

CVA Group

Consolidated and Separate
Financial statements
at 31 December 2019



CVA.

Compagnia Valdostana delle Acque S.p.A.

Compagnie Valdôtaine des Eaux S.p.A.

Abbreviated to

“C.V.A. S.p.A. a s.u.”

Consolidated and Separate Financial statements at 31/12/2019

COMPANY DATA

Legal Form	Single Shareholder
Registered Office	Châtillon (AO), Via Stazione, 31
Share capital	Euro 395,000,000.00 fully paid-in
Tax ID. and VAT number	01013130073
Registered with the Office of the Register of Companies of Aosta	61357

Website: www.cvaspa.it



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CORPORATE BODIES

Board of Directors

CANTAMESSA	Marco	Chair of the Board of Directors.
DE GIROLAMO	Enrico	Chief Executive Officer
PERSONNETTAZ	Monique	Director
GRAND BLANC	Marzia	Director
MARRA	Fabio	Director

Board of Auditors

TERMINE	Carmelo Marco	Chair of the Board of Auditors
PAESANI	Federica	Standing Auditor
BOSONIN	Guido	Standing Auditor

Independent Auditors

EY S.p.A.

Supervisory Body Legislative Decree 231/2001

SCIPIONI	Vincenzo	Chair of the Supervisory Body
DISTASI	Nicola	Member of the Supervisory Body
MASSA	Federico	Member of the Supervisory Body



water



sun



wind

Letter to Shareholders

Shareholders,

The writing of this letter takes place, as we all know, in a period of unique drama on a local, national and global level. Before presenting to you the results obtained during the past FY 2019, we therefore consider it essential and necessary to recall the context in which the CVA Group (hereinafter also referred to as the “**Group**” for brevity) operates today. The COVID-19 health emergency has not only brought grief and tragedy, often and unfortunately also close to home, but it has also changed our daily lives, our sociality, and the economic and financial prospects of States, businesses and citizens. Compared with other pandemics, we are faced with an unprecedented and critical situation. Indeed, we live in a globalised world, endowed with significant technological and financial means, but also characterised by inequalities and risks of social cohesion, also present in our country, and which is facing a pandemic event of a magnitude never experienced by current generations. The various countries have found themselves having to manage, also with new sensibilities compared with historical precedents, the difficult and dramatic trade-off between the health of individuals and the normal performance of the various activities that characterise social and economic life. Once the pandemic is over, and it is still too early to say when this will happen, efforts will have to be made to recover the effects on society and the economy. This is particularly true for our country, not least to prevent the lingering recovery from leading instead to a continuation of the decline that was already present before the pandemic. It is therefore clear that there is an urgent need for significant, albeit prudent, investment to create jobs today and sustainable, profitable assets in the future. From this perspective, the theme of environmental sustainability does not lose its centrality, if only in appearance, even if it may have to measure itself with a lesser centrality in the eyes of public opinion and policy-makers. Tackling this phase will not be easy, but C.V.A. S.p.A. a s.u. (hereinafter referred to as “**CVA**” or the “**Company**” or the “**Parent Company**”) can rely on its strength, which has been further confirmed by its performance in FY 2019. The year just ended was marked by a very good performance. The negative hydraulic trend, which penalised the production of hydroelectric energy, was however offset by the production by your Group's plants of energy from other RES (solar and wind power) and by the performance of activities connected with the sale and distribution of electricity by CVA's subsidiaries.

History and data of the CVA Group

The history of your Company and the CVA Group, which will celebrate its first twenty years this year, can be summarised in a few key stages.

The first concerns the origin of CVA: its birth dates back to the liberalisation of the electricity market that took place thanks to Legislative Decree 79/99 (“Bersani Decree”) and the consequent obligation on Enel to sell, to other operators, certain assets owned by it through the so-called “Genco”. With reference to Valle d’Aosta, with a far-sighted and highly opportune operation, the Autonomous Region of Valle d’Aosta /hereinafter the “**RAVDA**” or the “**Region**”) began negotiations with the former energy monopolist that had decided to sell all the regional hydroelectric plants, managing to acquire them and create a company



that, for “Vision” and industrial vocation, will soon become one of the main national producers of energy from renewable sources. In the following ten years, the CVA Group concentrated on its own hydroelectric plants, consolidating its management and operating capabilities and dedicating its investments to their ordinary and extraordinary maintenance and, when necessary, to their renewal. At the same time, the activity of selling electricity was developed, initially in the business market, with the aim of acquiring important customers in the banking and large-scale retail sectors, subsequently opening up to the domestic market of Valle d’Aosta. In recent years, also thanks to a favourable trend in production and high energy prices, the CVA Group has seen its financial position grow considerably. Starting from 2009, the CVA Group began to embark on the path - the “Mission” - that will allow it to establish itself among the main producers of energy from renewable sources, as well as the only integrated “pure green” producer on the national market. CVA noted the limited development opportunities in the hydroelectric sector, due to the congestion of water resources and the enactment of regional regulations restricting its use. At the same time, thanks to European and national regulations aimed at promoting the development of renewable sources and decarbonisation and to the consequent and very favourable incentive mechanisms introduced in the regulations, your Company decided to start a new expansion phase, aimed at acquiring photovoltaic and wind energy production plants. In 2009, the CVA Group acquired its first photovoltaic plant in Alessandria: development activities continued in a considered manner - but always with a view to diversifying the risk of production, so as to cope with years of poor hydraulicity - until 2018, with the acquisition of the Pontedera and Monteverde wind farms and the achievement of a total capacity of “other RES” of 170 MW, as summarised in the following figure.

