ALTO GARDA SERVIZI S.p.A.

Registered Office: Via Ardaro, 27 38066 Riva del Garda, Province of Trento, Italy Trento Company Register 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

Consolidated Financial Statements as at 31.12.2022

1

Corporate bodies

Board of Directors

Chair Andrea Mora

Director Manuela La Via

Director Lara Marcabruni

Director Francesco Faccioli

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.

CONTENTS

REPORT ON OPERATIONS	4
ALTO GARDA SERVIZI S.P.A.	
CONSOLIDATED FINANCIAL STATEMENTS AS AT 31	
DECEMBER 2022	34
41 7 0 0400 4 050\# 7 1 0 4	
ALTO GARDA SERVIZI S.p.A.	
FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022	82

Report on Operations

In 2022, the global economy experienced a marked slowdown, caused by high levels of inflation, partly the legacy of two years of pandemic and the subsequent restrictions introduced to contain its spread; this led to bottlenecks in supply chains, partly due to the Russian-Ukrainian conflict, which heavily impacted the prices of raw materials and numerous commodities, triggering worrying supply-side inflation, especially in Europe, and partly stemming from labour market imbalances and the mismatch between supply and demand, which, in the US, gave rise to demand-driven inflation. The estimated growth of the world economy for 2022 is +3%, compared to +6.3% in 2021, although a better-than-expected trend was observed in the second half of the year. This was mainly due to the good performance of the EMU which, despite the Russian invasion of Ukraine, the energy crisis and the normalisation of monetary policy, in the first nine months of the year largely exceeded the growth estimates formulated in the spring by all the major forecasting institutions, in contrast to the United States and China, which performed less brilliantly than expected at the beginning of the year, the former due to the unexpectedly strong monetary tightening, the latter due to the stringent restraining measures introduced by the Chinese authorities in an anti-COVID capacity. In particular, according to Prometeia's forecasts, EMU GDP growth in 2022 is +3.4%; US GDP growth is +2.0%; China's is +3.3%.

Although positive signs emerged in the latter part of the year, such as the ongoing and gradual reduction of commodity prices in international markets and the restored normalcy of global freight transport after the pandemic-related problems, there are numerous critical elements that cannot be overlooked and that, after the slowdown in 2022, could translate into a strong downturn of the global economic cycle in 2023. First of all, the possibility of an abrupt deceleration in the United States (with the inevitable repercussions on the global economy), but also the possibility that in China the less aggressive approach announced by the government authorities to combat the pandemic may not be sufficient to avert weak growth, hindered more by structural constraints than by the spread of the virus and the measures put in place by the government to contain it. As for Europe, although there is evidence of a number of positive elements, including the unexpected resilience of domestic demand, despite the peaks reached by inflation, a robust

labour market, and an easing - albeit temporary - of tensions in the gas market, there is continued deterioration in household and business confidence, suggesting a weak outlook.

Going into the merits of the individual macroeconomic areas, in the United States, inflation levels, still clearly above the monetary authorities' targets, have prompted the FED to confirm at the December Federal Open Market Committee (FOMC) meeting its aggressive approach to the fight against inflation, although there have been encouraging signs in recent months of substantial price stabilisation partly due to the gradual normalisation of global goods transport, which will continue to exert disinflationary effects by lowering the prices of imported goods, and partly due to the fall in real estate prices, the effects of which, however, are expected to be felt at most between the end of 2023 and the beginning of 2024, thus allowing inflation to continue at high levels even during 2023. Other factors also play in favour of persistently high inflation: while households have so far supported consumption by increasing the use of disposable income to the detriment of savings generation, there is still room to draw on the "tesoretto" (deposit account for savings and investment plans) set aside during the pandemic; moreover, imbalances in the labour market persist, characterised by a persistent condition of excess demand (there are approximately 4 million more job vacancies than there are unemployed): the resulting wage increases, if, on the one hand, have allowed only a partial recovery of the reduction in purchasing power, on the other hand, have mainly benefited the weaker social classes, thus mitigating the deflationary effect on household consumption. It is therefore clear that the longer it takes for the labour market imbalance to subside, the higher the risk of inflation will remain. All of this, in Prometeia's forecasts, will result in a contraction of US GDP in the first and second quarters of 2023 and a substantial stagnation in the second half of the year, which will bring average annual US growth to 0.4%.

As far as the EMU is concerned, the main driver of the economy in 2022 was domestic demand, especially service-related demand, with households being able to draw on savings accumulated during the pandemic, while business investment remained essentially static. Now the unknown factor is when high inflation, together with the ECB's tightening of financing conditions, will lead to a contraction in consumption, although a gradual process is expected; unlike in the US, in Europe inflation still appears to be on the rise

and household confidence at historically low levels, is negatively affected by the expectations component. The high cost of energy remains one of the critical issues for households and businesses, with the latter continuing to experience a negative trend in order components. Despite the replenishment of storages in the most recent months, it is indeed premature to rule out new tensions on gas prices: after the monthly averages in October and November dropped below €100 per MWh, the arrival of cold weather brought gas TTF prices back above €140/smc and highlighted the possibility that particularly cold temperatures for prolonged periods could increase the demand for energy, thus generating new tensions on prices as well as fuelling the risk of energy rationing, with the consequent recessive effects on the economic activity of companies and the confidence of households. In this context, Prometeia's forecasts for the EMU are two quarterly GDP contractions at the turn of 2022 and 2023 (after six consecutive quarters of growth) and a modest recovery in the second half of the year, leading GDP into stagnation (+0.1% in 2023).

The absence, therefore, of an economy that, in terms of size and growth, can drive the global GDP, means that the forecast for 2023 is one of weak momentum. In fact, overall growth of 1.8% is expected for the global economy, due to the technical recession (i.e. two consecutive quarters of contracting GDP) expected for the Eurozone and the US and a Chinese GDP below the government target of 5.5%. On the other hand, it has to be considered that a strong upturn in economic activity in China could result in a disruption of the recent easing of tensions in international prices of many industrial and energy commodities (including liquid gas, crucial for Europe), or even a reversal of the trend, thus in turn penalising the entire world economy. In summary, the better-than-expected performance in the second half of the year does not necessarily imply that the low point of the inflation-led economic slowdown has been overcome Although this seems to have stabilised in the United States, the levels are still such that the policy rate hike initiated by the FED will not stop, so the risk of the start of a recessionary phase, with negative effects for the world economy, and not only the US, remains. As for the old continent, Europe, in addition to being affected by the weakness of the world economic cycle, is penalised by inflation that is still on the rise and has probably not yet peaked, even in the — unlikely — event of no new tensions in the energy and gas markets.

In the euro area, the post-pandemic recovery of economic activity is slowing down with GDP growth

expected at 3.3% (compared to 5.3% in 2021 – source Bank of Italy Bulletin No. 1-2023) and inflation remains high. In order to curb inflation, the European Central Bank decided from July 2022 to increase the official reference interest rates, which had been at zero since 2016, to 2.5% at the end of the year, with further increases totalling 1.25% at the beginning of 2023 (current rate 3.75%).

As far as Italy is concerned, the better-than-expected economic performance in the latter part of the year led to an increase in growth estimates: from +3.4% in September to +3.9% in December, according to Prometeia. And even for 2023, despite the many challenges, the forecast was raised to +0.4% (thus higher than the Eurozone average) from the previous +0.1%. This is thanks to structural interventions and the prolonged effects of budgetary policies that have countered the recession by supporting businesses and households in recent years. Having avoided a technical recession this winter, a substantial halt in GDP growth is expected next year as a macroeconomic price to be paid for the gas crisis associated with the conflict in Ukraine.

In 2022, the trend in domestic demand was positive, with the main contribution coming from household spending (+1.6%), together with that of investments (+0.2%), driven by the capital goods component alone, since construction, after six consecutive quarters of strong growth, recorded a slowdown for the first time; a positive trend that is confirmed by the performance of consumer and business confidence: in December 2022, Istat in fact estimated an increase in both indices, with consumer confidence rising from 98.1 to 102.5 and the composite index of business confidence rising from 106.5 to 107.8; the trend in foreign demand was also positive, driven, in particular, by exports of pharmaceutical, chemical-medicinal and botanical articles, refined petroleum products, basic metals and metal products (excluding machines and installations).

However, it should be noted that, for the first time since 2012, the Italian balance of goods has moved into negative territory, mainly due to the sharp narrowing of the surplus in the manufacturing sector, as a result of worsening terms of trade and higher growth in imports than in exports. The energy deficit also remains large, although it narrowed in October (the latest available survey) compared to September with a consequent decrease in the trade deficit. Regarding the forecasts for 2023, first of all, a strong deceleration

in the pace of expansion of import prices is expected, due to the gradual decline in the prices of energy products and, first and foremost, electricity, which will benefit the inflation trend, expected at 5.8% in 2023 (compared to 8.4% in 2022). Even assuming that gas prices will fall from next spring, energy costs will still remain structurally higher than in the past, according to Prometeia, and households and businesses will have to adapt their consumption habits to this change. In addition, inflation will continue to affect operators with different intensity: those who can transfer downstream the cost increases they have suffered, will continue to do so, with the consequence that households will bear the burden, primarily households with lower incomes and savings, but also households with salaried workers, since wages are not following the upward trend in prices.

In spite of this, it is to be hoped that monetary policy will not be too restrictive, or else run the risk of generating a real recession, even though the ECB's guidelines would seem to be moving in this very direction, with the anticipation of significant new rate rises to combat inflation that is still considered too high, to the detriment of Italy, which would be likely to pay a very high cost, further jeopardising growth and requiring corrective action.

With regard to the new cabinet, the budget law, approved at the end of December by the Meloni government, provides for a small set of measures for 2023, amounting to around Euro 35 billion, of which a large part, amounting to Euro 21 billion, is earmarked for the refinancing of measures already in force, from the fight against the high energy price to the cut in the tax wedge. The Italian economy will therefore no longer be able to count on an expansive budgetary policy (as it has been in recent years) and only the interventions financed by the NRRP will be able to provide, if properly used, substantial support for growth. In 2022, the average euro/dollar exchange rate stood at 1.05, down 11.0% from 2021. This trend is the result of the strong appreciation of the US currency, which automatically translated into a depreciation of other currencies, as in the case of the euro, and which took place in a global context of significantly rising inflation that led the major central banks to adopt restrictive monetary policies.

The last two months of the year saw a recovery trend for the single currency, which moved back above parity against the dollar, returning to June levels. The euro benefited from a more resilient economy and

the easing of fears of a gas shortage in the winter months. In addition, in the United States, following the first signs of slowing inflation, the Fed's monetary tightening became less aggressive: in December, rates were raised by 50 basis points after four hikes of as much as 75 basis points. The Fed's key reference rate, which was at 0% at the beginning of the year, closed 2022 in the 4.25%-4.50% range, the highest level in 15 years. This is higher than the Eurozone rates, where the ECB's increases between July and December raised the main refinancing operations rate from 0% to 2.50%.

Gas prices at major European hubs were well above 2021 levels, with the average year more than doubling from the previous year. Quotations continued the upward trend that began in 2021 and reached record levels in August. Subsequently, there was a downward correction from September onwards, with quotations in the last quarter of 2022 at levels similar to those in the fourth quarter of 2021. The gas price at the TTF - the main European benchmark - averaged 127.5 c€/smc, an increase of 163.7% compared to the 2021 average of 48.4 c€/smc. Quotations at the US Henry Hub - the main reference in the international gas market - averaged USD 6.4/MMBtu in 2022; the year-on-year increase (+64.2%) was smaller than that observed at the European hubs. The rise was driven by high demand, both in the domestic market and for Liquefied Natural Gas (LNG) exports, in a context where Europe has turned more towards LNG imports to reduce dependence on Russian gas.

Market quotations for CO2 emission certificates rose significantly in 2022 to an average of Euro 80.9/tonne, a level 52.0% higher than the previous year. The low availability of French nuclear capacity and the increased use of coal-fired generation across Europe, in a context of increased competitiveness compared to gas, supported price growth. In June, the plenary of the European Parliament approved its position on several "Fit for 55" measures, including the reform of the ETS and the CO2 tax mechanism at EU borders. After months of consultations, in December, the trialogue formed by the Parliament, the Council and the EU Commission approved the ETS reform, from which a significantly increased level of climate protection emerged. By 2030, the emissions of the ETS sectors will have to be reduced by 62% compared to 2005, there will be a gradual inclusion of the maritime sector from 2024, which will be fully implemented in 2026, and finally a separate ETS for fuel distribution and buildings will be introduced. Free allocations of ETS

permits to industry will be phased out in the period 2026/2034, at the same time as the introduction of the CO2 taxation system called the carbon border adjustment mechanism (Cbam). As part of the European measures to achieve independence from Russian energy supplies, part of the REPowerEU plan – Euro 20 billion out of a total of Euro 210 billion – will be financed 40% by national auctions of EUA permits and 60% by the Innovation Fund, specifically a portion of the latter will be taken from the Market Stability Reserve The Energy Efficiency Certificates (EEC) market recorded an average price of 257.6 Euro/EEC in 2022, a slight decrease (-3.4%) compared to 2021 when the average stood at 266.6 Euro/EEC. The decrease in prices compared to last year was helped by the lower than in the past level of energy saving obligations, as set forth in the legislation for the four-year period 2021-2024, which therefore allowed for a rebalancing of supply and demand. During the second half of 2022, quotations showed a downward trend, reaching levels below Euro 260/EEC, which is the price signal provided by the regulation.

Performance of the Italian energy market

Electricity balance in Italy and reference scenario

(TWh)	Year 2022	Year 2021	Change
			%
Net production:	275.1	278.1	(1.1%)
- Thermoelectric	192.0	180.6	6.3%
- Hydroelectric	29.9	46.3	35.3%
- Photovoltaics	27.5	25.1	9.7%
- Wind power	20.2	20.6	2.0%
- Geothermal	5.4	5.5	1.5%
Net import/export balance	43.0	42.8	0.4%
Pumping consumption	(2.5)	(2.8)	10.4%
Total demand	315.6	318.1	0.8%

Source: processing of Terna's 2021 actual data and 2022 pre-actual data before grid losses.

Gross electricity demand in the financial year 2022 shows a decline after the recovery shown in 2021, mainly recorded in the last quarter of the year. Total electricity consumption stood at about 315.6 TWh, down 0.8% (-2.5 TWh) from 2021. In terms of net generation, in 2022 the contribution of domestic production also decreased by 1.1% on 2021, or by around 3 TWh.

Looking at the contribution by source, the only ones showing an improvement are thermoelectric production, which increased in absolute terms by about 11.4 TWh (+6.3%), and photovoltaics, which gained around 2.4 TWh (+9.7%) as a result of the increase in installed capacity. The remaining renewable sources, on the other hand, show negative performance, with wind power contracting by 0.4 TWh (-2%) due to the lower windiness in December, and hydroelectric sources dropping by 16.4 TWh (-35.3%) as a result of reservoir levels at an all-time low.

Overall, national production, net of pumping, met 86.5% of demand, in line with 86.7% in the previous year. In 2022, the net foreign balance shows a slight increase over 2021 of approximately 0.2 TWh (+0.4%). In the fourth quarter of 2022, total electricity consumption in Italian territory drawn from the grid amounted to

approximately 64.8 TWh, down by around 7.6 TWh (10.5%) compared with the same period of 2021. As regards the contribution by source, only photovoltaic generation shows an increase of 0.4 TWh (+9%), while all other sources show a contraction: thermoelectrics shows a decrease of 4.1 TWh (-7.7%), hydro 2.4 TWh (-26%), wind 1.5 TWh (24.1%). The lower contribution of domestic generation was almost entirely offset by the higher net import, which increased by 1.7 TWh (19.9%).

In overall terms, the contribution of domestic production during Q4 stood, net of pumping, at around 86.2% of demand, down from 89.3% in 2021.

With reference to the price scenario as at 31 December 2022, the 2022 average listing of the time weighted average (TWA) of the single national price (the "PUN" in Italy), came in at 304.0 Euro/MWh, an increase of 142.3% compared to the figure relating to the previous year (125.5 Euro/MWh). This significant price rise, common to the entire European region, was mainly driven by the geopolitical instability caused by the Russian invasion of Ukraine, which led to a sharp increase in commodity prices and thus in thermoelectric generation costs. Analysing the monthly trend of the PUN during 2022, it can be seen that in the first nine months of the year the level was significantly higher than in the same period of 2021, before returning to similar levels during the fourth quarter.

Until August, quotations showed a predominantly bullish trend, driven by increases in gas and CO2, low hydroelectric generation due to the low rainfall throughout Italy, and an increase in demand sustained by high summer temperatures. The reduced hydraulicity and the decrease in imports from France, following the critical situation in the French nuclear generation park, favoured a wider use of domestic thermoelectric production, characterised by very high generation costs. In August, coinciding with record gas prices, quotations peaked at a monthly average of 543.2 Euro/MWh, a value more than quadrupled compared to August 2021. In particular, on 29 August, the PUN marked an all-time high at Euro 740.1/MWh.

Quotations have shown a downward correction since September, returning in the latter part of the year to the levels observed last year. The drop was favoured by the contraction observed in the gas market and lower demand, against a backdrop of the start of the winter season characterised by higher-than-normal temperatures and the introduction of measures to curb consumption as a result of high energy prices. As a

result, the average PUN for the last three months of the year was 243.8 Euro/MWh, a trend increase of only 0.9% and a decrease of 48.3% compared with the previous quarter.

During 2022, the F1, F2 and F3 hour groups, as well as the peak and off-peak brackets, recorded almost similar increases, around 142%, compared to the previous year. In particular, the off-peak bracket increased by 145.3%, and the peak one by 137.1%.

As far as zonal prices are concerned, a significantly upward trend was recorded in 2022, consistent with what has been described so far, with the most marked increases recorded in the North (+145.9%) and in the Centre North (+145.3%) compared to what has been observed in the other zones (on average +135.5%), given the greater dependence on thermoelectric production and the dynamics of neighbouring markets. In the fourth quarter, the price in the areas of Sicily and Sardinia declined on a trend basis by 5% in the presence of high supply at competitive prices, also as a result of the programme to maximise energy production from plants using fuels other than gas (in particular oil for Sicily and coal for Sardinia).

The monthly trend compared to the previous year is shown in the following chart:



Natural gas balance in Italy and reference scenario

(billion m3)	Year 2022	Year 20	21 Change %
Services and civil uses	26.9	30.4	11.4%
Industrial uses	14.9	17.6	15.0%
Thermoelectric uses	25.0	26.0	3.7%

Self-consumption and losses	2.0	2.3	10.6%
Total demand	69.0	76.2	9.6%

Source: actual 2021 and preliminary 2022 Snam Rete Gas, Ministry of Economic Development and Edison estimates.

Natural gas consumption in Italy during 2022 showed an overall drop compared to the previous year due to the sharp increase in prices and mild weather, especially in the last quarter of the year, recording a total consumption of approximately 69 billion cubic metres (-9.6%).

The residential sector, typically more sensitive to climate trends, recorded the most significant drop, consuming a total of just under 27 billion cubic metres, about 3.5 billion less than in 2021 (-11.4%).

As far as the industrial sector is concerned, there was a drop in consumption of about 2.7 billion cubic metres (-15%) compared to the previous year, mainly as a result of the sharp increase in raw material costs. In total, industrial uses ended the year with approximately 14.9 billion cubic metres.

Finally, gas consumption in thermoelectric generation also lost about 1 billion cubic metres to 25 billion cubic metres, despite the drop in hydroelectric generation. The increase in photovoltaic generation, the contraction of electricity consumption and the loss of competitiveness of gas compared to other fossil fuels due to the massive increase in prices weighed on this result.

