
ALTO GARDA SERVIZI S.p.A.

Registered Office: Via Ardaro, 27 38066 Riva del Garda, Province of Trento, Italy
Trento Company Register No. Tax Code and VAT No. 01581060223
Share capital Euro 23,234,016.00, fully paid-up
Closing date 31 December 2100
Management and coordination by the Municipality of Riva del Garda

Draft Financial Statements at 31.12.2021

24th FY

Corporate bodies

Board of Directors

| | |
|----------|-----------------------|
| Chair | Andrea Mora |
| Director | Manuela La Via |
| Director | Lara Marcabruni |
| Director | Massimo De Alessandri |
| Director | Fabrizio Veneri |

Board of Statutory Auditors / Internal Control Committee

| | |
|------------------|----------------------|
| Chair | Michela Zambotti |
| Standing Auditor | Rodolfo Marcolini |
| Standing Auditor | Francesco Dalla Sega |

Independent Auditors

BDO Italia S.p.A.

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Letter to Shareholders

Shareholders,

In 2021, despite the negative economic and social impact of the COVID-19 pandemic, particularly during the first few months of the year, the Company managed to achieve an excellent result in terms of net profit of Euro 3.09 million.

This result for AGS was achieved thanks to the investments made in previous years, demonstrating how fundamental it is to take a long-term view. With this in mind, the commitment to improve the territory in terms of structure, quality and efficiency of the services provided and in the infrastructure owned by the territory was continued through investments of around Euro 1.8 million.

In 2021, the construction of the methane gas distribution network continued in the town of Pietramurata, in the Municipality of Dro, which saw the first connections in August. The works will continue with a positive effect both directly on the activities and housing provided and indirectly on the local economy in terms of knock-on effect.

During this period, your Company continued to reorganise itself in line with the AGS Business Plan, and the strategic district heating business area was strengthened at an extra-territorial level through the acquisition of 22.95% of the shares in B.E.L. Coredo S.p.A.. In addition to this, the existence of the network will allow the laying of fibre optic cables, thus enabling the development of the local industry and society. This is an operation that, from a strategic point of view, allows your Company to transfer know-how and combine it with a territorial diversification in order to better face the challenges of a changing market, especially in the development of a circular economy and energy efficiency.

AGS is constantly looking for opportunities in its field in order to make the most of its internal resources and to be able to offer its customers an adequate and competitive service, keeping pace with the market's demands and the opportunities that take shape. Being able to intercept and implement projects with considerable digital, technological and innovative value will allow the company not to be forced to be subject to the dictates of aggregation or mandatory impoverishment arising from the regulations issued and enacted.

The regulations in both the electricity and gas management sectors drive the creation of larger companies and favour national over than local organisations. We are convinced of the need to be a company that serves its community, that invests in maintaining its autonomy but with an openness to new services and new opportunities, so as to be an aggregator of excellence in the community rather than being aggregated and becoming a mere holding company of businesses managed by others.

The results achieved in 2021 combined with a solid financial structure make it possible to propose this year the distribution of a dividend of Euro 1.40 per share, which will largely benefit the community of Alto Garda and Ledro.

The performance of operations, both economic and financial, for FY 2022 will be conditioned on the one hand by the phasing out of restrictions due to the pandemic emergency, and on the other hand by the increase in the price index, particularly for commodities. The 2022 budget, approved by the Board of Directors, envisages a recovery in sales and EBITDA to close to pre-Covid levels, and at the same time an increase in costs due to exogenous factors. In spite of these aspects, the year will end with a profit and the generation of a solid cash flow.

In stressing how your Company is an important resource for the community in which it operates, I would also like to thank, personally and behalf of the Board, all AGS employees, whose commitment, competence and willingness to get involved, growing both professionally and humanly, have allowed and will allow our Company to face the challenges that will arise and to achieve further satisfaction in the near future.

Finally, together with the Board of Directors, I would like to express my thanks to the Board of Statutory Auditors, to the Independent Auditors and to you, the Shareholders, for the trust and positive support, with the firm hope that this will continue for the future as well.

Chair

Andrea Mora

REPORT ON OPERATIONS

After an uncertain start to the year, thanks to the large-scale launch of vaccination campaigns, 2021 was characterised by a good recovery of the world economy, driven by a pick-up in consumption and international trade. However, the recovery, which was overshadowed by the sharp spike in the number of infections recorded at the end of the year following the spread of the Omicron variant, did not appear uniform worldwide: all the major economies seem to have left behind the darkest periods from an economic and social point of view. 2021 was also the year of the return of inflation, such as the one that has characterised the global economic environment in recent months, and an insufficient supply to meet it, resulting at least in part from the adoption of new restrictive measures to contain the spread of the virus that led to bottlenecks in supply chains, generated supply inflation. Inflation is most pronounced in the US (where it reached almost 7% in November) and in non-Asian emerging countries; in Europe and Asia it appears more subdued, but still growing. On the commodity front, it is demand from China, and the Asian market in general, that has played a crucial role in determining the peaks reached by gas prices in Europe in 2021, with repercussions on electricity prices. It is a different story for oil and other commodities: the latter saw their aggregate international price indices drop towards the end of the year compared to the peaks of the summer months, suggesting a gradual reduction in inflationary momentum during 2022. As for oil, the appearance of the Omicron variant has fuelled fears of new roadblocks and, therefore, fears of a new drop in fuel consumption. The price of Brent crude thus went from a monthly average of USD 84 per barrel in October to USD 79 in December 2021. Perspectively, on the demand side, in advanced countries with greater vaccination coverage the recrudescence of the virus and/or the emergence of new variants could have limited effects on the extent of the same (including that of services) thanks to consumers' perception of a more contained risk to health, consequent to the spread of vaccines; on the supply side, the introduction of new restrictions, consequent to the recrudescence of the pandemic, could again exacerbate the scarcity of raw materials and intermediate products, slowing down the normalisation of world production processes. All this leads us to confirm the high uncertainty in the economic environment as well as the expected volatility of commodity prices during 2022. On the GDP front, once the rebound effect, which will grow world GDP by 5.8% in 2021, has worn off, the pace of business cycle expansion is expected to slow down in 2022. The slowdown will affect both industrialised and emerging countries, including China.

The Omicron variant constitutes the greatest element of uncertainty for domestic demand, characterised by moderate growth in consumption and very moderate growth in investment;

the contribution of foreign demand is negative. As for Italy, 2021, in particular, was a good year for its economy, estimated, as seen, to grow by 6.3%. Significant recoveries were recorded in household spending, especially in services, after the end of the lockdown and the start of the tourist season; investment in capital goods showed excellent momentum and has now recovered its pre-crisis levels; investment in construction is also on the rise, albeit slower than the very strong post-lockdown recovery triggered by tax incentives for building renovation. Exports improved markedly, despite the persisting difficulties in international supply chains, from which the Italian manufacturing industry is, however, less affected than its main competitors, since Italy has few large 'mass' productions, vulnerable to supply disruptions, and instead has many niche productions, made 'to order'. A certain degree of uncertainty for the near future is dictated by the flare-up of contagions and an inflationary drive that is manifesting itself more persistently than expected. Indeed, the Omicron variant is fuelling fears about the need to introduce new restrictions on sociality and economic activity. However, it should be noted that Italy presents itself as one of the countries best positioned to deal with the new variant of the virus, thanks to the high vaccination rates of the population, the diligent start of the campaign for the administration of the third dose and the vaccination of children and, above all, thanks to the now consolidated use of the green pass. As for inflation, which reappeared on the economic scene after almost 20 years, since it is a price increase triggered by a shortage of supply (and not by excess demand), monetary policies can have little influence: the post-lockdown restart of demand has encountered bottlenecks in supply chains, so that the prices of many semi-finished goods, influenced by the lack or non-availability of these goods, have driven up production costs. At present, these increases are still mainly absorbed by manufacturers who prefer to prioritise customer relations and invest in quality, but this cannot continue indefinitely: if the situation in supply chains returns to normal by next summer, the damage to the recovery caused by inflationary pressures will be contained and companies will be able to benefit from the improvement in global demand; if not, the economic recovery may be jeopardised. The solidity of the recovery will also be affected by the speed with which households regain confidence and restore their propensity to consume to pre-crisis levels: during and immediately after the lockdown, the propensity to save had in fact increased a great deal and, although this phenomenon is now easing, it is still a long way from pre-crisis levels. However, the recovery of the propensity to consume will be supported by a tax policy that will remain expansionary, despite the future removal of most of the exceptional incentives put in place to cushion the costs of the pandemic. Thanks to a better-than-expected improvement in public accounts, the Draghi government has in fact opted to support growth, postponing the consolidation of

accounts to the years after 2024 and aiming for a return of the debt/GDP ratio to pre-crisis levels by 2030 (after the increase of more than 20 percentage points in 2020). Moreover, it should not be forgotten that Italy is among the largest beneficiaries of the funds made available by the Next Generation EU programme and the use it will make of them will be decisive in directing growth not only from now until 2026 (the plan's period of validity), but also beyond, to the extent that our country will be able to fully exploit the potential of the PNRR, with long-awaited reforms of bureaucracy, justice, education, and with public investments aimed at innovation and the ecological and digital transition.

The increase in list prices from 2020 levels took place against a backdrop of a recovery in the global economy, with oil consumption rising faster than supply, favouring a gradual rebalancing of the market. The development of the pandemic and the impact on the demand outlook for petroleum products were the main factors influencing price developments during 2021, which were characterised by high uncertainty and volatility. Since the start of the year, prices have shown a predominantly upward trend, with the advance of mass vaccination consolidating the price recovery initiated in the last months of 2020. The gradual easing of mobility restrictions supported the recovery of consumption and fostered a robust economic recovery in the world's major economies. On the supply side, the discipline of the OPEC+ alliance countries in sticking to the agreement on production cuts, signed in April 2020, and the decision to flexibly review production levels through monthly meetings to cope with the uncertainty caused by the pandemic were further bullish elements. In particular, the unilateral decision by Saudi Arabia - the main producer in the OPEC+ alliance - to introduce temporary additional voluntary cuts of one million barrels/day from February to April accelerated the phasing out of the oversupply created in 2020. Since May, OPEC+ has agreed to gradually increase production, with the aim of balancing supply and demand in the global market. Since August, the producing countries agreed to increase their monthly supply by a total of 400 thousand barrels/day, but the actual increase turned out to be lower, given the difficulties of some producing countries due to the lack of adequate investments in the past years. Brent prices showed strong increases between September and October, driven by disruptions to US crude oil production as a result of the passage of a series of hurricanes, as well as increases observed in the entire energy sector. In particular, higher gas prices supported the prospects of further increases in oil demand in the winter season, due to the increased competitiveness of oil products for thermoelectric generation. In this context, OPEC+ confirmed its plan to gradually increase production, resisting pressure from major consuming countries to implement larger increases. Prices thus reached seven-year highs at the end of October. In the last two months of 2021, Brent prices showed a

downward movement, initially driven by the release of strategic oil reserves by the US and relevant Asian consuming countries. Subsequently, since the end of November, the declines have intensified following the discovery of the new Omicron variant of COVID-19. The rapid spread of Omicron and the uncertainty of its impact on oil demand and economic activities, with several countries reintroducing more restrictions to counter its spread, caused the drop in prices. The price of crude oil in Euro followed the annual trend of that in Dollar, showing a slightly smaller rise due to the appreciation of the single currency compared to the previous year. The average price in 2021 was 59.9 Euro/bbl, up 58.2% compared with the average for 2020.

The robust recovery of economic activities from the impacts of the pandemic and the increased use of coal-fired thermoelectric generation, given the tensions on the gas system, offered further support to prices. The market for CO2 emission permits also attracted the interest of speculative operators, a factor that played an important role in the price dynamics observed in 2021.

Gross electricity demand in FY 2021 shows an increase compared to the previous year, characterised by lower consumption as a result of the pandemic environment despite the uncertain end-of-year conditions characterised by high price volatility and a worsening pandemic environment. Total electricity consumption stood at about 318.1 TWh, up 5.1% (15.3 TWh) from FY 2020. In terms of net generation, in 2021 the contribution of domestic production also increased by 1.8% on 2020, or by around 5 TWh. Looking at the contribution by source, the only ones showing an improvement are thermoelectric production, which increased in absolute terms by about 5.4 TWh (3%), and wind power, which gained about 2.1 TWh (11.2%), thanks mainly to the good windy weather in the last quarter of the year. The remaining renewable sources, on the other hand, showed a negative performance, with solar declining by 0.4 TWh (-1.9%) due to lower irradiation in April and in the fourth quarter, and hydroelectric sources dropping by 1.7 TWh (-3.5%) due to lower production at the end of the year, with the reservoir coefficient settling at an all-time low. Overall, national production, net of pumping, met 86.7% of demand, down on last year's 89.5%, due to the greater exports abroad. In 2021, the net foreign balance shows an increase over 2020 of approximately 10.6 TWh (+32.9%). In the fourth quarter of 2021, total energy consumption in Italian territory drawn from the grid amounted to approximately 80.2 TWh, up by around 2.5 TWh (3.3%) compared with the same period of 2020. As far as the contribution by source is concerned, thermoelectric production increased by 6.7 TWh (+14.8%), partially offsetting the lower contribution from abroad, which fell by 2.9 TWh (-25.3%), and hydroelectric sources reduced their contribution by 2.4 TWh (-21.2%). The

remaining renewable energy sources essentially showed the same picture as during the course of the year, with wind power increasing (+32.9%), thanks to increased windiness, and solar power contracting (-3.7%) due to lower irradiation in November and December. In overall terms, the contribution of domestic production during Q4 is expected, net of pumping, to be around 89.3% of demand, up from 85.2% in 2020. With reference to the pricing scenario, at 31 December 2021, the 2021 average PUN stood at 125.5 Euro/MWh, an increase of 222.4% compared to the previous year (38.9 Euro/MWh). This significant price increase is part of a common European context of recovery of the economy from the impacts of the COVID-19 pandemic, which significantly characterised 2020, and of a strengthening of thermoelectric generation costs (fuels, CO2 permits), albeit in a context of severe volatility and uncertainty about developments in the coming months. Analysing the monthly trend of the PUN during 2021, it can be observed that the level is constantly above that of 2020, with a major rise in differences starting from the second quarter of the year. The similar upward trend was observed on commodities and EUA permits, which reached record highs. The increase in electricity demand, following the aforementioned economic recovery, and the weaker renewable supply supported the appreciation of the PUN.

In the last quarter of the year, however, critical issues that emerged in the French nuclear generation park led to a reduction in net imports from the north in a context of reduced water resources, favouring a wider use of domestic thermoelectric production, already characterised by high generation costs. As a result, the average PUN for the last three months of the year was 241.8 Euro/MWh, an increase of 395.6% year-on-year. In December, the PUN repeatedly updated its historical highs, touching 437.9 Euro/MWh on 22 December, and standing at a monthly average of 281.2 Euro/MWh (+420.5% year-on-year)

Natural gas withdrawals in Italy in 2021 showed an overall increase compared to the previous year, characterised by lower consumption as a result of the pandemic context, recording a total consumption of approximately 76.2 billion cubic metres (+7.8%), despite the manifestation of highly uncertain conditions at the end of the year marked by a worsening of the pandemic situation and strong volatility in energy prices, the effects and repercussions of which could continue into the current year. The residential sector, which is typically more sensitive to climate trends, recorded the largest increase due to a return to normal winter temperatures at the beginning of the year and at the end of the year, consuming a total of just over 30 billion cubic metres, around 3 billion more than in 2020 (+10.2%). As far as the industrial sector is concerned, there was an increase in consumption of about 1.1 billion cubic metres (6.4%) compared to the previous year, in which some production sectors suffered slowdowns due to the general

pandemic context that saw the adoption of precautionary emergency measures. In total, industrial uses ended the year with approximately 17.6 billion cubic metres.