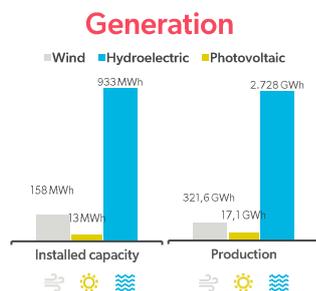


4th national hydroelectric producer

Valdigne Energie

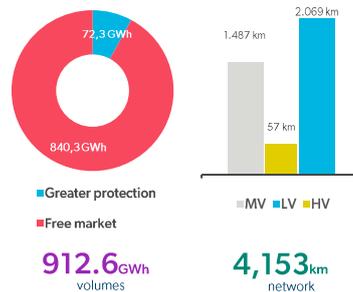
Wind Farm Monteverde

CVA Vento



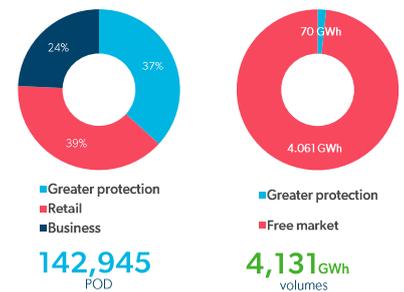
10th national operator for POD
10th national operator for distributed volumes
Energy distribution to 68 VdA municipalities out of 74

Distribution



Sale on the free market and greater protection service provider
10th national operator for the protected market
13th national operator for the free market

Sales to end customers



From 2015-2016, there was a gradual transformation of the energy market: the European Union, starting from the Clean Energy Package, began to set targets for the development of electricity production from renewable sources and increasingly ambitious decarbonisation, transferring its implementation to individual Member States. At national level, these objectives have become even more challenging with the forecast of growth in RES production and electrification of consumption that is even more impacting than that of the EU, as indicated by the National Electricity Strategy and - today - by the integrated energy and climate National Plan. The sudden reduction in electricity prices, digitisation and the entry into the electricity sector of an ever-increasing number of operators have also impacted the market, favouring those companies that have been able to distinguish themselves by updating themselves and taking advantage of the possibilities. In this scenario full of potential for growth and development, but also characterised by a fierce competitive intensity, CVA had to deal with its nature as a public company and with a national legislator that introduced Legislative Decree 175/2016 (hereinafter "TUSPP") with the dual aim of liquidating public companies that are inactive or at a loss and preventing entities and public administrations from holding companies operating in markets exposed to competition. In this context, the CVA Group entered a new phase, which began at the end of 2016, when the Shareholder started the process of listing on the Stock Exchange, which at that time was required by the rules contained in the original text of the TUSPP.

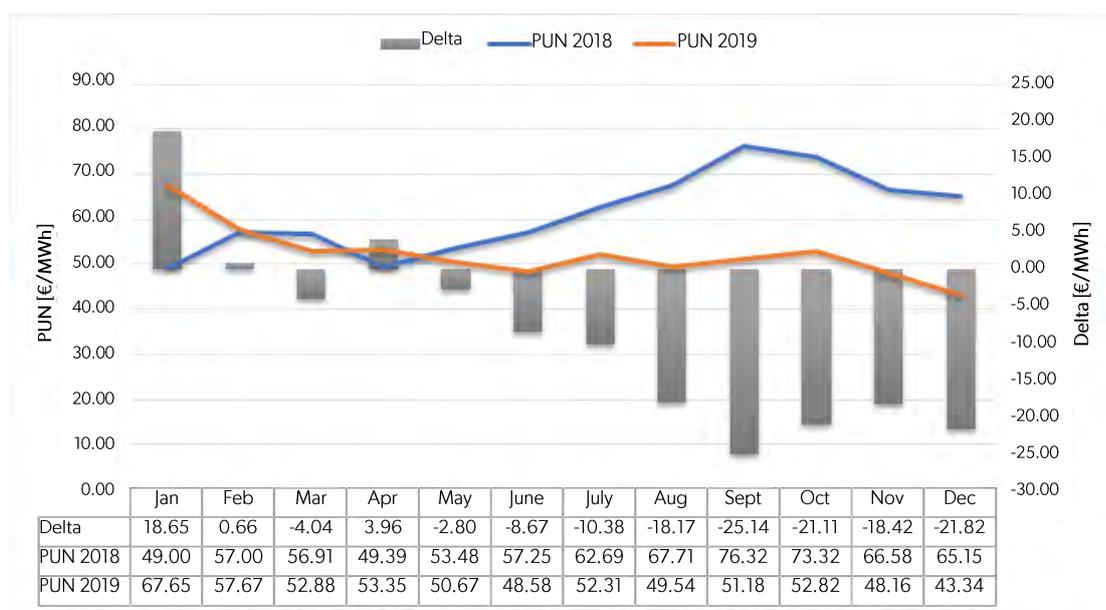
Until 2018, the Company therefore worked and structured itself in such a way as to be able to complete the listing process, developing skills and know-how that would allow it to manage its entry and stay in the stock market, reaching a new level of maturity in its organisational structure, management control systems and information systems. Thanks to this, the Company was also able to benefit from a temporary exemption from the application of the TUSPP, which lasted until March 2018, and which allowed it to complete the acquisition of the Monteverde wind farm. Subsequently, the failure to complete the listing - which was suspended by the Shareholder - and the termination of the exemption period, brought the CVA Group back under the TUSPP.

This clearly demonstrated the incompatibility of these regulations with the development and growth plans of a company that competes on the energy market with national and international players.