The fourth quarter saw most of the collapse in natural gas consumption, for a total of about 17.6 billion cubic metres (-23.6%), compared to 23 billion cubic metres used in the same period of 2021, due to lower consumption for heating in the civil sector (-2.7 billion cubic metres), thanks to extraordinarily mild weather, for thermoelectric uses (-1.6 billion cubic metres) and industrial uses (-1 billion cubic metres) for the reasons explained above.

With regard to sources of supply, in the course of 2022 it is worth mentioning the collapse of Russian gas imports from Tarvisio from the second half of the year, following the sanctions imposed by the EU on Russia as a reaction to the invasion of Ukraine, partially offset by the increase in LNG imports, mainly from the US. Overall, in 2022, sources of supply recorded:

stable national production;

gas imports down 3 billion cubic meters (+4% compared to 2021);

inflow storage balance of about 2.8 billion cubic meters.

In 2022, the price of spot gas in Italy, along with the changes recorded at the other European hubs, marked a significant increase over last year (+165.9%), standing at 129.0 c€/smc. The upward trend, recorded since the fourth quarter of 2021, was confirmed for the first nine months of 2022, against a backdrop of high volatility in the European gas markets as a result of the precarious balance between supply and demand, the effects of geopolitical tensions and the growing uncertainty over pipeline supply from Russia, which became more pronounced after the start of the war in Ukraine at the end of February.

Corporate Sustainability Reporting Directive — On 16 December, the Corporate Sustainability Reporting Directive (CSRD) was published in the EU Official Gazette. As a result of the directive, companies will be required disclose more detailed information on sustainability issues. In the intentions of the European institutions, this will increase corporate responsibility, prevent divergent sustainability standards and facilitate the transition to a sustainable economy. Companies should report on how their business model affects their sustainability and how external sustainability factors (such as climate change or human rights issues) affect their activities. The CSRD strengthens the existing rules on non-financial reporting introduced in the Accounting Directive by the 2014 Non-Financial Reporting Directive (NFRD).

COMPANY ACTIVITIES

Firstly, it should be noted that 2022 is the first year of application of the Group's consolidated financial statements, which have been prepared in accordance with the EU IFRS in force at the date of their approval. The Alto Garda Servizi S.p.A. Group operates mainly in the Alto Garda area and carries out the following activities:

- electricity and gas distribution;
- distribution and sale of heat to customers connected to the district heating network in the Municipality
 of Riva del Garda (TN), Predaia (TN) and Ledro (TN);
- electricity production;
- management of the integrated water cycle in the Municipality of Riva del Garda;
- management of public lighting;

- management of optical fibre network;
- production and sale of pellets;
- design services, engineering and ESCO activities;
- installation and maintenance of heating, plumbing, electrical and home automation systems;
- Management of heat services.

REGULATORY FRAMEWORK OF REFERENCE

As already mentioned, the Group 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 Group 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 Group, 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 2022, 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 carried out in the Riva del Garda area, 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.

The distribution of heat via the district heating network in the Predaia (TN) area concerns about 200 customers, while in Tiarno di Sopra (TN) it concerns about 10 customers.

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.

Pellet sector

During 2022, the company Ledro Energia Srl continued the production of pellets, i.e. fuel derived from an industrial process of defibration and pressing of wood residues (sawdust), characterised by a low moisture content.

Ledro Energia aims to valorise the resources of the Ledro Valley area through the development of an activity capable of producing and marketing certified, high quality pellets.

Along with these activities comes cogeneration, which, through the combustion of wood chips, heats water with the aim of providing district heating and producing electricity.

Design, engineering and ESCo sector.

Through the acquisition in 2020 of 51% stake in the company Stea Progetto, the control of the company

passed to Alto Garda Servizi AGS S.p.A.. Stea Progetto focuses its core business on design and energy efficiency activities. The types of customers it caters for are both private individuals and public bodies. In 2022, the company's organisation focused on energy requalification concerning the 110% superbonus and this was made possible by the experience gained and the increase in staff specialised in energy requalification and beyond. At the end of 2022, the workforce consisted of 25 employees. The company also acts as an ESCo by carrying out energy analysis of plants and buildings, verifying their compliance with current regulations and studying the feasibility of adoptable solutions to improve energy efficiency.

Installation and maintenance of plumbing, electrical and home automation systems and heat service.

At the beginning of 2022, AGS S.p.A. acquired a majority stake in Gruber Srl, a company that focuses its core business in the area of technological and energy systems. The Group thus strengthens its new business area in the field of energy efficiency, understood as post-contractor interventions, customer services, energy management of buildings/plants through "heat service" contracts and the associated maintenance, home automation, remote control and remote management services.

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 value of production shown in the financial statements was Euro 36.5 million, up Euro 20.3 million compared to Euro 16.2 million in 2021, as a result of the acquisition of Gruber Srl and BEL Coredo S.p.A. as well as the excellent performance of all other Group companies.

Electricity sector

In 2022, transited energy was up by 5.9% compared to the previous year. 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 2022, gas demand creased by 7.7 per cent compared to the previous year. Similarly to the electricity sector, the gas sector also has a revenue constraint based on the number of installed meters and the amount of investments made compared to 2022.

Water sector

In 2022, the quantities of the water sector as well as revenues are in line with the previous year.

District heating sector

During 2022, there was a significant increase in revenue due to higher tariffs directly related to natural gas.

Pellet segment

In 2022, the Group produced around 10,500 tonnes for a turnover of Euro 3,170,700.

Design, engineering and ESCo. segment

In 2022, design activities amounted to Euro 2,900,745, of which Euro 1,312,358 relate to the 110% superbonus.

<u>Installation and maintenance of plumbing, electrical and home automation systems and heat service</u> <u>segment.</u>

In 2022, the activities of the plumbing and heating installation and maintenance segment amount to Euro 11,608,727, supported by the application of the 110% superbonus.

Other revenues

Other revenues increased compared to the previous year due to the new contract with AG Power, under which the white certificates obtained as a result of distributing heat to its customers will be recognised to AGS, for the year 2022, in the amount of Euro 800,000.

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 was affected by the new company acquisitions in 2022.

INVESTMENTS

Investments made in 2022 amounted to Euro 1,760 million compared to Euro 1,906 million in the previous year. Investments are detailed in the following table and described by sector.

values in Euro thousands	2022	2021
electricity service	401	568
gas service	152	770
water service	45	13
district heating	1,024	252
Others	138	303
Total	1,760	1,906

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 2022 amounted to Euro 401 thousand.

In 2022, the Group continued activities to improve the electricity infrastructure through a series of work on medium and low voltage networks and stations.

Electricity network		2022	2021
Medium-voltage networks	km	87	89
Low-voltage networks (*)	km	306	305
Total meters	no.	16,103	16,056

^{*} 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 152 thousand and mainly refer to the installation of methane pipes in the Pietramurata district of the Municipality of Dro.

Gas network		2022	2021
Medium-pressure networks	Km	36	36
Low-pressure networks *	km	132	131
Total meters	no.	16,437	16,589

^{*} 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		2022	2021
Network extension	km	103	103
Total meters	no.	11,095	11,009

District heating sector

In 2022, resources were invested for Euro 1,024 million mainly regarding new connections and arrangement of road sections.

District heating network		2022	2021
Network extension	km	35.3	26.5
Total customers	no.	499	294

Fibre Optics

No investments were made in 2022.

Optical fibre network		2022	2021
Network extension	km	71	71
Total customers	no.	108	112

Public lighting

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

Public network	lighting		2022	2021
Poles		no.	6,355	6,325
Light points		no.	7,256	7,245

Joint investments

Joint investments, amounting to Euro 138 thousand, refer to investments in cartography and remote control systems to increasingly automate interventions and remote controls.

HUMAN RESOURCES

At 31 December 2022, the Group had 133 employees.

The breakdown of personnel by category is as follows:

	31.12.2022
Managers	1
White collars	79
Blue collars	53
Totals	133

Labour costs in FY 2022 amounted to Euro 6.5 million, up from Euro 3.9 million in FY 2021, mainly following the acquisition of the company Gruber Srl. As in previous years, regulatory obligations and the Group'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 were no accidents at work in 2022.

ECONOMIC AND FINANCIAL RESULTS

The Group closed the year 2022 with a net profit of Euro 9,595,590, showing a sharp increase compared to Euro 3,392,227 in the previous year.

The 2022 financial statements were impacted by the sale of the shares of Dolomiti Energia Holding S.p.A., which brought a capital gain of Euro 6.05 million, and the benefits of the inclusion of Gruber Srl and BEL Coredo S.p.A. in the scope of consolidation.

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

Index	Formula	2022	2021
ROE	Net Result / Equity	14.50%	6.03%
ROI	Operating Result / Total Assets	6.04%	0.64%
EBITDA EURO	Earnings Before Interest, Taxes, Depreciation and Amortisation	9,174,934	2,590,746

ROE (Return On Equity) allows measuring the return for shareholders of the investment made in the Group. In 2022, the index recorded a value of 14.50%, an increase compared to 2021 (6.03%). ROI (Return On Investment) allows measuring the return of investments made in the company's core business. In 2022, the index was 6.04%, an increase compared to 0.64% 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. EBITDA increased significantly in 2022 compared to 2021, mainly due to the effect of the new heat purchase contract from Alto Garda Power Srl.

BALANCE SHEET

The Group has a solid and balanced financial situation.

Fixed assets account for 60% of Total Assets and are fully covered by shareholders' equity. In order to better understand the Group'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 2021.

Index	Formula	2022	2021
Debt and equity to asset	(Shareholders' Equity + Consolidated Liabilities) / Long-term Capital	126.05	107.85
Financial autonomy	(Current Financial Liabilities + Consolidated Financial Liabilities) / Shareholders' Equity	20.13	17.11
Loan rigidity	Fixed Capital / Total Assets	60.16	81.89

The Group 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 Group'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 Group has covered the fixed asset items with resources that have the same time horizon. The Group presents an index of 126.05%, an increase on the 107.85% 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 Group 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 Group in difficulty to repay the debt capital. The index has a value of 20.13%, a slight increase compared to 17.11% 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 Group is consistent with the type of business in which it operates, or whether it has anomalies. In 2022, the Group had a value of 60.16% compared to 81.89% in 2021.

Outlook

Operating and financial performance for the financial year 2023 will be in line with the previous year. The 2023 budget, approved by the Parent Company's Board of Directors, provides for substantial continuity with the 2022 results.

INCOME STATEMENT

(values in Euro thousands)

	2022	%	2021	%
production value	36,483	100.00	16,181	100.00
production cost	(20,763)	(56.91)	(9,714)	(60.03)
added value	15,720	43.09	6,467	39.97
personnel cost	(6,545)	(17.94)	(3,876)	(23.95)
gross operating margin	9,175	25.15	2,591	16.01

amortization, depreciation, write- downs and allocations	(3,070)	(8.41)	(2,098)	(12.97)
net operating margin	6,105	16.73	493	3.05
financial operations	5,227	14.33	3,062	18.92
pre-tax result	11,332	31.06	3,555	21.97
taxes	(1,736)	(4.76)	(163)	(1.01)
net result	9,596	26.30	3,392	20.96

BALANCE SHEET

(values in Euro thousands)

	2022	%	2021	%
Fixed assets	60,824	60	63,291	82
Current assets	40,280	40	13,994	18
Invested Capital	101,104	100	77,285	100
	2022	%	2021	%
Shareholders' Equity	2022 66,193	%	2021 56,277	% 73
Shareholders' Equity Minorities' Capital				

OTHER INFORMATION

The Company availed itself of the option to convene the Shareholders' Meeting for the approval of the financial statements at the latest 180 days after the end of the financial year, since it is required to prepare consolidated financial statements.

Audit of the financial statements

The Group's consolidated financial statements are audited by BDO Italia S.p.A..

Publication of the Financial Statements

These financial statements will be published by the Directors in accordance with the law. The Group prepares its consolidated financial statements in accordance with IAS/IFRS as the holder of controlling interests in companies.

Research and development activities

The Group does not carry out research and development activities.

Treasury shares

As envisaged by Article 2428 of the Italian Civil Code, it is specified that at 31 December 2022, the Group owns 1,582 treasury shares. At 31 December 2022, subsidiaries and associated companies did not hold shares of AGS S.p.A. and did not purchase or sell such shares in 2022. In 2022, there were no issuances of dividend-bearing shares, bonds convertible into shares and other securities or similar instruments.

Significant events during the year

On 09 May 2022, the Company has acquired a controlling interest of 51% in the share capital of Gruber S.r.l.. This transaction took place through a capital increase of Euro 1 million, of which Euro 885 thousand as Share Premium Reserve, fully subscribed by the Company. The transaction was carried out to strengthen

the new business area in the field of energy efficiency understood as post-contractor interventions, customer services, energy management of buildings/installations with related maintenance services, remote control and remote management.

In 2022, the shareholding in BEL Coredo S.p.A. was also consolidated from 20% to 66% through a capital increase.

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 2023 will be relative to a high 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.

Privacy regulations

Following the entry into force of the European Union General Data Protection Regulation (GDPR), already in 2021, a revision of the relevant internal personal data processing procedure became necessary. A Data Protection Officer (DPO) has been appointed to coordinate, at the Group 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 Parent Company Alto Garda Servizi S.p.A.. 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 AGS has its registered office. All relations with the parent body have been stipulated at current market values.

The Group is committed to compliance with the containment measures established by the Memorandum of Understanding signed on 20 September 2012 by the Chair 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 Group 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.

Management and coordination activities

The Group 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.

MUNICIPALITY OF RIVA DEL GARDA - BALANCE SHEET -

SUMMARY					
ASSETS LIABILITIES					
ITEMS	31.12.2021	ITEMS 31.12.2021			
A - RECEIVABLES FROM SHAREHOLDERS		A - SHAREHOLDERS' EQUITY 208,011,31			
B - FIXED ASSETS		B - PROVISIONS FOR RISKS AND 948,06			
I - Intangible assets II - Tangible assets III - Financial assets	667,493 164,239,793 47,912,060	C - TFR 357,99			
C - CURRENT ASSETS		D - PAYABLES 9,054,53			
I - Inventories II - Receivables III - Financial assets IV - Cash and cash equivalents	21,317 32,513,761 - 9,334,795	E - ACCRUALS AND DEFERRALS 36,371,82			
D - ACCRUALS AND DEFERRALS	54,514				
TOTAL ASSETS	254,743,733	TOTAL LIABILITIES 254,743,73			

- RECLASSIFIED INCOME STATEMENT -

SUMMARY			
DESCRIPTION	31.12.2021		
A - OPERATING INCOME	27,970,998		
B - OPERATING COSTS	(28,183,213)		
DIFFERENCE	(212,215)		
C - INCOME AND EXPENSES FROM SPECIAL AND INVESTEE COMPANIES	374,875		
D - VALUE ADJUSTMENTS OF FINANCIAL ASSETS	(371,126)		
E - EXTRAORDINARY INCOME AND EXPENSES	2,291,868		
F - TAXES	(426,857)		
ECONOMIC RESULT FOR THE YEAR	1,656,545		

Law 124/2017

Pursuant to Article 1, paragraphs 125 et seq, of Law 124/2017 (so-called annual law for the market and competition), as redrafted by Article 35 of Decree-Law no. 34/2019 (Growth Decree), please refer to the consultation of the National Register of State Aid, "Transparency" section, in order to view any grants, subsidies, benefits, contributions or aid, in cash or in kind, not of a general nature and without consideration, remuneration or compensation, actually disbursed by the public administrations as well as by the entities referred to in Article 2-bis of Legislative Decree No. 33/2013 in the financial year 2022.

Transactions with associated companies

The associated company Alto Garda Power S.r.l., with registered and operational office in Riva del Garda, supplies the heat necessary for the supply of district heating to customers connected to the Riva del Garda network. All contracts are stipulated at market conditions.

RISK MANAGEMENT

Risk Management: credit management objectives and policies

The Group 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 Group 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 2022			
	Maturity			
	Within 1 year	Between 1 and 5 years	Over 5 years	
Trade payables	5,177,548			
Payables to banks and other lenders	8,179,702	5,145,504		
Other payables	5,153,409	978,275	3,351,227	
TOTAL	18,510,659	6,123,779	3,351,227	

Interest rate risk

Interest rate risk is the possibility that fluctuations in the cost of money will have an impact on the value of borrowing costs originating from variable-rate debt. This risk is closely monitored by the Group, which has structured the debt with a time horizon in keeping with its own cash flows. The Group is subject to the risk of fluctuations that may occur in the evolution of interest rates. Interest rates, income and expense, are variable and therefore tied to market performance.

Credit risk

The Group's customers are mainly wholesalers of electricity and methane gas and, as regards district heating/water/pellet/design/building site, mainly 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 Group makes use of its structure for the analysis of regulations and relations with the ARERA.

Concession tender risk

The Group 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 Group's activities.

Climate change risks

The consequences of ongoing climate change have resulted in noticeable global warming, with significant reductions in glaciers and an increase in extreme weather events.

As evidenced by numerous scientific studies and publications, the effects of expected climate changes will alter the availability of water resources by disrupting the extent and seasonality of runoff in watercourses. In particular, as far as the situation in Trentino is concerned, specific hydrological studies have shown that there will be a substantial invariance in the amount of annual cumulative precipitation over time, with very limited variations in precipitation intensity, thanks to the continuing effectiveness of the convective phenomena that will be generated due to the Alpine orography.

Temperatures will also see an average (assumed) increase of 1°C in the medium term (2025-2040) and an average (assumed) increase of 2°C in the long term (2041-2060).

Confirming the effect of the ongoing climate change is the fact that the last 18 months have seen greatly

reduced levels of precipitation and snowfall compared to historical averages.

All of the above induces management to carefully and continuously monitor current and prospective climate changes in order to safeguard the technical and economic value of its physical assets serving hydroelectric production as well as the related profitability.

Operational Risks

The Group has also identified the following main operational risks:

- Risks arising from entering into partnership agreements and joint ventures to manage new entities and businesses, where management is not exclusive and may lead to significantly different results than expected;
- Risks related to seasonality and weather conditions, the variability of which can significantly affect heat demand;
- Risks related to the concentration of business mainly in the Province of Trento and therefore the strong influence that the economic conditions of the reference geographical area may have.

Occupational health and safety

The Group, which has always been focused on 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 compliance with the regulations in force on the subject, but also 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 Group'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 Group has also independently adopted a number of instruments, listed below:

- Transparency Manager (RPT Responsabile per la Trasparenza): the Group 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 no. 39 of 8 April 2013, concerning provisions on the non-conferability and incompatibility of offices, the Group 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 Group 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: the Group has 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.
- Management Control: the Group has implemented and adopted adequate reporting for the planning, control and measurement of the performance.