Finally, gas consumption in thermoelectric generation recovered the drop observed in 2020, to around 26 billion cubic metres, mainly due to the drop in net energy imports during the fourth quarter, which required a greater contribution from thermoelectric generation to cover national electricity needs. During the fourth quarter, natural gas consumption showed a substantial improvement over the same period of the previous year, with a total withdrawn of about 23 billion cubic metres (+8.9%), collecting about 1.8 billion cubic metres more than in 2020, mainly due to higher withdrawals from thermoelectric (+1.1 billion), for the reasons mentioned above, and colder weather in the civil sector, which increased consumption for heating (+0.7 billion cubic metres). Consumption in the industrial segment remained unchanged at 4.4 billion cubic metres. As far as supply sources are concerned, in 2021 the contribution of the new TAP pipeline, which came into operation on 31 December 2020, should be noted, which in total injected more than 7 billion cubic metres of gas into the Italian network. At an overall level in 2021, the sources of supply were domestic production, down by 0.7 billion cubic metres (-19% vs 2020); • gas imports up by 5.7 billion cubic metres (+9% vs 2020); • a balance in storage in supply of about 1.5 billion cubic metres.

COMPANY ACTIVITIES

First of all, it should be noted that starting with the 2016 financial statements, the financial statements of Alto Garda Servizi S.p.A. have been prepared in accordance with the EU IFRS accounting standards in force at the date of approval of the financial statements, with a transition date of 1 January 2015.

The Company's results for the year remain positive, as in the previous year.

Alto Garda Servizi S.p.A. (hereinafter also "AGS" or "AGS S.p.A.") operates in the territory of Alto Garda and performs the following activities:

- electricity and gas distribution;
- sale of heat to customers connected to the district heating network in the Municipality of Riva del Garda;
- electricity production;
- management of the integrated water cycle in the Municipality of Riva del Garda;
- management of public lighting;
- invoicing service of water bills for the Municipality of Arco;
- management of the water cycle in the Municipalities of Arco and Nago – Torbole.

It should be noted that the AGS structure was involved throughout the year in the management of the woodchip cogeneration plant of the subsidiary Ledro Energia S.r.l.

REGULATORY FRAMEWORK OF REFERENCE

As already mentioned, AGS operates in the markets of electricity and gas distribution and water cycle management. This part of the report briefly analyses the regulatory interventions introduced in these sectors, so as to provide a more complete overview of events in the year and better understand the context in which the Company operates.

The electricity and gas distribution sectors are, in fact, heavily regulated and interventions (resolutions) of the Regulatory Authority for Energy, Networks and Environment (ARERA) can affect both the revenue and cost structure of the Company, as well as influence the organisational structure, requiring organisational adjustments that involve no explicit costs but still affect profitability.

Water sector

In this sector, the measures taken, both at national level and at the provincial level, have reaffirmed and strengthened the principle of the management of the water service for Optimal Territorial Areas (ATO). In our country, an agreement has not yet been reached between the Autonomous Province of Trento and the Council of Local Autonomies for the definition of the ATO, based on which the Municipalities are required to organise the water cycle.

The two rulings issued by the Constitutional Court on 10 March 2016 and by the Regional Administrative Court of Lombardy on 11 October 2016, which grant the Autonomous Province of Trento primary legislative authority with regard to its own tariff regulation for the integrated water service, should be noted.

Natural gas sector

In 2022 distribution and metering tariffs continued to be applied according to the principles introduced for the regulatory period (2020-2025).

It is recalled that in 2012, with Resolution no. 73, the Provincial Council, in agreement with the Council of the Local Autonomies and after consultation with the companies operating in the gas distribution sector, defined a single Territorial Area for the performance of the natural gas distribution public service, represented by the entire provincial territory with the eventual addition of the Municipality of Bagolino (BS). This area will be the subject of tender.

At the end of 2012, with Provincial Law no. 25 of 27 December 2012 (Article 34, paragraph 2), the Province of Trento established that the Provincial Agency for Water Resources and Energy (APRIE) will conduct the function of contracting station responsible for the preparatory phase of the tender while the

Provincial Agency for Procurement and Contract (APAC) will be the entity that will follow the conduct and awarding of the tender and the establishment of contractual deeds.

The Autonomous Province of Trento has taken steps to quantify the amount of the one-time fee to cover the costs deriving from the conduct of the tender for the awarding of the gas distribution service in the single provincial ambit. In 2015, AGS already paid the amount required by the Autonomous Province of Trento as an advance and will be repaid, including interest, by the new concessionaire upon award of the service. With the 2019 budget law, the Autonomous Province of Trento, by virtue of the recognised legislative powers in this sector, extended the date of publication of the call for tenders for the award of the gas distribution service to 31 December 2021.

Electricity sector

In 2021, the regulations governing the electric power distribution sector did not change significantly with respect to the Provincial Plan, the main points of which can be summarised as follows:

- the minimum territorial basin for the electricity distribution service is the single provincial ambit;
- the current managers, including AGS, will continue the distribution in the areas served until 31 December 2030;
- in order to rationalise the distribution service, it will be possible to transfer portions of SET Distribuzione S.p.A. networks to those who require it. The inverse situation is also possible;
- also with a view to rationalizing the distribution system and with the objective of single provincial ambit, grouping or aggregation of service managers is possible.

The distribution plan also requires electricity distributors operating in the Province as at 25 December 1999 to submit an application to the Province, through the Provincial Agency for Water Resources and Energy (APRIE), for the issue of the concession for electricity distribution activities.

The concession will be issued free of charge until 31 December 2030 after the positive outcome of the technical investigation carried out by APRIE. The issue of the concession is subject to the commitment by the distributor to comply with certain quality standards of service. The Autonomous Province of Trento will have the right to carry out checks on compliance with commitments that the concessionaire undertakes by signing the agreement.

The Company is preparing the documentation required for the concession request. The first analysis of the requirements does not reveal any impeding aspects. AGS is very attentive to this aspect and is committed to continuous improvement with the aim of overcoming the standards necessary for the maintenance of the concession.

It should be noted that Article 1, paragraph 92, of Law no. 124 of 4 August 2017, established the exclusion of electricity distribution companies that serve less than 25,000 withdrawal points from their obligations regarding functional unbundling, effectively excluding our company, which has about 16,000 POD, but defining that the arrangements for recognising costs for electricity distribution and metering

activities should be based on parametric logics, which also take account of the density of users served, in accordance with the general principles of efficiency and cost-effectiveness and with the aim of ensuring simplification and reduction of the related administrative burden. On 1 March 2018, ARERA published a consultation document *“Guidelines for the definition of exogenous variables in relation to the parametric recognition of costs for smaller electricity distribution companies”* in which it provided for the new regime to apply from 2018 and provided that the phasing-in mechanisms be applied until 2023. Said guidelines will allow the Company to assess the impact of the new tariff in future years and to make the necessary adjustments to maintain a balanced margin in the electricity distribution service. As of today, ARERA has not yet published the final tariffs for 2018 and therefore the company is not in a position to assess the impact of the new parametric tariff on the electricity revenue constraint.

District heating sector

The distribution of heat through the district heating network is carried out in the Riva del Garda area and concerns 294 customers, mainly apartment buildings or hotels. The heat is supplied by Alto Garda Power S.r.l., a company 20% owned by AGS and 80% by Cartiere del Garda.

At present, there is no specific regulation and it should be noted that since the tariffs are not determined by the public body, business is not considered as a public service activity.

OPERATING PERFORMANCE

The following is an overall analysis of the performance of operating costs and revenues, referring to the explanatory notes for further details.

Revenues

The production value indicated in the financial statements amounted to Euro 11.64 million, up 7.4% compared to the previous year. The following tables show the changes that occurred within the various sectors and will be examined further in the following paragraphs.

| | 2021 qty. distributed | 2020 qty. distributed | difference % |
|--------------------|--------------------------|--------------------------|--------------|
| GWh electricity | 83.4 | 76.1 | 9.54% |
| mcm methane gas | 43.3 | 42.4 | 2.12% |
| mcm drinking water | 1.9 | 1.8 | 5.56% |
| Mwh heat | 49,972 | 46,410 | 7.68% |

| values in Euro millions | 2021 | 2020 | difference % |
|-------------------------|-------------|-------------|--------------|
| electricity | 3.4 | 3.2 | 6.2% |
| methane gas | 2.6 | 2.4 | 8.3% |
| water/sewage | 1.6 | 1.5 | 6.7% |
| heat | 3.7 | 2.9 | 27.6% |
| Other revenues | 0.3 | 0.8 | -62.5% |
| Total | 11.6 | 10.8 | 7.4% |

Electricity sector

The energy that transited in the network in 2021 was up 9.54% from the prior year, which had suffered the lockdowns imposed by the COVID-19 emergency. Turnover from distribution increased due to the rise in the quantities distributed while margins are constrained by the revenues based on the number of meters installed and the amount of the investments made, which remained stable.

Gas sector

In 2021, gas demand was up 2.12% on the previous year, which had been characterised by the lockdowns imposed by the COVID-19 emergency. Similarly to as specified for the electricity sector, the gas sector also has a constraint to revenues based on the number of meters installed and the amount of investments made, which in 2021 saw a reduction of around Euro 90 thousand.

Water sector

In 2021, volumes in the water sector increased by approximately 100 thousand cubic meters compared to the previous year, which had been characterised by the lockdowns imposed by the COVID-19 emergency and revenues also increased similarly, by approximately 7%.

District heating sector

In 2021, there was an increase in the quantities distributed (+ 7.68%) compared to 2020, the year that had been characterised by the COVID-19 lockdowns. At the same time, there was a considerable increase in turnover (+27.6%), mainly due to the increase in gas tariffs, which are used as a basis for determining district heating tariffs.

Other revenues

Other revenues decreased compared to the previous year, when they included Euro 400 thousand of contingent assets related to the partial reimbursement of interest related to the "tax moratorium" dispute and the recovery of the provision for depreciation of district heating meters.

The remainder mainly refer to public lighting services, both ordinary and extraordinary maintenance activities and services related to optical fibre.

Costs

As far as production costs are concerned, their overall trend is affected by the impact of the increase in district heating tariffs and the quantity of heat sold.

Personnel costs increased compared to FY 2020, the year in which the company made use of the CIG (temporary lay-off fund) for COVID-19, as did depreciation and amortisation due to increased investments.

INVESTMENTS

Investments made in 2021 amounted to Euro 1.801 million compared to Euro 1.653 million in the previous year. Investments are detailed in the following table and described by sector.

| values in Euro thousand | 2021 | 2020 |
|-------------------------|--------------|--------------|
| electricity service | 568 | 556 |
| gas service | 770 | 532 |
| water service | 13 | 13 |
| district heating | 252 | 161 |
| Others | 198 | 391 |
| Total | 1,801 | 1,653 |

The gas service includes Euro 309 thousand as an adjustment of the purchase cost of the gas network of the Municipality of Arco.

Electricity sector

Distribution is performed in the Municipalities of Riva del Garda, Nago-Torbole and, partially, in the Municipalities of Tenno and Arco (town of San Giorgio).

Investments made in the electricity sector in 2021 amounted to Euro 568 thousand, in line with 2020.

In 2021, the Company continued activities to improve the electricity infrastructure through a series of work on medium and low voltage networks and stations.

| Electricity network | | 2021 | 2020 |
|----------------------------|-----|-------------|-------------|
| Medium-voltage networks | km | 89 | 85 |
| Low-voltage networks (*) | km | 305 | 292 |
| Total meters | no. | 16,056 | 15,968 |

* including connections of users

Methane gas sector

Distribution is performed in the Municipalities of Riva del Garda, Arco, Dro and Tenno. The investments made in the gas sector amounted to Euro 770 thousand and mainly refer to the installation of methane pipes in the Pietramurata district of the Municipality of Dro and the balance on the purchase of the gas network of the Municipality of Arco.

| Gas network | | 2021 | 2020 |
|--------------------------|-----|-------------|-------------|
| Medium-pressure networks | Km | 36 | 35 |
| Low-pressure networks * | km | 131 | 130 |
| Total meters | no. | 16,589 | 16,483 |

* including connections of users

Aqueduct cycle sector

The service is carried out in the Municipalities of Riva del Garda, Arco and Nago-Torbole and also includes the management of the consortium aqueduct, which starts from the water intake plant Sass del Diaol in the Municipality of Dro and reaches the Cretaccio reservoir in the Municipality of Arco. In Riva del Garda, it concerns both the aqueduct and the management of the sewage system.

| Water network | | 2021 | 2020 |
|----------------------|-----|-------------|-------------|
| Network extension | km | 103 | 103 |
| Total meters | no. | 11,009 | 10,945 |

District heating sector

In 2021, resources were invested for Euro 252 thousand mainly regarding new connections and arrangement of road sections.

| District network | heating | 2021 | 2020 |
|-------------------------|----------------|-------------|-------------|
| Network extension | km | 26.5 | 25.7 |
| Total customers | no. | 294 | 288 |

Fibre Optics

In 2021 resources were invested for Euro 98 thousand mainly regarding the installation of the Varone backbone.

| Optical fibre network | | 2021 | 2020 |
|------------------------------|-----|-------------|-------------|
| Network extension | km | 71 | 66.7 |
| Total customers | no. | 112 | 115 |

Public lighting

The company provides routine and non-routine maintenance services for public lighting in the municipalities of Riva del Garda and Nago Torbole.

| Public network | lighting | 2021 | 2020 |
|-----------------------|-----------------|-------------|-------------|
| Poles | no. | 6,325 | 6,304 |
| Light points | no. | 7,245 | 7,227 |

Joint investments

Joint investments, amounting to Euro 204 thousand, refer to investments in cartography and remote control systems to increasingly automate interventions and controls on distribution networks.

HUMAN RESOURCES

At 31 December 2021, AGS S.p.A. had 52 employees.

The breakdown of personnel by category is as follows:

| | C.C.N.L. applied | AGS 31.12.2020 | Recruitment 2021 | Terminations 2021 | AGS 31.12.2021 |
|---------------|-----------------------------|---------------------------|-----------------------------|------------------------------|---------------------------|
| Managers | Managers | 1 | - | - | 1 |
| White collars | C.C.N.L.E. | 30 | 1 | 1 | 30 |
| Blue collars | C.C.N.L.E. | 20 | 2 | 1 | 21 |
| Totals | | 51 | 3 | 2 | 52 |
| of which: | | | | | |
| - part-time | | 5 | - | - | 5 |

Labour costs in FY 2021 amounted to Euro 3.188 million, up from Euro 3.056 million in FY 2020, the year in which the company had resorted to the CIG for COVID-19. As in previous years, regulatory obligations and the Company's constant commitment to ensuring high standards in the performance of its work activities have led to safety training and continuous/recurrent training representing the most significant initiatives in terms of hours provided. There was one minor accident in 2021.

ECONOMIC AND FINANCIAL RESULTS

Alto Garda Servizi SpA closed the year 2021 with a net profit of Euro 3,095,158, down compared to Euro 3,292,271 in the previous year.

EBITDA amounted to Euro 229,863, a decrease on the Euro 557,675 of FY 2020. The decrease is mainly attributable to the decrease in other revenues, the increase in personnel costs and the reduction in the gas service revenue constraint.

Financial management showed a positive result of Euro 2,923,446, in line with the results achieved in 2020.

The pre-tax result thus amounted to Euro 3,226,524, a decrease of Euro 328,025 compared to the previous year.

To better understand the results achieved by the Company, it may be useful to analyse the Income Statement through some indexes and margins. It is believed that the most significant are:

| Index | Formula | 2021 | 2020 |
|----------------|---|-----------|-----------|
| ROE | Net Result / Equity | 5.54% | 6.14% |
| ROI | Operating Result / Total Assets | 0.32% | 0.77% |
| EBITDA EURO | Earnings Before Interest, Taxes, Depreciation and Amortisation | 1,910,707 | 2,179,331 |

ROE (Return On Equity) allows measuring the return for shareholders of the investment made in the Company. In 2021, the index recorded a value of 5.54%, a decrease compared to 2020 (6.14%). ROI (Return On Investment) allows measuring the return of investments made in the company's core business. In 2021, the index was 0.32%, a decrease compared to 0.77% of the previous year.