Industrial and economic results

With regard to the electricity market in which your Company and the Group it controls operate, it should be noted that, in 2019, the energy spot market expressed as the Single National Price (PUN TWA - Single National Price Time Weighted Average) a value of 52.32 Euro per MWh, down by approximately 14.7% from 61.31 Euro per MWh in 2018 and by approximately 3% compared with the same period in 2017 (53.95 Euro/MWh). In the last two years, the monthly trend of the Single National Price (abbreviated PUN in Italian) reflected substantially the trend in the prices of the main energy commodities, to which Italy is still closely tied due to the configuration of its electric power production facilities. In particular, for 2019 there were no significant peculiarities inherent in the weather and/or climatic situation either in Italy or in neighbouring countries which, as a result of Market Coupling, would significantly affect the performance of the Italian electricity market. From a physical point of view, there was less import and more export of electricity with foreign countries in 2019, and compared with 2018, with preponderance of the former in absolute terms. Overall, approximately 38.2 TWh was imported from abroad in 2019 compared with 43.9 TWh in the previous year.

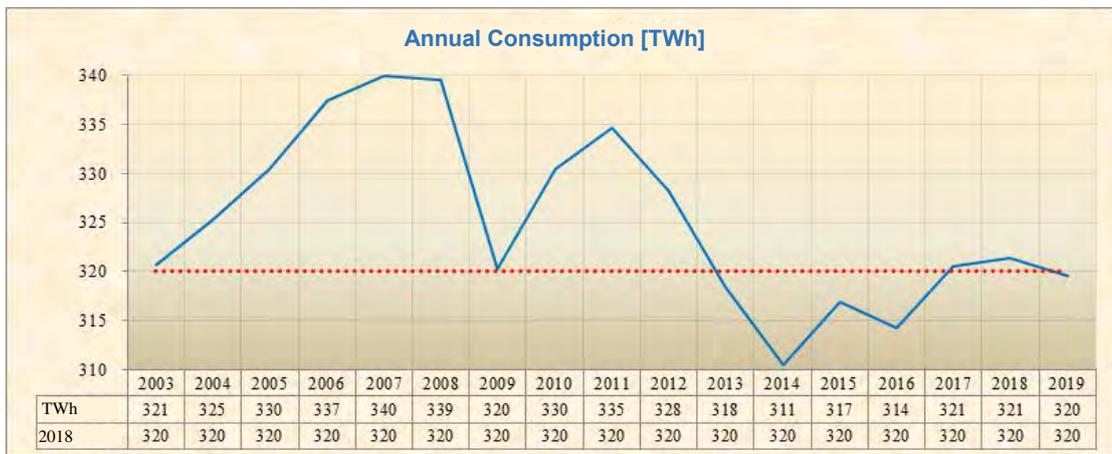


In addition, again in 2019, there was a reversal of the trend compared with the previous year in the price of Guarantees of Origin (hereinafter also "GO"), securities, having an independent life with respect to energy and subject to separate trading on the electricity market, designed to prove the "renewable" nature of the energy supplied.

The price of GOs, whose unit value is equivalent to 1 MWh, averaged € 1.3/GO during the 2018 trading period. In early January 2019, prices continued at € 1.4/GO, before reversing sharply to reach the €0.2/GO level in late December 2019.



From the point of view of energy consumption, it should be noted that the overall national variation in demand for electricity, slightly down by 0.6% compared with 2018 and essentially stagnant over the last three years, was comparable to 2009 (the first year fully impacted by the subprime mortgage crisis and the bankruptcy of Lehman Brothers ten years ago) and 2003, a full sixteen years earlier. In terms of energy volumes, this meant around -1.8 TWh on 2018, with 2019 domestic demand standing at 319.6 TWh (321.4 in 2018). Demand was met primarily by thermoelectric power generation (including biomass), which accounted for 186.8 TWh (a modest gain of 1.3%), and by hydroelectric generation, albeit down slightly due to the extraordinary availability of water resources in the previous year (-5.9% to 47.0 TWh). The trend for other renewable energy sources improved (+9.9% to 50.1 TWh), offsetting for the most part the impact of a reduction in net imports (-13.1% to 38.2 TWh).



With reference to the production of electricity from renewable sources (Hydroelectric, Biomass, Geothermal, Wind and Photovoltaic), on the basis of provisional operating data for the 2019 national electricity system supplied by Terna - Rete Elettrica Nazionale S.p.A. (hereinafter “Terna”), total production was 114,581 GWh, up 1.3% or 1,473 GWh compared with 2018. This result benefited from the positive performance of production from photovoltaic and wind sources which, with 24,326 GWh and 20,063 GWh respectively, recorded an increase of 9.3% (over 2 TWh) and 14.3% (over 2.5 TWh) over the previous year. This increase was partially absorbed by the unfavourable performance of production from hydroelectric sources which, due to the lower hydraulic levels recorded in 2019, recorded a production of 46,959 GWh marking a decrease of 5.9% compared with 2018. As regards renewable sources, hydroelectricity covered 41% of production while wind and photovoltaic (which produced a total of 44,389 GWh, or 4,566 GWh more than in 2018) covered 38.7% of domestic demand.