CONSOLIDATED BALANCE SHEET

Non-current assets		31/12/2022	31/12/2021
Property, plant and equipment	7.1	44,456,034	40,570,148
Intangible assets	7.2	3,900,504	1,460,032
Equity investments	7.3	10,545,482	17,462,660
Non-current financial receivables	7.4	88,571	2,007,940
Deferred tax assets	7.5	1,833,201	1,789,821
Total non-current assets		60,823,792	63,290,601
Current assets			
Inventories	7.6	3,718,635	644,568
Trade receivables	7.7	21,913,659	7,590,182
Receivables from parent company and subsidiaries	7.8	2,600,140	150,103
Current tax receivables	7.9	2,531,755	721,526
Other current assets	7.10	4,959,077	2,276,429
Cash and cash equivalents	7.11	4,557,109	2,611,772
Total current assets		40,280,375	13,994,580
Total Assets		101,104,167	77,285,181

Shareholders' Equity		31/12/2022	31/12/2021
Share Capital	8.1	23,234,016	23,234,016
Reserves	8.1	32,160,701	29,496,011
Net result of the year	8.1	8,947,200	3,241,665
TOTAL GROUP SHAREHOLDERS' EQUITY		64,341,917	55,971,692
Capital and reserves of third parties	8.1	1,202,981	154,331
Third party profit/(loss)	8.1	648,390	150,563
TOTAL THIRD PARTY SHAREHOLDERS' EQUITY		1,851,371	304,894
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY		66,193,288	56,276,586
Non-current liabilities			
	0.2	5 4 4 5 5 0 4	6 674 466
Non-current financial payables	8.2	5,145,504	6,674,166
Employee benefits	8.3	1,518,473	1,209,682
Provisions for risks and charges	8.4	1,324,461	0
Deferred tax liabilities	7.5	62,743	0
Total non-current liabilities		8,051,181	7,883,848
Current liabilities			
Current financial payables	8.5	8,179,702	2,956,152
Trade payables	8.6	5,177,548	1,753,938
Payables to parent company and subsidiaries	8.7	1,793,221	2,790,555
Tax payables	8.8	2,226,317	384,578
Other current payables	8.9	9,482,910	5,239,524
Total current liabilities		26,859,698	13,124,747
Total Liabilities		34,910,879	21,008,595
Total Liabilities and Shareholders' Equity		101,104,167	77,285,181

CONSOLIDATED INCOME STATEMENT

Figures in Euro	Notes	31.12.2022	31.12.2021
Revenues from sales and services	9.1	32,334,461	14,789,714
Other revenues and income	9.2	4,148,259	1,391,574
Total operating revenues and income		36,482,720	16,181,288
Cost of raw materials, consumables and goods	9.3	8,934,249	4,669,194
Costs for services	9.4	10,549,641	3,885,856
Leasehold improvements	9.5	566,150	473,942
Personnel costs	9.6	6,544,889	3,875,855
Amortisation/Depreciation of fixed assets	9.7	2,595,407	2,036,532
Provisions and write-downs	9.8	474,749	60,788
Other operating expenses	9.9	1,216,116	1,248,745
Capitalised costs for internal works	9.10	-503,259	-563,050
Total Operating costs		30,377,942	15,687,862
GROSS OPERATING PROFIT (LOSS)		6,104,778	493,426
Income from equity investments	10	206,089	1,239,177
Write-down of investments	11	5,588	0
Financial expenses	12	1,465,552	489,758
Financial income	13	6,285,593	67,609
Income and expenses from investments -	1.1	205 200	2 244 000
Equity method	14	206,200	2,244,800
RESULT BEFORE TAXES		11,331,520	3,555,255
Current and Deferred Tax	15	1,735,930	163,028

NET RESULT OF THE YEAR	9,595,590	3,392,227
of which Group	9 047 200	2 241 664
of which Group	8,947,200	3,241,664
of which third parties	648,390	150,563
Comprehensive Income Statement	31.12.2022	31.12.2021
Result of the Income Statement	9,595,590	3,392,227
Amounts that will not be subsequently reclassified to profit/(loss) of the year	66,139	-57,878
Amounts that will be subsequently reclassified to profit/(loss) for the year		
RESULT FOR THE PERIOD	9,661,729	3,334,349

CONSOLIDATED STATEMENT OF CASH FLOWS

Figures in Euro	31-Dec 2022
Pre-tax result	11,331,520
Adjustments for:	-
Amortization, depreciation, write-downs and provisions	3,075,744
Result of investments valued with the equity method and other	206 200
companies	-206,200
Financial (Income)/Expenses	-4,820,039
Employee benefits	7,294
(Gains)/Losses from disposal of assets	-
Fair value valuations	_
Dividends collected	-206,089
Cash flow from operating activities before changes in net working capital	9,182,230
Increase/(Decrease) in employee benefits	308,791
(Increase)/Decrease in inventories	-652,191
(Increase)/Decrease in trade receivables	-11,508,786
(Increase)/Decrease in other assets/liabilities and assets/liabilities for	-2,795,480
deferred tax assets/liabilities	-2,733,400
Increase/(Decrease) in trade payables	902,469
Dividends received from other companies	206,089
Dividends received from associated companies	2,000,000
Financial income/(expenses)	4,820,039
Use of provisions for risks and charges	_
Taxes paid	-382,773
Cash flows from operating activities (a)	2,080,388
Investments in intangible assets	-8,040
Investments in tangible assets	-1,751,960
Divestments of tangible assets	-
Divestments in equity investments	5,107,790
Net investments in equity investments	-273,534
(Increase)/Decrease in other investment activities	-
Cash flow from investment/divestment activities (b)	3,074,256
Financial payables (new issues of long-term loans)	-
Financial payables (repayments and other net changes)	-2,487,991
Repayment of shareholders' loans	-
Purchase of treasury shares	-
Dividends paid	-721,316
Cash flow from financing activities (c)	-3,209,307
Increase/(Decrease) in cash and cash equivalents (a+b+c)	1,945,337
Cash and cash equivalents at the beginning of the year	2,611,772
Cash and cash equivalents at the end of the year	4,557,109

Statement of Changes in Shareholders' Equity

	Share capital	Legal reserve	Share premium reserve	Treasury shares reserve	Other reserves and retained earnings	Net result of the year	Total Group shareholders' equity	Total Third party shareholders' equity	Total Consolidated shareholders' equity
BALANCE AT 01 JANUARY 2022	23,234,016	1,842,420	3,263,400	-200,000	24,593,640	3,238,216	55,971,692	304,894	56,276,586
Transactions with shareholders:									
Dividend distribution	-	-	-	-	-725,316	-	-725,316	-98,000	-823,316
Share capital subscription	-	-	-	-	-	-	-	-	-
Total transactions with shareholders	-	-	-	-	-725,316	-	-725,316	-98,000	-823,316
Allocation of the result for the year to the reserve	-	154,758	-	-	3,083,458	-3,238,216	-	-	-
Comprehensive result of the year:									
Net result	-	-	-	-	-	8,947,200	8,947,200	648,390	9,595,590
Application of IAS/IFRS	-	-		-	43,414		43,414	-21,834	21,580
Change in the scope of consolidation	-	50,820	451,350	-	-397,243	-	104,927	1,017,921	1,122,848
BALANCE AT 31 DECEMBER 2022	23,234,016	2,047,998	3,714,750	-200,000	26,597,953	8,947,200	64,341,917	1,851,371	66,193,288

Notes to the Financial Statements

1. GENERAL INFORMATION

The "AGS Group" or the "Group" manages activities in different business segments, which are summarised below:

- Electricity production and distribution;
- **O** Gas distribution;
- **O** Heat sale;
- O Water cycle;
- Pellet production and sale;
- O Plant design, engineering and ESCo;
- Installation and maintenance of plumbing, electrical and home automation systems and heat service;
- O Other minor services.

The parent company 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 2022, the share capital of the parent 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 ATESINO 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 and drafting of the Group's consolidated financial statements (the "Consolidated Financial Statements"). 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 Group was required to prepare its Consolidated financial statements in accordance with IFRS.

The Consolidated financial statements have been prepared in accordance with the EU IFRS in force at the date of application without reservations on compliance.

The Consolidated 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 Consolidated 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.

With regard to the impacts related to the Covid-19 pandemic, the effects of the health emergency that ended in 2022 were taken into account in the analysis of the estimates and assumptions that characterise the financial statements figures and the financial statements values reflect any impact. No specific risks have been identified as a result of the Covid-19 pandemic that may affect the Group's ability to fulfil its commitments.

These draft Consolidated financial statements were approved by the company's Board of Directors on 18 May 2023.

2.2 FORM AND CONTENT OF THE FINANCIAL STATEMENTS

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

- the statement of consolidated equity and financial position presents both current and non-current assets and current and non-current liabilities separately;
- the consolidated statement of comprehensive income 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 the International Accounting Standards, are recorded among the components of net shareholders' equity;
- the consolidated cash flow statement is presented using the indirect method.

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

These financial statements have been drawn up in Euro.

The Consolidated Financial Statements are audited by BDO Italia S.p.A., the Independent Auditors of the Companies and the Group.

2.3 SCOPE OF CONSOLIDATION AND RELATED CHANGES

The Consolidated Financial Statements have been prepared on the basis of the accounting positions of AGS and its subsidiaries, appropriately adjusted to bring them into line with the accounting standards of the Parent Company and IFRS.

In the financial year 2022, the scope of consolidation has changed compared to the financial year 2021. In particular, the companies Gruber Srl and BEL Coredo S.p.A. joined the Group.

2.4 PRINCIPLES OF CONSOLIDATION

The criteria adopted by the Group to define the scope of consolidation and the related consolidation principles are shown below.

SUBSIDIARIES

Subsidiaries are companies over which the Group exercises its control. The Group controls a company when it is exposed to the variability of the company's results and has the power to affect those results through the powers it holds over the company. Generally, the existence of control is presumed when the company holds, directly or indirectly, more than half of the voting rights, also taking into account any exercisable or convertible voting rights.

All subsidiaries are consolidated on a line-by-line basis from the date on which control was transferred to the Group. They are, however, excluded from consolidation from the date on which such control ceases.

The Group uses the acquisition method to account for business combinations. According to this method:

- the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair values of the assets transferred and liabilities assumed by the Group at the acquisition date and of the equity instruments issued in exchange for the control of the acquired company. Incidental transaction costs are recognised in the income statement when they are incurred;
- the identifiable assets acquired and liabilities assumed are recognised at fair value at the acquisition date; exceptions to this are deferred tax assets and liabilities, assets and liabilities for employee benefits, liabilities or equity instruments related to share-based payments of the acquired company or group-related share-based payments issued in lieu of contracts of the acquired company, and assets (or groups of assets and liabilities) held for sale, which are instead measured according to their reference principle;
- goodwill is determined as the excess of the sum of the consideration transferred in the business combination, the value of equity attributable to non-controlling interests and the fair value of any previously held equity interest in the acquired company over the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets and liabilities acquired at the date of acquisition exceeds the sum of the consideration transferred, the value of any non-controlling interest in equity and the fair value of any previously held equity interest in the acquired company, that excess is recognised immediately in profit or loss as income arising from the transaction entered into;
- any contingent consideration under the business combination agreement is measured at fair value at the acquisition date and included in the value of the consideration transferred in the business combination for the purpose of determining goodwill.

In the case of business combinations that occur in stages, the previously held equity interest in the acquired company is remeasured at fair value at the date control is acquired and any resulting gain or loss is recognised in profit or loss.

If the initial figures of a business combination are incomplete at the balance sheet date in which the business combination occurred, the group reports in its consolidated financial statements the provisional values of the items for which recognition cannot be completed. These provisional figures are adjusted during the measurement period to take into account new information obtained about facts and circumstances existing at the acquisition date which, if known, would have affected the value of the recognised assets and liabilities at that date.

2.5 VALUATION CRITERIA

GOODWILL

Goodwill is determined as the excess of the sum of the consideration transferred in the business combination, the value of equity attributable to non-controlling interests and the fair value of any previously held equity interest in the acquired company over the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets acquired and liabilities assumed at the acquisition date exceeds the sum of the consideration transferred, the value of any non-controlling interest in equity and the fair value of any previously held equity interest in the acquired company, that excess is recognised immediately in profit or loss as income.

Goodwill is not amortised, but subject to an annual impairment test. Any impairment of goodwill is recognised if the recoverable amount of goodwill is less than its carrying amount. A reversal of goodwill is not permitted in the case of a previous impairment loss.

The test is carried out at least once a year, or in any case when indicators of impairment are identified.

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 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.

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.

EQUITY INVESTMENTS

Investments in 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 shareholder receives the payment.

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 Group 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.

DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivative financial instruments may be accounted for in accordance with hedge accounting only when:

- at the beginning of the hedge the formal designation and documentation of the hedging report exists;
- hedging is assumed to be highly effective;
- effectiveness can be reliably measured;
- the cover itself is highly effective during the different accounting periods for which it is designated. When derivative instruments qualify for hedge accounting, the following accounting treatments apply:

- i) Fair value hedge if a derivative financial instrument is designated as a hedge of the exposure to changes in the fair value of a recognised asset or liability, the change in fair value of the hedging instrument is recognised in profit or loss, consistent with the fair value measurement of the hedged assets and liabilities.
- ii) Cash flow hedge where a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or a transaction that is highly probable and could affect profit or loss, the effective portion of any gain or loss on the financial instrument is recognised in equity; the cumulative gain or loss is removed from equity and recognised in profit or loss in the same period in which the hedged transaction is recognised; the gain or loss associated with a hedge, or that part of the hedge that has become ineffective, is recognised in profit or loss when the ineffectiveness is established.

If the conditions for hedge accounting are not met, changes in the fair value of the derivative financial instrument are recognised in the income statement.

SECTOR INFORMATION

Segment reporting has been prepared in accordance with the provisions of IFRS 8 "Operating Segments", which requires reporting to be consistent with the manner in which management makes operating decisions. Therefore, the identification of the operating segments and the information presented are defined on the basis of the internal reporting used by management for the allocation of resources to the various segments and for the analysis of their performance.

An operating segment is defined in IFRS 8 as a component of an entity that: (i) engages in revenue- and expense-generating activities (including revenues and expenses relating to transactions with other components of the same entity); (ii) whose operating results are reviewed periodically at the entity's highest level of operational decision-making for the purpose of making decisions about resources to be allocated to the segment; and (iii) for which separate financial information is available.

The operating sectors identified by management, within which all services and products provided to customers converge, are identified with:

- O Electricity production and distribution;
- O Gas distribution;
- O Heat sale;
- O Water cycle;
- Pellet production and sale;
- Plant design, engineering and ESCo;
- Installation and maintenance of plumbing, electrical and home automation systems and heat service;

Other minor services.

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.

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 Group 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 Group has transferred all the risks and charges relating to them.

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 Group'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 Group has the support of external 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";
- 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.

GOVERNMENT GRANTS

Government grants are recognised at their fair value when it is reasonably certain that all conditions necessary for their receipt are met and that they will be received. Grants received for specific expenses are recognised as liabilities and credited to the Income Statement on a systematic basis over the periods necessary to offset them against related expenses.

Government capital grants, including non-monetary grants measured at fair value, are recorded as deferred revenue, which is recognised as income on a systematic and rational basis over the useful life of the asset.

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 the Group, 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 Group 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.

TAXES

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 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 Group, 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 Group'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 Group's financial statements.

 d) Provision for doubtful accounts: for legal risks on failure to collect trade receivables, provisions are made
- **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 Group'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.
- **f)** Equalisation: the "equalisation" component is estimated to be an amount corresponding to the positive or negative difference between the revenues realised from end customers and the "constraint on permitted revenues" (VRT Vincolo ai ricavi ammessi) determined in accordance with the ARERA resolutions updated at the date of preparation of the financial statements.

4. <u>ACCOUNTING PRINCIPLES: APPROVED AND NOT YET APPROVED</u> AMENDMENTS

4.1 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 2022

The accounting policies adopted are consistent with those used at 31 December 2021.

In accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the IFRSs effective from 1 January 2022 are set out below and briefly explained.

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.

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.

4.2 ACCOUNTING STANDARDS/INTERPRETATIONS COMPULSORILY APPLICABLE FROM FINANCIAL YEARS SUBSEQUENT TO 2022.

At the date of preparation of these financial statements, the following new standards/interpretations were issued by the IASB that have not yet come into force, below are the documents already transposed by the EU (application date in brackets):

- Amendments to IAS 1 (from 1 January 2023) require that only relevant accounting principles, and not all significant accounting principles, be described in the Notes to the financial statements. Information is material if, taken together with other information included in financial statements prepared for general purposes, it is reasonably likely to affect the decisions made by the primary users of the financial

statements. IFRS Practice Statements No. 2 was also amended to clarify how to apply the concept of materiality to accounting policy disclosures. Since the IFRS Practice Statements are non-mandatory guidelines, no mandatory effective date has been specified for amendments to IFRS Practice Statements No. 2.

- Amendments to IAS 8 (from 1 January 2023) to clarify the distinction between changes in accounting principles and changes in accounting estimates. Also provided is a new definition of an accounting estimate as a monetary amount recognised in the financial statements that is characterised by measurement uncertainties and carried out to achieve the objective of the applied accounting standard.
- Amendments to IAS 12 (from 1 January 2023) in order to clarify the accounting treatment of deferred taxes relating to assets and liabilities recognised in the financial statements as a result of a single transaction whose book values differ from their tax values.
- Issuance of IFRS17 (as of 1 January 2023) to provide a more useful and consistent model for accounting for insurance contracts for all insurance entities; it replaces IFRS4 in its entirety.

Below are the documents that have not yet been transposed by the EU (date of expected application in brackets):

- Amendments to IAS 1 (1 January 2024) to clarify the requirements to be considered in determining whether payables and other liabilities with an uncertain settlement date should be classified as current or non-current.
- Amendments to IFRS16 (as of 1 January 2024) to specify how to account for seller/leaseback transactions. The impact, if any, on the financial statements of the new standards/interpretations, to the extent applicable, is still being assessed by the Group's management.

5. MARKET RISK

5.1 INTEREST RATE RISK

Interest rate risk is the possibility that fluctuations in the cost of money will have an impact on the value of borrowing costs originating from variable-rate debt. This risk is closely monitored by the Group, which has structured the debt with a time horizon in keeping with its own cash flows. The Group is subject to the risk of fluctuations that may occur in the evolution of interest rates. Interest rates, income and expense, are variable and therefore tied to market performance.

5.2 CREDIT RISK

Credit risk represents the Group's exposure to potential losses arising from the failure of counterparties to meet their obligations.

This type of risk is managed by the Group through specific procedures and appropriate mitigation actions aimed at the prior assessment of the counterparty's creditworthiness and the constant verification of compliance with the exposure limit, as well as through the request for adequate guarantees.

Trade receivables are recognised in the balance sheet net of the impairment calculated on the basis of the counterparty's risk of default, determined by taking into account available information on the customer's solvency and considering historical data.

5.3 LIQUIDITY RISK

Liquidity risk can arise from the inability to obtain, on economic terms, the financial resources necessary for the Group's operations. The two main factors affecting the Group's liquidity are:

- The financial resources generated or absorbed by operating and investing activities;
- **O** the maturity or renewal characteristics of the financial debt.

Prudent management of liquidity risk arising from normal operations involves maintaining an adequate level of cash and cash equivalents, short-term securities and the availability of funds obtainable through an adequate amount of credit lines.

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 2022

	Within 1 year	Maturity Between 1 and 5 years	Over 5 years
Trade payables	5,177,548		
Payables to banks and other lenders	8,179,702	5,145,504	
Other payables	5,153,409	978,275	3,351,227
TOTAL	18,510,659	6,123,779	3,351,227

5.4 ESTIMATION OF FAIR VALUE

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 2022 held by the Parent Company AGS.

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 2022	
-	Level 1	Level 2	Level 3
Electrical cabins and operational properties/land	0	3,873,900	0
Investment Alto Garda Power S.r.l.	0	5,225,600	0
TOTAL	0	9,099,500	0

With reference to the associated company Alto Garda Power S.r.l., the application of the equity method in 2022 showed a decrease in value of Euro 1.8 million due to the receipt of Euro 2.0 million in dividends against a revaluation of Euro 0.2 million.

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

- Urban planning data;
- Status of the buildings/lands;

Market value.

It should be noted that trade receivables and payables have been recognised at book value as this is considered to approximate current value.

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 the Group 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.