EBITDA (Earnings Before Interest, Taxes, Depreciation and amortisation) corresponds to the operating result before depreciation, amortisation and write-downs and highlights the amount generated from operations, net of notional cost items. In 2021, EBITDA decreased by 12.3% compared to 2020, mainly due to higher personnel costs and the reduction of the gas revenue constraint.

Balance Sheet

AGS S.p.A. has a solid and balanced financial situation.

Fixed assets account for 85% of Total Assets and are covered by shareholders' equity for 87%.

In order to better understand the Company's balance sheet structure, an analysis is provided below through the indices and margins considered most significant, which all show a positive trend compared to previous years.

| Index | Formula | 2021 | 2020 |
|--------------------------|--|--------|---------|
| Debt and equity to asset | (Shareholders' Equity + Consolidated Liabilities) / Long-term Capital | 111.98 | 117.56% |
| Financial autonomy | (Current Financial Liabilities + Consolidated Financial Liabilities) / | 13.48 | 15.37% |
| Loan rigidity | Fixed Capital / Total Assets | 85.17 | 84.38% |
| Inventory turnover | Warehouse outgoing / Warehouse average value | 0.63 | 0.59 |

AGS operates principally in distribution services (electricity and gas), in the management of the integrated water cycle and in the sale of heat and is characterised by a significant amount of assets and equity. Therefore, to understand whether the Company's structure is balanced, it may be useful to analyse the consistency between the duration of assets and liabilities.

The debt and equity to asset ratio relates the sum of shareholders' equity and consolidated debt capital at year-end with the value of fixed assets at year-end. A value greater than 100% indicates that the Company has covered the fixed asset items with resources that have the same time horizon. AGS presents an index of 111.98%, a reduction on the 117.56% recorded for the previous year.

The financial autonomy ratio relates the financial resources of third parties, both short and long-term (defined as exposure to banks and other financial institutions at year-end), with the shareholders' equity

of the Company at year-end. The ratio should not be too high and in any case consistent with the cash flows, so as to avoid a situation of excessive exposure that would put the Company in difficulty to repay the debt capital. The index has a value of 13.48%, in line compared to 15.37% of the previous year.

The loan rigidity ratio relates long-term capital and total assets at year-end. The index allows understanding whether the structure of the Company is consistent with the type of business in which it operates, or whether it has anomalies. AGS S.p.A. is in line with the previous year, from 84.38% in 2020 to 85.17% in 2021.

Significant events that occurred after the end of the year

It should be noted that on 10 March 2022, the company acquired the majority shareholding of Gruber Srl, a company operating in the sector of maintenance/realisation of thermo-hydraulic systems, by means of a capital increase in the amount of Euro 1 million and a simultaneous shareholders' loan in the amount of Euro 1.350 million, which will be converted into share capital upon reaching certain targets in the 2021 financial statements.

At the end of February 2022, the company subscribed to the capital increase of Bel Coredo Spa through the conversion of part of the credits acquired from the pool of banks, becoming the majority shareholder with 60% of the capital.

It should be noted that in March 2022 the company collected 11.5 million as a result of its withdrawal from Dolomiti Energia Holding Spa.

There were no other significant events after the end of the year.

Outlook

Operating and financial performance in 2022 will be conditioned by the course of the ongoing pandemic emergency. The 2022 budget, approved by the Board of Directors, nevertheless envisages a recovery in sales and EBITDA to close to pre-Covid levels, a profit at the annual level and appreciable cash flow generation.

Income Statement

(values in Euro thousands)

| | 2021 | % | 2020 | % |
|---------------------------------|--------------|--------------|--------------|--------------|
| production value | 11,641 | 100.00 | 10,776 | 100.00 |
| production cost | (6,542) | (56.20) | (5,540) | (51.41) |
| added value | 5,099 | 43.80 | 5,236 | 48.59 |
| personnel cost | (3,188) | (27.39) | (3,057) | (28.37) |
| gross operating margin | 1,911 | 16.42 | 2,179 | 20.22 |
| amortization, depreciation, wri | (1,681) | (14.44) | (1,622) | (15.05) |
| net operating margin | 230 | 1.98 | 557 | 5.17 |
| financial operations | 2,996 | 25.74 | 2,997 | 27.81 |
| pre-tax result | 3,226 | 27.71 | 3,554 | 32.98 |
| taxes | (131) | (1.13) | (262) | (2.43) |
| net result | 3,095 | 26.59 | 3,292 | 30.55 |

Balance Sheet

(values in Euro thousands)

| | 2021 | % | 2020 | % |
|-------------------------|---------------|------------|---------------|------------|
| Fixed assets | 62,924 | 85 | 61,346 | 84 |
| Current assets | 10,957 | 15 | 11,350 | 16 |
| Invested Capital | 73,881 | 100 | 72,696 | 100 |

| | 2021 | % | 2020 | % |
|--------------------------|---------------|------------|---------------|------------|
| Shareholders' Equity | 55,824 | 76 | 53,612 | 74 |
| Minorities' Capital | 18,057 | 24 | 19,084 | 26 |
| Financing Capital | 73,881 | 100 | 72,696 | 100 |

INFORMATION BY BUSINESS SEGMENT

In accordance with IFRS 8, the table below provides information by business segment, based on the analytical accounting structure used in the SAP management system and the cost drivers used to compile the unbundling financial statements.

Alto Garda Servizi operates in the following business segments:

- Energy (hydroelectric generation, energy distribution)
- Gas (gas distribution)
- Water/Sewerage (distribution and sale of water/sewerage)
- District heating (distribution and sale of heat)
- Other services (fibre optics, public lighting, services to subsidiaries, and other minor services)

These operating segments are presented in accordance with IFRS 8, which requires segment reporting to be based on the elements that management uses in making its strategic operating decisions. For the purposes of a correct reading of the economic results relating to individual activities, it should be noted that revenues and costs relating to common activities are allocated entirely to the businesses, based on the actual use of the services provided or on technical-economic drivers.

| Income Statement by business segment Year 2020 | | | | | | |
|---|----------------|----------------|----------------|------------------|----------------|------------------|
| | Energy | Gas | Water/Sewerage | District heating | Other Services | Total |
| Total revenues and income | 3,319,215 | 2,396,260 | 1,443,001 | 2,829,006 | 788,918 | 10,776,400 |
| Total operating costs | 2,652,305 | 1,758,620 | 1,430,250 | 2,149,766 | 606,128 | 8,597,069 |
| Gross Operating Margin (EBITDA) | 666,910 | 637,640 | 12,751 | 679,240 | 182,790 | 2,179,331 |
| Amortization, depreciation, allocations and write-downs | 683,034 | 64,089 | 34,191 | 603,566 | 236,776 | 1,621,656 |
| Operating result (EBIT) | -16,124 | 573,551 | -21,440 | 75,674 | -53,986 | 557,675 |
| Income Statement by business segment Year 2021 | | | | | | |
| | Energy | Gas | Water/Sewerage | District heating | Other Services | Total |
| Total revenues and income | 3,566,940 | 2,462,077 | 1,494,778 | 3,710,881 | 405,972 | 11,640,648 |
| Total operating costs | 2,908,950 | 2,058,957 | 1,498,560 | 3,056,230 | 207,245 | 9,729,942 |
| Gross Operating Margin (EBITDA) | 657,990 | 403,120 | -3,782 | 654,651 | 198,727 | 1,910,706 |
| Amortization, depreciation, allocations and write-downs | 717,014 | 77,697 | 25,038 | 594,981 | 266,113 | 1,680,843 |
| Operating result (EBIT) | -59,024 | 325,423 | -28,820 | 59,670 | -67,386 | 229,863 |

| Reclassified balance sheet by business segment at 31 December 2020 | | | | | | | |
|--|-------------------|------------------|----------------|-------------------|----------------|-------------------|-------------------|
| | Energy | Gas | Water/Sewerage | District heating | Other Services | Not allocable | Total |
| Long-term capital | 10,608,192 | 8,316,074 | 119,155 | 11,527,274 | 228,560 | 22,189,050 | 52,988,305 |
| Net working capital | | | | | | -1,830,813 | -1,830,813 |
| Other assets and liabilities Non-current | | | | | | 8,227,656 | 8,227,656 |
| Net invested capital | | | | | | | |
| (NIC) | 10,608,192 | 8,316,074 | 119,155 | 11,527,274 | 228,560 | 28,585,893 | 59,385,148 |
| Shareholders' equity | | | | | | | 53,612,693 |
| Net Financial Position | | | | | | | 5,772,455 |
| Equity and net financial debt | | | | | | | |
| (EBIT) | | | | | | | 59,385,148 |
| Reclassified balance sheet by business segment at 31 December 2021 | | | | | | | |
| | Energy | Gas | Water/Sewerage | District heating | Other Services | Not allocable | Total |
| Long-term capital | 10,356,306 | 8,989,847 | 107,770 | 11,228,862 | 215,862 | 25,446,756 | 56,345,403 |
| Net working capital | | | | | | -1,789,821 | -1,789,821 |
| Other assets and liabilities Non-current | | | | | | 6,828,919 | 6,828,919 |
| Net invested capital | | | | | | | |
| (NIC) | 10,356,306 | 8,989,847 | 107,770 | 11,228,862 | 215,862 | 30,485,854 | 61,384,501 |
| Shareholders' equity | | | | | | | 55,824,442 |
| Net Financial Position | | | | | | | 5,560,059 |
| Equity and net financial debt | | | | | | | |
| (EBIT) | | | | | | | 61,384,501 |

OTHER INFORMATION**Research and development activities**

The company does not carry out research and development activities.

Branch offices

The company does not have any branch offices.

Dividends

The positive results achieved in 2021, combined with a solid financial structure, make it possible to propose the distribution of a dividend of Euro 1.40 per share for this year as well.

Audit of the financial statements

The financial statements of AGS S.p.A. are audited by BDO Italia S.p.A., a company appointed by the Shareholders' Meeting in March 2017 to audit the accounts pursuant to Articles 13 and 16, paragraph 1, Legislative Decree 27 January 2010, no. 39 for the period 2016-2024.

Publication of the Financial Statements

These financial statements will be published by the Directors in accordance with the law. The company is not required to prepare the Consolidated Financial Statements, as it has not exceeded the parameters set out in Article 27 of Legislative Decree 127/91 as amended by Legislative Decree 139/15.

Treasury shares

As envisaged by article 2428 of the Italian Civil Code, it is specified that at 31 December 2021, the company owns 1,582 treasury shares. At 31 December 2021, subsidiaries and associated companies did not hold shares of AGS S.p.A. and did not purchase or sell such shares in 2021. In 2021, there were no issuances of dividend-bearing shares, bonds convertible into shares and other securities or similar instruments.

Significant events during the year

The year 2021 continued to be characterised by the COVID-19 pandemic, to which AGS SpA continued to respond by issuing guidelines and recommendations aimed at preventing and/or mitigating the effects of contagion in the workplace, while at the same time ensuring business continuity and adopting all the tools and actions deemed appropriate and necessary. With regard to margins, only one of the business units, district heating, is significantly affected by the effects of the pandemic.

Through business diversification, thanks to the solid financial structure and the good level of digitalisation achieved, the continuity of operations with the same level of service has been and will continue to be ensured and a solid financial performance was in any case reported.

In November, 22% of the capital of Bel Coredò Spa, a company operating in the district heating sector, was acquired.

It should be noted that on 29 November 2021, the AGS Shareholders' Meeting resolved to withdraw from the company Dolomiti Energia Holding Spa, resulting in the collection of about 11.5 million and a capital gain of about 6 million, which will be recognised in FY 2022.

Management and coordination activities

The Company is subject to management and coordination by the Municipality of Riva del Garda.

As required by Article 2497-bis of the Italian Civil Code, the table below shows the key figures of the last approved financial statements.

Impacts of the Ukraine Russia war

It is worth noting the outbreak of war between two countries in the European context, i.e. Russia invaded Ukraine on 24 February 2022.

The impact that we can expect during 2022 will be relative to a moderate maintenance of the inflation index since the reduction in exports from Russia, considered the main supplier of hydrocarbons closest to Italy, following the war and the economic sanctions that European countries and the United States are imposing, could in the medium term have a direct impact on some costs of core operations, particularly on energy costs.

District heating tariffs, being linked to the price of gas, could remain high throughout the year, both for sales and purchases from AG Power.

There are no other negative effects that can arise from the conflict between Ukraine and Russia.

MUNICIPALITY OF RIVA DEL GARDA
- BALANCE SHEET -

| SUMMARY | | | |
|-----------------------------------|--------------------|------------------------------|--------------------|
| ASSETS | | LIABILITIES | |
| ITEMS | 31.12.2020 | ITEMS | 31.12.2020 |
| A - RECEIVABLES FROM SHAREHOLDERS | | A - SHAREHOLDERS' EQUITY | 203,520,157 |
| B - FIXED ASSETS | | B - PROVISIONS FOR RISKS AND | 615,852 |
| I - Intangible assets | 952,018 | C - TFR | 410,743 |
| II - Tangible assets | 161,399,985 | | |
| III - Financial assets | 46,953,816 | | |
| C - CURRENT ASSETS | | D - PAYABLES | 11,098,766 |
| I - Inventory | - | E - ACCRUALS AND DEFERRALS | 36,074,804 |
| II - Receivables | 32,207,318 | | |
| III - Financial assets | - | | |
| IV - Cash and cash equivalents | 10,176,269 | | |
| D - ACCRUALS AND DEFERRALS | 30,916 | | |
| TOTAL ASSETS | 251,720,322 | TOTAL LIABILITIES | 251,720,322 |

- RECLASSIFIED INCOME STATEMENT -

| SUMMARY | |
|---|--------------|
| DESCRIPTION | 31.12.2020 |
| A - OPERATING INCOME | 27,090,265 |
| B - OPERATING COSTS | (27,462,211) |
| DIFFERENCE | (371,946) |
| C - INCOME AND EXPENSES FROM SPECIAL AND INVESTEE COMPANIES | 710,625 |
| D - VALUE ADJUSTMENTS OF FINANCIAL ASSETS | (107,068) |
| E - EXTRAORDINARY INCOME AND EXPENSES | 1,915,585 |
| F - TAXES | (426,284) |
| ECONOMIC RESULT FOR THE YEAR | 1,720,912 |

Privacy regulations

Following the entry into force of the European Union General Data Protection Regulation (GDPR), a revision of the relevant internal personal data processing procedure became necessary. A Data Protection Officer (DPO) has been appointed to coordinate, at Company level, the procedures for managing the processing of personal data, the full implementation and the day-to-day administration of the new regulatory framework.

TRANSACTIONS WITH RELATED PARTIES

Relations with parent companies

The Municipality of Riva del Garda holds the majority shareholding of the Company. Service contracts are in place with the Municipality which provide for the entrustment to Alto Garda Servizi S.p.A. of the exclusive management of electricity and gas distribution services, of the water cycle and public lighting.

There is also a lease contract for the property where the Company has its registered office. All relations with the parent body have been stipulated at current market values.

The company is committed to compliance with the containment measures established by the Memorandum of Understanding signed on 20 September 2012 by the President of the Autonomous Province of Trento, the Councillor for Local Entities and the President of Autonomies and circulated and provided similar measures to its subsidiaries. In order to fulfil the Memorandum of Understanding of 20 September 2012, the company drafted the budget and the half-year report on operations as provided by Article 2, paragraph 1 of the document annexed to the letter of the Municipality of Riva del Garda on 12 December 2012.

Law 124/2017

During the 2021 financial year, the Company did not receive any grants, contributions, paid assignments or any economic advantage as per Law 124/2017 article 1, paragraph 125.

Relations with subsidiaries and associated companies

AGS S.p.A. exercises management and coordination activities over the subsidiary Ledro Energia S.r.l., with which it has a service contract in place for technical and administrative services, as well as an interest-bearing loan. These relations are settled at arm's length.

The Company opted for the consolidated tax return for direct taxes.

It should be noted that in 2021 AGS S.p.A. approved an interest-bearing loan to the subsidiary STEA Progetto Srl, which was disbursed at arm's length.

AGS S.p.A. also resolved and disbursed a loan to the associate Bel Coredo S.p.A. for Euro 100,000 at arm's length.