Production of electricity generation plants supplied by renewable sources (GWh)	2019	2018
National production	114,581	112,871
CVA Group production	3,067	3,380
C.V.A. production S.p.A.	2,826	3,164

With 3,067 GWh produced (3,380 GWh in 2018, of which 3,096 hydroelectric, 16 photovoltaic and 269 wind), your Group covered 2.68% of national electricity production from renewable sources in 2019. The deterioration compared with the 2.99% in 2018 is mainly a result of lower production from hydroelectric sources. With reference to the latter, your Group’s and your Company’s plants, suffering an unfavourable weather situation that concentrated the melting of snowfalls in a very short period and the consequent overflowing of the largest available water resource, achieved in 2019 a production of 2,729 GWh and 2,659 GWh respectively, showing a decrease compared with the 3,096 GWh and 3,012 GWh of 2018 but still higher than the 2,447 GWh of the Group and 2,382 GWh achieved in 2017. The total hydroelectric output of the CVA Group and your company accounted for 5.8% and 5.7%, respectively, of total national hydroelectric output.

3,067
GWh
Produced in 2019
from renewable
sources

Production of electricity generation plants powered by hydraulic power (GWh)	2019	2018
National production	46,959	49,928
CVA Group production	2,728	3,096
C.V.A. production S.p.A.	2,659	3,012

Production of electricity generation plants powered by Other RES (GWh)	2019	2018
National wind production	20,063.0	17,557.0
National photovoltaic production	24,326.0	22,266.0
CVA Group production	338.7	284.0
C.V.A. S.p.A. production	166.5	152.0

As for the production of plants powered by Other RES, which for your Group are represented only by wind and photovoltaic sources, the portion of national production realised in 2019 was 0.76% with 338.7 GWh produced of which, for 166.5 GWh, produced by the plants of your Company (0.4% of the national production by Other RES). In 2018, the production portion was equal to 0.71% - with a production realised by the CVA Group plants of 284 GWh - and 0.4% - with a production realised by the plants of your Company of 152 GWh. The higher production achieved in 2019 compared with 2018 is mainly a result of the full-year availability of the Pontedera (in 2018 available from 22 May 2018) and Monteverde (in 2018 available from 28 February 2018) wind farms.

With reference to the distribution business unit (hereinafter, also "BU"), in 2019 the CVA Group distributed, through the company DEVAL S.p.A. a s.u. (hereinafter "DEVAL"), 913 GWh, down 4% compared with 2018, serving 129,156 delivery points (as compared with 951 GWh of electricity and 129,460 delivery points in 2018).

Electricity distributed (GWh)	2019	2018	Absolute	
			Change	%
Free market	840.3	862.3	-22	-2.55%
Greater protection market	72.3	88.2	-16	-18.03%
	912.6	950.5	-38	-3.99%

The significant reduction in the energy distributed on the Greater Protection market is highlighted, following the substantial transfer of delivery points (POD) from the latter segment to the free market. The 912.6 GWh were distributed on average to 129,156 delivery points to end customers, broken down as follows:

over
129
thousand
PODs served

Delivery points to end customers (POD number)	2019	2018	Absolute	
			Change	%
POD in very high voltage	1	1	-	0.0%
POD in high voltage	7	10	-3	-30.0%
POD in medium voltage	419	431	-12	-2.8%
POD in low voltage	128,718	129,005	-287	-0.2%
POD retailers	11	13	-2	-15.4%
	129,156	129,460	-304	-0.2%

In 2019, the Sales BU provided to end customers a total of 4,131 GWh (down 17.3% on 2018), of which 70 GWh to customers in the Greater Protection market and 4,061 GWh to customers in the Free market. In 2018, 4,966 GWh were provided in total, of which 86 GWh to customers in the Greater Protection market and 4,880 GWh to customers in the Free market.

With reference to the supply of electricity to end customers in 2019, CVA Energie S.r.l. a s.u. (hereinafter "CVA ENERGIE") had stipulated supply contracts with 44,166 customers on the Free market (of which 1,174 referred to the business segment and 42,992 to the retail segment) and with 44,308 customers on the Greater Protection market (at the end of 2018, there were 1,482 customers in the Free market - business segment, 38,603 customers in the Free market - retail segment and 50,394 customers in the Greater Protection market). A total of 142,945 delivery points are referred to these customers, of which 34,923 referring to the Free market customers - business segment (36,769 at 31/12/2018), 56,093 referring to the Free market customers - retail segment (50,611 at 31/12/2018) and 51,929 referring to the customers of the Greater Protection market (69,810 at the end of 2018).

Points of delivery (POD) contracted at 31 December (POD number)	2019	2018	Absolute	
			Change	%
POD Greater Protection market	51,929	59,674	-7,745	-12.98%
POD Free Retail market	56,093	50,611	5,482	10.83%
POD Free Business market	34,923	36,769	-1,846	-5.02%
	142,945	147,054	-4,109	-2.79%

The main economic and financial indicators of your Group are shown in the table below:

CVA Group Economic summary 2019-2018 (Euro thousand)	2019	2018
Net revenues	805,433	844,577
EBITDA	152,458	140,960
EBITDA in % on revenues	18.9%	16.7%
Amortisation, depreciation, provisions and write-downs	48,361	49,947
EBIT	104,097	91,013
EBIT in % on revenues	12.9%	10.8%
Financial income and expenses	(346)	-712
EBT	103,752	90,301
EBT in % on revenues	12.9%	10.7%
Tax expenses	27,961	26,341
Tax rate in %	27.0%	29.2%
PERIOD NET RESULT	75,771	63,960
Net result of the period in % of revenues	9.4%	7.6%

152 million EBITDA 2019 **104 million** EBIT 2019 **103 million** EBT 2019 **75 million** NET PROFIT 2019

In 2019, your Group, with an average workforce of 574 employees (536 employees in 2018) and revenues that marked a decline on last year, in any case generated EBITDA of over Euro 152 million with an increase of 8.2% compared with Euro 141 million in 2018. The EBITDA margin on revenues improved from 16.7% in 2018 to 18.9% in 2019. In addition, the EBITDA of your Company and the CVA Group was boosted by the results of the Gello wind farms in Pontedera and Wind Farm Monteverde S.r.l. a s.u.s. (hereinafter referred to as “**WIND FARM MONTEVERDE**”), which occurred in 2018, but which contributed, for the first time in FY 2019, a full year of production and Revenues to the Group's financial statements.

