-
TOTAL	-	1,720	-	8,312	-	-	100	-	-	1,985	-	6,568	-	-	56	-

10. GUARANTEES AND COMMITMENTS

The Guarantees and commitments in favour and undertaken by the Group as at 31 December 2022 and 2021 are broken down as follows:

<i>(in thousands of Euro)</i>	AS AT 31 DECEMBER	
	2022	2021
Guarantees and commitments in favour of third parties		
Guarantees given to third parties	3,138	3,329
Pledges on shares provided by the company to third parties	3,356	3,302
Financial commitments in favour of third parties	1,598	1,598
TOTAL	8,092	8,229

<i>(in thousands of Euro)</i>	AS AT 31 DECEMBER	
	2022	2021
Guarantees received by third parties		
Guarantees received by third parties in favour of banks for loans	115,500	115,500
Usage of signature facilities to issue bank/insurance guarantee	188,401	102,086
TOTAL	303,901	217,586

Please note that against the Bond Loan issued by SET Distribuzione for a nominal amount of 110 million euro, the Autonomous Province of Trento issued a guarantee in favour of the bondholders for 115 million euro, unchanged compared to the previous year.

The unsecured facilities for the issue bank and insurance sureties refer to sureties issued by the banking/insurance system in favour of third parties and in the interest of the Dolomiti Energia Group.

11. FEES TO DIRECTORS AND STATUTORY AUDITORS

The fees to directors and statutory auditors of the Group, for the years ended 31 December 2022 and 2021 are broken down as follows:

<i>(in thousands of Euro)</i>	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
Board of Statutory Auditors	326	327
Directors	860	973
TOTAL	1,186	1,300

12. INDEPENDENT AUDITORS' FEES

The following table shows the remuneration received by the independent auditors PricewaterhouseCoopers S.p.A. for the auditing services of the financial statements for the Group companies and the consolidated financial statements for the years ended 31 December 2022 and 2021, as well as remuneration for other services rendered to companies:

<i>(in thousands of Euro)</i>	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
Statutory audit	270	253
Other audit services	65	96
TOTAL	335	349

13. TRANSPARENCY IN THE PUBLIC FUNDING SYSTEM

In application of Article 1, paragraphs 125 et seq. of Italian Law No. 124/2017 (annual market and competition law) as reformulated by Article 35 of Italian Decree Law No. 34/2019 (growth decree), published on the Official Gazette No. 100 of 30 April 2019, please refer to the Italian National Registry of State aid, section "Transparency" in order to view any funding, subsidies, benefits, contributions or aid, in money or in kind, that are not general and that are not of a payment or remuneration nature or for damages, actually disbursed by the public administrations and the parties described under Article 2-bis of Italian Legislative Decree No. 33/2013 in 2022.

14. MANAGEMENT AND COORDINATION ACTIVITIES

The Company is not subject to management and coordination by any Shareholder or any other legal entity.

15. SIGNIFICANT EVENTS OCCURRED AFTER YEAR END

No significant events after the reporting date of these financial statements are to be reported that have not been recognised and that would significantly change the equity, financial and economic representation of the 2022 financial statements.

Attachment A to the Consolidated Financial Statements

Consolidation area

(in Euro)

DOLOMITI ENERGIA HOLDING	type	Share capital euro	2022	consolidation method
DOLOMITI ENERGIA SOLUTIONS	srl	120,000	100.00%	Integral
NOVARETI	spa	28,500,000	100.00%	Integral
DOLOMITI AMBIENTE	srl	2,000,000	100.00%	Integral
DOLOMITI GNL	srl	600,000	100.00%	Integral
DOLOMITI ENERGIA HYDRO POWER	srl	100,000	100.00%	Integral
GASDOTTI ALPINI	srl	10,000	100.00%	Integral
DOLOMITI ENERGIA TRADING	spa	2,478,429	98.72%	Integral
DOLOMITI ENERGIA	spa	20,405,332	82.96%	Integral
SET DISTRIBUZIONE	spa	120,175,728	69.34%	Integral
DOLOMITI TRANSITION ASSET	srl	1,000,000	66.67%	Integral
DTC	scarl	10,000	57.00%	Integral
HDE	srl	3,000,000	60.00%	Integral
DEE	srl	5,000,000	51.00%	Integral
NEOGY	srl	750,000	50.00%	shareholders' equity
IVIGNL	srl	1,100,000	50.00%	shareholders' equity
SF ENERGY	srl	7,500,000	50.00%	shareholders' equity
GIUDICARIE GAS	spa	1,780,023	43.35%	shareholders' equity
EPQ	srl	100,000	33.00%	shareholders' equity
RABBIES ENERGIA	srl	518,120	31.02%	shareholders' equity
MASOENERGIA	srl	1,350,000	26.25%	shareholders' equity
TECNODATA	srl	12,560	25.00%	shareholders' equity
BIO ENERGIA TRENINO	srl	3,000,000	24.90%	shareholders' equity
AGS RIVA DEL GARDA	spa	23,234,016	20.00%	shareholders' equity
VERMIGLIANA	spa	273,580	20.00%	shareholders' equity