The associated company Alto Garda Power S.r.l., with registered and operational office in Riva del Garda, supplies to AGS S.p.A. the heat necessary for the supply of district heating to customers connected to the Riva del Garda network. AGS S.p.A. has recognised an interest-bearing loan towards Alto Garda Power S.r.l. under receivables from associated companies. All contracts are stipulated at market conditions.

AGS S.p.A. has a take-or-pay contract with Alto Garda Power S.r.l. concerning the purchase of electricity and heat that sets minimum quantities and price calculation mechanisms for future periods.

The following table shows the key figures for the associated company Alto Garda Power S.r.l.

| At 31 December | | |
|------------------|--------|--------|
| (Euro thousands) | 2021 | 2020 |
| Fixed assets | 30,398 | 21,237 |
| Receivables | 50,974 | 35,462 |
| Payables | 46,275 | 26,226 |
| Equity | 35,097 | 30,473 |

RISK MANAGEMENT

Risk Management: credit management objectives and policies

The Company is subject to risks and uncertainties related to the external environment, i.e. the context in which it operates. It is not subject to exchange rate risks as it does not operate in foreign currency.

The main risks identified are:

Liquidity risk

Liquidity risk is defined as the possibility that available financial resources may be insufficient to meet commitments. The Company has adequate credit lines to meet liquidity needs and has structured medium/long-term credit lines, both in the form of loans and bonds, unsecured and appropriate to the investments made.

The following table analyses financial liabilities (including trade and other payables), which are expected to be repaid within one year, in the period between one and five years and more than five years.

| At 31 December 2021 | | | |
|-------------------------------------|------------------|--------------------------------------|------------------|
| | Within 1 year | Maturity Between 1 and 5 years | Over 5 years |
| Trade payables | 4,215,579 | 0 | 0 |
| Payables to banks and other lenders | 1,412,893 | 6,114,630 | 0 |
| Other payables | 2,211,071 | 737,408 | 3,365,442 |
| TOTAL | 7,839,543 | 6,852,038 | 3,365,442 |

Interest rate risk

Interest rate risk is closely monitored by the company, which has structured the debt with a time horizon in keeping with its own cash flows. The company is subject to the risk of fluctuations that may occur in the evolution of interest rates. Interest rates, income and expense, including those on intercompany loans, are variable and therefore tied to market performance.

Credit risk

The company's customers are mainly wholesalers of electricity and methane gas and, for the part related to district heating/water, retail customers. The long-lasting relationships and the solidity of the major customers induce the Directors to consider remote the credit risk if not in its physiological form.

Regulatory risk

A source of risk is the ongoing change in the legislative and regulatory context of reference that has an impact on the functioning of the market, tariff plans, levels of service quality required and the technical and operational requirements. In this regard, the Company makes use of its structure for the analysis of regulations and relations with the ARERA.

Concession tender risk

The Company cannot avoid taking this risk as it is intrinsic to its activity. With regard to the tender for management of the gas distribution service, reference is made to as indicated in the report for a description of the company's activities.

Occupational health and safety

The Company, which has always been attentive to the protection of the safety and health of its employees (and in general of all those involved in the activities of the company) has as its objective not only the respect of the regulations in force on the subject, but a set of actions aimed at improving working conditions. For this reason, it is constantly committed to spreading a culture of safety based on the development of risk perception, the promotion of responsible behaviour by all employees and the sharing of responsibilities among all those involved in the Company's activities. Risk assessment documents are updated to reflect the development of the operating structures and conditions and changes in regulations.

Internal risk management tools

With a view to monitoring and managing risk, the company has also independently adopted a number of instruments, listed below:

- Transparency Manager (RPT): The Company has appointed the Transparency Manager as the party that elaborates the three-year Transparency Program and keeps it updated along with the adaptation of the website, reporting regularly to the Board of Directors.
- It is noted that pursuant to Article 20 of Legislative Decree 8 April 2013, no. 39, concerning provisions on the non-conferability and incompatibility of offices, the Company undertook the statements of non-existence of the causes of non-conferability by the Directors in office appointed by the Municipality of Riva del Garda.
- In compliance with the applicable provisions in force on advertising, transparency and dissemination of information by companies controlled by public authorities, the specific section

“Transparent Company” of the corporate website contains the statements made pursuant to Legislative Decree no. 39/2013 together with other data provided by Legislative Decree no. 33/2013.

- Corruption Prevention: the Corruption Prevention Manager drafts the three-year Corruption Prevention Plan, to be updated annually, containing the mapping of risk areas and the elaboration of corruption prevention measures. The RPC also ensures the conduct of the related training activities and reports regularly to the Board of Directors.
- Model 231: the Company adopted the organisation, management and control model in compliance with the requirements of Legislative Decree 231/2001 and during the year, set the activities necessary for the updating thereof.
- Code of Ethics: AGS adopted a Code of Ethics that defines and contains the set of rules of conduct in relations with external interlocutors and collaborators. The rules contained therein are aimed at creating an efficient and effective system for the programming, execution and control of activities.
- Certification UNI ISO 9001: in all sectors of activities, the Company is certified ISO 9001. The 2021 annual audit ended with the renewal of the certification.
- Management Control: the company has implemented and adopted adequate reporting for the planning, control and measurement of performance.

BALANCE SHEET

| Assets | Notes | 31.12.2021 | 31.12.2020 |
|---------------------------|-------|------------|------------|
| <i>Non-current assets</i> | | | |

| | | | |
|-----------------------------------|-----|-------------------|-------------------|
| Property, plant and equipment | 7.1 | 34,483,917 | 34,461,490 |
| Intangible assets | 7.2 | 197,487 | 170,785 |
| Equity investments | 7.3 | 21,663,999 | 18,356,030 |
| Non-current financial receivables | 7.4 | 4,788,421 | 6,526,624 |
| Deferred tax assets | 7.5 | 1,789,821 | 1,830,813 |
| Total non-current assets | | 62,923,645 | 61,345,742 |

Current assets

| | | | |
|---|------|-------------------|-------------------|
| Inventories | 7.6 | 580,368 | 647,904 |
| Trade receivables | 7.7 | 6,082,359 | 5,687,117 |
| Receivables from parent company, associated companies, subsidiaries | 7.8 | 210,959 | 228,102 |
| Current tax receivables | 7.9 | 213,130 | 100,054 |
| Other current assets | 7.10 | 1,903,540 | 2,219,213 |
| Cash and cash equivalents | 7.11 | 1,967,464 | 2,468,204 |
| Total current assets | | 10,957,820 | 11,350,594 |
| Total Assets | | 73,881,465 | 72,696,336 |

| | | | |
|---|--------------|-------------------|-------------------|
| Liabilities and Shareholders' Equity | Notes | 31.12.2021 | 31.12.2020 |
|---|--------------|-------------------|-------------------|

Shareholders' Equity

| | | | |
|---------------|-----|------------|------------|
| Share Capital | 8.1 | 23,234,016 | 23,234,016 |
|---------------|-----|------------|------------|

| | | | |
|--|-----|-------------------|-------------------|
| Reserves | 8.1 | 29,495,268 | 27,086,406 |
| Net result of the year | 8.1 | 3,095,158 | 3,292,271 |
| Total Shareholders' Equity | | 55,824,442 | 53,612,693 |
| Non-current liabilities | | | |
| Non-current financial payables | 8.2 | 6,114,630 | 7,535,589 |
| Employee benefits | 8.3 | 1,156,005 | 1,146,388 |
| Provisions for risks and charges | 8.4 | 0 | 0 |
| Total non-current liabilities | | 7,270,635 | 8,681,977 |
| Current liabilities | | | |
| Current financial payables | 8.5 | 1,412,893 | 705,070 |
| Trade payables | 8.6 | 1,245,417 | 1,935,071 |
| Payables to parent company, associated companies, subsidiaries | 8.7 | 2,970,162 | 2,166,621 |
| Tax payables | 8.8 | 206,396 | 181,833 |
| Other current payables | 8.9 | 4,951,520 | 5,413,071 |
| Total current liabilities | | 10,786,388 | 10,401,666 |
| Total Liabilities | | 18,057,023 | 19,083,643 |
| Total Liabilities and Shareholders' Equity | | 73,881,465 | 72,696,336 |

INCOME STATEMENT

| Figures in Euro | Notes | 31.12.2021 | 31.12.2020 |
|----------------------------------|-------|------------|------------|
| Revenues from sales and services | 9.1 | 10,372,445 | 9,106,615 |
| Other revenues and income | 9.2 | 1,268,203 | 1,669,785 |

| | | | |
|--|------|-------------------|-------------------|
| Total operating revenues and income | | 11,640,648 | 10,776,400 |
| Cost of raw materials, consumables and goods | 9.3 | 2,798,880 | 2,183,261 |
| Costs for services | 9.4 | 2,755,457 | 2,559,344 |
| Leasehold improvements | 9.5 | 451,720 | 312,171 |
| Personnel costs | 9.6 | 3,187,774 | 3,056,950 |
| Amortisation/Depreciation of fixed assets | 9.7 | 1,680,843 | 1,621,656 |
| Provisions and write-downs | 9.8 | 0 | 0 |
| Other operating expenses | 9.9 | 1,099,161 | 1,012,038 |
| Capitalised costs for internal works | 9.10 | (563,050) | (526,696) |
| Total operating costs | | 11,410,785 | 10,218,724 |
| GROSS OPERATING PROFIT (LOSS) | | 229,863 | 557,675 |
| Income from equity investments | 10 | 1,249,377 | 1,194,651 |
| Write-down of investments | 11 | 126,831 | 127,132 |
| Financial expenses | 12 | 470,674 | 211,408 |
| Financial income | 13 | 99,988 | 206,362 |
| Income and expenses from investments equity method | 14 | 2,244,800 | 1,934,400 |
| RESULT BEFORE TAXES | | 3,226,524 | 3,554,549 |
| Current and Deferred Tax | 15 | 131,366 | 262,278 |
| NET RESULT OF THE YEAR | | 3,095,158 | 3,292,271 |
| Comprehensive Income Statement | | 31.12.2021 | 31.12.2020 |
| Result of the Income Statement | | 3,095,158 | 3,292,271 |

| | | | |
|---|--|------------------|------------------|
| Amounts that will not be subsequently reclassified to profit/(loss) of the year | | (57,878) | 4,602 |
| Amounts that will be subsequently reclassified to profit/(loss) for the year | | | |
| RESULT FOR THE PERIOD | | 3,037,280 | 3,296,873 |

Net financial debt

In Communication no. DEM/6064293 of 28 July 2006 on “Corporate Disclosures of Listed Issuers and Issuers of Financial Instruments Disseminated Among the Public” pursuant to Article 116 of the Consolidated Financial Intermediation Act (TUIF), CONSOB called upon issuers to use the

definition of net financial position of the previous CESR Recommendation for disclosures to be included in financial statements, half-yearly reports, and periodic requests pursuant to Article 114 of the TUIF. Attention Call No. 5/21 of 29 April 2021 “Compliance with ESMA's Guidelines on Disclosure Requirements under the Prospectus Regulation” CONSOB clarifies that “As of 5 May 2021, references in previous CONSOB communications to the above-mentioned CESR Recommendations on Prospectus shall be deemed to be replaced with the relevant ESMA Guidelines, including references in Communication No. DEM/6064293 of 28 July 2006 on net financial position.”

The new Net Financial Debt schedule is shown below:

| | | 2021 | 2020 |
|----------|---|-------------------|--------------------|
| A | Cash | 1,967,464 | 2,468,204 |
| B | Cash equivalents | - | - |
| C | Other current financial assets | - | - |
| D | Liquidity (A+B+C) | 1,967,464 | 2,468,204 |
| E | Current financial debt (including debt instruments but excluding the current portion of non-current financial debt) | 1,412,893 | 705,070 |
| F | Current part of non-current financial debt | - | - |
| G | Current financial debt (E+F) | 1,412,893 | 705,070 |
| H | Net current financial debt (G-D) | (554,571) | (1,763,134) |
| I | Non-current financial debt (excluding current and debt instruments) | 1,114,630 | 2,535,589 |
| J | Debt instruments | 5,000,000 | 5,000,000 |
| K | Trade and other non-current payables | 4,215,579 | 4,101,692 |
| L | Non-current financial debt (I+J+K) | 10,330,209 | 11,637,281 |
| M | Total financial debt (H+L) | 9,775,638 | 9,874,147 |

The company's indirect debt refers to has:

| At 31 December | | |
|------------------------------------|------------------|------------------|
| | 2021 | 2020 |
| Guarantees issued to third parties | 704,285 | 704,285 |
| Guarantees issued to subsidiaries | 1,960,000 | 960,000 |
| TOTAL | 2,664,285 | 1,664,285 |

The main contractual obligations relate to take-or-pay contracts on the basis of which AGS S.p.A. is obliged to withdraw minimum volumes of thermal and electrical energy from Alto Garda Power S.r.l. The amounts due were calculated on the basis of the gas purchase and electricity sales price assumptions for 2021.

| Take-or-pay purchase commitments | 2022 | 2023 | 2024 | 2025 | Total |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|
| Thermal energy | 794,055 | 794,055 | 794,055 | 794,055 | 3,176,220 |
| Electricity differential | 215,531 | 215,531 | 215,531 | 215,531 | 862,124 |
| Total | 1,009,586 | 1,009,586 | 1,009,586 | 1,009,586 | 4,038,344 |

| STATEMENT OF CASH FLOWS | | | | | |
|---|-----------------------------------|-------------------|--|--|--|
| Figures in Euro | FOR THE YEAR ENDED 31 DECEMBER | | | | |
| | 2021 | 2020 | | | |
| Pre-tax result | 3,226,524 | 3,554,549 | | | |
| Adjustments for: | | | | | |
| Amortization, depreciation, write-downs and provisions | 1,680,843 | 1,621,656 | | | |
| Result of investments valued with the equity method and other companies | -2,244,800 | -1,934,400 | | | |
| Financial (Income)/Expenses | -12,212 | 5,046 | | | |
| Employee benefits | 20,038 | 9,364 | | | |
| (Gains)/Losses from disposal of assets | 0 | 0 | | | |
| Fair value valuations | 0 | 0 | | | |
| Dividends collected | -1,249,377 | -1,194,561 | | | |
| Cash flow from operating activities before changes in net working capital | 1,421,016 | 2,061,654 | | | |
| Increase/(Decrease) in employee benefits | 9,617 | -17,258 | | | |
| (Increase)/Decrease in inventories | 67,536 | -98,645 | | | |
| (Increase)/Decrease in trade receivables | -378,099 | -671,290 | | | |
| (Increase)/Decrease in other assets/liabilities and assets/liabilities for disposal | -98,812 | -1,689,530 | | | |
| Increase/(Decrease) in trade payables | 113,887 | 1,161,274 | | | |
| Dividends received from other companies | 1,249,377 | 1,194,561 | | | |
| Dividends received from associated companies | 1,320,000 | 1,200,000 | | | |
| Interest income and other financial income received | 99,988 | 206,362 | | | |
| Interest expense and other financial expenses paid | -470,674 | -211,408 | | | |
| Use of provisions for risks and charges | 0 | 0 | | | |
| Taxes paid | -107,151 | -115,265 | | | |
| Cash flows from operating activities (a) | 1,805,669 | 958,801 | | | |
| Investments in intangible assets | -35,622 | -18,562 | | | |
| Investments in tangible assets | -1,545,250 | -1,235,848 | | | |
| Divestments of tangible assets | 0 | 0 | | | |
| Net investments in equity investments | -10,000 | -437,604 | | | |
| (Increase)/Decrease in other investment activities | -793,263 | 0 | | | |
| Cash flow from investment/divestment activities (b) | -2,384,135 | -1,692,014 | | | |
| Financial payables (new issues of long-term loans) | 0 | 1,100,000 | | | |
| Financial payables (repayments and other net changes) | -617,759 | -1,111,749 | | | |
| Repayment of shareholders' loans | 100,000 | 200,000 | | | |
| Purchase of treasury shares | -200,000 | 0 | | | |
| Dividends paid | -625,531 | -1,206,382 | | | |
| Cash flow from financing activities (c) | -1,343,290 | -1,018,131 | | | |
| <i>Increase/(Decrease) in cash and cash equivalents (a+b+c)</i> | <i>0</i> | <i>0</i> | | | |
| Cash and cash equivalents at the beginning of the year | 2,468,204 | 2,157,894 | | | |
| Cash and cash equivalents at the end of the year | 1,967,464 | 2,468,204 | | | |
| | | | | | |
| | | | | | |