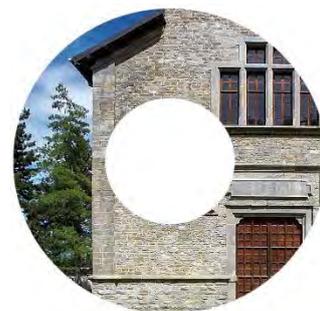
With reference to the main changes in operating costs, it should be noted that personnel costs recorded a sharp decrease of more than 7%, mainly due to the impact of the reversal to income of the energy discount provision, previously allocated to employees, following the trade union agreement that sanctioned its cancellation.

It should be noted, with particular reference to the Group's distribution company, that for 2019 the value of capitalisation of personnel costs is also significantly increased compared with the previous year.

The decrease in personnel costs was also only partially influenced by the reduction in the average number of managers as well as the reduction in the amounts related to bonuses in FY 2019 compared with the previous year, which was affected by the payment of an extraordinary one-off payment to all employees.

At the end of 2019, the companies of the CVA Group had 574 employees, in addition to 28 workers on temporary employment contracts (57 at the end of the previous year), the 547 employees who formed the Group's average workforce in 2019 provided a total of 883,739 hours of work, for a total cost of Euro 34.8 million. Again with reference to operating costs, in 2019, costs for water diversion fees for hydroelectric use were incurred for Euro 36 million, compared to Euro 33 million in 2018.

Expenses for depreciation, amortisation, provisions and write-downs recorded a total lower total cost of approximately Euro 1.6 million compared with 2018, from Euro 50 million in 2018 to Euro 48.4 million in 2019. This change is attributable to two opposing effects referring, on the one hand, to an increase in the item “amortisation and depreciation” offset, on the other hand, by the trend in provisions and proceeds. The isolated analysis of the item “depreciation and amortisation” shows an increase in FY 2019 compared with the previous year of almost Euro 3 million to be referred for approximately Euro 1 million to the effect following the first application of the accounting standard IFRS 16, which compulsorily identifies new criteria for the recognition, measurement and presentation to be provided with reference to leases for both contractual parties, which is fully described later in the notes to the financial statements. On the other hand, “provisions and write-downs” decreased by more than Euro 4.5 million between the two years, mainly due to the reversal of provisions, including more than Euro 10 million relating to the sales company with reference to the successful conclusion of the dispute with the Aosta tax authorities for VAT on excise duties, which almost entirely offset the new provision made necessary by the probable litigation that the Company will have to face in relation to the requests for reimbursement of additional excise duties better described in the Report on Operations. A further significant income of approximately Euro 2 million was recorded for the Company, with reference to the provision allocated in 2012 for charges, to be borne by the concession-holders, related to the





maintenance of the safety conditions of the “large dams” which, following the work carried out, is now a remote risk.

EBIT of more than Euro 104 million (+14.4% compared with 2018) generated, after absorbing financial expenses of Euro 0.3 million and tax expenses of Euro 28 million, a consolidated net profit of Euro 76 million (+18.5% compared with net profit of Euro 64 million in 2018) of which Euro 75 million attributable to the Group and Euro 1 million to third parties.

The Future

2019 confirmed the excellent state of health of your Group, which has seen important improvements in all the fundamentals representing its technical, economic, financial and equity situation.

Specifically, the excellent results achieved by the strategies implemented by the various Group companies, which helped strengthen the Group’s ability to withstand the volatility of certain fundamentals that are typical of our businesses, such as the availability of sources (water, air and wind) and trends in energy prices, were particularly noteworthy.

In this regard, we note the important increases in the main balance sheet parameters in the face of a decrease in production from 3,380 GWh in 2018 to 3,065 GWh in 2019 (-9.3%) and a decrease in the average PUN in 2019 of approximately 14.7% on 2018, from 61.31 Euro per MWh to 52.32 Euro per MWh.

Amounts in Euro thousands	2019	2018	2019 vs 2018	
			Change	% change
EBITDA	152,458	140,960	11,498	8.2%
EBIT	103,753	91,013	12,740	14.0%
Net profit	75,771	63,960	11,811	18.5%

As mentioned at the start, the publication of the 2019 financial statements comes at a very sensitive time for the country, amidst a health emergency with huge economic and social consequences. The protection of the territory and people's health have always been a priority for our Group. This is why we have doubled our efforts in recent months, charting new paths of collaboration and support, for example by offering solutions for the suspension and instalment of bills, advancing payments to suppliers of all Group companies and activating new on-line services for our customers. We now face a new phase, that of the reconstruction of the country. Resilient reconstruction, leading to overcoming previous limitations and, in this context, this includes the transition to more sustainable models.

In this context, your Company, 100% green, a characteristic that makes it a unique reality on the national scene, with important characteristics of financial solidity, confirmed by the latest evaluations published by the ratings agencies, can make an important contribution to relaunching the economy by making significant investments in a sector, that of renewable energy, which has before it ambitious objectives defined by the European Union in terms of growth in the production of energy from renewable sources, increased energy efficiency and environmental sustainability.