6. INFORMATION BY OPERATING SEGMENT

The identification of the operating segments and related information in this section was based on the elements that management uses to make its operational decisions. In particular, the internal reporting reviewed and used periodically by the highest decision-making levels of the Group refers to the following operating sectors:

- Electricity production and distribution;
- O Gas distribution;
- O Heat sale;
- O Water cycle;

- Pellet production and sale;
- Plant design, engineering and ESCo;
- Installation and maintenance of plumbing, electrical and home automation systems and heat service;
- **O** Other minor services.

The results of the operating segments are measured by analysing the performance of Ebitda (defined as profit for the period before depreciation, amortisation, risk provisions, asset write-downs, financial income and expenses, and taxes) and Ebit. In particular, management believes that EBITDA provides a good indication of performance as it is not affected by tax regulations and depreciation policies.

The economic information by operating segment is as follows:

Year 2022

	Electr. prod. and distrib.	Gas distributi on	Heat sale	Water cycle	Pellets productio n and sale	Design	Installatio n and maintena nce of plumbing and heating systems	Other services	Total
EBI	TDA 648,560	385,625	4,794,527	- 89,560	768,347	1,113,908	1,226,577	326,950	9,174,934
EBI	T - 534,145	303,270	3,841,572	- 114,598	536,441	1,059,516	1,050,972	- 38,250	6,104,778

Year 2021

	Electr. prod. and distrib.	Gas distributi on	Heat sale	Water cycle	Pellets productio n and sale	Design	Installatio n and maintena nce of plumbing and heating systems	Other services	Total
EBITDA	657,990	403,120	654,651	- 3,782	50,742	541,737	-	286,288	2,590,746
EBIT	- 59,024	325,423	59,670	- 28,820	- 175,738	442,581	-	- 70,666	493,426

7. NOTES TO THE STATEMENT OF FINANCIAL POSITION

7.1 PROPERTY, PLANT AND EQUIPMENT

Below are the changes in the item "Tangible assets" for the years ended 31 December 2022 and 2021:

Land and Plants and buildings machinery	Industrial and commercial Other assets TOTAL equipment
---	--

Balance as of 31 December 2021	6,873,429	31,671,577	1,571,804	453,338	40,570,148
Of which:					-
Historical cost	9,000,786	54,159,814	4,126,189	1,732,169	69,018,957
Accumulated amortisation	-2,127,357	-22,488,237	-2,554,385	-1,278,830	28,448,809
Increases	0	1,485,371	184,571	488,737	2,158,679
Asset Acquisition BEL Corec	2,167,673	4,560,924	4,881	15,186	6,748,664
Acquisition of BEL Coredo Fund	-694,596	-2,027,975	-4,490	-11,016	-2,738,077
Acquisition of Gruber Srl assets	0	0	212,495	1,155,014	1,367,509
Acquisition of Gruber Srl Fund	0	0	-191,424	-663,124	-854,548
Disposals	0	-114,677	-72,530	-19,674	-206,881
Derecognition of accumulated depreciation	0	103,553	40,322	19,670	163,545
Write-down of assets	0	0	-457,022	0	-457,022
Amortisation	-262,183	-1,518,670	-232,688	-282,442	-2,295,983
Balance as at 31 December 2022	8,084,323	34,160,103	1,055,919	1,155,689	44,456,034
Of which:					
Historical cost	11,168,459	60,091,432	3,998,584	3,371,431	78,629,906
Accumulated amortisation	-3,084,136	-25,931,329	-2,942,665	-2,215,742	- 34,173,872

Capital expenditure for the year mainly related to extensions of district heating networks and LV/MV electricity grids.

Other changes in the year are attributable to normal trends in investments and depreciation.

7.2 INTANGIBLE ASSETS

Below are changes in the item "Intangible assets" for the years ended 31 December 2022 and 2021:

	Goodwill	Industrial patents and intellectual property rights	Right of use / concessions	Other intangible assets	TOTAL
Balance as of 31 December 2021	676,865	36,734	584,085	162,348	1,460,032
Of which:		-	-	-	-
Historical cost	676,865	1,248,287	1,215,637	432,602	3,573,391
Accumulated amortisation	0	-1,211,553	-631,552	-270,254	-2,113,359
Increases	516,200	25,737	2,197,959		2,739,896
Amortisation	0	-32,325	-251,851	-15,248	-299,424
Balance as at 31 December 2022	1,193,065	30,146	2,530,193	147,100	3,900,504
Of which:		-	-	-	-
Historical cost	1,193,065	1,274,024	3,413,596	432,602	6,313,287
Accumulated amortisation	0	-1,243,878	-883,403	-285,502	-2,412,783

GOODWILL IMPAIRMENT TEST AS AT 31 DECEMBER 2022

As required by IAS 36, the Group performed impairment tests to verify the recoverability of the value of goodwill in the financial statements. The test is performed by comparing the carrying value of the asset or group of assets comprising the cash-generating unit (CGU) with its recoverable amount, being the higher of its fair value (net of any selling costs) and the value of the discounted net cash flows expected to be generated by the asset or group of assets comprising the CGU (value in use).

For the CGU referring to the design activity, whose goodwill amounts to Euro 676,865, the explicit cash flows reported in the 2024-2025 budget and business plan prepared by management were used to perform the impairment test. The impairment test performed did not identify any impairment losses with reference to the CGU as at 31 December 2022 and, consequently, no write-downs were made on these assets.

For the CGU referring to the activity of installation and maintenance of plumbing and heating systems, whose goodwill amounts to Euro 516,200, the explicit cash flows reported in the 2024-2025 budget and business plan prepared by management were used to perform the impairment test. The impairment test performed did not identify any impairment losses with reference to the CGU as at 31 December 2022 and, consequently, no write-downs were made on these assets.

A breakdown of goodwill is given below:

At 31 December

	2022	2021
Goodwill of Stea Project Srl	676,865	676,865
Goodwill of Gruber Srl	516,200	0
TOTAL	1,193,065	676,865

Pursuant to IAS36 par. 134, it is specified that the Goodwill generated by the consolidation of Stea Progetto S.r.l. and Gruber S.r.l. amounting to Euro 677 thousand and Euro 516 thousand, respectively, is determined

by the difference between the book value of the equity investment and the FV of the consolidated assets and liabilities.

The impairment on these values was performed considering:

- the 2023-2025 Business Plan of the individual consolidated companies considered individual CGUs;
- a growth rate was not taken into account, but rather a rate of decrease in relation to the type of business conducted by the companies;
- the discount rate applied to the cash flow projections is equal to the WACC (Weighted Average Cost of Capital) based on a risk free rate equal to the yield of the 10-year BTP at the date of the financial year equal to 4.62%, a market risk equal to 1.43% and an unlevered Beta coefficient equal to 0.97 based on the data provided by Damodaran for Italian companies in the sector and taking into account the specific D/E ratio of the individual Company;
- the WACC was therefore identified as 4.997% for Gruber S.r.l. and 5.368% for Stea Progetto S.r.l.;
- the terminal value was determined on the basis of the last plan cash flow without taking growth rates into account;
- In addition, a sensitivity analysis was performed on the change in WACC and the Terminal Value, which confirmed that the recorded goodwill values were stable.

7.3 EQUITY INVESTMENTS

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

At 31 December

	2022	2021
Investments in associated companies	5,225,600	7,029,400
Investments in other companies	5,319,882	10,433,260
TOTAL EQUITY INVESTMENTS	10,545,482	17,462,660

Associated companies include Alto Garda Power Srl, which is valued using the equity method. See the following pages for a description of the investee companies.

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	26,128,000	1,031,000	20.00	5,225,600
TOTAL	-					5,225,600

Other companies	но	Share Capital	Shareholders' equity	Profit/ (loss) for the year	% Investment	Book value
Dolomiti Energia S.p.A.	Via Fersina, 23 38121 Trento	20,423,673	82,620,303	-30,641,612	4.49	2,562,000
SET Distribuzione S.p.A.	Via Manzoni, 24 38068 Rovereto	120,637,335	239,321,852	11,480,717	2.00	2,400,358
Primiero Energia S.p.A.	Via Guadagnini, 31 38054 S.Martino	9,938,990	55,309,950	801,013	0.81	81,840
Tecnodata Srl	Via Guadagnini, 31 38121 Trento	12,560	636,155	95,280	15.00	273,534
Cedis Spa	Via Garibaldi, 180 38089 Storo	3,211,884	24,823,225	421,445	0.03	1,150
Distretto Tecnologico	P.za Manifattura, 1 38068 Rovereto	201,000	848,599	142,193	0.35	1,000
TOTAL						5,319,882

The equity method valuation of investments in associated companies was performed using the relevant financial statements as at 31 December 2022 approved by the respective Boards of Directors.

Investments in other companies were valued at cost.

Changes in investments in associated companies and other companies for the years ended 31 December 2022 and 2021 are shown below:

Description	31/12/2021	Increases	Decreases	31/12/2022
equity investments in associates	7,029,400	196,200	2,000,000	5,225,600
equity investments in other companies	10,433,260	273,534	5,386,912	5,319,882
TOTAL	17,462,660	469,734	7,386,912	10,545,482

ASSOCIATED COMPANIES

Below is information for the main associated companies in which the Group holds shares.

ALTO GARDA POWER Srl – Riva del Garda. Share Capital Euro 1,750,000 fully paid-up; AGS S.p.A. holds 20.00% of the share capital. The company owns the cogeneration plant in Riva del Garda that produces electricity and heat. In 2022 the Company reported a profit of Euro 1,031,000 and as at 31.12.2022 its net

assets amounted to Euro 26,128,000.

OTHER COMPANIES

Below is information for the main other companies in which the Group holds shares.

DOLOMITI ENERGIA S.p.A. Trento. Share Capital Euro 20,423,673 fully paid-in, divided into 20,423,673 shares of Euro 1 each; AGS holds 4.49% of the company's share capital. Dolomiti Energia S.p.A. is the trading company of the Group of the same name for the supply of energy, gas and other services to Italian households and businesses. The financial year ended 31 December 2022 showed a loss of Euro 30,641,612 and shareholders' equity of Euro 82,620,303.

SET DISTRIBUZIONE S.p.A. - Rovereto. Share Capital Euro 120,637,335 fully paid-up, composed of 120,637,335 shares of Euro 1 each; AGS holds 2% of the share capital. The financial year ended 31 December 2022 showed a profit of Euro 11,480,717 and shareholders' equity of Euro 239,321,852. The company manages electricity distribution activities in more than 160 municipalities in the Autonomous Province of Trento, where it holds the concession.

PRIMIERO ENERGIA S.p.A. – S.Martino di Castrozza (TN). Share Capital Euro 121,973,694 fully paid-in, divided into 993,899 shares of Euro 10 each; AGS holds 0.81% of the share capital. The company is active in hydroelectric power production and manages several large hydroelectric plants located in the Primiero valley. In 2022 the Company reported a profit of Euro 801,013 and as at 31.12.2022 its net assets amounted to Euro 55,309,950.

TECNODATA TRENTINA Srl Trento. Share Capital Euro 12,560 fully paid-up, composed of 12,560 shares of Euro 1 each; AGS holds 15% of the share capital.

In April 2022, the Shareholders' Meeting resolved to increase the share capital from Euro 11,556 to Euro 12,560, fully subscribed by the shareholders. The company is active in the IT field in interconnection services.

In 2022 the Company reported a profit of Euro 95,280 and as at 31.12.2022 its net assets amounted to Euro 636,155.

7.4 NON-CURRENT FINANCIAL RECEIVABLES

"Non-current financial receivables" at 31 December 2022 and 31 December 2021 are detailed below:

At 31 December

	2022	2021
Interest-bearing loan associate Alto Garda Power S.r.l.	0	1,044,951
Other receivables due from Bel Coredo Spa	0	893,263

Other receivables 88,571 69,726

Total 88,571 2,007,940

7.5 DEFERRED TAX ASSETS

Deferred tax assets at 31 December 2022 and 31 December 2021 are detailed below:

	Deferred tax assets 2021	ADJUSTMENTS	Total defe	rred tax asse	ts 2022
Receivables for deferred tax assets IRES					
Deductible differences	Tax	Tax	Тах	Rate	Tax
Contributions connection electricity	403,743		1,492,252	24.00%	358,140
Contributions connection gas users	156,148		650,618	24.00%	156,148
Allocation provision for write-down of inventories	39,471		164,462	24.00%	39,471
Statutory amortization exceeding tax	921,236		3,838,484	24.00%	921,236
Allocation doubtful accounts provision	45,198		188,323	24.00%	45,198
Allocation provision for write-down of meters	0		457,722	24.00%	109,853
Tax loss year 2022	0		21,679	24.00%	5,203
Credit DL 66/2014	0		5,508	24.00%	1,322
Other employee benefits	135,619		475,960	24.00%	114,230
Total	1,701,415	0	7,295,008		1,750,802

Receivables for deferred tax assets IRAP	Deferred tax assets 2021	ADJUSTMENTS	Total defe	rred tax asset	s 2022
Deductible differences	Tax	Тах	Тах	Rate	Тах
Contributions connection electricity users	59,552	-9,421	1,492,252	2.98%	44,469
Contributions connection gas users	23,032	-3,643	650,618	2.98%	19,388
Allocation provision for write-down of inventories	5,822	-921	164,462	2.98%	4,901
Allocation provision for write-down of meters	0	0	457,722	2.98%	13,640
Provision for write-down of tangible assets	0	0	0	2.98%	0
Total	88,406	-13,985	2,765,054		82,399
Total receivables for deferred tax assets	1,789,821	-13,985			1,833,201

The breakdown of the item deferred taxes at 31 December 2022 and 31 December 2021 is provided below.

	De	ferred taxes 20)21	ı	ncreases 2022	!	Total	deferred taxes	2022
Deferred tax liabilities									
Deductible differences	Тах	Rate	Tax	Tax	Rate	Tax	Tax	Rate	Tax
Derivatives	0	24.00%	0	5,263	24.00%	1,263	5,263	24.00%	1,263
Tangible assets	0	24.00%	0	256,167	24.00%	61,480	256,167	24.00%	61,480
Total deferred tax liabilities	0		0	261,429		62,743	261,429		62,743

7.6 INVENTORIES

The breakdown of the item "Inventories" at 31 December 2022 and 31 December 2021 is provided below.

At 31 December

	2022	2021
Work in progress	2,196,257	0
Advances	136,891	0
Raw and ancillary materials and consumables	1,385,487	644,568
TOTAL	3,718,635	644,568

Raw material inventories refer to stocks to meet ordinary business operations.

As far as work in progress is concerned, this refers exclusively to the progress of work on the plumbing and heating installation business.

7.7 TRADE RECEIVABLES

The breakdown of "Trade receivables" at 31 December 2022 and 31 December 2021 is provided below:

	At 31 December		
	2022	2021	
Receivables from customers	22,216,997	7,874,399	
Provision for doubtful accounts	-303,338	-284,217	
TOTAL	21,913,659	7,590,182	

The item trade receivables, shown net of the related allowance for doubtful accounts, mainly includes receivables from customers and end-users related to sales consideration for goods and services provided by the Group. The balance increased sharply compared to 31 December 2021, mainly due to the acquisition of Gruber Srl with receivables related to the 110% Superbonus as well as the increase in heat tariffs.

The criteria for adjusting receivables to their presumed realisable value take into account differentiated valuations according to the status of the dispute.

The provision for doubtful accounts showed the following changes during the year:

	Provision for doubtful accounts
At 01 January 2021	223,429
Allocations	60,788
Utilisations	0
At 31 December 2021	284,217
Allocations	19,121
Utilisations	0
At 31 December 2022	303,338

7.8 RECEIVABLES FROM PARENT AND ASSOCIATED COMPANIES

The breakdown of the item "Receivables from the parent company and associated companies" at 31 December 2022 and 31 December 2021 is provided below.

	At 31 December	
	2022	2021
Receivables from parent company	217,593	139,478
Receivables from associated companies	2,382,547	10,625
TOTAL	2,600,140	150,103

7.9 CURRENT TAX RECEIVABLES

The breakdown of the item "Current tax receivables" at 31 December 2022 and 31 December 2021 is provided below.

At 31 December

	2022	2021
110% SUPERBONUS RECEIVABLE	1,465,894	0
TAX CREDIT FOR CONNECT. AND CONSUMPTION (DISTRICT HEATING.)	431,678	320,085
90% FAÇADE BONUS	130,547	94,898
50% RENOVATION BONUS	57,809	0
TAX CREDIT FOR ELECTRICITY DL 50/22	45,415	0
CAPITAL GOODS TAX CREDIT	24,376	19,904
SUPER ACE TAX CREDIT L. 106/21	8,095	90,000
VIRTUAL STAMP DUTY	217	0
OTHER TAX RECEIVABLES	96,287	6,494
VAT	54,354	32,763
IRAP	15,813	1,301
IRES	201,270	156,081
Total	2,531,755	721,526

7.10 OTHER CURRENT ASSETS

The breakdown of the item "Other current assets" at 31 December 2022 and 31 December 2021 is provided below.

At 31 December

	2022	2021
PAT and Municipalities – deposit of road cuts and various deposits	84,286	97,209
Energy revenues equalisation fund	1,376,395	1,143,833
Repayment of interest on tax moratorium for 1998-2000	286,145	257,296
PAT – advance gas tender costs	48,170	48,170
Equalisation fund 6th two-month period 2022	1,758,539	75,634
PAT contributions	196,679	262,238
Bortolotti Deposit	576,761	0
Sundry	309,867	202,791
Accrued and deferred assets	322,235	189,258
Total	4,959,077	2,276,429

The calculation of the gas and energy equalisation for the year 2022 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 2022 and 31 December 2021 is provided below:

At 31 December

	2022	2021
Bank and postal deposits	4,553,719	2,608,169
Cash-in-hand and cash equivalents	3,390	3,603
TOTAL	4,557,109	2,611,772

The balance includes cash and bank deposits actually available and readily realisable at the end of the financial year.

8.1 SHAREHOLDERS' EQUITY

Changes in shareholders' equity reserves are reported in the schemes of these Consolidated financial statements.

At 31 December 2022, the Group's share capital amounted to Euro 23,234,016 and consisted of 446,808 ordinary shares with a nominal value of Euro 52.00 each.

As at 31 December 2022, the Group held 1582 treasury shares.

8.2 NON-CURRENT FINANCIAL PAYABLES

The table below shows non-current financial liabilities at 31 December 2022 and 31 December 2021.

	2022	2021
	Non-current	Non-current
Payables to banks	2,022,713	678,948
Other financial payables (IFR16)	3,070,791	995,218
Bond	52,000	5,000,000
TOTAL	5,145,504	6,674,166

Amounts due to banks include loans payable.

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:

		2022	2021
Α	Cash and cash equivalents	4,557,109	2,611,77
В	Cash equivalents	-	-
С	Other current financial assets	-	-
D	Liquidity (A+B+C)	4,557,109	2,611,77
E	Current financial debt (including debt instruments but excluding	8,179,702	2,956,15
_	the current portion of non-current financial debt)	-	-
F	Current part of non-current financial debt	-	-
G	Current financial debt (E+F)	8,179,702	2,956,15
Н	Net current financial debt (G-D)	3,622,593	344,38
I	Non-current financial debt (excluding current and debt instruments)	5,145,504	1,674,16
J	Debt instruments	-	5,000,00
K	Trade and other non-current payables	6,970,769	4,544,49
1	Non-current financial debt (I+J+K)	12,116,273	11,218,65

М	Total financial debt (H+L)	15,738,866	11 563 030
141	Total Illiancial debt (III-L)	13,730,000	11,303,033

In line with what is done by others in the industry, the net financial debt shown in the table above does not include the fair value of derivative financial instruments.