Rovereto, 29 March 2023

The Chairperson of the Board of Directors
Silvia Arlanch

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The undersigned Silvia Arlanch, Chairperson of the Board of Directors and Michele Pedrini, Head of the Administration Department of Dolomiti Energia Holding SpA, taking account of provisions set out by regulations in force, hereby certify the following:

- the adequacy in relation to the characteristics;
- the actual application of the administrative and accounting procedures for the formation of the consolidated financial statements during the period from 1 January 2022 to 31 December 2022.

No significant aspects emerged to this regard during the actual application of procedures or concerning any reference to the general standards used in drawing up the certification.

It is also certified that:

- the consolidated financial statements as at 31 December 2022:
 - a) have been prepared under the applicable international accounting standards endorsed by the European Union, pursuant to EC Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
 - b) agree with the balances shown in the books and accounting entries;
 - c) give a true and fair view of the equity, economic and financial position of the Issuer and all companies included in the consolidation.
- the Report on Operations includes a reliable analysis of performance and the results of operations, and of the general situation of the Issuer and all companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Rovereto, 29 March 2023

The Chairman
Silvia Arlanch

The Head of the Administration Department
Michele Pedrini

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENT





BOARD OF STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

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

Dear Shareholders,

The consolidated financial statements as at 31 December 2022 prepared by your Company's Directors comprise the Statement of Financial Position, Income Statement, Cash Flow Statement and Notes to the Financial Statements.

They have been made available to you and prepared in compliance with provisions of the Italian Civil Code.

The consolidated financial statements for the year ended 31 December 2022 were drafted according to the International Accounting Standards – IAS and the International Financial Reporting Standards – IFRS, issued by the International Accounting Standards Board (IASB), as well as to IFRIC and SIC interpretations, endorsed by the European Union pursuant to Regulation (EC) No. 1606/2002 in force at the reporting date.

The financial statements were prepared in compliance with Article 9, paragraph 3 of Italian Law Decree No. 38 of 28 February 2005, as amended.

In summary, in thousands of euro, the consolidated financial statements as at 31 December 2022 report profit for the year of 24,318 euro (including 8,710 euro pertaining to the Group), total assets of 3,471,402 euro and shareholders' equity of 1,241,025 euro (including 854,261 euro pertaining to the Group).

The measurements specifically concern:

- the scope of consolidation;
- the consolidation method;
- the reference date of the consolidated financial statements.

SCOPE OF CONSOLIDATION

This includes the financial statements of the parent company Dolomiti Energia Holding S.p.A. and those of its Subsidiaries:

- Dolomiti Energia Solutions S.r.l.
- Novareti S.p.A.
- Dolomiti Ambiente S.r.l.
- Dolomiti GNL S.r.l.

- Dolomiti Energia Hydro Power S.r.l.
- Gasdotti Alpini S.r.l.
- Dolomiti Energia Trading S.p.A.
- Dolomiti Energia S.p.A.
- SET Distribuzione S.p.A.
- Dolomiti Transition Assets S.r.l.
- Depurazione Trentino Centrale S.c.a.r.l.
- Hydro Dolomiti Energia S.r.l.
- Dolomiti Edison Energy S.r.l.
- Neogy S.r.l.
- IMI GNL S.r.l.
- SF Energy S.r.l.
- Giudicarie Gas S.p.A.
- EPQ S.r.l.
- Tecnodata S.r.l.
- Bio Energia Trentino S.r.l.
- Ags Riva del Garda S.p.A.