Unfortunately, the opportunity of playing an important role in this unique situation risks being prejudiced, or in any case extremely limited, by your Group's current status as a "public subsidiary" which, in compliance with the provisions of the TUSPP, is forced to comply with rules that are significantly stricter than those governing the operations of direct competitors, operating like CVA on domestic and international markets. This situation, which came into full effect during FY 2018, continues to significantly limit the Group's growth potential, moreover placing it in a position of less agility, in a sector that shows significant consolidation phenomena. The important objectives defined at European level with the 2015 COP 21 in Paris, transposed at national level with the 2017 National Energy Strategy (SEN) and then with the National Integrated Energy and Climate Plan (PNIEC), open up exceptional growth opportunities for companies in our sector between now and 2030. If your Group were to be freed from the burdens and regulatory constraints mentioned above, it would be well placed to seize these opportunities, thanks to the excellent state of health proven by the results of the 2019 financial statements and the level of competence and experience gained by its personnel at all levels. The health and economic emergency that we are going through puts the various policy-makers in front of the urgent need to eliminate the various "bureaucratic" burdens typical of our country, so as to encourage new investments, even by the most structured public companies. In this sense, we would like to draw your attention to the opportunity for policy-makers to work towards reviewing the scope of the TUSPP and the rules relating to the current management, and forthcoming reallocation, of expiring hydroelectric concessions.

All this calls you to take important decisions for the future of the CVA Group, as well as for the economic fabric of the territory.

We believe that, if these choices allow the Group to be freed from the constraints mentioned above, the completion of the growth and transformation process of the business model started in the last three years will allow your Group to respond promptly to the challenges of the market, taking advantage of the opportunities related to the recovery of economic cycles and the profound transformation underway in the energy sector and society in general. This will ensure growing results in the medium and long term, and will allow the CVA Group to be among the leading companies in Italy and Europe in the production of electricity from renewable sources.

The strengthening of the connotation, unique in the national panorama, which sees the CVA Group as an operator focused on the completely "green" production of electricity and at the same time vertically integrated, from production to sale to the end customer, may also have a significant and virtuous impact on the territory of Valle d'Aosta. In particular, the entry into the market of Energy Efficiency and the further development of Open Innovation activities may encourage the creation of an industrial chain linked to these issues, involving a plurality



of local companies and attracting in the Aosta Valley innovative industrial development and production activities, laying the foundations for a “clean energy district”. In short, we are pleased to share with you the concrete prospect of making the CVA Group a growing company at national and international level, and that at the same time is the driving force behind the economy caused by the current health and economic crisis and a project of “Valle d'Aosta carbon fuel-free”. This project represents a unique opportunity for our Region, where a company such as CVA can act as a facilitator in the implementation of pilot projects on small and compact territories, to be extended later on, on a large scale. In order to overcome the aforementioned incompatibility of the TUSPP with the development and growth plans of your Company and your Group, we have implemented new initiatives aimed at increasing the nominal power of the plants and the technological diversification of electricity production from RES. The choice made was to renounce growth through acquisitions, moving upstream in the value chain, starting from the development and/or construction phase of the plants. Such a shift, in addition to overcoming incompatibilities with the TUSPP, could allow, even if marked by a potential higher mortality of projects, to internalise, in the event of a positive outcome, a higher profitability. In this regard, a co-development agreement was signed in 2020 for photovoltaic systems and further agreements are being defined with specialised operators in the sector. The closing of this financial statement confirmed a continuous trend of growth over the last three years in the Group's fundamentals and allowed us to face this emergency with the tranquillity deriving from the Group's important economic and financial solidity:

Amounts in Euro thousands	2019	2018	2017
EBITDA	152,458	140,960	120,935
EBIT	103,753	91,013	63,099
Net profit	75,771	63,960	41,623

The current crisis situation has also confirmed the cohesion and spirit of belonging of staff at all levels, which has made it possible to guarantee essential services to the territory with the usual professionalism. We would therefore like to take this opportunity to thank all the Group's staff for the competence and availability shown even during this complex period.

Châtillon, 27 May 2020

The Chief Executive Officer

Enrico De Girolamo

The Chairman

Marco Cantamessa

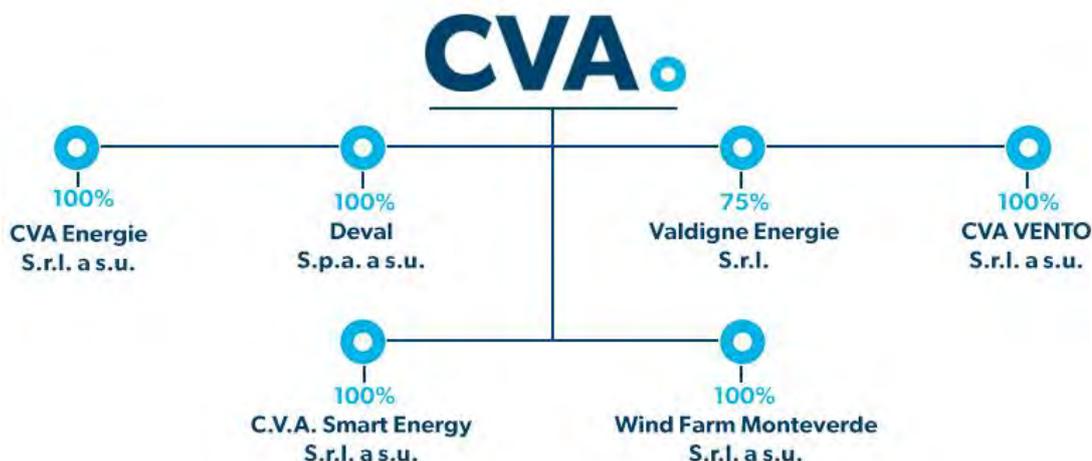
REPORT ON OPERATIONS

The corporate structure of the CVA Group

This report, together with the financial statements of the CVA Group for the years ended 31 December 2019 and 31 December 2018, illustrating the performance of the CVA Group indirectly provides the analysis of the performance of the Parent Company. Please note that in 2017, CVA and the CVA Group voluntarily opted for the preparation of the statutory and consolidated financial statements in accordance with the International Accounting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), considering as date of transition to IFRS (First Time Adoption, “FTA”) 1 January 2014.