PROSPETTO DELLE VARIAZIONI DEL PATRIMONIO NETTO

| | Capitale sociale | Riserva legale | Riserva sovr. azioni | Riserva per azioni proprie | Altre riserve e utili a nuovo | Risultato netto dell'esercizio | Totale patrimonio netto |
|---|-------------------|------------------|----------------------|----------------------------|-------------------------------|--------------------------------|-------------------------|
| SALDO AL 01 GENNAIO 2020 | 23.234.016 | 1.534.096 | 3.263.400 | 0 | 20.616.490 | 2.874.199 | 51.522.201 |
| Operazioni con gli azionisti: | | | | | | | |
| Distribuzione dividendi | 0 | 0 | 0 | 0 | 0 | -1.206.382 | -1.206.382 |
| Sottoscrizione capitale sociale | | | 0 | 0 | 0 | 0 | 0 |
| Totale operazione con gli azionisti | 0 | 0 | 0 | 0 | 0 | -1.206.382 | -1.206.382 |
| Destinazione del risultato d'esercizio a riserva | 0 | 143.710 | 0 | 0 | 1.524.108 | -1.667.817 | 1 |
| Risultato complessivo dell'esercizio: | | | | | | | |
| Risultato netto | 0 | 0 | 0 | 0 | 0 | 3.292.271 | 3.292.271 |
| Applicazione IFRS 15 | | | | | 0 | 0 | 0 |
| Utili/(perdite) attuariali per benefici a dipendenti, al netto dell'effetto fiscale | 0 | 0 | 0 | 0 | 4.602 | 0 | 4.602 |
| Totale risultato complessivo dell'esercizio | 0 | 0 | 0 | 0 | 4.602 | 3.292.271 | 3.296.873 |
| SALDO AL 01 GENNAIO 2021 | 23.234.016 | 1.677.806 | 3.263.400 | 0 | 22.145.200 | 3.292.271 | 53.612.693 |
| Operazioni con gli azionisti: | | | | | | | |
| Distribuzione dividendi | 0 | 0 | 0 | 0 | 0 | -625.531 | -625.531 |
| Sottoscrizione capitale sociale | | | 0 | -200.000 | 0 | 0 | -200.000 |
| Totale operazione con gli azionisti | 0 | 0 | 0 | -200.000 | 0 | -625.531 | -825.531 |
| Destinazione del risultato d'esercizio a riserva | 0 | 164.614 | 0 | 0 | 2.502.126 | -2.666.740 | 0 |
| Risultato complessivo dell'esercizio: | | | | | | | |
| Risultato netto | 0 | 0 | 0 | 0 | 0 | 3.095.158 | 3.095.158 |
| Applicazione IFRS 15 | | | | | 0 | 0 | 0 |
| Utili/(perdite) attuariali per benefici a dipendenti, al netto dell'effetto fiscale | 0 | 0 | 0 | 0 | -57.878 | 0 | -57.878 |
| Totale risultato complessivo dell'esercizio | 0 | 0 | 0 | 0 | -57.878 | 3.095.158 | 3.037.280 |
| SALDO AL 31 DICEMBRE 2021 | 23.234.016 | 1.842.420 | 3.263.400 | -200.000 | 24.589.448 | 3.095.158 | 55.824.442 |

Notes to the Financial Statements

1. GENERAL INFORMATION

Alto Garda Servizi S.p.A. is a company incorporated and domiciled in Italy and organised according to the legal system of the Italian Republic, with registered office in Riva del Garda, Via Ardaro 27.

At 31 December 2021, the share capital of the company was held by:

| SHAREHOLDER | NO. OF SHARES DUE | | % |
|------------------------------------|-------------------|--|---------|
| PUBLIC AUTHORITIES | | | |
| MUNICIPALITY OF RIVA DEL GARDA | 253,017 | | 56.628% |
| MUNICIPALITY OF NAGO-TORBOLE | 6,806 | | 1.523% |
| MUNICIPALITY OF ARCO | 27,258 | | 6.101% |
| MUNICIPALITY OF DRO | 120 | | 0.027% |
| MUNICIPALITY OF LEDRO | 120 | | 0.027% |
| MUNICIPALITY OF TENNO | 100 | | 0.022% |
| MUNICIPALITY OF DRENA | 20 | | 0.004% |
| PRIVATE ENTITIES | | | |
| DOLOMITI ENERGIA HOLDING S.P.A. | 89,362 | | 20.000% |
| ISTITUTO ATEINO DI SVILUPPO S.P.A. | 53,508 | | 11.976% |
| F.LLI BONORA S.N.C. | 6,683 | | 1.496% |
| CASSA RURALE ALTO GARDA | 4,616 | | 1.033% |
| CASSA CENTRALE CASSE RURALI | 3,616 | | 0.809% |
| TREASURY SHARES | | | |
| TREASURY SHARES | 1,582 | | 0.354% |
| TOTAL | 446,808 | | 100.00% |

2. SUMMARY OF THE ACCOUNTING STANDARDS ADOPTED

The main accounting criteria and standards applied in the preparation of the Company's financial statements are shown below. These accounting standards have been applied on a consistent basis for all the years presented in this document.

2.1 Basis of preparation

European Regulation no. 1606/2002 of 19 July 2002 introduced the obligation, with effect from 2005, to apply the International Financial Reporting Standards (IFRS) issued by the International Accounting

Standards Board (IASB), and adopted by the European Union for the preparation of financial statements of companies with equity and/or debt securities listed on one of the regulated markets of the European Community. As a result of the listing on the Vienna Stock Exchange on 12 December 2016 of a Euro 5 million mini-bond, the Company was required to prepare its financial statements in accordance with IFRS. The financial statements have been prepared in accordance with the EU IFRS in force at the date of application without reservations on compliance.

The financial statements have been prepared on a going concern basis and on the basis of the conventional historical cost method, with the exception of a number of accounting items that are recognised at fair value at the date of the financial statements in accordance with the provisions of international accounting standards.

These financial statements have been drawn up on the basis of the best knowledge of the IFRS and taking into account the best theory on the subject; any future orientations and interpretative updates will be reflected in subsequent years, in accordance with the procedures established from time to time by the reference accounting standards.

These draft financial statements were approved by the company's Board of Directors on 16 March 2021.

2.2 Form and content of the financial statements

The Company has made the following choices with regard to the form and content of the financial statements:

- the statement of financial position presents both current and non-current assets and current and non-current liabilities separately;
- the statement of comprehensive income for the year includes not only the result for the year, but also the changes in shareholders' equity relating to items of an economic nature which, in accordance with international accounting standards, are recorded among the components of shareholders' equity;
- the cash flow statement for the year is presented using the indirect method.

the formats used are those that best represent the economic, equity and financial situation of the Company.

These financial statements have been drawn up in Euro.

The annual financial statements are legally audited by the independent auditors BDO S.p.A.

2.3 Accounting standards and valuation criteria

Intangible assets

Concessions and other intangible assets consist of non-monetary elements, which can be identified as such and are not physically significant, controllable and capable of generating future economic benefits.

Concessions and other intangible assets are recognised at purchase and/or production cost, including directly attributable expenses for preparing the asset for use, net of accumulated amortisation and any impairment losses.

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

IFRIC 12 “Service Concession Arrangements” states that, based on the characteristics of the concession arrangement, the infrastructures used in the provision of public services under concession are to be recognised as intangible assets if the operator has the right to receive a payment from the customer for the service provided, or as a financial asset if the operator has the right to receive payment from the public sector entity.

In particular, IFRIC 12 applies to service concession arrangements from public to private if the concessionaire:

- controls or regulates which services the concessionaire is to provide with the infrastructure, to whom it is to provide them and at what price;
- controls, through ownership or otherwise, any significant residual interest in the infrastructure at the end of the term of the agreement.

In order to assess the applicability of these provisions for the Company, the management carried out a careful analysis of the concession for the distribution of electricity and methane gas. On the basis of these analyses, the application conditions provided for by the interpretation in question do not appear to be met, as the concessionaire has full control of the infrastructure.

Property, plant and equipment

Tangible assets are valued at purchase and/or production cost, net of accumulated depreciation and any impairment losses. Cost includes the charges directly incurred to make their use possible, while the charges incurred for ordinary and cyclical maintenance and repairs are taken directly to the income statement when incurred.

Owner-occupied buildings are valued at fair value initially determined and, subsequently, periodically verified on the basis of appraisals prepared by independent experts. Depreciation is charged on a straight-line basis at rates that allow the assets to be depreciated until their useful life is exhausted. During the 2017 financial year, the rates of the district heating network were changed, according to a

specific technical report, from 30 to 40 years, and of the electricity network, which went from 25 to 35 years, in line with what was defined by the sector authority.

It should be noted that in the year 2021, the meter rates were changed from 20 to 15 years, in line with what was defined by the sector authority.

| DESCRIPTION | | DESCRIPTION | |
|---------------------------------------|--------|---------------------------------|-------------------------|
| INDUSTRIAL BUILDINGS AND LAND | 2.50% | REMOTE CONTROL | 4.0% |
| GENERAL PLANTS | 6.67% | | |
| TRANSFORMATION STATIONS | 3.50% | TECHNICAL/OPERATIONAL EQUIPMENT | 8.33% |
| SUB-STATIONS | 3.50% | TRUCKS | 14.29% |
| TRANSFORMERS | 3.50% | VEHICLES | 14.29% |
| ELECTRICITY DISTRIBUTION LINES | 2.86% | MECCANOGRAPH CENTRE | 14.29% |
| DATA TRANSMISSION NETWORKS | 10.00% | FURNITURE | 8.33% |
| 1ST REDUCTION STATIONS METHANE GAS | 5.00% | OFFICE MACHINES AND EQUIPMENT | 14.29% |
| METHANE GAS PIPES | 4.00% | | |
| TANKS | 2.00% | START-UP/EXPANSION COSTS | 5 YEARS |
| LIFTING SYSTEMS | 6.67% | SOFTWARE | 3 YEARS |
| AQUEDUCT PIPES/SEWERAGE | 2.50% | STUDIES AND RESEARCH | 3 YEARS |
| DISTRICT HEATING NETWORK | 2.50% | CONCESSIONS, LICENSES CED | 5 YEARS |
| METERING INSTRUMENTS | 6.67% | | |
| METERING INSTRUMENTS DISTRICT HEATING | 6.67% | THIRD-PARTY ASSETS – HQ OFFICES | RESIDUAL YEARS LEASE |

Equity investments

Investments in subsidiaries and other companies are valued at purchase cost, reduced if necessary for impairment losses, while investments in associated companies are valued using the equity method. Dividends from equity investments are recognised in the income statement when the shareholders' right to receive payment is established.

Trade receivables and other current and non-current assets

Trade receivables and other current and non-current assets are financial instruments, mainly relating to trade receivables, which are non-derivative and not listed on an active market, from which fixed or determinable payments are expected to flow. Trade receivables and other receivables are classified as current assets in the balance sheet, except for those with a contractual maturity of more than 12 months with respect to the reporting date, which are classified as non-current assets.

Trade receivables and other current and non-current assets are recorded at amortised cost taking into account the time factor. Impairment losses on receivables are recognised in the income statement when there is objective evidence that the Company will not be able to recover the receivable on the basis of the contractual terms. The amount of the write-down is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows. The value of receivables is shown in the financial statements net of the related provision for doubtful accounts.

Inventories

Inventories of raw and ancillary materials, consumables and goods are valued at the lower of their weighted average cost and market value at the reporting date.

The weighted average cost is determined by reference period for each inventory code. The weighted average cost includes direct material and labour costs and indirect costs (variable and fixed). Inventories are constantly monitored and, where necessary, obsolete stocks are written down with a charge to the income statement.

Cash and cash equivalents

These include bank current accounts and other short-term, highly liquid financial investments that can be readily converted into cash.

Treasury shares

Repurchases of treasury shares are deducted from the capital as they represent contributed capital. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or derecognition of equity instruments. The amount paid or received is recognised directly in equity. The amount of treasury shares held is shown separately in the notes, in accordance with IAS 1 presentation of the financial statements.

Financial liabilities trade payables and other payables

Financial liabilities, trade payables and other payables are initially recognised in the income statement at fair value, net of directly attributable incidental costs, and subsequently measured at amortised cost, applying the effective interest rate method. If there is an estimable change in the expected cash flows, the value of the liabilities is recalculated to reflect this change on the basis of the present value of the new expected cash flows and the internal rate of return initially determined. Financial liabilities are classified as current liabilities, unless the company has an unconditional right to defer their payment for at least 12 months after the reference date. Financial liabilities are derecognised when they are settled and when the Company has transferred all the risks and charges relating to them. The valuation at nominal value approximates the fair value.

Provisions for risks and charges

Provisions for risks and charges are recognised for losses and charges of a specific nature, whose existence is certain or probable, but whose amount and/or date of occurrence cannot be determined. Provisions are recognised only when there is a current obligation (legal or implicit) for a future outflow of economic resources as a result of past events and it is probable that such outflow will be required to settle the obligation. This amount represents the best estimate of the cost of settling the obligation. The

rate used to determine the present value of the liability reflects current market values and takes into account the specific risk associated with each liability. The increase in the value of the provision due to a change in the cost of money over time is recorded as a financial expense. The risks for which the occurrence of a liability is only possible are highlighted in the specific information section on contingent liabilities and no provision is allocated for them.

Personnel provisions

Personnel provisions include defined contribution plans and defined benefit plans. With reference to defined contribution plans, costs relating to such plans are recognised in the income statement when incurred. With reference to defined benefit plans, the company's net liabilities are determined separately for each plan by estimating the present value of the future benefits that employees have accrued in the current year and in previous years and deducting the fair value of any assets at the service of the plan. The present value of obligations is based on the use of actuarial techniques that attribute the benefit deriving from the plan to the periods in which the obligation to disburse it arises (projected unit credit method) and is based on actuarial assumptions that are objective and compatible with each other. Plan assets are recognised and measured at fair value. The company has the support of independent experts to calculate employee benefits.

If such calculation results in a contingent asset, the amount to be recognised is limited to the present value of any economic benefits available in the form of future refunds or reductions in future contributions to the plan. The components of the cost of defined benefits are recognised as follows:

- costs relating to the provision of services are recognised in the income statement under personnel costs;
- net financial expenses on a defined benefit liability or asset are recognised in the income statement as financial income/expense, and determined by multiplying the net asset/liability value by the rate used to discount the obligations taking into account contribution and benefit payments made during the period;
- the components used to measure the net liability, which include actuarial gains and losses, the return on assets, excluding interest income recognised in the income statement and any changes in the limit on assets, are immediately recognised in the statement of comprehensive income, among changes in shareholders' equity relating to items of an economic nature. Such components shall not be reclassified to profit or loss at a later period.

Revenue recognition

Revenues from the sale of goods are recognised in the income statement at the time when control of the good is transferred to the customer, i.e. when the customer acquires the full capacity to decide on the use of the goods and to derive substantially all the benefits from it. For Alto Garda Servizi, this moment normally coincides with the delivery or shipment of goods to the customer; those for services are recognised in the accounting period in which the services are rendered.

Revenues are recorded at fair value of the amount received. The Company recognises revenues when their amount can be reliably estimated and it is probable that the related future economic benefits will be recognised. Depending on the type of transaction, revenues are recognised on the basis of the following specific criteria:

- revenues from the sale and distribution of electricity, thermal energy, gas and water are recognised at the time of transfer of ownership (at a point in time), which essentially takes place at the time of supply or service, even if not invoiced, and are determined by integrating with appropriate estimates those recorded by reading consumption.
- revenues from connection contributions to customers are recognised as deferred liabilities ("over a period of time") and released over a period of time that coincides with the depreciation of the assets to which they refer.