8.3 EMPLOYEE BENEFITS

The Group provides employees (including retired employees), to whom the Collective Bargain Agreement of the Electricity sector applies, 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 2022 and 31 December 2021 are shown below:

At 31 December 2021

	TFR	Loyalty Bonuses	Monthly salaries Additional	Energy discounts	Total
Liabilities at the start of the period	780,660	83,764	70,963	247,254	1,182,641
Current cost of the service	57,453	5,298	2,596	841	66,188
Interest from discounting	2,389	285	229	0	2,903
Benefits paid	-83,229	-6,866	-9,833	0	-99,928
Actuarial losses/(gains)	5,406	-9,826	5,012	57,286	57,878
Liabilities at the end of the period	762,679	72,655	68,967	305,381	1,209,682

At 31 December 2022

	At 31 Determited 2022				
	TFR	Loyalty Bonuses	Monthly salaries Additional	Energy discounts	Total
Liabilities at the start of the period	762,679	72,655	68,967	305,381	1,209,682
Acquisition of Employees severance indemnity Gruber Srl	285,098	0	0	0	285,098
Current cost of the service	74,605	5,063	2,467	2,993	85,128
Interest from discounting	6,943	712	688	0	8,343
Benefits paid	-1,084	-2,060	-495	0	-3,639
Actuarial losses/(gains)	-130,939	-12,628	0	77,428	-66,139
Liabilities at the end of the period	997,302	63,742	71,627	385,802	1,518,473

8.4 PROVISIONS FOR RISKS AND CHARGES

The item "Provisions for risks and charges" amounted to Euro 1,324,461 as at 31 December 2022 and is broken down as follows:

At 31 December

	2022	2021
Other Funds	965,131	0
Badwill risk provision	359,330	0
TOTAL	1,324,461	0

Other reserves refer for Euro 9 thousand to a reserve for risks to cover legal expenses and for the remainder to the differential between the nominal value and the purchase price of the financial debt acquired from the pool of banks that had financed the investments of the consolidated company BEL Coredo S.p.A. at the time. The Badwill risk provision arises from the investment in BEL Coredo S.p.A..

8.5 CURRENT FINANCIAL PAYABLES

The table below shows current financial payables at 31 December 2022 and 31 December 2021.

	2022	2021
	Current	Current
Payables to banks	3,084,994	2,861,444
Other financial payables (IFR16)	94,708	94,708
Bond	5,000,000	0
TOTAL	8,179,702	2,956,152

The Bond was issued on 15 July 2014 million 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.

At the end of May, the Shareholders' and Bondholders' Meeting resolved to approve some amendments to the terms and conditions of the Regulation of the "AGS SPA 2014-2023" Bond Loan. The main concern the change of duration, which is extended to 30 June 2033, and the reduction of the spread from 370 bp to 285 bp.

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 2022 and 31 December 2021. Payables refer entirely to the geographical area of Italy. All payables are due within one year.

At 31 December

	2022	2021
Suppliers of goods and services	2,908,508	890,569
Invoices to be received	2,269,040	863,369
Total	5,177,548	1,753,938

8.7 PAYABLES TO PARENT COMPANY AND ASSOCIATED COMPANIES

The table below shows "Payables to parent company and associated companies" at 31 December 2022 and 31 December 2021 Payables refer entirely to the geographical area of Italy.

At 31 December

	2022	2021
Payables to parent company	1,793,221	1,753,419
Payables to associated companies	0	1,037,136
TOTAL	1,793,221	2,790,555

Payables at 31 December 2022, refer exclusively 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 at 31 December 2022 to end customers and that is then turned over to the Municipality of Riva del Garda.

8.8 TAX PAYABLES DETAILS

The table below shows "Tax Payables" at 31 December 2022 and 31 December 2021.

At 31 December

	2022	2021	
Tax liabilities IRAP	132,478	10,449	
Tax liabilities IRES	1,276,159	117,675	
Tax liabilities VAT	580,229	124,793	
Other tax payables	3,412	157	
Withholding taxes on employees and collaborators			
IRPEF	234,039	131,504	
Total	2,226,317	384,578	

8.9 OTHER CURRENT PAYABLES

The breakdown of the item "Other current payables" at 31 December 2022 and 31 December 2021 is provided below:

At 31 December

	2022	2021
Payables to pension and social security institutions Social	601,158	354,437
Payables to employees	625,032	405,396
Advances from customers	1,050,757	0
Other payables	1,253,336	562,092
Payables to the Equalisation Fund	498,838	753,471
Reimbursement of credit notes to customers	1,124,287	0
Accrued and deferred liabilities	4,329,502	3,164,128
TOTAL	9,482,910	5,239,524

Accrued and deferred liabilities are mainly due to contributions for natural gas and electricity connections.

8. NOTES TO THE INCOME STATEMENT

9.1 REVENUES FROM SALES AND SERVICES

The breakdown of the item "Revenues" for the year ended 31 December 2022 and 31 December 2021 is provided below. Revenues are entirely generated in Italy.

	31.12.2022	31.12.2021
Construction site revenues	11,608,727	0
Revenues from electricity transmission	2,841,783	2,633,252
Revenues from electricity generation	474,579	528,891
Revenues for design	2,900,745	2,070,284
Revenues from gas transmission	2,162,221	2,327,931
Revenues from water service management	1,282,333	1,197,000
Heat revenues	7,407,676	3,940,404
Pellet revenues	3,166,058	1,667,148
Other revenues	490,339	424,804
Total	32,334,461	14,789,714

The overall increase in the item "Revenues" is mainly attributable to the inclusion of Gruber Srl in the scope of consolidation.

9.2 OTHER REVENUES AND INCOME

A breakdown of the item "Other revenues and income" for the year ended 31 December 2022 and 31 December 2021 is provided below.

	31.12.2022	31.12.2021
White certificates	795,000	0
Contributions from equalisation systems	267,760	469,927
Revenues from management of aqueduct plants	261,726	258,030
Reversal of technical expenses Superbonus	1,457,406	0
Operating contributions	187,415	112,276
Revenues from public lighting services	13,768	41,918
Change in inventories	357,602	4,751
Operating contingent assets	161,999	103,308
Revenues from other services provided to third parties	645,583	401,364
Total	4,148,259	1,391,574

The overall increase in the item "Others revenues and income" is mainly attributable to the inclusion of Gruber Srl in the scope of consolidation.

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 2022 and 31 December 2021 is shown below.

	31.12.2022	31.12.2021
Purchase of heat	1,793,075	2,147,252
Purchase of sawdust	1,294,962	960,136
Purchase of electricity	679,708	346,644
Purchase of warehouse material	3,760,639	393,591
Purchase of wood chips	566,291	386,224
Purchase of gas for heat management	461,505	0
Purchase of other materials	671,507	365,286
Purchase of drinking water	2,750	2,525
Change in inventories	-296,188	67,536
Total	8,934,249	4,669,194

As in the case of revenue, the overall increase in the item "raw material costs" is mainly attributable to the inclusion of Gruber Srl in the scope of consolidation, especially for activities related to the 110% Superbonus.

9.4 COSTS FOR SERVICES

The breakdown of the item "Costs for services" for the year ended 31 December 2022 and 31 December 2021 is shown below.

	31.12.2022	31.12.2021
Work on construction sites	3,759,527	0
Third-party services related to design	2,008,583	664,927
Electricity transport fees	985,830	983,793
Network maintenance costs	633,719	518,104
Electricity, gas and water costs	424,405	118,695
Administrative, legal, technical consulting services	420,627	174,917
Insurance	250,905	172,974
Software fees	239,413	313,797
Meter reading costs	112,645	102,795
Bank charges and fees	81,136	23,410
Employee training costs	54,541	1,349
Other costs	1,578,310	811,095
Total	10,549,641	3,885,856

As in the case of revenues, the overall increase in the item 'Costs for services' is mainly attributable to the inclusion of Gruber SrI in the scope of consolidation, especially for activities related to the 110% Superbonus.

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 2022 and 31 December 2021 is provided below.

	31.12.2022	31.12.2021
fees and rents payable	138,659	41,835
Concession fees	427,491	432,107
Total	566,150	473,942

9.6 PERSONNEL COSTS

The breakdown of the item "Personnel costs" for the years ended 31 December 2022 and 31 December 2021 is provided below.

	31.12.2022	31.12.2021
Wages and salaries	4,606,244	2,742,106
Social security costs	1,465,463	840,835
Employee severance indemnity (TFR)	375,513	202,697
Other costs	97,669	90,217
Total	6,544,889	3,875,855

The Group had 134 employees as at 31 December 2022.

The increase compared to the previous year is largely due to the inclusion of Gruber Srl in the scope of consolidation.

9.7 AMORTISATION/DEPRECIATION OF FIXED ASSETS

The breakdown of the item "Amortisation/depreciation of fixed assets" for the years ended 31 December 2022 and 31 December 2021 is provided below.

	31.12.2022	31.12.2021
Depreciation of Intangible assets	299,424	158,032
Depreciation of Tangible assets	2,295,983	1,878,500
Total	2,595,407	2,036,532

9.8 PROVISIONS AND WRITE-DOWNS

The breakdown of the item "Provisions and write-downs" for the years ended 31 December 2022 and 31 December 2021 is provided below.

	31.12.2022	31.12.2021
Provision for doubtful accounts	8,727	60,788
Provisions for Risks	9,000	0
Write-downs of tangible assets	457,022	0
Total	474,749	60,788

The item "Write-downs of tangible assets" refers to the obligation to replace 1G electricity meters with new 2G meters by 31 December 2025.

9.9 OTHER OPERATING EXPENSES

The breakdown of the item "Other operating expenses" for the years ended 31 December 2022 and 31 December 2021 is provided below.

	31.12.2022	31.12.2021
Gas equalisation costs	602,950	658,210
Losses on ordinary operations	31,988	51,747
Charges on common conventions	116,929	111,371
Operating contingent liabilities	98,780	74,344
Other operating expenses	365,469	353,073
Total	1,216,116	1,248,745

9.10 CAPITALISED COSTS FOR INTERNAL WORKS

The breakdown of the item "Capitalised costs for internal works" for the years ended 31 December 2022 and 2021 is provided below.

	31.12.2022	31.12.2021
Warehouse material	382,417	347,771
Labour	120,842	215,279
Total	503,259	563,050

Capitalised costs include Euro 120,842 for personnel costs and Euro 382,417 for material costs and refer to the development and implementation of investments in the gas and electricity distribution networks.

10. INCOME FROM EQUITY INVESTMENTS

The breakdown of the item "Income from equity investments" for the years ended 31 December 2022 and 2021 is provided below.

	31.12.2022	31.12.2021
Income from equity investments	206,089	1,239,177
Total	206,089	1,239,177

Income from equity investments includes dividends received from Set Distribuzione S.p.A, Primiero Energia Spa and Tecnodata Srl.

11. WRITE-DOWN OF INVESTMENTS

Write-downs of equity investments amounted to Euro 5,588 and related to the write-down of an equity investment in a company in liquidation.

12. FINANCIAL EXPENSES

The breakdown of the item "Financial expenses" for the years ended 31 December 2022 and 31 December 2021 is provided below.

	31.12.2022	31.12.2021
Bank interest expense	47,456	2,336
Interest expense on bond	177,994	158,800
Interest expense on mortgages	90,488	29,160
Interest from discounting	93,675	25,452
Other financial expenses	34,372	3,236
Financial expenses earn out Stea Progetto Srl	1,021,567	270,774
Total	1,465,552	489,758

13. FINANCIAL INCOME

The breakdown of the item "Financial income" for the years ended 31 December 2022 and 2021 is provided below.

	31.12.2022	31.12.2021
Interest income from associated companies	48,914	44,951
capital gain on disposals of Dolomiti Energia Holding Spa	6,043,906	0
Other financial income	192,773	22,658
Total	6,285,593	67,609

14. GAINS AND LOSSES FROM INVESTMENTS - EQUITY METHOD

The breakdown of the item "Gains and losses from investments - Equity method" for the years ended 31 December 2022 and 31 December 2021 is provided below.

	31.12.2022	31.12.2021
Gains and losses from investments in other companies with the Equity Method	206,200	2,244,800
Total	206,200	2,244,800

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

15. CURRENT AND DEFERRED TAX

The breakdown of the item "Current and deferred tax" for the years ended 31 December 2022 and 31 December 2021 is provided below.

	31.12.2022	31.12.2021
Current taxes IRAP and IRES	1,767,508	218,527
Deferred tax assets IRES and IRAP	-46,916	-48,002
Taxes previous year IRES and IRAP	15,338	-7,497
Total	1,735,930	163,028

9. **GUARANTEES AND COMMITMENTS**

The breakdown of guarantees and commitments in favour of and assumed by the Group at 31 December 2022 and 31 December 2021 is provided below.

	At 31 December			
	2022 2021			
Guarantees issued to third parties	704,285	704,285		
TOTAL	704,285	704,285		

10. FEES TO DIRECTORS AND STATUTORY AUDITORS

The following is the breakdown of fees to the Group's Directors and Statutory Auditors for the years ended 31 December 2022 and 2021.

	At 31 December	
	2022	2021
Directors' fees	301,440	95,685
Board of Auditors' fees	38,220	29,119
TOTAL	339,660	124,804

11. FEES OF THE INDEPENDENT AUDITORS

The table below shows the fees paid to the auditing firm BDO Italia S.p.A. for auditing the financial statements of Group companies and the consolidated financial statements for the years ended 31 December 2022 and 31 December 2021, as well as fees paid for other services:

	At 31 December				
	2022 2021				
Statutory audit of annual accounts	48,578	27,549			
Other consultancy services provided	0 0				
Tax advisory services	0	0			
Other audit and accounting organisation services	800	800			
TOTAL	49,378 28,349				

12. TRANSPARENCY IN THE PUBLIC DISBURSEMENT SYSTEM

Pursuant to Article 1, paragraphs 125 et seq, of Law 124/2017 (so-called annual law for the market and competition), as redrafted by Article 35 of Decree-Law no. 34/2019 (Growth Decree), please refer to the consultation of the National Register of State Aid, "Transparency" section, in order to view any grants,

subsidies, benefits, contributions or aid, in cash or in kind, not of a general nature and without consideration, remuneration or compensation, actually disbursed by the public administrations as well as by the entities referred to in Article 2-bis of Legislative Decree No. 33/2013 in the financial year 2022.

13. SIGNIFICANT EVENTS THAT OCCURRED AFTER THE END OF THE YEAR

On 23 January 2023, a fire occurred in the pellet production building. It affected the sawdust silo, the control room and part of the pellet plant.

The repair and restoration work on the pellet production process is currently underway, and the insurance claim is also being monitored with the help of our insurance broker and the party's expert appointed to define the damage suffered for compensation purposes.

The production plant and the building are covered by an All Risk insurance policy for direct and indirect damage and an insurance policy for direct damage suffered by the photovoltaic plant, both of which stipulated with leading insurance companies.

It should be noted that at the end of March 2023, the company Kairos Alps Srl, in which AGS holds a 40% stake, was established with the aim to develop the investment plan in the field of energy production from renewable sources.

On 10 May, the Company's Board of Directors convened the Shareholders' and Bondholders' Meeting to resolve on the approval of some amendments to the terms and conditions of the Regulation of the "AGS SPA 2014-2023" Bond Loan with a nominal value of Euro 5,000,000, issued on 15 July 2014 and listed on the regulated market managed by the Vienna Stock Exchange. The main concern the change of duration, which is extended to 30 June 2033, and the reduction of the spread from 370 bp to 285 bp.

Annex A to the Consolidated Financial Statements

Consolidation scope 2022

Alto Garda Servizi Spa	HQ	Share Capital	Consolidation Method
Stea Progetto S.r.I.	Via S.Caterina, 60/A 38062 Arco (TN)	10,000	Integral
Bel Coredo Spa	Via Don Guetti, 14 38012 Predaia (TN)	749,976	Integral
Gruber Srl	Via Monte Misone, 21 Riva del Garda (TN)	225,000	integral
Ledro Energia S.r.l.	Via Ampola,28 38067 Ledro (TN)	1,255,495	integral

Chair of the Board of Directors Andrea Mora

Certification of the consolidated 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 consolidated financial statements during the period from 1 January 2022 to 31 December 2022.

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 Consolidated financial statements at 31 December 2022:

- 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 position of the issuer and the group of companies included in the consolidation.

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

Riva del Garda, 18 May 2023

Chair of the Board of Directors

Andrea Mora

Administration Manager/Financial Reporting Manager

Andrea Carloni

BALANCE SHEET

Assets	Notes	31.12.2022	31.12.2021
Non-current assets			
Property, plant and equipment	7.1	33,469,817	34,483,917
Intangible assets	7.2	165,383	197,487
Equity investments	7.3	16,573,288	21,663,999
Non-current financial receivables	7.4	10,636,586	4,788,421
Deferred tax assets	7.5	1,826,676	1,789,821
Total non-current assets		62,671,750	62,923,645
Current assets			
Inventories	7.6	753,655	580,368
Trade receivables	7.7	6,256,297	6,082,359
Receivables from parent company, associated companies, subsidiaries	7.8	2,712,643	210,959
Current tax receivables	7.9	897,562	213,130
Other current assets	7.10	3,883,010	1,903,540
Cash and cash equivalents	7.11	4,205,332	1,967,464
Total current assets		18,708,499	10,957,820
Total Assets		81,380,249	73,881,465

Liabilities and Shareholders' Equity	Notes	31.12.2022	31.12.2021
Shareholders' Equity			
, ,			
Share Capital	8.1	23,234,016	23,234,016
Reserves	8.1	32,033,249	29,495,268
Net result of the year	8.1	8,374,681	3,095,158
Total Shareholders' Equity		63,641,946	55,824,442
Non-current liabilities			
No. 1 and Constitution and the	0.2	775 700	C 444 C20
Non-current financial payables	8.2	775,709	6,114,630
Employee benefits	8.3	1,144,076	1,156,005
Provisions for risks and charges	8.4	0	0
Total non-current liabilities		1,919,785	7,270,635
Current liabilities			
Current financial payables	8.5	5,327,150	1,412,893
Trade payables	8.6	1,042,120	1,245,417
Payables to parent company, associated companies,	8.7	1,793,221	2,970,162
subsidiaries		1,733,221	2,370,102
Tax payables	8.8	1,226,109	206,396
Other current payables	8.9	6,429,918	4,951,520
Total current liabilities		15,818,518	10,786,388
Total Liabilities		17,738,303	18,057,023
Total Liabilities and Shareholders' Equity		81,380,249	73,881,465

INCOME STATEMENT

Figures in Euro	Notes	31.12.2022	31.12.2021
Revenues from sales and services	9.1	13,401,413	10,372,445
Other revenues and income	9.2	1,923,341	1,268,203
			11,640,648
Total operating revenues and income		15,324,754	11,040,048
Cost of raw materials, consumables and goods	9.3	2,472,050	2,798,880
Costs for services	9.4	2,969,430	2,755,457
Leasehold improvements	9.5	464,852	451,720
Personnel costs	9.6	3,360,240	3,187,774
Amortisation/Depreciation of fixed assets	9.7	1,680,278	1,680,843
Provisions and write-downs	9.8	457,022	0
Other operating expenses	9.9	1,006,685	1,099,161
Capitalised costs for internal works	9.10	-503,259	-563,050
Total Operating costs		11,907,298	11,410,785
GROSS OPERATING PROFIT (LOSS)		3,417,456	229,863
Income from equity investments	10	308,089	1,249,377
Write-down of investments	11	0	126,831
Financial expenses	12	1,233,386	470,674
Financial income	13	6,389,852	99,988
Income and expenses from investments - Equity method	14	206,200	2,244,800
Revaluation of investments	15	402,294	0
RESULT BEFORE TAXES		9,490,505	3,226,524