CONSOLIDATION METHOD

The consolidation criteria adopted are those indicated in the Notes to the Financial Statements, to which reference should be made.

Consolidation was performed using the line-by-line consolidation method for the following subsidiaries: Dolomiti Energia Solutions S.r.l., Novareti S.p.A., Dolomiti Ambiente S.r.l., Dolomiti GNL S.r.l., Dolomiti Energia Hydro Power S.r.l., Gasdotti Alpini S.r.l., Dolomiti Energia Trading S.p.A., Dolomiti Energia S.p.A., SET Distribuzione S.p.A., Dolomiti Transition Asset S.r.l., Depurazione Trentino Centrale S.c.a.r.l., Hydro Dolomiti Energia S.r.l. and Dolomiti Edison Energy S.r.l.

Consolidation instead took place with the equity method for the associates: Neogy S.r.l., IMI GNL S.r.l., SF Energy S.r.l., Giudicarie Gas S.p.A., EPQ S.r.l., Tecnodata S.r.l., Bio Energia Trentino S.r.l. and Ags Riva del Garda S.p.A.

REFERENCE DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Statutory Auditors has confirmed that the consolidated financial statements were prepared on the basis of draft financial statements as at 31 December 2022 of the consolidated companies, as approved by their respective Boards of Directors.

The independent auditor PricewaterhouseCoopers SpA has assessed the regular nature and correspondence of the consolidated financial position and income statement with accounting entries of the parent company and information submitted by subsidiaries included in the consolidation.

The information and clarification provided in the Notes to the Financial Statements, the Report on Operations and the contents of the consolidated financial statements are confirmed to be fair.

The Shareholders' Meeting need to take the consolidated financial statements and accompanying documents into consideration only for information purposes since they are not subject to approval.

Rovereto, 12 April 2023

The Board of Statutory Auditors

Mr. **Michele Iori**
Mr. **William Bonomi**
Mrs. **Maura Dalbosco**



Independent auditor's report

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

To the shareholders of Dolomiti Energia Holding SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dolomiti Energia Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

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

Key Audit Matters

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

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311



Key Audit Matters

Auditing procedures performed in response to key audit matters

Recoverability of the book value of property, plant and equipment related to hydroelectric concessions nearing expiry

Note 7.4 “Property, plant and equipment” of the explanatory notes to the consolidated financial statements as of 31 December 2022.

The item “Property, plant and equipment” of the Group’s consolidated financial statements as of 31 December 2022 includes Euro 831,6 million related to plants for the use of hydroelectric concessions, mainly located in the Autonomous Province of Trento.

Law 205 of 27 December 2017 (“2018 Budget Law”), the Law 160 of 27 December 2019 and subsequent provisions amended Article 13 of the Consolidated Law introduced by Presidential Decree no. 670 of 31 August 1972, prescribing that:

- the concessions of large diversions in the provinces of Trento and Bolzano, with expiration date prior to 31 December 2024, are extended *de jure* for the period useful to complete the public tendering procedures and in any case not beyond the aforesaid date;
- the concession-holder who, at its own expense, made investments related to “assets transferable for free”, shall be entitled to receive, at the expiry of the concession, an indemnity equal to the value of the part of the asset that has not been depreciated, determined according to criteria that have to be set forth in a provincial law.

Law 9 of 21 October 2020 of the Autonomous Province of Trento defined the indemnification criteria for “assets transferable for free”.

The Group depreciates its “assets transferable for free” in order to complete the related depreciation process within 31 December 2024, considering the necessary time reasonably expected to complete the public tendering procedures by the

Our audit procedures performed concerned the analysis and comprehension of the design and efficacy of relevant controls set up by management in order to guarantee the complete and accurate recognition of the non-current assets held.

We selected a sample of increases in property, plant and equipment related to hydroelectric plants during the year; we obtained the supporting documentation and verified their accurate recognition as well as their correct allocation to assets transferable for free or not for free.

We verified depreciation cost recognised in the year through recalculation.

We examined the Company’s management estimates of the cash flows expected in the period 2023-2024 from the cash generating units relating to the hydroelectric business.