Revenues from services are recorded at the time they are provided or in accordance with the terms of the contract.

Cost recognition

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

Tax

Current taxes are calculated based on the taxable income for the period, applying the prevailing tax rates at the reporting date. Deferred tax assets and liabilities are calculated on the basis of all the differences that emerge between the tax value of an asset or liability and its book value. Deferred tax assets, including those relating to previous tax losses, are recognised to the extent that it is probable that future taxable income will be available against which they can be recovered. Deferred tax liabilities and assets are determined using the tax rates that are expected to be applicable in the years in which the differences will be realised or settled, on the basis of the tax rates in force or substantially in force at the reporting date. Current taxes and deferred tax liabilities and assets are recorded in the income statement, with the exception of those relating to items directly debited or credited to shareholders' equity, in which case the related tax effect is also recognised directly in shareholders' equity.

Leases as lessee

The company elected to use the “retrospective modified” approach at the date of initial application of the standard IFRS 16. Accordingly, the impact of the FTA on book equity at 1 January 2019 was zero.

On the effective date, i.e. 01/01/2019 for contracts outstanding at 31/12/2018, in accordance with the standard, the lessee recognises the asset consisting of the right of use and the financial lease liability as lessee.

The measurement of the cost of the asset, consisting of the right of use, includes the amount of the initial measurement of the lease liability, the lease payments due at or before the effective date, net of the lease incentives received, the initial direct costs incurred by the lessee and the estimated costs of dismantling or restoring the underlying asset.

An independent specialist company was used to discount the lease payments.

After initial recognition of the right of use and the related liability, the lessee must measure the right to use the asset using the cost method, i.e. carry out the amortisation process in accordance with IAS 16 and any impairment losses in accordance with IAS 36.

Amortisation must be calculated taking into account the useful life of the asset, in the event of redemption, or, if this does not take place, it will be calculated by choosing the closest time between the expiry of the contract and the end of the useful life of the asset.

In the income statement, the lessee shall present interest expense on the lease liabilities separately from the amortisation charge of the asset consisting of the right of use.

3. ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires the application by the Directors of accounting standards and methods which, in certain circumstances, are based on valuations and estimates based on historical experience and on assumptions that are from time to time considered reasonable and realistic in relation to the relative circumstances. The application of these estimates and assumptions influences the amounts recognised in the financial statements, as well as the information provided. The final results of the items of the financial statements for which said estimates and assumptions were used may differ from those in the financial statements that show the effects of the occurrence of the event subject of the estimate due to the uncertainty that characterises the assumptions and conditions on which the estimates are based. The following is a brief list of the items that, in relation to the Company, require the greatest subjectivity on the part of the Directors in making estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the Company's financial results.

- a) **Impairment test:** the book value of tangible and intangible assets is reviewed periodically and whenever circumstances or events require more frequent review. If it is considered that the carrying amount of a group of non-current assets is impaired, the group is written down to its recoverable

amount which is estimated with reference to its use or future disposal, depending on the Group's latest plans. Management is of the opinion that the estimates of such recoverable amounts are reasonable, although possible changes in the factors underlying the estimates on which these recoverable amounts have been calculated could produce different measurements.

- b) **Deferred tax assets:** deferred tax assets are accounted for on the basis of expectations of taxable income in future years in order to recover them. The valuation of expected taxable income for the purposes of accounting for deferred tax assets depends on factors that may vary over time and have significant effects on the recoverability of receivables for deferred tax assets.
- c) **Provisions for risks and charges:** for legal risks, provisions are made to cover the risk of a negative outcome. The value of the provisions recorded in the financial statements relating to these risks represents the best estimate at the date made by the Directors. Such an estimate entails making assumptions that depend on factors that may change over time and which could therefore have a material impact with respect to the current estimates made by Directors for the preparation of the Company's financial statements.
- d) **Provision for doubtful accounts:** for legal risks on failure to collect trade receivables, provisions are made to cover the risk. The value of the provisions recorded in the financial statements relating to these risks represents the best estimate at the date made by the Directors. Such an estimate entails making assumptions that depend on factors that may change over time and which could therefore have a material impact with respect to the current estimates made by Directors for the preparation of the Company's financial statements.
- e) **Personnel provisions:** the book value of personnel provisions is calculated by external and independent experts and is based on actuarial assumptions.

4. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BY THE IASB AND APPROVED BY THE EU, TO BE ADOPTED COMPULSORILY AS FROM THE FINANCIAL STATEMENTS OF THE YEARS BEGINNING ON 1 JANUARY 2021

The accounting policies adopted are consistent with those used at 31 December 2020.

In accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the IFRSs effective from 1 January 2021 are set out below and briefly explained.

In August 2020, the IASB issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. These amendments complement those made in 2019 ("IBOR - phase 1") and focus on the effects on entities when an existing interest rate reference index is replaced with a new reference rate as a result of the reform.

In May 2020, the IASB issued an amendment to IFRS 16 COVID-19 Related Rent Concessions. The amendment provided a practical expedient to take into account the reduction of rents due to Covid-19.

The practical expedient for 2020 was available for rent reductions that only affected payments originally due by 30 June 2021. On 31 March 2021, the IASB issued the amendment "Covid 19-Related Rent Concessions beyond 30 June 2021", which extended the eligibility period for the practical expedient from 30 June 2021 to 30 June 2022. This amendment is effective for annual reporting periods beginning on or after 1 April 2021. Early application is permitted, even for budgets not authorised for issue on 31 March 2021.

5. ACCOUNTING STANDARDS/INTERPRETATIONS APPROVED AND COMPULSORILY APPLICABLE FROM FINANCIAL YEARS SUBSEQUENT TO 2021.

At the date of preparation of these financial statements, the IASB had issued the following new standards/interpretations that had not yet become effective and had not yet been endorsed by the EU (the date of application is shown in parentheses):

In May 2020, the IASB issued minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the illustrative examples accompanying IFRS 16 Leases.

In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Early application is permitted.

In May 2020, the IASB issued amendments to IAS 37, which specify the costs that a company includes when assessing whether a contract will be loss-making and is therefore recognised as an onerous contract. It is expected that these changes will result in more contracts being accounted for as onerous contracts, as they increase the scope of costs included in the assessment of the onerousness of the contract.

In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting from the cost of property, plant and equipment the amounts received from the sale of items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and all related costs in terms of profit or loss.

In August 2020, the IASB published, in light of the interbank interest rate reform such as IBOR, the document "Interest Rate and Benchmark Reform - Phase 2", which contains amendments to the following standards: IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. All amendments came into force on 1 January 2021.

The possible impacts, to the extent applicable, on the financial statements resulting from the new Standards/Interpretations are

The impact, if any, on the financial statements of the new standards/interpretations, to the extent applicable, is still being assessed by the Company's management.

EFFECTS OF CLIMATE CHANGE ON THE FINANCIAL STATEMENTS

On 20 November 2020, the IFRS Foundation published educational material “Effects of climate-related matters on financial statements” in response to stakeholder requests for further information to highlight how existing IFRS requirements may require companies to consider climate-related matters when their effect is material to the financial statements.

The financial reporting implications of climate-related and other emerging risks may include, *inter alia*:

- impairment of assets, including goodwill;
- changes in the useful life of assets;
- changes in the fair value of assets;
- effects on the calculation of impairment due to increased costs or reduced demand;
- changes in provisions for onerous contracts due to increased costs or reduced demand;
- changes in provisions and contingent liabilities arising from fines and penalties;
- changes in expected losses on loans and other financial assets.

The IFRSs do not explicitly refer to climate change issues. However, companies may be required to consider climate-related issues in the application of IFRSs when the effect of such issues is material in the context of the financial statements as a whole (e.g. with respect to significant judgements and estimates). As far as Alto Garda Servizi S.p.A. is concerned, climate impacts can be reflected on the consumption trend by users, in particular of district heating, while no particular impacts can be found on other areas of the financial statements.

ESTIMATION OF FAIR VALUE

In relation to the items measured at fair value, the following table shows the information on the method chosen for the determination of the fair value. The applicable methodologies are divided into the following levels, based on the source of the available information, as described below:

- Level 1: fair value determined with regard to quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2: fair value determined using valuation techniques, based on inputs that are observable in active markets;
- Level 3: fair value determined using valuation techniques, based on market inputs that are not observable.

The table below shows the assets measured at fair value at 31 December 2021.

It was not deemed necessary to draw up a new appraisal of the values of the electrical substations and of the instrumental buildings/land, carried out in February 2019, but the company had the appraiser issue a declaration confirming that there had been no changes that might have significantly modified the values of the previous appraisal and therefore those in the financial statements.

| At 31 December 2021 | | | |
|---|----------|-------------------|----------|
| | Level 1 | Level 2 | Level 3 |
| Electrical cabins and instrumental buildings/land | 0 | 3,873,900 | 0 |
| Investment Alto Garda Power S.r.l. | 0 | 7,019,400 | 0 |
| TOTAL | 0 | 10,893,300 | 0 |

With reference to the associated company Alto Garda Power S.r.l., the application of the equity method showed an increase in value of Euro 2,244,800. It should be noted that in the course of the 2021 financial year, Euro 1.3 million in dividends were received.

The following elements were used for the evaluation of electrical substations and buildings/land:

- Urban planning data;
- Status of the buildings/lands;
- Market value.

6. NOTES TO THE STATEMENT OF FINANCIAL POSITION

7.1 TANGIBLE ASSETS

| | Land and buildings | Plants and machinery | Industrial and commercial equipment | Other assets | TOTAL |
|---|--------------------|----------------------|-------------------------------------|----------------|-------------------|
| Balance as of 31 December 2020 | 4,583,158 | 28,062,174 | 1,582,467 | 233,691 | 34,461,490 |
| Of which: | | | | | |
| Historical cost | 6,239,432 | 48,711,835 | 3,918,580 | 1,318,973 | 60,188,819 |
| Accumulated amortisation | -1,656,274 | -20,649,661 | -2,336,113 | -1,085,281 | -25,727,329 |
| Purchases | 71,928 | 1,464,031 | 138,636 | 43,520 | 1,718,115 |
| Transfers | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | -155,345 | -96,445 | 0 | -251,790 |
| Derecognition of accumulated amortisation | 0 | 129,714 | 50,695 | 0 | 180,409 |
| Write-down of assets | 0 | 0 | 0 | 0 | 0 |
| Amortisation | -163,593 | -1,196,667 | -212,135 | -51,912 | -1,624,307 |
| Balance as of 31 December 2021 | 4,491,493 | 28,303,907 | 1,463,218 | 225,299 | 34,483,917 |
| Of which: | | | | | |
| Historical cost | 6,311,360 | 50,020,521 | 3,960,771 | 1,362,493 | 61,655,144 |
| Accumulated amortisation | -1,819,867 | -21,716,614 | -2,497,553 | -1,137,193 | -27,171,227 |

The item "Land and buildings" includes, for a net book value of Euro 461,830, the amount of the right to use the Via Ardaro 27 headquarters under the current lease agreement.

With regard to tangible assets, it should be noted that costs for services provided by internal personnel have been capitalised for Euro 215,279. It should be noted that from 2015, the amortisation of the gas networks has been suspended because the net book value is certainly lower than the value that will be recognised to the Company by the incoming operator at the time of the award of the tender, the announcement of which will be published presumably by the end of 2022.

During the 2017 financial year, the rates of the district heating network were changed, according to a specific technical report, from 30 to 40 years, and of the electricity network, which went from 25 to 35 years, in line with what was defined by the sector authority.

It should be noted that in the year 2021, the meter rates were changed from 20 to 15 years, in line with what was defined by the sector authority.

The item Land and Buildings includes electrical substations with a historical cost value of Euro 3,873,900 at 31 December 2021, measured at fair value according to an appraisal prepared by an independent expert.

As also indicated in the report on operations, management has analysed the possible impacts in terms of impairment, arising from the effects of the Covid-19 pandemic, of the carrying amount of tangible assets. No impairment losses were recorded.

7.2 INTANGIBLE ASSETS

| | Start-up costs | Industrial patents and intellectual property rights | Concessions | Other intangible assets | TOTAL |
|---------------------------------------|----------------|---|-------------|----------------------------|----------------|
| Balance as of 31 December 2020 | 0 | 37,682 | 0 | 133,103 | 170,785 |
| Of which: | | | | | |
| Historical cost | 210,335 | 1,207,946 | 540,712 | 388,109 | 2,347,102 |
| Accumulated amortisation | -210,335 | -1,170,264 | -540,712 | -255,006 | -2,176,317 |
| Increases | 0 | 38,745 | 0 | 44,494 | 83,239 |
| Amortisation | 0 | -41,289 | 0 | -15,248 | -56,537 |
| Balance as of 31 December 2021 | 0 | 35,138 | 0 | 162,349 | 197,487 |
| Of which: | | | | | |
| Historical cost | 210,335 | 1,246,691 | 540,712 | 432,603 | 2,430,341 |
| Accumulated amortisation | -210,335 | -1,211,553 | -540,712 | -270,254 | -2,232,854 |

The item "Other intangible assets" includes capitalised improvements to the headquarters in Riva del Garda, Via Ardaro 27 rented from the Municipality of Riva del Garda.

Note 7.3. EQUITY INVESTMENTS

The breakdown of the item "Equity investments" is shown below:

| | At 31 December | |
|-------------------------------------|-------------------|-------------------|
| | 2021 | 2020 |
| Investments in subsidiaries | 4,208,077 | 1,834,908 |
| Investments in associated companies | 7,029,400 | 6,094,600 |
| Investments in other companies | 10,426,522 | 10,426,522 |
| TOTAL EQUITY INVESTMENTS | 21,663,999 | 18,356,030 |

Changes in the item 'Equity investments' were as follows:

| Description | 31/12/2020 | Increases | Decreases | 31/12/2021 |
|---------------------------------------|-------------------|------------------|--------------------|-------------------|
| equity investments in subsidiaries | 1,834,908 | 2,510,000 | (126,831) | 4,218,078 |
| equity investments in associates | 6,094,600 | 2,244,800 | (1,320,000) | 7,019,400 |
| equity investments in other companies | 10,426,522 | - | - | 10,426,522 |
| TOTAL | 18,356,030 | 4,754,800 | (1,446,831) | 21,663,999 |

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

| Subsidiaries | HQ | Share Capital | Shareholders' equity | Profit/ (loss) for the year | % Investment | Book value |
|------------------------------|--|---------------|----------------------|-----------------------------|--------------|-------------------|
| Stea Progetto S.r.l. | Via S.Caterina 38062 Arco | 10,000 | 627,815 | 314,313 | 51 | 846,950 |
| Ledro Energia S.r.l. | Via Ampola, 28 38067 Ledro | 1,255,495 | 3,361,127 | -126,831 | 100 | 3,361,127 |
| TOTAL | | | | | | 4,208,077 |
| | | | | | | |
| | | | | | | |
| Associated companies | | Share Capital | Shareholders' equity | Profit/ (loss) for the year | % Investment | Book value |
| Alto Garda Power S.r.l. | Viale Rovereto, 15 38066 Riva del Garda | 1,750,000 | 35,097,000 | 11,224,000 | 20 | 7,019,400 |
| Bel Coredo Spa | Via Don Guetti, 14 38012 Coredo | 300,000 | 729,395 | -35,312 | 22.95 | 10,000 |
| TOTAL | | | | | | 7,029,400 |
| | | | | | | |
| | | | | | | |
| Other companies | HQ | Share Capital | Shareholders' equity | Profit/ (loss) for the year | % Investment | Book value |
| Dolomiti Energia Hol. S.p.A. | Via Manzoni, 24 38068 Rovereto | 411,496,169 | 569,324,192 | 53,000,627 | 1.18 | 5,381,324 |
| Dolomiti Energia S.p.A. | Via Fersina, 23 38121 Trento | 20,405,332 | 129,828,308 | 26,180,434 | 4.54 | 2,562,000 |
| SET Distribuzione S.p.A. | Via Manzoni, 24 38068 Rovereto | 120,175,728 | 223,668,196 | 19,663,885 | 2.00 | 2,400,358 |
| Primiero Energia S.p.A. | Via Guadagnini, 31 38054 S.Martino | 9,938,990 | 45,581,885 | 1,903,208 | 0.81 | 81,840 |
| Distretto Tecnologico | P.za Manifattura, 1 38068 Rovereto | 201,000 | 706,407 | 50,305 | 0.35 | 1,000 |
| TOTAL | | | | | | 10,426,522 |

With regard to investments in other companies, the corresponding fractions of shareholders' equity attributable to them are, in all cases, well above their respective carrying amounts.