Current and Deferred Tax	16	1,115,824	131,366
NET RESULT OF THE YEAR		8,374,681	3,095,158

Comprehensive Income Statement	31.12.2	2022 31.12.2021
Result of the Income Statement	8,374	4,681 3,095,158
Amounts that will not be subsequently reclassified to profit/(loss) of the year	66	6,139 -57,878
Amounts that will be subsequently reclassified to profit/(loss) for the year		
RESULT FOR THE PERIOD	8,440	3,037,280

Figures in Euro	FOR THE YEAR DECEM	
	2022	2021
Pre-tax result	9,490,505	3,226,524
Adjustments for:		
Amortization, depreciation, write-downs and provisions	2,137,300	1,680,843
Result of investments valued with the equity method and	-206,200	-2,244,800
Financial (Income)/Expenses	-6,389,852	-12,212
Employee benefits	1,093	20,038
(Gains)/Losses from disposal of assets	0	0
Fair value valuations	0	0
Dividends collected	-308,089	-1,249,377
Cash flow from operating activities before changes in working capital	4,724,757	1,421,016
Increase/(Decrease) in employee benefits	-11,929	9,617
(Increase)/Decrease in inventories	-173,287	67,536
(Increase)/Decrease in trade receivables	-2,675,622	-378,099
(Increase)/Decrease in other assets/liabilities and assets/liabilities for	-2,647,023	-98,812
Increase/(Decrease) in trade payables	52,267	113,887
Dividends received from other companies	308,089	1,249,377
Dividends received from associated companies	2,000,000	1,320,000
Interest income and other financial income received	6,389,852	99,988
Interest expense and other financial expenses paid	-354,640	-470,674
Use of provisions for risks and charges	0	0
Taxes paid	-18,234	-107,151
Cash flows from operating activities (a)	2,869,473	1,805,669
Investments in intangible assets	-8,040	-35,622
Investments in tangible assets	-1,302,706	-1,545,250
Divestments of tangible assets	0	0
Net investments in equity investments	3,834,256	-10,000
(Increase)/Decrease in other investment activities	0	-793,263
Cash flow from investment/divestment activities (b)	2,523,510	-2,384,135
Financial payables (new issues of long-term loans)	0	0
Financial payables (repayments and other net changes)	-106,556	-617,759
Shareholders' loans	-7,650,000	0
Repayment of shareholders' loans	500,000	100,000
Purchase of treasury shares	0	-200,000
Dividends paid	-623,316	-625,531
Cash flow from financing activities (c)	-7,879,872	-1,343,290
Increase/(Decrease) in cash and cash equivalents (a+b+c)	0	0
Cash and cash equivalents at the beginning of the year	1,967,464	2,468,204
Cash and cash equivalents at the end of the year	4,205,332	1,967,464

SCHEDULE CHANGE NET EQUITY	Share capital	Legal reserve	Share premium reserve	Treasury shares reserve	Other reserves and retained earnings	Net result of the year	Total shareholders' equity
BALANCE AT 01 JANUARY 2021	23,234,016	1,677,806	3,263,400	0	22,145,200	3,292,271	53,612,693
Transactions with shareholders:							
Dividend distribution	-	-	-	-	-	-625,531	-625,531
Share capital subscription	-	-	-	-200,000	-	-	-200,000
Total transactions with shareholders	-	-	-	-200,000	-	- 625,531	-825,531
Allocation of the result for the year to the reserve	-	164,614	-	-	2,502,126	-2,666,740	-
Comprehensive result of the year							
Net result	-	-	-	-	-	3,095,158	3,095,158
Application of IAS/IFRS	-	-	-	-	-	-	-
Actuarial gains/(losses) for employee benefits, net of tax effect	_	_	-		-57,878		-57,878
Total	-	-	-	-	-57,878	3,095,158	3,037,280
BALANCE AT 01 JANUARY 2022	23,234,016	1,842,420	3,263,400	-200,000	24,589,448	3,095,158	55,824,442
Transactions with shareholders:							
Dividend distribution						-623,316	-623,316
Share capital subscription	-	-	-	-	-	<u>-</u>	
Total transactions with shareholders	-	=	-	-	-	-623,316	-623,316
Allocation of the result for the year to the							
reserve	-	154,758	-	-	2,317,084	-2,471,842	-
Comprehensive result of the year							
Net result	-	-	-	-	-	8,374,681	8,374,681
Application of IAS/IFRS	-	-	-	-	-	-	-
Actuarial gains/(losses) for employee							
benefits, net of tax effect	-	-	-	-	66,139	-	66,139
Total	<u>-</u>	-	-	-	66,139	8,374,681	8,440,820
BALANCE AT 31 December 2022	23,234,016	1,997,178	3,263,400	-200,000	26,972,671	8,374,681	63,641,946

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 2022, 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 ATESINO 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 18 May 2023.

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 GENERAL PLANTS	2.50% 6.67%	REMOTE CONTROL	4.0%
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%
		OFFICE MACHINES AND EQUIPMENT	14.29%
1ST REDUCTION STATIONS METHANE GAS	5.00%	·	

ETHANE GAS PIPES 4.00%	START-UP/EXPANSION COSTS 5 YEARS	
	SOFTWARE 3 YEARS	
TANKS 2.00%	STUDIES AND RESEARCH 3 YEARS	
IFTING SYSTEMS 6.67%		
OUCT PIPES/SEWERAGE 2.50%	CONCESSIONS, LICENSES CED 5 YEARS	
CT HEATING NETWORK 2.50%		
	RESIDUAL YEA	ARS
ERING INSTRUMENTS 6.67%	THIRD-PARTY ASSETS - HO OFFICES LEASE	
TRUMENTS DISTRICT HEATING 6.67%		
CT HEATING NETWORK 2.50% ERING INSTRUMENTS 6.67%	RESIDUAL YE/ THIRD-PARTY ASSETS – HQ OFFICES 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 shareholder receives the payment.

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.

TAXES

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.
- f) **Equalisation:** the "equalisation" component is estimated to be an amount corresponding to the positive or negative difference between the revenues realised from end customers and the VRT

determined in accordance with the ARERA resolutions updated at the date of preparation of the financial statements.

4. <u>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 2022</u>

The accounting policies adopted are consistent with those used at 31 December 2021.

In accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the IFRSs effective from 1 January 2022 are set out below and briefly explained.

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.

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.

5. <u>ACCOUNTING STANDARDS/INTERPRETATIONS COMPULSORILY APPLICABLE</u> FROM FINANCIAL YEARS SUBSEQUENT TO 2022.

At the date of preparation of these financial statements, the following new standards/interpretations were issued by the IASB that have not yet come into force, below are the documents already transposed by the EU (application date in brackets):

- Amendments to IAS 1 (from 1 January 2023) require that only relevant accounting standards, and not all significant accounting standards, be described in the Notes to the financial statements. Information is material if, taken together with other information included in the financial statements prepared for general purposes, it is reasonably likely to influence the decisions made by the primary users of the financial statements. IFRS Practice Statements No. 2 was also amended

to clarify how to apply the concept of materiality to accounting policy disclosures. Since the IFRS Practice Statements are non-mandatory guidelines, no mandatory effective date has been specified for amendments to IFRS Practice Statements No. 2.

- Amendments to IAS 8 (from 1 January 2023) to clarify the distinction between changes in accounting principles and changes in accounting estimates. Also provided is a new definition of an accounting estimate as a monetary amount recognised in the financial statements that is characterised by measurement uncertainties and carried out to achieve the objective of the applied accounting standard.
- Amendments to IAS 12 (from 1 January 2023) in order to clarify the accounting treatment of deferred taxes relating to assets and liabilities recognised in the financial statements as a result of a single transaction whose book values differ from their tax values.
- Issuance of IFRS17 (as of 1 January 2023) to provide a more useful and consistent model for accounting for insurance contracts for all insurance entities; it replaces IFRS4 in its entirety.

Below are the documents that have not yet been transposed by the EU (date of expected application in brackets):

- Amendments to IAS 1 (1 January 2024) to clarify the requirements to be considered in determining whether payables and other liabilities with an uncertain settlement date should be classified as current or non-current.
- Amendments to IFRS16 (as of 1 January 2024) to specify how to account for seller/leaseback transactions.

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 2022.

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 2022	
	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	5,225,600	0
TOTAL	0	9,099,500	0

With reference to the associated company Alto Garda Power S.r.l., the application of the equity method in 2022 showed a decrease in value of Euro 1.8 million due to the receipt of Euro 2.0 million in dividends against a revaluation of Euro 0.2 million.

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 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other assets	TOTAL
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
Purchases	0	933,524	174,994	17,870	1,126,388
Transfers	0	0	0	0	0
Disposals	0	-114,677	-72,530	0	-187,207
Derecognition of accumulated depreciation	0	103,553	40,322	0	143,875
Write-down of assets	0	0	-457,022	0	-457,022
Amortisation	-164,492	-1,216,781	-207,275	-51,586	-1,640,134
Balance as at 31 December 2022	4,327,001	28,009,526	941,707	191,583	33,469,817
Of which:					
Historical cost	6,311,360	50,839,368	3,606,213	1,380,363	62,137,303
Accumulated amortisation	-1,984,359	-22,829,842	-2,664,506	-1,188,779	-28,667,486

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 120,842. 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 2024.

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 2022, measured at fair value according to an appraisal prepared by an independent expert.

7.2 INTANGIBLE ASSETS

	Start-up costs	Industrial patents and intellectual property rights	Concessions	Other intangible assets	TOTAL
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	432,604	2,430,342
Accumulated amortisation	-210,335	-1,211,553	-540,712	-270,254	-2,232,854
Increases	0	8,040	0	0	8,040
Amortisation	0	-24,897	0	-15,248	-40,145
Balance as at 31 December 2022	0	18,281	0	147,102	165,383
Of which:	· ·		-		
Historical cost	210,335	1,254,731	540,712	432,604	2,438,382
Accumulated amortisation	-210,335	-1,236,450	-540,712	-285,502	-2,272,999

The item "Other intangible assets" includes capitalised improvements made to the Riva del Garda premises in

Via Ardaro 27 rented from the municipality of Riva del Garda.

7.3 EQUITY INVESTMENTS

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

At 31 December

	2022	2021
Investments in subsidiaries	6,028,956	4,208,077
Investments in associated companies	5,225,600	7,029,400
Investments in other companies	5,318,732	10,426,522
TOTAL EQUITY INVESTMENTS	16,573,288	21,663,999

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

Description	31/12/2021	Increases	Decreases	31/12/2022
equity investments in subsidiaries	4,208,078	1,820,878	0	6,028,956
equity investments in associates	7,029,400	196,200	2,000,000	5,225,600
equity investments in other companies	10,426,522	273,534	5,381,324	5,318,732
TOTAL	21,664,000	2,290,612	7,381,324	16,573,288

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	51.00	846,950
Bel Coredo Spa	Via Don Guetti, 14 38012 Coredo	300,000	729,395	-35,312	66.00	418,585
Gruber Srl	Via Monte Misone Riva del Garda	110,000	2,323,489	110,110	51.00	1,000,000
Ledro Energia S.r.l.	Via Ampola,28 38067 Ledro	1,255,495	3,763,421	402,294	100	3,763,421
TOTAL				-		6,028,956

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	26,128,000	1,031,000	20.00	5,225,600
TOTAL	-					5,225,600

Other companies	HQ	Share Capital	Shareholders' equity	Profit/ (loss) for the year	% Investment	Book value
Dolomiti Energia S.p.A.	Via Fersina, 23 38121 Trento	20,423,673	82,620,303	-30,641,612	4.49	2,562,000
SET Distribuzione S.p.A.	Via Manzoni, 24 38068 Rovereto	120,637,335	239,321,852	11,480,717	2.00	2,400,358
Primiero Energia S.p.A.	Via Guadagnini, 31 38054 S.Martino	9,938,990	55,309,950	801,013	0.81	81,840
Tecnodata Srl	Via Guadagnini, 31 38121 Trento	12,560	636,155	95,280	15.00	273,534
Distretto Tecnologico	P.za Manifattura, 1 38068 Rovereto	201,000	848,599	142,193	0.35	1,000
TOTAL						5,318,732

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.

Regarding the purchase value of the shareholdings of Stea Progetto Srl and Gruber Srl, 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.

It should be noted that in March 2022 the resolution passed by the Shareholders' Meeting was implemented with the sale of the shareholding in Dolomiti Energia Holding Spa.

7.4 NON-CURRENT FINANCIAL RECEIVABLES

"Non-current financial receivables" at 31 December 2022 and 2021 are detailed below.

	At 31 De	ecember
	2022	2021
Interest-bearing loan subsidiary Ledro Energia S.r.l.	2,300,000	2,800,000
Interest-bearing loan subsidiary Stea Progetto S.r.l.	50,000	50,000
Interest-bearing loan subsidiary Gruber S.r.l.	7,350,000	0
Interest-bearing loan associate Bel Coredo SpA	300,000	100,000
Interest-bearing loan associate Alto Garda Power S.r.l.	0	1,044,951
Other receivables due from Bel Coredo Spa	636,379	793,263
Other receivables	207	207
Total	10,636,586	4,788,421

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. During 2022, the subsidiary Ledro Energia Srl repaid Euro 0.5 million of the interest-bearing loan.

7.5 DEFERRED TAX ASSETS

The following table breaks down deferred tax assets by type of temporary difference at 31 December 2022 and 2021.

Receivables for deferred tax assets IRES	Deferred tax assets 2021	ADJUSTMENTS	Reabsorptions 2022	Increases 2022	Total defer	red tax asse	ets 2022
Deductible differences	Tax	Tax	Tax	Tax	Tax	Rate	Tax
Contributions connection electricity	403,743		-45,602	0	1,492,252	24.00%	358,140
Contributions connection gas users	156,148		0	0	650,618	24.00%	156,148
Allocation provision for write-down of inventories	39,471		0	0	164,462	24.00%	39,471
Statutory amortization exceeding tax	921,236		0	0	3,838,484	24.00%	921,236
Allocation doubtful accounts provision	45,198		0	0	188,323	24.00%	45,198
Allocation provision for write-down of meters				109,853	457,722	24.00%	109,853
Other employee benefits	135,619		-21,389	0	475,960	24.00%	114,230
Total	1,701,415	0	-66,991	109,853	7,267,821		1,744,277

Receivables for deferred tax assets IRAP	Deferred tax assets 2021	ADJUSTMENTS	Reabsorptions 2022	Increases 2022	Total defe	rred tax assets	2022
Deductible differences	Tax	Тах	Tax	Tax	Tax	Rate	Tax
Contributions connection electricity users	59,552	-9,421	-5,662	0	1,492,252	2.98%	44,469
Contributions connection gas users	23,032	-3,643	0	0	650,618	2.98%	19,388
Allocation provision for write-down of inventories	5,822	-921	0	0	164,462	2.98%	4,901
Allocation provision for write-down of meters	·	0	•	13,640	457,722	2.98%	13,640
Provision for write-down of tangible assets	0	0	0	0	0	2.98%	0
Total	88,406	-13,985	-5,662	13,640	2,765,054		82,399
Total receivables for deferred tax assets	1,789,821	-13,985	-72,654	123,493			1,826,676

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 2022 and 2021 is provided below.

At 31 December

	2022	2021
Raw and ancillary materials and consumables	753,655	580,368
TOTAL	753,655	580,368

7.7 TRADE RECEIVABLES

The breakdown of "Trade receivables" at 31 December 2022 and 31 December 2021 is provided below.

At 31 December

	2022	2021
Receivables from customers	6,479,726	6,305,788
Provision for doubtful accounts	-223,429	-223,429
TOTAL	6,256,297	6,082,359

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 2022 and 2021:

	Provision for doubtful accounts
At 1 January 2021	223,429
Allocations	0
Utilisations	0
At 31 December 2021	223,429
Allocations	0
Utilisations	0
At 31 December 2022	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 2022 and 2021 is provided below.

At 31 December

	2022	2021
Receivables from parent company	217,593	139,480
Receivables from subsidiaries	112,503	60,854
Receivables from associated companies	2,382,547	10,625
TOTAL	2,712,643	210,959

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. The receivables from affiliates refers to the reimbursement of the heat cost by AGPower following the new contract valid for the period 2022-2023.

7.9 CURRENT TAX RECEIVABLES

The breakdown of the item "Current tax receivables" at 31 December 2022 and 2021 is provided below.

At 31 December

	2022	2021
VIRTUAL STAMP DUTY	217	0
110% SUPERBONUS RECEIVABLE	882,709	0
VAT	14,636	0
IRAP	0	1,301
IRES	0	211,829
Total	897,562	213,130

7.10 OTHER CURRENT ASSETS

The breakdown of the item "Other current assets" at 31 December 2022 and 2021 is provided below.

At 31 December

	2022	2021
PAT and Municipalities – deposit of road cuts and various deposits	66,009	66,009
Energy revenues equalisation fund	1,376,395	1,143,833
Repayment of interest on tax moratorium for 1998-2000	286,145	257,296
PAT – advance gas tender costs	48,170	48,170
Equalisation fund 6th two-month period 2022	1,758,539	75,634
Sundry	207,410	173,211
Accrued and deferred assets	140,342	139,387
Total	3,883,010	1,903,540

The calculation of the gas and energy equalisation for the year 2022 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 2022 and 31 December 2021 is provided below.

At 31 December

	710 02 0 000 111001	
	2022	2021
Bank and postal deposits	4,205,233	1,966,430
Cash-in-hand and cash equivalents	99	1,034
TOTAL	4,205,332	1,967,464

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 2022, 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 2022, Euro 0.625 thousand, equal to Euro 1.40 per share, was distributed.

The breakdown of shareholders' equity is shown below:

At 31 December

	2022	2021
Share capital	23,234,016	23,234,016
Legal reserve	1,997,178	1,842,420
Share premium reserve	3,263,400	3,263,400
Extraordinary reserve	21,076,155	18,759,072
FTA reserve	1,589,614	1,589,613
Non-distributable reserve	2,993,485	2,993,485
IAS 19 reserve	495,502	429,363
Retained earnings reserve	817,915	817,915
Reserve for treasury shares	-200,000	-200,000
Profit/ (loss) for the year	8,374,681	3,095,158
TOTAL SHAREHOLDERS' EQUITY	63,641,946	55,824,442

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

three previous financial years possibility of for other for loss coverage use available rea<u>sons</u> Description amount units Share Capital 23,234,016 Capital reserves - share premium reserve 3,263,400 A,B 3,263,400 Profit reserves - revaluation reserves 1,997,178 В 1,997,178 - legal reserve - reserve for portfolio treasury shares (200,000)- statutory reserves - extraordinary reserve 24,069,640 A,B,C 24,069,640 - non-distributable reserve 1,589,614 - FTA reserve - IAS 19 reserve 495,502 817,915 A,B,C 817,915 retained earnings or losses

30,148,133

30,148,133

55,267,265

Non-distributable portion

Totals

Residual distributable portion

Summary of utilisations made in the

A: for capital increase

B: for covering losses

C: for distribution to shareholders

8.2 NON-CURRENT FINANCIAL PAYABLES

The table below shows non-current financial payables at 31 December 2022 and 2021.