We examined the appraisals commissioned by the Company’s management in 2019 and 2022 to a third party expert for the estimate of the presumed repayment value of assets that are not transferable for free, and verified the correspondence of the terminal values of the cash generating units with the values as per the appraisals.

We examined the impairment test, analysing the relating methodological correctness, the mathematical accuracy and, with the support of PwC network’s experts, the discount rate used; in addition, we verified the sensitivity analysis carried out by the directors in relation to the assumptions relevant to in



Key Audit Matters

grantor.

With reference to the assets related to the hydroelectric plants that are not transferable for free, the Group, already in the prior years, interrupted the depreciation whenever the book value of these assets was lower than the reimbursement value estimated by the directors for the outgoing concession-holder.

Even in the absence of impairment indicators, as of 31 December 2022 the Company's management has done a specific impairment test based on the discounted cash flow expected from the hydroelectric plants.

Considering the significance of the value of the hydroelectric plants, the development of the applicable national and provincial regulations, as well as the expiry of the main concessions currently held, the recoverability of the value of such plants represented a key matter for the audit of the consolidated financial statements.

Auditing procedures performed in response to key audit matters

order to identify the existence of any impairment of the hydroelectric plants.

Finally, we verified the adequacy and the completeness of the information included in the explanatory notes.

Capital expenditure for the development and operation of the grids

Note 2.5 "Measurement criteria" item "Assets in concession" to the consolidated financial statements as of 31 December 2022.

Capital expenditure for the year relating to the Assets in concession related to the development and operation of the distribution grids for electricity and gas amounts to Euro 59 million.

Revenue from distribution activities of electricity and gas is determined each year on the basis of specific tariff and regulatory measures set down by Italian Regulatory Authority for Energy, Networks and Environment (*Autorità di Regolazione per l'Energia Reti e Ambiente - AREGA*), which are based on a pre-established return on capital invested, plus amortisation and depreciation and operating costs recognised.

We analysed, understood and evaluated the internal control system concerning the capital expenditure.

We identified and validated the operation and efficacy of the relevant manual and automated controls of such process.

We assessed that the capitalisation of costs complied with the international accounting standards.

We also performed substantive procedures analysing, on a sample basis, the supporting documentation of capitalised costs in order to



Key Audit Matters

Considering the magnitude and the high number of transactions, the capitalization of costs for the operation and development of the distribution grids for electricity and gas represented a key audit matter.

Auditing procedures performed in response to key audit matters

verify that these costs were accurate, complete and pertaining to the reporting period.

Accuracy of revenue from the sale of electricity and gas to end-users

Note 2.5 “Measurement criteria” item “Revenue recognition” of the explanatory notes to the consolidated financial statements at 31 December 2022.

Revenue from the sale of electricity and gas realised by the Group in the year ended 31 December 2022 derives for 64,9% from end-users. The value of these revenues is calculated on the basis of the contract conditions set down with end customers and according to the specific tariff and regulatory provisions established by the AREGA.

The recognition of revenue from the sale of electricity and gas to end-users is considered as a key audit matter given the complexity of the billing system marked by a high number of end customers and a high volume of data to be processed, with a combination of diversified tariffs and price components.

We analysed, obtained an understanding and assessed the Group’s internal control system related to the recognition of revenues from the sale of electricity and gas, also through the support of our PwC network IT and system assurance process experts.

We identified and validated the operation and efficacy of relevant controls by performing compliance testing on the relevant controls put in place by the Group.

Furthermore, for a sample of bills to end customers, we carried out validity procedures in order to ascertain consumption data included in these bills, the correct application of the contract conditions with customers and the collection of the amounts billed.

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

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



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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

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

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

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

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

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

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

Report on Compliance with other Laws and Regulations

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

The directors of Dolomiti Energia Holding SpA are responsible for preparing a report on operations of Dolomiti Energia Group as of 31 December 2022, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of Dolomiti Energia Group as of 31 December 2022 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.



In our opinion, the report on operations mentioned above is consistent with the consolidated financial statements of Dolomiti Energia Group as of 31 December 2022 and is prepared in compliance with the law.

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

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Dolomiti Energia Holding SpA is responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that management approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by another auditor.

Verona, 12 April 2023

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.