With regard to the purchase value of the investment in Stea Progetto Srl, acquired in November 2020, which is higher than the share of equity held, it is justified by the expected results in the coming years and the related cash flows of the same, also considering the asset related to the 110% superbonus.

7.4. NON-CURRENT FINANCIAL RECEIVABLES

“Non-current financial receivables” at 31 December 2021 and 2020 are detailed below.

| | At 31 December | |
|---|------------------|------------------|
| | 2021 | 2020 |
| Interest-bearing loan subsidiary Ledro Energia S.r.l. | 2,800,000 | 5,400,000 |
| Interest-bearing loan subsidiary Stea Progetto S.r.l. | 50,000 | 0 |
| Interest-bearing loan associate Bel Coredo SpA | 100,000 | 0 |
| Interest-bearing loan associate Alto Garda Power S.r.l. | 1,044,951 | 1,126,417 |
| Other receivables due from Bel Coredo Spa | 793,263 | 0 |
| Other receivables | 207 | 207 |
| Total | 4,788,421 | 6,526,624 |

As regards the loan to the subsidiary Ledro Energia S.r.l., it will be gradually repaid once the pellet production plant is fully operational and with the consequent cash flows that the company will generate. In 2021, a 2.5 million shareholder loan to the subsidiary Ledro Energia Srl was converted into a future capital increase.

7.5 RECEIVABLES FOR DEFERRED TAX ASSETS

The following table breaks down deferred tax assets by type of temporary difference at 31 December 2021 and 2020.

| Receivables for deferred tax assets IRES | Deferred tax assets 2020 | | | Total prepaid tax 2021 | | |
|--|--------------------------|--------|------------------|------------------------|--------|------------------|
| | Tax | Rate | Tax | Tax | Rate | Tax |
| Contributions connection electricity users | 1,866,613 | 24.00% | 447,987 | 1,682,261 | 24.00% | 403,743 |
| Contributions connection gas users | 650,618 | 24.00% | 156,148 | 650,618 | 24.00% | 156,148 |
| Allocation provision for write-down of intangible assets | 164,462 | 24.00% | 39,471 | 164,462 | 24.00% | 39,471 |
| Statutory amortization exceeding tax | 3,838,484 | 24.00% | 921,236 | 3,838,484 | 24.00% | 921,236 |
| Allocation doubtful accounts provision | 188,323 | 24.00% | 45,198 | 188,323 | 24.00% | 45,198 |
| Other employee benefits | 524,339 | 24.00% | 125,841 | 565,081 | 24.00% | 135,619 |
| Total | 7,232,839 | | 1,735,881 | 7,089,229 | | 1,701,415 |

| Receivables for deferred tax assets IRAP | Deferred tax assets 2020 | | | Total prepaid tax 2021 | | |
|--|--------------------------|-------|------------------|------------------------|-------|------------------|
| | Tax | Rate | Tax | Tax | Rate | Tax |
| Contributions connection electricity users | 1,866,613 | 3.54% | 66,078 | 1,682,261 | 3.54% | 59,552 |
| Contributions connection gas users | 650,618 | 3.54% | 23,032 | 650,618 | 3.54% | 23,032 |
| Allocation provision for write-down of intangible assets | 164,462 | 3.54% | 5,822 | 164,462 | 3.54% | 5,822 |
| Provision for write-down of tangible assets | 0 | 3.54% | 0 | 0 | 3.54% | 0 |
| Total | 2,681,693 | | 94,932 | 2,497,341 | | 88,406 |
| Total receivables for deferred tax assets | | | 1,830,813 | | | 1,789,821 |

It should be noted that receivables for deferred tax assets relating to the difference between statutory and fiscal amortisation (energy and gas networks) will be reasonably recovered with the sale of the networks to the new concessionaires, during calls for the reallocation of services

scheduled respectively for 2024 (gas service) and 2030 (electricity service).

7.6 INVENTORIES

The breakdown of the item “Inventories” at 31 December 2021 and 2020 is provided below.

| | At 31 December | |
|---|----------------|----------------|
| | 2021 | 2020 |
| Raw and ancillary materials and consumables | 580,368 | 647,904 |
| TOTAL | 580,368 | 647,904 |

7.7 TRADE RECEIVABLES

The breakdown of “Trade receivables” at 31 December 2021 and 2020 is provided below.

| | At 31 December | |
|---------------------------------|------------------|------------------|
| | 2021 | 2020 |
| Receivables from customers | 6,305,788 | 5,910,546 |
| Provision for doubtful accounts | -223,429 | -223,429 |
| TOTAL | 6,082,359 | 5,687,117 |

Trade receivables, shown net of the related provision for doubtful accounts, mainly includes trade receivables and provisions for invoices to be issued for the distribution of energy and gas and the sale of heat and water at their estimated realisable value. Receivables refer entirely to the geographical area of Italy.

The provision for doubtful accounts showed the following changes in 2021 and 2020:

| | Provision for doubtful accounts | |
|---------------------|---------------------------------|--|
| At 01 January 2020 | 263,300 | |
| Allocations | 0 | |
| Utilisations | -39,871 | |
| At 31 December 2020 | 223,429 | |
| Allocations | 0 | |
| Utilisations | 0 | |
| At 31 December 2021 | 223,429 | |

7.8 RECEIVABLES FROM PARENT, SUBSIDIARY AND ASSOCIATED COMPANIES

The breakdown of the item “Receivables from parent, subsidiary and associated companies” at 31 December 2021 and 2020 is provided below.

| | At 31 December | |
|---------------------------------------|----------------|----------------|
| | 2021 | 2020 |
| Receivables from parent company | 139,480 | 128,987 |
| Receivables from subsidiaries | 60,854 | 88,039 |
| Receivables from associated companies | 10,625 | 11,076 |
| TOTAL | 210,959 | 228,102 |

They mainly relate to receivables from the Municipality of Riva del Garda for routine and non-routine maintenance of public lighting systems and for the management of the Consortium Aqueduct. Receivables from subsidiaries refer to technical/administrative services provided for Ledro Energia S.r.l., governed by a specific service contract.

7.9. CURRENT TAX RECEIVABLES

The breakdown of the item "Current tax receivables" at 31 December 2021 and 2020 is provided below.

| | At 31 December | |
|--------------------|----------------|----------------|
| | 2021 | 2020 |
| VIRTUAL STAMP DUTY | 0 | 2,408 |
| IRAP | 1,301 | 7,215 |
| IRES | 211,829 | 90,431 |
| Total | 213,130 | 100,054 |

7.10 OTHER CURRENT ASSETS

The breakdown of the item "Other current assets" at 31 December 2021 and 2020 is provided below.

| | At 31 December | |
|--|------------------|------------------|
| | 2021 | 2020 |
| PAT and Municipalities – deposit of road cuts and various deposits | 66,009 | 66,009 |
| Energy revenues equalization fund | 1,143,833 | 1,510,160 |
| Repayment of interest on tax moratorium for 1998-2000 | 257,296 | 257,296 |
| PAT – advance gas tender costs | 48,170 | 43,081 |
| Equalization fund 6th two-month period 2020 | 75,634 | 50,210 |
| Sundry | 173,211 | 273,755 |
| Accrued and deferred assets | 139,387 | 18,702 |
| Total | 1,903,540 | 2,219,213 |

It should be noted that the Regulatory Authority for Energy, Networks and the Environment has now definitively approved the tariffs for the electricity sector for the years 2016 and 2017, making the related payment.

The calculation of the gas and energy equalisation for the year 2021 was carried out with the support of expert and independent consulting firms.

7.11 CASH AND CASH EQUIVALENTS

The breakdown of the item “Cash and cash equivalents” at 31 December 2021 and 2020 is provided below.

| | At 31 December | |
|-----------------------------------|------------------|------------------|
| | 2021 | 2020 |
| Bank and postal deposits | 1,966,430 | 2,467,139 |
| Cash-in-hand and cash equivalents | 1,034 | 1,066 |
| TOTAL | 1,967,464 | 2,468,205 |

This item includes cash on hand and bank deposits actually available.

SHAREHOLDERS' EQUITY

8.1 SHAREHOLDERS' EQUITY

Changes in shareholders' equity reserves are reported in the schemes of these financial statements. At 31 December 2021, the Company's share capital amounted to Euro 23,234,016 and consisted of 446,808 ordinary shares with a nominal value of Euro 52 each. During 2021, Euro 0.625 thousand, equal to Euro 1.40 per share, was distributed.

The breakdown of shareholders' equity is shown below:

| | At 31 December | |
|-----------------------------------|-------------------|-------------------|
| | 2021 | 2020 |
| Share capital | 23,234,016 | 23,234,016 |
| Legal reserve | 1,842,420 | 1,677,806 |
| Share premium reserve | 3,263,400 | 3,263,400 |
| Extraordinary reserve | 18,759,072 | 17,239,624 |
| FTA reserve | 1,589,613 | 1,589,613 |
| Non-distributable reserve | 2,993,485 | 2,068,685 |
| IAS 19 reserve | 429,363 | 429,363 |
| Retained earnings reserve | 817,915 | 817,915 |
| Reserve for treasury shares | -200,000 | 0 |
| Profit/ (loss) for the year | 3,095,158 | 3,292,271 |
| TOTAL SHAREHOLDERS' EQUITY | 55,824,442 | 53,612,693 |

The following table provides the analysis of shareholders' equity under the profiles of availability and distributability of reserves.

| Descrizione | importo | possibilità di utilizzo | quote disponibile | Riepilogo delle utilizzazioni effettuate nei tre precedenti esercizi per copertura perdite per altre ragioni | |
|---|-------------------|----------------------------|----------------------|---|----------------------|
| | | | | per copertura perdite | per altre ragioni |
| Capitale Sociale | 23.234.016 | | - | - | - |
| Riserve di capitale | | | | | |
| - riserva sopraprezzo azioni | 3.263.400 | A,B | 3.263.400 | - | - |
| Riserve di utile | | | | | |
| - riserve di rivalutazione | - | | | - | - |
| - riserva legale | 1842.420 | B | 1842.420 | - | - |
| - riserva per azioni proprie in portafoglio | - | | | - | - |
| - riserve statutarie | - | | | - | - |
| - riserva straordinaria | 18.759.072 | A,B,C | 18.759.072 | - | - |
| - riserva non distribuibile | 2.993.485 | | - | - | - |
| - riserva FTA | 1.589.613 | | - | - | - |
| - riserva IAS 19 | 429.363 | | - | - | - |
| - utili o perdite portati a nuovo | 817.915 | A,B,C | 817.915 | - | - |
| Totali | 52.929.285 | | 24.682.807 | - | - |
| Quota non distribuibile | | | - | | |
| Residua quota distribuibile | | | 24.682.807 | | |

A: per aumento di capitale

B: per copertura perdite

C: per distribuzione soci

8.2 NON-CURRENT FINANCIAL PAYABLES

The table below shows non-current financial payables at 31 December 2021 and 2020.

| | 2021 | 2020 |
|--------------------------|------------------|------------------|
| | Non-current | Non-current |
| Payables to banks | 678,948 | 2,004,530 |
| Other financial payables | 435,682 | 531,059 |
| Bond | 5,000,000 | 5,000,000 |
| TOTAL | 6,114,630 | 7,535,589 |

On 15 July 2014, the company issued a bond for Euro 5 million with payment of semi-annual coupons and repayment in a lump sum at 30 June 2023. The loan was fully subscribed and is currently listed on the Vienna Stock Exchange: the price on the date of admission was 100 and at the end of the year, there were no deviations.

8.3 EMPLOYEE BENEFITS

The Company provides employees (including retired employees) with both post-employment and other benefits. These benefits include “employee severance indemnities”, additional monthly payments for reaching age limits or for accrual of the right to retirement pension, loyalty bonuses for reaching certain seniority requirements at the company and discounts on the price of electricity consumed for domestic use.

Employee benefits are calculated with the support of two independent experts.

Changes in the Employee Severance Indemnity and other employee benefits for the years ended 31 December 2021 and 31 December 2020 are shown below:

| | At 31 December 2020 | | | | |
|--|---------------------|-----------------|-----------------------------|------------------|-----------|
| | TFR | Loyalty Bonuses | Monthly salaries Additional | Energy discounts | Total |
| Liabilities at the start of the period | 723,780 | 83,374 | 66,132 | 290,360 | 1,163,646 |
| Current cost of the service | 34,250 | 5,250 | 2,498 | 2,236 | 44,234 |
| Interest from discounting | 5,372 | 642 | 241 | | 6,255 |
| Benefits paid | -52,160 | -4,711 | -6,273 | -45,342 | -108,486 |
| Actuarial losses/(gains) | 33,165 | -791 | 8,365 | | 40,739 |
| Liabilities at the end of the period | 744,407 | 83,764 | 70,963 | 247,254 | 1,146,388 |
| | | | | | |
| | | | | | |
| | At 31 December 2021 | | | | |
| | TFR | Loyalty Bonuses | Monthly salaries Additional | Energy discounts | Total |
| Liabilities at the start of the period | 744,407 | 83,764 | 70,963 | 247,254 | 1,146,388 |
| Current cost of the service | 40,029 | 5,298 | 2,596 | 841 | 48,764 |
| Interest from discounting | 2,389 | 285 | 229 | | 2,903 |
| Benefits paid | -83,229 | -6,866 | -9,833 | | -99,928 |
| Actuarial losses/(gains) | 5,406 | -9,826 | 5,012 | 57,286 | 57,878 |
| Liabilities at the end of the period | 709,002 | 72,655 | 68,967 | 305,381 | 1,156,005 |

The following is a breakdown of the assumptions used in the actuarial valuations:

| | At 31 December | |
|------------------------------|----------------|-------|
| | 2021 | 2020 |
| Discount rate/discount | 0.98% | 0.34% |
| Inflation rate | 1.20% | 0.80% |
| Overall salary increase rate | 2.20% | 2.10% |
| Annual TFR increase rate | 2.81% | 1.00% |

Under the terms of IAS 19.145, the sensitivity analysis shows a maximum differential of Euro 25 thousand. The analysis was carried out by changing the turnover rate by +/- 1%, the inflation rate by +/- 0.25% and the discount rate by +/- 0.25%.

8.4 PROVISIONS FOR RISKS AND CHARGES

There are no provisions for risks and charges.

8.5 CURRENT FINANCIAL PAYABLES

The table below shows current financial payables at 31 December 2021 and 2020.

| | 2021 | 2020 |
|--------------------------|------------------|----------------|
| Current | Current | |
| Payables to banks | 1,318,185 | 610,362 |
| Other financial payables | 94,708 | 94,708 |
| Bond | 0 | 0 |
| TOTAL | 1,412,893 | 705,070 |

8.6 TRADE PAYABLES

The table below shows “Trade payables”, which include payables for the supply of goods and provision of services, at 31 December 2021 and 31 December 2020. Payables refer entirely to the geographical area of Italy. All payables are due within one year.

| | At 31 December | |
|---------------------------------|------------------|------------------|
| | 2021 | 2020 |
| Suppliers of goods and services | 595,494 | 1,322,147 |
| Invoices to be received | 649,923 | 612,924 |
| Total | 1,245,417 | 1,935,071 |

8.7 PAYABLES TO PARENT, ASSOCIATED AND SUBSIDIARY COMPANIES

The table below shows “Payables to parent, associated and subsidiary companies” at 31 December 2021 and 31 December 2020. Payables refer entirely to the geographical area of Italy.

| | At 31 December | | | |
|----------------------------------|------------------|------------------|--|--|
| | 2021 | 2020 | | |
| Payables to parent company | 1,753,419 | 1,538,053 | | |
| Payables to subsidiaries | 179,607 | 62,103 | | |
| Payables to associated companies | 1,037,136 | 566,465 | | |
| TOTAL | 2,970,162 | 2,166,621 | | |

They refer mainly to payables to the parent entity, the Municipality of Riva del Garda, for “Municipal Concessions” and other commercial items connected with concessions for electricity, gas, drinking water/sewerage and electricity production services, which are governed by specific service contracts. Trade payables consist of the portion of the water cycle tariff that the Company pays to the Municipality of Riva del Garda to cover the costs incurred by the Municipality for the water network. Payables to parent company also include the purification component that refers to the billing portion for the water service performed by AGS S.p.A. at 31 December 2021 to end customers and that is then turned over to the Municipality of Riva del Garda.