	2022	2021
	Non-current	Non-current
Payables to banks	446,583	678,948
Other financial payables (IFR16)	329,126	435,682
Bond	0	5,000,000
TOTAL	775,709	6,114,630

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:

		2022	2021
Α	Cash and cash equivalents	4,205,332	1,967,464
В	Cash equivalents	-	-
С	Other current financial assets	-	-
D	Liquidity (A+B+C)	4,205,332	1,967,46
E	Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	5,327,150	1,412,89
F	Current part of non-current financial debt	-	-
G	Current financial debt (E+F)	5,327,150	1,412,89
Н	Net current financial debt (G-D)	1,121,818	(554,571
I	Non-current financial debt (excluding current and debt instruments)	775,709	1,114,63
J	Debt instruments	-	5,000,00
K	Trade and other non-current payables	2,835,341	4,215,57
L	Non-current financial debt (I+J+K)	3,611,050	10,330,20
M	Total financial debt (H+L)	4,732,868	9,775,63

The company's indirect debt refers to:

	At 31 December		
	2022	2021	
Guarantees issued to third parties	704,285	704,285	
Guarantees issued to subsidiaries	1,960,000	1,960,000	
TOTAL	2,664,285	2,664,285	

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 2022 and 31 December 2021 are shown below:

At 31 December 2021

	ACST 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

At 31 December 2021

	71 51 5000111501 2021				
	TFR	Loyalty Bonuses	Monthly salaries Additional	Energy discounts	Total
Liabilities at the start of the					
period	709,002	72,655	68,967	305,381	1,156,005
Current cost of the service	38,983	5,063	2,467	2,993	49,506
Interest from discounting	6,943	712	688	0	8,343
Benefits paid	-1,084	-2,060	-495	0	-3,639
Actuarial losses/(gains)	-130,939	-12,628	0	77,428	-66,139
Liabilities at the end of the					
period	622,905	63,742	71,627	385,802	1,144,076

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

At 31 Dec	At 31 December		
2022	2021		
3.77%	0.98%		
2.50%	1.20%		
3.50%	2.20%		
0.00%	2.81%		
	2022 3.77% 2.50% 3.50%		

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 \pm 1, the inflation rate by \pm 2, 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 2022 and 2021.

	2022	2021
	Current	Current
Payables to banks	232,442	1,318,185
Other financial payables (IFR16)	94,708	94,708
Bond	5,000,000	0
TOTAL	5,327,150	1,412,893

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.

8.6 TRADE PAYABLES

The table below shows "Trade payables", which include payables for the supply of goods and provision of services, at 31 December 2022 and 31 December 2021. Payables refer entirely to the geographical area of Italy. All payables are due within one year.

At 31 December

	2022	2021
Suppliers of goods and services	572,987	595,494
Invoices to be received	469,133	649,923
Total	1,042,120	1,245,417

8.7 PAYABLES TO PARENT COMPANY, ASSOCIATED COMPANIES, SUBSIDIARIES

The table below shows "Payables to parent, associated and subsidiary companies" at 31 December 2022 and 31 December 2021. Payables refer entirely to the geographical area of Italy.

At 31 December

	2022	2021
Payables to parent company	1,793,221	1,753,419
Payables to subsidiaries	0	179,607
Payables to associated companies	0	1,037,136
TOTAL	1,793,221	2,970,162

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 2022 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 2022 and 31 December 2021.

At 31 December

	2022	2021
Tax liabilities IRAP	93,980	0
Tax liabilities IRES	1,021,225	0
Tax liabilities VAT	0	92,007
Withholding taxes on employees and collaborators IRPEF	110,904	114,389
Total	1,226,109	206,396

Payables for IRPEF relate to withholdings to employees for December 2022 paid in January 2023.

8.9 OTHER CURRENT PAYABLES

The table below shows "Other current payables" at 31 December 2022 and 31 December 2021.

At 31 December

	2022	2021
Payables to pension and social security institutions Social	271,659	259,819
Payables to employees	341,428	324,877
Other payables	1,052,384	480,356
Payables to the Equalisation Fund	498,838	753,471
Reimbursement of credit notes to customers	1,124,287	0
Accrued and deferred liabilities	3,141,322	3,132,997
TOTAL	6,429,918	4,951,520

Payables to social security institutions refer to charges and withholdings from employees paid in the following month. Payables to employees include productivity bonuses (Euro 152 thousand) and holidays accrued but not taken (Euro 178 thousand). Deferred income refers to connection contributions from users.

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:

	31.12.2022	31.12.2021
Revenues from electricity transmission	2,841,783	2,633,252
Revenues from electricity generation	96,546	141,333
Revenues from gas transmission	2,162,221	2,327,931
Revenues from water service management	1,282,333	1,197,000
Heat revenues	6,523,642	3,648,124
Other revenues	494,888	424,805
Total	13,401,413	10,372,445

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 2022 and 2021 is provided below.

	31.12.2022	31.12.2021
Services provided to subsidiaries	43,147	28,440
White certificates	795,000	0
Contributions from equalisation systems	267,760	469,927
Revenues from management of aqueduct plants	261,726	258,030
Revenues from public lighting services	13,768	41,918
Operating contingent assets	97,647	103,308
Revenues from other services provided to third parties	444,293	366,580
Total	1,923,341	1,268,203

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 2022 and 2021 is shown below.

	31.12.2022	31.12.2021
Purchase of drinking water	2,750	2,525
Purchase of heat	1,793,075	2,147,252
Purchase of warehouse material	640,948	393,591
Purchase of other materials	208,564	187,976
Change in inventories	-173,287	67,536
Total	2,472,050	2,798,880

9.4 COSTS FOR SERVICES

The breakdown of the item "Costs for services" for the years ended 31 December 2022 and 31 December 2021 is shown below.

	31.12.2022	31.12.2021
Electricity transport fees	985,830	983,793
Insurance	146,133	128,309
Bank charges and fees	20,517	18,545
Administrative consultancy	203,508	138,687
Network maintenance costs	594,729	518,104
Electricity, gas and water costs	215,388	108,202
Software fees	202,957	307,403
Employee training costs	39,777	1,349
Meter reading costs	112,645	102,795
Other costs	447,946	448,270
Total	2,969,430	2,755,457

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 years ended 31 December 2022 and 2021 is provided below.

	31.12.2022	31.12.2021
Rental expenses	27,895	21,224
Concession fees	436,957	430,496
Total	464,852	451,720

9.6 PERSONNEL COSTS

The breakdown of the item "Personnel costs" for the year ended 31 December 2022 and 2021 is provided below.

	31.12.2022	31.12.2021
Wages and salaries	2,327,306	2,223,807
Social security costs	754,024	708,085
Employee severance indemnity (TFR)	203,949	167,927
Other costs	74,961	87,955
Total	3,360,240	3,187,774

9.7 AMORTISATION, DEPRECIATION OF FIXED ASSETS

The breakdown of the item "Amortisation, depreciation of fixed assets" for the year ended 31 December 2022 and 2021 is provided below.

	31.12.2022	31.12.2021
Depreciation of Intangible assets	40,144	56,537
Depreciation of Tangible assets	1,640,134	1,624,306
Total	1,680,278	1,680,843

9.8 PROVISIONS AND WRITE-DOWNS

The breakdown of the item "Provisions and write-downs" for the year ended 31 December 2022 and 2021 is provided below.

	31.12.2022	31.12.2021
Provision for doubtful accounts	0	0
Write-downs of tangible assets	457,022	0
Total	457,022	0

The item "depreciation of tangible assets" refers to the obligation to replace 1G electricity meters with new 2G meters by 31 December 2025.

9.9 OTHER OPERATING EXPENSES

The breakdown of the item "Other operating expenses" for the year ended 31 December 2022 and 2021 is provided below.

	31.12.2022	31.12.2021
Gas equalisation costs	602,950	658,210
Losses on ordinary operations	31,988	51,747
Charges on common conventions	116,929	111,371
Operating contingent liabilities	13,375	74,116
Other operating expenses	241,443	203,717
Total	1,006,685	1,099,161

Contingent liabilities refer to adjustments to the gas and energy equalisation for 2021.

9.10 CAPITALISED COSTS FOR INTERNAL WORKS

The breakdown of the item "Capitalised costs for internal works" for the year ended 31 December 2022 and 2021 is shown below.

	31.12.2022	31.12.2021
Warehouse material	382,417	347,771
Labour	120,842	215,279
Total	503,259	563,050

Capitalised costs include Euro 120,842 for personnel costs and Euro 382,417 for material costs and refer to the development and implementation of investments in the gas and electricity distribution networks.

10 INCOME FROM EQUITY INVESTMENTS

The breakdown of the item "Income from equity investments" for the year ended 31 December 2022 and 2021 is provided below.

	31.12.2022	31.12.2021
Income from investments in subsidiaries	102,000	10,200
Income from investments in other companies	206,089	1,239,177
Total	308,089	1,249,377

Income from equity investments includes dividends received from Set Distribuzione S.p.A, Primiero Energia Spa and Tecnodata Srl. During 2022, Euro 102 thousand were collected from the subsidiary STEA Progetto SRL.

11 WRITE-DOWN OF INVESTMENTS

In 2022, no write-downs of investments were made.

12 FINANCIAL EXPENSES

The breakdown of the item "Financial expenses" for the year ended 31 December 2022 and 2021 is provided below.

	31.12.2022	31.12.2021
Bank interest expense	163	12
Interest expense on bond	177,994	158,800
Interest expense on mortgages	15,656	19,398
Interest from discounting	18,006	21,690
Financial expenses earn out Stea Progetto Srl	1,021,567	270,774
Total	1,233,386	470,674

13 FINANCIAL INCOME

	31.12.2022	31.12.2021
Interest income from subsidiaries	105,334	32,414
Interest income from associated companies	48,914	44,951
capital gain on disposal of Dolomiti Energia Holding Spa	6,043,906	0
Other financial income	191,698	22,623
Total	6,389,852	99,988

14 GAINS AND LOSSES FROM INVESTMENTS - EQUITY METHOD

	31.12.2022	31.12.2021
equity valuation	206,200	2,244,800
Total	206,200	2,244,800

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

15 REVALUATION OF EQUITY INVESTMENTS

Revaluations of equity investments amount to Euro 402,294 and refer to the adjustment to the shareholders' equity of the wholly-owned subsidiary Ledro Energia S.r.l.

16 CURRENT AND DEFERRED TAX

The taxes for the year recorded in the income statement of these financial statements for a total of Euro 1,064,905 are as follows:

	31.12.2022	31.12.2021
Current taxes IRAP and IRES	1,137,341	90,374
Deferred tax assets IRES and IRAP	-36,855	40,992
Taxes previous year IRES and IRAP	15,338	0
Total	1,115,824	131,366

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

	2022	%	2021	%
PRE-TAX RESULT	9,490,505		3,226,524	
Theoretical IRES	2,277,721	24.00%	774,366	24.00%
Permanent differences	- 3,886,863	-	2,784,078	
Temporary differences	-		-	
ACE	- 221,849	-	178,601	
Taxable IRES	5,381,793		263,845	
Effective IRES	1,291,630		63,323	
OPERATING RESULT	3,417,456	2.98%	229,863	2.98%
Theoretical IRAP	101,840		6,850	
Costs not relevant for IRAP purposes	3,360,240		3,187,774	
Revenues not relevant for IRAP purposes	-		-	
Permanent differences	- 3,425,502	-	2,809,631	
Temporary differences	-		-	
Taxable IRAP	3,352,194		608,006	
Effective IRAP	99,895		18,119	

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 2022 and 2022.

	At 31 December	
	2022	2021
Directors' fees	43,187	48,085
Board of Auditors' fees	29,120	29,119
TOTAL	72,307	77,204

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 2022 and 2021.

	At 31 December	
	2022	2021
Statutory audit of annual accounts	17,864	18,674
Other consultancy services provided	0	0
Tax advisory services	0	0
Other audit and accounting organisation services	800	800
TOTAL	18,664	19,474

The item "Other auditing and accounting organisation services" refers to the attestations to the member municipalities of

AGS S.p.A. of the receivable/payable balance as at 31 December 2022.

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 8,374,681 as follows:

- Euro 418,734 equal to 5% to the legal reserve;
- Euro 206,200 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 1,113,065 ordinary dividend to shareholders corresponding to Euro 2.50 per share, also proposing that the payment be made as from 30 September 2023;
- Euro 7,055,469 to the extraordinary reserve,

Riva del Garda, 18 May 2023

Andrea Mora
CHAIR
of the Board of Directors
/Signature/

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 2022 to 31 December 2022.

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 2022:

- 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, 18 May 2023

Chair of the Board of Directors

Andrea Mora

Administration Manager/Financial Reporting Manager

Andrea Carloni

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

To the Shareholders' Meeting of "Alto Garda Servizi SpA"

To the Shareholders.

This report was approved collectively and in time for filing at the Company's registered office within the terms of the law.

The Board of Directors approved and made available the draft annual financial statements as at 31 December 2022 and the accompanying reports in accordance with the legal and statutory deadlines.

The approach of this report is inspired by the law and the standards of conduct of the Board of Statutory Auditors recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (Italian Professional Order of Tax Advisors).

The Company AGS SpA, following the listing of the minibond on the Second Regulated Market of the Vienna Stock Exchange on 12.12.2016, took on the status of a Public Interest Entity, with the obligation to prepare its financial statements by applying the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as provided for in European Regulation No. 1606/2002 of 19.07.2002.

AGS SpA, starting from the financial year 2022, must also prepare the consolidated financial statements of the "Alto Garda Servizi SpA Group". The consolidated financial statements have been prepared in accordance with the aforementioned EU IFRS.

The Company, as a Public Interest Entity, pursuant to Art. 19 of Legislative Decree no. 39/2010 entrusted the Board of Statutory Auditors with the role of Internal Control and Audit Committee, which is responsible for supervising and overseeing the statutory audit and internal control systems.

The current Board of Statutory Auditors was appointed by the Shareholders at the Ordinary Shareholders' Meeting on 19 May 2020.

Supervisory activities pursuant Arts 2403 et seq. of the Italian Civil Code

We have monitored compliance with the law and the articles of association, compliance

with the principles of proper administration and, in particular, the adequacy of the organisational structures, the administrative and accounting system and their proper functioning.

We attended the Shareholders' Meetings and the Board of Directors' meetings and, on the basis of the information available, we have no particular issues to report. We also acquired information from the administrative body duly in advance and during meetings, on the general trend of operations and their outlook, as well as the most significant transactions, due to their dimensions or characteristics, performed by the company and its subsidiaries and based on the information obtained have nothing particular to report.

We gained awareness of and monitored the suitability and function of the organisational structure, also through the collection of information from the department managers; we have no particular comments to make in this regard

We acquired knowledge and monitored, where required, the adequateness and operation of the administrative-accounting system as well as its reliability to correctly represent operating facts and events, by obtaining information from function managers and examining company documents, in this regard we have no particular comments to make.

We met periodically with the Partners and Managers of the Independent Auditors BDO Italia SpA and no relevant data and information have emerged that should be highlighted in this report either with reference to AGS or to the subsidiaries Gruber Srl, Ledro Energia Srl and Stea Progetto Srl.

We met with the Boards of Auditors of the subsidiary BEL Coredo SpA and the associated company Alto Garda Power Srl and no relevant data or information emerged worthy of note in this report.

We met with the Supervisory Body and did not find any critical issues with regard to the proper implementation of the organisational model worthy of note in this report.

No reports have been received from Shareholders pursuant to Article 2408 of the Italian Civil Code.

No complaints have been made pursuant to Article 2409 paragraph 7 of the Italian Civil Code.

During the financial year, no opinions or observations required by law were issued by the Board of Statutory Auditors.

In the course of supervisory activities, no significant facts emerged that would be worthy of note in this report.

The Board of Statutory Auditors in its role as the Internal Control and Audit Committee performed the information, monitoring, control and verification functions provided for in Article 19, paragraph 1 of Legislative Decree no. 39/2010.

On 5 June 2023, the Independent Auditors delivered the Additional Report pursuant to Article 11 of EU Regulation 537/14 to the Board of Statutory Auditors, as the body identified to perform the role of the Audit Committee. In accordance with paragraph 1 letter a) of Article 19 of Legislative Decree no. 39/2010, the Board of Statutory Auditors shall inform the Board of Directors of the Company, as a Public Interest Entity, of the outcome of the statutory audit and shall submit the additional report pursuant to Article 11 of the European Regulation to that body, without observations. The Board of Statutory Auditors, in accordance with Article 19, paragraph 1, letter e) of Legislative Decree no. 39/2010, examined the declaration of independence issued by the statutory auditor pursuant to EU Regulation No. 537/2014 art. 6 paragraph 2, which does not show any situations that have compromised his independence or causes of incompatibility, pursuant to articles 10 and 17 of the same decree and its implementing provisions.

The Company, which is controlled by public bodies, complies with the expenditure containment measures set out in the Memorandum of Understanding signed on 20.09.2012 by the President of the Autonomous Province of Trento, the Councillor for Local Authorities and the President of the Autonomous Communities.

The Company has appointed a Transparency Officer, who has periodically reported back to the Board of Directors in accordance with the law.

The Company has taken steps to publish on its institutional website in the "Transparent Company" section the declarations made pursuant to Legislative Decree no. 33/2013 and Legislative Decree no. 39/2013.

The Company has appointed a Corruption Prevention Officer, who prepared the threeyear corruption prevention plan and has periodically reported to the Board in accordance with the law.

In terms of time, the activities carried out by the Board of Statutory Auditors covered the entire financial year. During the year, ten meetings were regularly held pursuant to Article 2404 of the Italian Civil Code, and minutes of these meetings were duly signed and unanimously approval.

Comments and proposals on the financial statements of Alto Garda Servizi SpA

We have examined the draft balance sheet as at 31.12.2022, which can be summarised as follows

BALANCE SHEET	31.12.2022	31.12.2021
Non-current assets	62,671,750	62,923,645
Current assets	18,708,499	10,957,820
Total Assets	81,380,249	73,881,465
Non-current liabilities	1,919,785	7,270,635
Current liabilities	15,818,518	10,786,388
Shareholders' equity including net period profit/(loss)	63,641,946	55,824,442
	81,380,249	73,881,465
INCOME STATEMENT		
Total operating revenues and income	15,324,754	11,640,648
Total operating costs	- 11,907,298	- 11,410,785
Gross operating profit/(loss)	3,417,456	229,863
Income from equity investments	308,089	1,249,377
Write-down of investments	-	- 126,831
Financial expenses	- 1,233,386	- 470,674
Financial income	6,389,852	99,988
Revaluation of equity investments	402,294	0
Income and expenses from investments using	206,200	2,244,800
the equity method	200,200	2,244,800
Pre-tax profit/(loss)	9,490,505	3,226,523
Current and Deferred Tax	- 1,115,824	- 131,366
Net result of the year	8,374,681	3,095,157

Since we are not entrusted with the statutory audit of the accounts, we have audited the general layout of the financial statements, their general compliance with the law with regard to their formation and structure, including compliance with the legal provisions concerning the preparation of the Report on Operations, and in this regard we have no particular observations to report.

The accounting standards, measurement criteria and estimates adopted are consistent with those used for the preparation of the financial statements as at 31.12.2021 presented for

comparative purposes.

In the period since the Board meeting that approved the draft financial statements and up to today, no circumstances or facts have arisen that could significantly affect the financial statements for the year 2022 or the financial balance of the Company.

The independent auditing firm BDO Italia SpA was appointed as the independent auditor of the company AGS SpA for the period 2016-2024 and as the independent auditor of the financial statements of the subsidiaries Gruber Srl, Ledro Energia Srl and STEA Progetto Srl. The independent auditing of the subsidiary BEL Coredo SpA is carried out by the same Board of Auditors.