The Consolidated Financial Statements of the CVA Group consist, in addition to the Parent Company, also of the subsidiaries, pursuant to art. 2359 of the Civil Code.

Below is the corporate structure of the CVA Group in which the fully consolidated companies were considered:



Furthermore, CVA holds two additional investments in the following companies:

- **Téléchauffage Aoste S.r.l.** (hereinafter “TELCHA”), with a shareholding of 15.31% (valued using the equity method). The company provides district heating to the city of Aosta with a project that is among the most advanced and innovative, adhering to both the regional policies and the new National Energy Strategy as it is in line with the future objectives of reducing emissions and related energy costs;
- **Le Brasier S.r.l.** (hereinafter “LE BRASIER”), with a shareholding of 13.7% (valued using the cost method). The company provides district heating to the municipality of Morgex with a plant powered by biomass.

In FY 2019, the CVA Group operating through the following five Business Units: Production of Renewable Energy from Hydroelectric Sources, Production of Renewable Energy from Other Sources, Sales, Distribution and Corporate, developed a total production of 3,067 GWh of electricity, distributed 913 GWh and supplied 4,131 GWh.

The CVA Group operates in the sector of the production of electricity from renewable sources (both from hydroelectric sources and from other sources) through the Parent Company and its subsidiaries VALDIGNE ENERGIE S.r.l. (hereinafter “**VALDIGNE**”), CVA VENTO S.r.l. a s.u. (hereinafter, “**CVA VENTO**”) and WIND FARM MONTEVERDE with a total of 44 plants (32 hydroelectric, 8 wind plants and 4 photovoltaic solar plants), with a total installed nominal power of 1,104 MW and an average annual output of 3 TWh.

In addition, the CVA Group operates in the electricity supply sector for end customers and energy management through CVA ENERGIE and, through DEVAL, it carries out the electricity distribution and metering service. Lastly, CVA provides the companies of the CVA Group with centralised services that include activities of strategic orientation, coordination and control of the Group's industrial management, as well as services to support the business and operational activities of the CVA Group (including administrative and accounting, legal, procurement, personnel management, information technology and communication services). More specifically, the BU (Business Units) in which the activity of the CVA Group is summarised are:

- **electricity production from hydro (Hydro BU)** - activities carried out by the Parent Company with a total of 30 plants (16 of flowing water type, 9 of basin type, 5 of tank type) with a total installed active power of 907 MW and an average annual output of 2,920 GWh, and by VALDIGNE with two flowing water plants with an overall installed active power of 27 MW and an average annual output of 81 GWh;
- **production of electricity from other renewable sources (Other RES - Renewable Energy Sources BU)** - activities carried out by the Parent Company with 4 wind plants located in Valle d’Aosta, Lazio, Tuscany and Apulia, i.e. the plant in Saint Denis (AO) in Valle d’Aosta (3 MW), the plant in Piansano (VT) in Lazio (installed nominal power 42 MW), the plant in Pontedera (PI) in Tuscany (installed nominal power 8 MW), the plant in Ponte Albanito (FG) in Apulia (installed nominal power 23 MW) and an overall annual average output of 131 GWh; 4 photovoltaic plants, of which 2 located in Valle d’Aosta (La Tour in the municipality of Quart and Fotochat in the municipality of Châtillon) and 2 in Piedmont (Alessandria Sud in the municipality of Alessandria and Valenza Fornace in the municipality of Valenza), the latter with total installed nominal power of 13 MW and average annual output of 16 GWh.



The activity is also carried out by the companies:

- **CVA VENTO** with the wind plants located in Apulia, Lamacarvotta with installed nominal power of 10 MW, located in the municipality of Laterza, Lamia di Clemente with installed nominal power of 12 MW, located in the municipalities of Laterza and Castellaneta and Tarifa with nominal power of 22 MW, located in the municipalities of Castrì di Lecce, Vernole and Martignano;
- **WIND FARM MONTEVERDE** with the Monteverde wind plant located in Campania in the municipality of Monteverde (AV) with an installed nominal power of 38 MW.
- **distribution of electricity (Distribution BU)** - activity carried out by DEVAL, which manages a distribution network in 68 Municipalities of the Region which, at the end of 2018, had 129,460 Delivery Points (442 Delivery Points in Medium, High and Very High Voltage, and 129,005 Low Voltage Delivery Points and 13 retailers), 57 Km of High Voltage Line, 1,488 Km of Medium Voltage Line and 2,610 Km of Low Voltage Lines, with over 130,000 meters managed;
- **market (Sales BU)** - activities carried out by CVA ENERGIE (in 2020 it took on this name to replace the previous C.V.A. Trading S.r.l. a s.u.), operating (i) in the electricity supply sector to end customers, with a portfolio at 31 December 2018 of 1,482 business customers on the Free market, 38,603 retail customers on the Free market and 50,394 customers on the Greater Protection market which, in 2018, provided a total of 5 TWh; (ii) in the energy management sector operating in the energy markets, mainly for reasons of balancing the energy produced by the CVA Group and the energy provided and for purposes of hedging against the risks related to the fluctuation of energy prices, also carrying out trading activities.