8.8 TAX PAYABLES

The table below shows “Tax payables” at 31 December 2021 and 31 December 2020.

| | At 31 December | |
|--|----------------|----------------|
| | 2021 | 2020 |
| Tax liabilities IRAP | 0 | 0 |
| Tax liabilities VAT | 92,007 | 78,309 |
| Withholding taxes on employees and collaborators | 114,389 | 103,524 |
| Total | 206,396 | 181,833 |

Payables for IRPEF relate to withholdings to employees for December 2021 paid in January 2022.

8.9 OTHER CURRENT PAYABLES

The table below shows “Other current payables” at 31 December 2021 and 31 December 2020.

| | At 31 December | |
|--|------------------|------------------|
| | 2021 | 2020 |
| Payables to pension and social security institutions | 259,819 | 241,576 |
| Payables to employees | 324,877 | 304,649 |
| Other payables | 480,357 | 418,190 |
| Payables to the Equalisation Fund | 753,471 | 1,333,930 |
| Accrued and deferred liabilities | 3,132,997 | 3,114,726 |
| TOTAL | 4,951,521 | 5,413,071 |

Payables to social security institutions refer to charges and withholdings from employees paid in the following month. Payables to employees include productivity bonuses (Euro 143 thousand) and holidays accrued but not taken (Euro 170 thousand). Deferred income refers to connection contributions from users. Amounts due to the Equalisation Fund refer to items invoiced in the 6th two-month period of 2021 and paid in January and February 2022.

7. NOTES TO THE INCOME STATEMENT

9.1 REVENUES FROM SALES AND SERVICES

Revenues are entirely generated in Italy and are broken down as follows:

| | 31.12.2021 | 31.12.2020 |
|--|-------------------|------------------|
| Revenues from electricity transmission | 2,633,252 | 2,544,631 |
| Revenues from electricity generation | 141,333 | 149,160 |
| Revenues from gas transmission | 2,327,931 | 2,280,734 |
| Revenues from water service management | 1,197,000 | 1,121,788 |
| Heat revenues | 3,648,124 | 2,625,965 |
| Other revenues | 424,805 | 384,337 |
| Total | 10,372,445 | 9,106,615 |

With regard to the change in revenues, reference should be made to the comments made in the report on operations.

9.2 OTHER REVENUES AND INCOME

A breakdown of the item “Other revenues and income” for the year ended 31 December 2021 and 2020 is provided below.

| | 31.12.2021 | 31.12.2020 | |
|--|------------------|------------------|--|
| Services provided to subsidiaries | 28,440 | 26,520 | |
| Contributions from equalization systems | 469,927 | 352,290 | |
| Revenues from management of aqueduct plants | 258,030 | 251,605 | |
| Revenues from public lighting services | 41,918 | 111,336 | |
| Operating contingent assets | 103,308 | 504,513 | |
| Revenues from other services provided to third parties | 366,580 | 423,521 | |
| Total | 1,268,203 | 1,669,785 | |

Revenues are entirely generated in Italy.

9.3 COSTS FOR RAW MATERIALS, CONSUMABLES AND GOODS

The breakdown of the item “Costs for raw materials, consumables and goods” for the year ended 31 December 2021 and 2020 is shown below.

| | 31.12.2021 | 31.12.2020 |
|--------------------------------|------------------|------------------|
| Purchase of drinking water | 2,525 | 2,966 |
| Purchase of electricity | 0 | 301,358 |
| Purchase of heat | 2,147,252 | 1,226,834 |
| Purchase of warehouse material | 393,591 | 533,674 |
| Purchase of other materials | 187,977 | 217,074 |
| Change in inventories | 67,536 | -98,645 |
| Total | 2,798,881 | 2,183,261 |

9.4 COSTS FOR SERVICES

The breakdown of the item “Costs for services” for the year ended 31 December 2021 and 2020 is shown below.

| | 31.12.2021 | 31.12.2020 |
|----------------------------------|------------------|------------------|
| Electricity transport fees | 983,793 | 884,434 |
| Insurance | 128,309 | 124,138 |
| Bank charges and fees | 18,545 | 21,469 |
| Administrative consultancy | 138,687 | 165,072 |
| Network maintenance costs | 518,104 | 538,236 |
| Electricity, gas and water costs | 108,202 | 81,225 |
| Software fees | 307,403 | 260,715 |
| Employee training costs | 1,349 | 5,390 |
| Meter reading costs | 102,795 | 104,763 |
| Other costs | 448,270 | 373,902 |
| Total | 2,755,457 | 2,559,344 |

9.5 COSTS FOR THE USE OF THIRD-PARTY ASSETS

The breakdown of the item “Costs for the use of third-party assets” for the year ended 31 December 2021 and 2020 is provided below.

| | 31.12.2021 | 31.12.2020 |
|-----------------|----------------|----------------|
| Rental expenses | 21,224 | 20,237 |
| Concession fees | 430,496 | 291,935 |
| Total | 451,720 | 312,172 |

9.6 PERSONNEL COSTS

The breakdown of the item “Personnel costs” for the year ended 31 December 2021 and 2020 is provided below.

| | 31.12.2021 | 31.12.2020 |
|------------------------------------|------------------|------------------|
| Wages and salaries | 2,223,807 | 2,159,764 |
| Social security costs | 708,085 | 691,263 |
| Employee severance indemnity (TFR) | 167,927 | 147,737 |
| Other costs | 87,955 | 58,185 |
| Total | 3,187,774 | 3,056,949 |

9.7 DEPRECIATION/AMORTISATION OF FIXED ASSETS

The breakdown of the item “Amortisation, depreciation, provisions and write-downs” for the year ended 31 December 2021 and 2020 is provided below.

| | 31.12.2021 | 31.12.2020 |
|-----------------------------------|------------------|------------------|
| Depreciation of Intangible assets | 56,537 | 65,736 |
| Depreciation of Tangible assets | 1,624,306 | 1,555,920 |
| Total | 1,680,843 | 1,621,656 |

9.8 PROVISIONS AND WRITE-DOWNS

The breakdown of the item “Provisions and write-downs” for the year ended 31 December 2021 and 2020 is provided below.

| | 31.12.2021 | 31.12.2020 |
|---------------------------------|------------|------------|
| Provision for doubtful accounts | 0 | 0 |
| Write-downs of tangible assets | 0 | 0 |
| Total | 0 | 0 |

9.9 OTHER OPERATING EXPENSES

The breakdown of the item “Other operating expenses” for the year ended 31 December 2021 and 2020 is provided below.

| | 31.12.2021 | 31.12.2020 |
|----------------------------------|------------------|------------------|
| Gas equalisation costs | 658,210 | 500,456 |
| Losses on ordinary operations | 51,747 | 2,923 |
| Charges on common conventions | 111,371 | 111,476 |
| Operating contingent liabilities | 74,116 | 178,338 |
| Other operating expenses | 203,717 | 218,846 |
| Total | 1,099,161 | 1,012,039 |

Contingent liabilities refer to adjustments to the gas and energy equalisation for 2020.

9.10 CAPITALISED COSTS FOR INTERNAL WORKS

The breakdown of the item “Capitalised costs for internal works” for the year ended 31 December 2021 and 2020 is shown below.

| At 31 December | | |
|--------------------|----------------|----------------|
| | 2021 | 2020 |
| Warehouse material | 347,771 | 306,229 |
| Labour | 215,279 | 220,467 |
| TOTAL | 563,050 | 526,696 |

Capitalised costs include Euro 215,279 for personnel costs and Euro 347,771 for material costs and refer to the development and implementation of investments in the gas and electricity distribution networks.

10 INCOME FROM INVESTMENTS

The breakdown of the item “Income from equity investments” for the year ended 31 December 2021 and 2020 is provided below.

| | 31.12.2021 | 31.12.2020 |
|---|------------------|------------------|
| Proventi da partecipazione in imprese controllate | 10.200 | 0 |
| Proventi da partecipazione in altre imprese | 1.239.177 | 1.194.651 |
| Totale | 1.249.377 | 1.194.651 |

Income from equity investments includes dividends received from Dolomiti Energia Holding S.p.A, Dolomiti Energia S.p.A., Set Distribuzione S.p.A and Primiero Energia S.p.A. During 2021, Euro 10 thousand were collected from the subsidiary STEA Progetto SRL.

11 WRITE-DOWN OF INVESTMENT

In 2021, the equity investment in the subsidiary Ledro Energia S.r.l. was written down for Euro 126,831, equal to the loss for 2021.

12 FINANCIAL EXPENSES

The breakdown of the item “Financial expenses” for the year ended 31 December 2021 and 2020 is provided below.

| | 31.12.2021 | 31.12.2020 |
|---|----------------|----------------|
| Bank interest expense | 12 | 449 |
| Interest expense on bond | 158,800 | 169,004 |
| Interest expense on mortgages | 19,398 | 23,867 |
| Interest from discounting | 21,690 | 18,087 |
| Financial expenses earn out Stea Progetto Srl | 270,774 | 0 |
| Total | 470,674 | 211,407 |

13 FINANCIAL INCOME

| | 31.12.2021 | 31.12.2020 |
|---|-------------------|-------------------|
| Interest income from subsidiaries | 32,414 | 55,989 |
| Interest income from associated companies | 44,951 | 47,174 |
| Other financial income | 22,623 | 103,199 |
| Total | 99,988 | 206,362 |

The breakdown of the item "Financial income" for the year ended 31 December 2021 and 2020 is provided below.

14 GAINS AND LOSSES FROM INVESTMENTS - EQUITY METHOD

| | 31.12.2021 | 31.12.2020 |
|-----------------------------------|-------------------|-------------------|
| Interest income from subsidiaries | 2,244,800 | 1,934,400 |
| Total | 2,244,800 | 1,934,400 |

These refer to adjustment to 20% of the equity of the associated company Alto Garda Power S.r.l.

15 CURRENT AND DEFERRED TAXES

The taxes for the year recorded in the income statement of these financial statements for a total of Euro 131,366 are as follows:

| | 31.12.2021 | 31.12.2020 |
|-----------------------------------|-------------------|-------------------|
| Current taxes IRAP and IRES | 90,374 | 83,873 |
| Prepaid taxes IRES and IRAP | 40,992 | 178,405 |
| Taxes previous year IRES and IRAP | 0 | 0 |
| Total | 131,366 | 262,278 |

The analysis of the difference between the theoretical and effective tax rate for the two years under comparison is as follows:

| IRES TAX RATE RECONCILIATION | | 2021 | | | |
|-----------------------------------|--|--------------|---------|--|--|
| Pre-tax result | | 3,226,524.00 | | | |
| Effective Tax Rate: | | 1.96% | | | |
| Theoretical tax: | | 774,365.76 | 24% | | |
| <u>Increases:</u> | | | | | |
| Write-down of investments | | 30,439.44 | 0.94% | | |
| Financial charges for earn-out | | 64,985.76 | 2.01% | | |
| Deductible taxes | | 3,312.72 | 0.10% | | |
| Non-deductible amortisation/dep | | 41,412.00 | 1.28% | | |
| Losses on receivables | | 7,135.44 | 0.22% | | |
| Dividends | | 15,840.00 | 0.49% | | |
| Non-deductible contingencies | | 17,787.84 | 0.55% | | |
| Other write-backs | | 26,394.00 | 0.82% | | |
| <u>Decreases</u> | | | | | |
| Portion excluded from distributed | | - 284,857.92 | -8.83% | | |
| Measurement of subsidiaries' equ | | - 538,752.00 | -16.70% | | |
| Deferred contrib. Connection | | - 37,679.52 | -1.17% | | |
| Super amortisation | | - 10,882.32 | -0.34% | | |
| Other changes | | - 3,314.16 | -0.10% | | |
| ACE | | - 42,864.24 | -1.33% | | |
| Effective tax: | | 63,322.80 | 1.96% | | |

| | | |
|---|---------------|--------------|
| IRAP TAX RATE RECONCILIATION | 2,021 | |
| Positive components | 12,203,699 | |
| Negative components | (8,787,569) | |
| Value of production | 3,416,130 | |
| Effective Tax Rate: | 0.53% | |
| Theoretical tax: 2.98% | 101,801 | 2.98% |
| <u>Increases:</u> | 5,137 | 0.15% |
| <u>Decreases</u> | | |
| Deductions Art. 11, para. 1, letter a) of Legislative | (84,185) | -2.46% |
| Other | (4,679) | -0.14% |
| Effective tax: | 18,074 | 0.53% |

8. FEES TO DIRECTORS AND STATUTORY AUDITORS

The following is the breakdown of fees to the Company's Directors and Statutory Auditors for the years ended 31 December 2021 and 2020.

| At 31 December | | |
|-------------------------|---------------|---------------|
| | 2021 | 2020 |
| Directors' fees | 48,085 | 47,799 |
| Board of Auditors' fees | 29,119 | 29,119 |
| TOTAL | 77,204 | 76,918 |

9. FEES OF THE INDEPENDENT AUDITORS

The table below shows the fees received by the independent auditors BDO Italia S.p.A. for the years ended 31 December 2021 and 2020.

| At 31 December | | |
|--|---------------|---------------|
| | 2021 | 2020 |
| Statutory audit of annual accounts | 18,674 | 18,410 |
| Other consultancy services provided | 0 | 0 |
| Tax advisory services | 0 | 0 |
| Other audit and accounting organisation services | 800 | 800 |
| TOTAL | 19,474 | 19,210 |

The item "Other auditing and accounting organisation services" refers to the attestations to the member municipalities of AGS S.p.A. of the receivables/payables balance at 31 December 2021.

10. PROPOSAL FOR THE ALLOCATION OF PROFITS OR COVERAGE OF LOSSES

It is hereby proposed to the Meeting to allocate the profit for the year of Euro 3,095,158 as follows:

- Euro 154,758 equal to 5% to the legal reserve;
- Euro 2,244,800 to the non-distributable reserve, being related to the result for the year of the associated company Alto Garda Power S.r.l., valued using the equity method, and not being a dividend paid.
- Euro 623,316 ordinary dividend to shareholders corresponding to Euro 1.40 per share, also proposing that the payment be made as from 30 September 2022;
- Euro 72,284 to the extraordinary reserve,

Riva del Garda, 28 March 2022

Andrea Mora
PRESIDENTE
del Consiglio di Amministrazione



Certification of the annual financial statements pursuant to article 154-bis of Legislative Decree 58/98

The undersigned Andrea Mora, Chair of the Board of Directors, and Andrea Carloni, Administration Manager of Alto Garda Servizi S.p.A., certify, taking into account the provisions of current legislation:

- the adequacy in relation to the characteristics;
- the effective application of administrative procedures and controls for the preparation of the annual financial statements during the period from 1 January 2020 to 31 December 2020.

In this regard, no significant aspects emerged in the effective application of the procedures or in any reference to the body of general principles used in the preparation of the certification.

It is also certified that:

The Financial Statements at 31 December 2021:

- have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the information contained in the accounting ledgers and records;
- provide a true and fair representation of the equity, economic and financial situation of the Company in question.

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

Riva del Garda, 28 March 2022

Chair of the Board of Directors Andrea Mora
Administration Manager Andrea Carloni