On 5 June 2023, the Auditing Company has prepared and delivered the "Report of the independent auditing company" pursuant to Article 14 of Legislative Decree no. 39 of 27 January 2010 and Art. 10 of Regulation (EU) no. 537/2014, which specifies that: "We believe that the annual financial statements provide a true and fair view of the equity and financial position of the company at 31 December 2022, of the economic result and the cash flows for the year ended at said date, in compliance with the International Financial Reporting Standards adopted by the European Union and with the provisions issued in implementation of Art. 9 of Italian Legislative Decree no. 38/05". Also that: "In our opinion, the report on operations and certain specific information contained in the report on corporate governance and ownership structure referred to above are consistent with the financial statements of Alto Garda Servizi S.p.A. as at 31 December 2022 and have been prepared in accordance with the law".

We have monitored the general approach to the consolidated financial statements of the Alto Garda Servizi Group, the scope of consolidation and the method of consolidation, finding consistency between the information given in the Notes of the Financial Statements and in the Report on Operations and the content of the consolidated financial statements.

The Independent Auditors BDO SpA today expressed an unqualified opinion on the consolidated financial statements as at 31.12.2022.

Comments and proposals regarding approval of the financial statements

Considering the results of the work we have performed and the opinion expressed in the audit report issued by the statutory auditor, we invite the shareholders to approve the

financial statements for the year ended 31 December 2022, as prepared by the Board of

Directors.

The Board of Statutory Auditors agrees with the proposal for the allocation of the annual

result formulated by the directors in the notes to the financial statements.

With the approval of the financial statements for the year ending 31 December 2022, the

term of office of this Board of Statutory Auditors expires. We would like to thank you

the Shareholders for the trust they have placed in us, and the Board of Directors, Managers

and Employees of the Company for their continued active assistance.

The Board of Statutory Auditors

Michela Zambotti

Francesco Dalla Sega

Rodolfo Marcolini

Alto Garda Servizi S.p.A.

Report of the Independent Auditors pursuant to Articles 14 of Legislative Decree no. 39 of 27 January 2010 and Article 10 of Regulation (EU) no. 537/2014

Financial Statements as at 31 December 2022





Via Roveggia no. 126 37136 Verona



Report of the Independent Auditors pursuant to Articles 14 of Legislative Decree no. 39 of 27 January 2010 and Article 10 of Regulation (EU) no. 537/2014

To the Shareholders of Alto Garda Servizi S.p.A.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the company Alto Garda Servizi S.p.A. (the "Company"), consisting of the balance sheet as at 31 December 2022, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement for the year then ended, and the notes to the financial statements, which also include a summary of the most significant accounting principles applied.

We believe that the annual financial statements provide a true and fair view of the equity and financial position of the company at 31 December 2022, of the economic result and the cash flows for the year ended at said date, in compliance with the International Financial Reporting Standards adopted by the European Union and with the provisions issued in implementation of Art. 9 of Italian Legislative Decree no. 38/'05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under these standards are further described in the section on *Independent Auditors Responsibilities for the Audit of the Annual Financial Statements* of this report.

We are independent of the Company in accordance with the rules and principles on ethics and independence applicable in Italian law to the auditing of financial statements. We believe that we have acquired sufficient and appropriate evidence on which to base our opinion.

Key audit aspects

The key audit aspects are those aspects which, in our professional opinion, were most significant in the audit of the financial statements for the year under review. These issues were addressed by us as part of our audit and in forming our opinion on the financial statements as a whole; therefore we do not express a separate opinion on them.



Key aspects

Audit procedures in response to key issues

Fair value valuations

Note 7.1 "Tangible assets"

In the financial statements as at 31 December 2022, the Company recorded tangible fixed assets in the amount of Euro 33.5 million, of which Euro 3.9 million, representing 5% of total assets, related to electrical substations, buildings and land.

Tangible assets are valued at purchase and/or production cost, net of depreciation and any impairment losses. The cost includes charges directly incurred to make their use possible. Operating properties are measured at fair value. Depreciation is charged on a straight-line basis at rates that allow the assets to be depreciated until their useful life is exhausted.

In order to determine fair values, the Company used the support of an independent expert.

This item was considered significant overall in the context of the audit due to its amount and the peculiarities of the valuation and fair value assessment processes.

The main audit procedures carried out concerned:

- conducting discussions with the Company's management in order to understand which assets could be measured at fair value, taking into account what was done with reference to the previous year's financial statements;
- the reconciliation of the values adopted in the financial statements based on the expert documents obtained from the Company;
- the evaluation of the competence, capacity and objectivity of the expert appointed by the Company's Management to carry out the appraisals on the assets subject to fair value assessment:
- the assessment of the reasonableness of the sustainability of the appraisals with respect to the general knowledge of the Company, the environment in which it operates and the regulatory framework of reference at the date of this report:
- the comparison, feedback and sharing with the Company's Management of the assumptions used by the independent expert with respect to the situation at the date of preparation of the financial statements:
- the audit of the information provided in the Notes to the financial statements.

Valuation of equity investments

Note 7.3 "Equity Investments"

In the financial statements as at 31 December 2022, the Company showed equity investments amounting to Euro 16.5 million, representing 20% of total assets.

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.

This item was considered significant overall in the context of the audit activity in view of the

The main audit procedures carried out concerned:

- the analysis of the changes in the item during the year and a review of the increases, decreases and any write-downs made:
- the verification of correct classification and accounting treatment;
- the identification of investments, in subsidiaries and other companies, characterised by book values that may be higher than the corresponding fractions of shareholders' equity pertaining to them as at 31 December 2022:



amount recorded in the balance sheet and the peculiar nature of the valuation processes (equity method) and the determination of any impairment losses (cost method) associated with it, with significant effects on the income statement.

- the verification of the correct application of the equity method for associated companies;
- the analysis of the recoverability of receivables from investee companies;
- the audit of the proper accounting of dividends from equity investments;
- the audit of the information provided in the Notes to the financial statements.

Valuation of personnel provisions

Note 8.3 "Employee benefits"

The Company shows, in the financials statements, employee benefits of €1.1 million as at 31 December 2022, representing 6.4% of total liabilities.

Personnel provisions include employee benefit plans. Prominent among these benefits are energy discounts, severance pay and additional monthly payments. 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 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 used the support of independent experts for the calculation of employee benefits.

This item was considered significant overall in the context of the audit activity in view of its amount and of the peculiarities of the valuation processes and the determination of the relevant liability recorded in the financial statements.

The main audit procedures carried out concerned:

- the assessment of the competence, capacity and objectivity of the experts appointed by the Company's Management to carry out the assessments of the employee provisions;
- the documentary reconciliation of the computation of the values estimated by the Company's appointed experts with the accounting balances;
- the verification of the accuracy and completeness of the data on the population of employees included in the plans, used for the purpose of the experts' assessment of the liability;
- The verification of the reasonableness, through the use of industry benchmarks, of the assumptions used by the experts;
- the verification of consistency of the experts assumptions;
- the critical analysis of the sensitivity test, prepared by the experts, concerning the calculation of the liability under varying key assumptions;
- the audit of the information provided in the Notes to the financial statements.



Other aspects

As required by law, the Company has included in its management report the key figures of the financial statements as at 31 December 2021 of the Entity (Municipality of Riva del Garda) that exercises management and coordination activities. The opinion on the financial statements of Alto Garda Servizi S.p.A. does not extend to such data.

Responsibilities of the Directors and the Board of Auditors for the Annual Financial Statements

The Directors are responsible for the preparation of the annual financial statements that give a true and fair view in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the measures issued in implementation of Article 9 of Legislative Decree No. 38/'05 and, within the terms of the law, for that part of the internal control they consider necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or unintentional conduct or events.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the annual financial statements, for the appropriateness of the use of the going concern assumption, as well as for adequate disclosure. The Directors use the going concern assumption in preparing the annual financial statements unless they have assessed that the conditions for liquidation of the Company or discontinuation of operations exist or they have no realistic alternative to these choices.

The Board of Statutory Auditors is responsible for supervising, within the terms of the law, the process of preparing the Company's financial reports.

Responsibility of the Independent Auditors for the audit of the financial statements

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

In performing our audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgement and maintained professional scepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we have designed and performed audit procedures in response to those risks; and we have obtained sufficient appropriate audit evidence on which to base our opinion. The risk of not detecting a significant misstatement due to fraud is higher than the risk of not detecting one resulting from unintentional conduct or events, as the fraud may involve collusion, forgery, intentional omissions, misrepresentation or override of internal control;
- we have gained an understanding of internal control relevant to the audit for the purpose of designing audit procedures that are appropriate in the circumstances and not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have assessed the appropriateness of the accounting policies used as well as the



reasonableness of the accounting estimates made by the Directors, including the related disclosures:

- we have reached a conclusion as to the appropriateness of the Directors' use of the going concern basis of accounting and, based on the evidence obtained, whether any material uncertainty exists about events or conditions that may cast significant doubt about the Company's ability to continue as a going concern. If a material uncertainty exists, we are required to draw attention to it in the audit report on the relevant financial statement disclosures or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the evidence acquired up to the date of this report. However, subsequent events or circumstances may result in the Company ceasing to operate as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

We have also provided those responsible for governance activities with a statement confirming that we have complied with the ethics and independence rules and principles applicable in the Italian legal system, and we have disclosed to them any situation that may reasonably have an effect on our independence and, where applicable, the relevant safeguards.

Of the issues communicated to those responsible for governance, we have identified those that were most relevant to the audit of the financial statements for the year under review, and thus constituted the key aspects of the audit. We have described these issues in the audit report.

Other information disclosed pursuant to Article 10 of Regulation (EU) 537/2014

On 7 March 2017, the Shareholders' Meeting of Alto Garda Servizi S.p.A. appointed us to audit the financial statements of the Company for the financial years from 31 December 2016 to 31 December 2024.

We declare that no non-audit services prohibited under Article 5, para. 1, of Regulation (EU) 537/2014 were rendered and that we remained independent of the Company in the performance of the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is in line with that indicated in the additional report to the Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee, prepared pursuant to Article 11 of the aforementioned Regulation.

Report on other legal and regulatory provisions

Judgement pursuant to Article 14(2)(e) of DL 39/'10 and Article 123-bis of Legislative Decree no. 58/98

The Directors of Alto Garda Servizi S.p.A. are responsible for the preparation of the Report on Operations and the report on corporate governance and ownership structure of Alto Garda Servizi S.p.A. as at 31 December 2022, including their consistency with the relevant financial statements and



their compliance with the law.

We have performed the procedures set forth in Auditing Standard (SA Italy) No. 720B in order to express an opinion on the consistency of the Report on Operations and certain specific disclosures included in the Report on Corporate Governance and Ownership Structures set forth in Article 123-bis, para. 4, Legislative Decree 58/'98, with the financial statements of Alto Garda Servizi S.p.A. as at 31 December 2022 and on their compliance with the law, as well as to issue a declaration on any significant misstatement.

"In our opinion, the report on operations and certain specific information contained in the report on corporate governance and ownership structure referred to above are consistent with the financial statements of Alto Garda Servizi S.p.A. as at 31 December 2022 and have been prepared in accordance with the law".

With reference to the declaration referred to in Article 14, para. 2(e) of Legislative Decree no. 39/'10, issued on the basis of the knowledge and understanding of the company and its environment gained in the course of the audit, we have nothing to report.

Verona, 5 June 2023

BDO Italia S.p.A. /Signature/ Marco G. Troiani Shareholder

ALTO GARDA SERVIZI S.p.A.

Report of the Independent Auditors pursuant to Articles 14 of Legislative Decree no. 39 of 27 January 2010 and Article 10 of Regulation (EU) no. 537/2014

Consolidated Financial Statements as at 31 December 2022





Via Roveggia no. 126 37136 Verona



Report of the Independent Audit Firm

pursuant to Article 14 of Legislative Decree no. 39 of 27 January 2010 and Article 10 of Regulation (EU) no. 537/2014

To the Shareholders of ALTO GARDA SERVIZI S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the ALTO GARDA SERVIZI Group (the "Group"), consisting of the balance sheet as at 31 December 2022, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement for the year then ended, and the notes to the consolidated financial statements, which also include a summary of the most significant accounting principles applied.

We believe that the consolidated financial statements provide a true and fair view of the equity and financial position of the Group at 31 December 2022, of the economic result and the cash flows for the year ended at said date, in compliance with the International Financial Reporting Standards adopted by the European Union and with the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38/'05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under these standards are further described in the section on *Independent Auditors* Responsibilities for the Audit of the Annual Financial Statements of this report. We are independent from the company ALTO GARDA SERVIZI S.p.A. (the "Company") in accordance with the rules and principles on ethics and independence applicable in Italian law to the auditing of financial statements. We believe that we have acquired sufficient and appropriate evidence on which to base our opinion.

Other aspects

The financial statements present for comparative purposes, as required by law, the figures of the previous consolidation. These figures have been reviewed by us only to the extent necessary to enable us to express a professional opinion on the consolidated financial statements for the year ended 31 December 2021; accordingly, our opinion does not extend to these figures.

As required by law, the Parent company has included in its management report the key figures of the financial statements as at 31 December 2021 of the Entity (Municipality of Riva del Garda) that exercises management and coordination activities. The opinion on the financial statements of Alto Garda Servizi S.p.A. does not extend to such data.

Key audit aspects

The key audit aspects are those aspects which, in our professional opinion, were most significant in the audit of the consolidated financial statements for the year under review. These issues were addressed by us as part of our audit and in forming our opinion on the consolidated financial statements as a whole; therefore, we do not express a separate opinion on them.



Key aspects

Audit procedures in response to key issues

Fair value valuations

Note 7.1 "Tangible assets"

In the financial statements as at 31 December 2022, the Company recorded tangible fixed assets in the amount of Euro 44.4 million, of which Euro 3.9 million, representing 4% of total assets, related to electrical substations, buildings and land.

Tangible assets are valued at purchase and/or production cost, net of depreciation and any impairment losses. The cost includes charges directly incurred to make their use possible. Operating properties are measured at fair value. Depreciation is charged on a straightline basis at rates that allow the assets to be depreciated until their useful life is exhausted.

In order to determine fair values, the Company used the support of an independent expert.

This item was considered significant overall in the context of the audit due to its amount and the peculiarities of the valuation and fair value assessment processes.

The main audit procedures carried out concerned:

- conducting discussions with the Company's management in order to understand which assets could be measured at fair value, taking into account what was done with reference to the previous year's financial statements;
- the reconciliation of the values adopted in the financial statements based on the expert documents obtained from the Company;
- the evaluation of the competence, capacity and objectivity of the expert appointed by the Company's Management to carry out the appraisals on the assets subject to fair value assessment:
- the assessment of the reasonableness of the sustainability of the appraisals with respect to the general knowledge of the Company, the environment in which it operates and the regulatory framework of reference at the date of this report;
- the comparison, feedback and sharing with the Company's Management of the assumptions used by the independent expert with respect to the situation at the date of preparation of the financial statements:
- the audit of the information provided in the Notes to the financial statements.

Valuation of personnel provisions

Note 8.3 "Employee benefits"

The Company shows employee benefits of EUR 1.1 million in the balance sheet as at 31 December 2022, representing 3% of total liabilities.

Personnel provisions include employee benefit plans. Prominent among these benefits are energy discounts, severance pay and additional monthly payments. 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 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 used the support of independent experts for the calculation of employee

The main audit procedures carried out concerned:

- the assessment of the competence, capacity and objectivity of the experts appointed by the Company's Management to carry out the assessments of the employee provisions:
- the documentary reconciliation of the computation of the values estimated by the Company's appointed experts with the accounting balances;
- the verification of the accuracy and completeness of the data on the population of employees included in the plans, used for the purpose of the experts' assessment of the liability;
- The verification of the reasonableness.



benefits.

This item was considered significant overall in the context of the audit activity in view of its amount and of the peculiarities of the valuation processes and the determination of the relevant liability recorded in the financial statements.

- through the use of industry benchmarks, of the assumptions used by the experts;
- the verification of consistency of the experts assumptions;
- the critical analysis of the sensitivity test, prepared by the experts, concerning the calculation of the liability under varying key assumptions;
- the audit of the information provided in the Notes to the financial statements.

Responsibility of the Independent Auditors for the audit of the consolidated financial statements

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

In performing our audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgement and maintained professional scepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or unintentional conduct or events; we have defined and performed audit procedures in response to those risks; and we have obtained sufficient appropriate audit evidence on which to base our opinion. The risk of not detecting a significant misstatement due to fraud is higher than the risk of not detecting one resulting from unintentional conduct or events, as the fraud may involve collusion, forgery, intentional omissions, misrepresentation or override of internal control;
- we have gained an understanding of internal control relevant to the audit for the purpose of designing audit procedures that are appropriate in the circumstances and not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have assessed the appropriateness of the accounting policies used as well as the reasonableness of the accounting estimates made by the Directors, including the related disclosures;
- we have reached a conclusion as to the appropriateness of the Directors' use of the going concern basis of accounting and, based on the evidence obtained, whether any material uncertainty exists about events or conditions that may cast significant doubt about the Group's ability to continue as a going concern. If a material uncertainty exists, we are required to draw attention to it in the audit report on the relevant financial statement disclosures or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the evidence acquired up to the date of this report. However, subsequent events or circumstances may result in the Group ceasing to operate as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair;
- we have obtained sufficient and appropriate evidence about the financial information of the undertakings or the different economic activities performed within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction.



supervision and performance of the Group's audit engagement. We are solely responsible for the audit opinion on the consolidated financial statements.

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

We have also provided those responsible for governance activities with a declaration that we have complied with the rules and principles on ethics and independence applicable in the Italian legal system and we have disclosed to them any situation that may reasonably have an effect on our independence and, where applicable, the actions taken to eliminate the relevant risks or the safeguards applied.

Of the issues communicated to those responsible for governance, we have identified those that were most relevant to the audit of the consolidated financial statements for the year under review, and thus constituted the key aspects of the audit. We have described these issues in the audit report.

Other information disclosed pursuant to Article 10 of Regulation (EU) 537/2014

On 24 June 2021, the Shareholders' Meeting of ALTO GARDA SERVIZI S.p.A. appointed us to audit the financial statements of the Company for the financial years from 31 December 2022 to 31 December 2024.

We declare that no non-audit services prohibited under Article 5, para. 1, of Regulation (EU) 537/2014 were rendered and that we remained independent of the Company in the performance of the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is in line with that indicated in the additional report to the Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee, prepared pursuant to Article 11 of the aforementioned Regulation.

Report on other legal and regulatory provisions

Judgement pursuant to Article 14(2)(e) of DL 39/'10 and Article 123-bis of Legislative Decree no. 58/98

The Directors of ALTO GARDA SERVIZI S.p.A. are responsible for preparing the report on operations and the report on corporate governance and ownership structure, pursuant to paragraph 2, letter b) of Article 123-bis of Legislative Decree No. 58/98, of the Group as at 31 December 2022, including their consistency with the relevant consolidated financial statements and their compliance with legal regulations.

We have performed the procedures set forth in Auditing Standard (SA Italia) No. 720B in order to express an opinion on the consistency of the Report on Operations and of the specific section on corporate governance referred to in paragraph 2, letter b) of Article 123-bis of Legislative Decree No. 58/98 with the Group's consolidated financial statements as at 31 December 2022 and on their compliance with the law, as well as to issue a statement on any significant errors.

In our opinion, the Report on Operations and the specific section on Corporate Governance referred to above are consistent with the Group's consolidated financial statements as at 31 December 2022 and have been prepared in accordance with the law.

With reference to the declaration referred to in Article 14, para. 2(e) of Legislative Decree no. 39/10, issued on the basis of the knowledge and understanding of the company and its environment gained in the course of the audit, we have nothing to report.

Verona, 5 June 2023

BDO Italia S.p.A.





/Signature/ Marco Giuseppe Troiani Shareholder