44MW
Comprehensive
power of CVA
VENTO

38MW
Comprehensive
power of Wind
Farm Monteverde

Management and coordination activities

Pursuant to art. 2497 and following of the Civil Code, it is noted that CVA is assigned tasks of strategic guidelines, management and coordination with regard to its subsidiaries which, at 31 December 2019, are represented by:

- CVA ENERGIE S.r.l. a s.u.;
- VALDIGNE ENERGIE S.r.l.;
- DEVAL S.p.A. a s.u.;
- CVA VENTO S.r.l. a s.u.;
- CVA SMART ENERGY S.r.l. a s.u.;
- WIND FARM MONTEVERDE S.r.l. a s.u.



The sole shareholder of CVA is FINAOSTA S.p.A. a s.u. (hereinafter referred to as "FINAOSTA"), which holds 100% of the share capital under special management arrangements on behalf of the Region.

The Board of Directors of CVA has constantly and periodically evaluated the issue of being subject to management and coordination activities pursuant to Articles 2497 et seq. of the Civil Code with reference to both the shareholder FINAOSTA and RAVDA.

In particular, in the recent past, CVA, taking into account:

- the interventions carried out by the Regional Council, in particular, in the course of the years 2016, 2017 and 2018, towards the Company;
- the provisions contained in the regional law 14 November 2016, no. 20 (Provisions regarding the strengthening of the principles of transparency, cost containment and rationalisation of expenditure in the management of the investee companies of the Region) and the amendments introduced to it with the subsequent regional law of 13 December 2017, no. 20, following which, among other things, the fifth paragraph of the current art. 2 of the regional law no. 20/2016, provides the obligation for the indirect subsidiaries of the Region to send, by 31 October of each year, *“the relative strategic guidelines, including the company’s development and growth programs, as well as targets on the total operating expenses, including those for personnel, to Finaosta S.p.A., which evaluates them and then sends them to the Regional Council. The Regional Council, with its resolution and after illustration to the competent Board Committee, **approves the same guidelines** of the individual companies, **formulating any changes or additional** guidelines consistent with the strategic objectives of the Region”*;
- the need to conclude the preliminary investigation regarding the Assessment of Eligibility for the purposes of the possible listing on the Stock Exchange, has appointed a leading law firm to issue an opinion on the existence of any management and coordination with respect to the Company by the shareholder (direct or indirect). In this regard, it is also noted that in 2013, an opinion was requested on this subject and that this opinion excluded, on that occasion, the subjection of CVA to management and coordination activities by others.

From the opinion, formalised on 23 February 2018, considering:

- the constant and systematic actions taken by the indirect shareholder RAVDA against CVA in order to: (i) acquire information and documents, (ii) obtain explanations and comparisons, (iii) request interventions from the corporate bodies of CVA regarding individual acts, situations, operations, (iv) request interventions from the direct shareholder FINAOSTA so as to modify the leaders of CVA, (v) suspend the process related to the listing process, awaiting the analysis of documentation (business plans, costs, etc.) typically pertaining to the management body of the Companies - often conducted in an irrational way with respect to the rights in general recognised to the shareholder of joint-stock companies by ordinary statutory provisions;
- the *“instructions”* that RAVDA gives to its subsidiaries with its own instrument, a regional law, which states in an imperative manner the behavioural obligations and the powers of intervention of the (indirect) shareholder with respect to its

subsidiaries, together with the powers that, also for regional law, are attributed to RAVDA in defining the strategic guidelines of subsidiaries, including indirect ones;

- the fact that FINAOSTA owns CVA under special management regime on behalf of the Region (in fact, FINAOSTA does not consolidate the financial statements of CVA), and that the regional law no. 20/2016 reserves to FINAOSTA only a valuation function on the strategic guidelines and objectives of the indirect subsidiaries;

it emerged that there were currently no conditions to overcome the presumption under article 2497 of the Civil Code and, therefore, to maintain that CVA is subject to the management and coordination of RAVDA.

Regarding the subjectability or otherwise of the Region, as an “entity”, in accordance with article 2497 paragraph 1 of the Civil Code, in consideration of the different interpretative guidelines, with respect to the possibility that the regions may, like the State, be excluded from subjection to the civil and corporate discipline of management and coordination (and, therefore, to related obligations and responsibilities), since there is no unanimity of opinions on the issue, at least in doctrine, the opinion states that a clarification, at least at ministerial level, would certainly be useful and desirable. On 6 March 2018, the opinion was sent to the Region and to FINAOSTA for their assessments. The Board of Directors of CVA, supported by the Board of Auditors, having received no comments from RAVDA and FINAOSTA on the contents of the opinion sent, on 4 October 2018 resolved that the Company be subject to management and coordination by the Region pursuant to articles 2497 et seq. of the Civil Code, duly communicated to the direct and indirect shareholder on 10 October 2018 and registered with the Register of Companies of Aosta on 15 October 2018. On 30 January 2019, the Board of Directors of your Company, having acknowledged the amendments made to Law 20/2016 by paragraph 4 of art. 22 of Regional Law no. 12 of 24 December 2018, which resolved that Law 20/2016 does not apply substantially to CVA and its subsidiaries, having obtained an update of the cited legal opinion which in light of the regulatory changes introduced in the conclusions states *“we believe that the express exclusion of C.V.A. S.p.A. from the application of regional law no. 20/2016 constitutes an element that determines the elimination of the fundamental assumption of the existence of a management and coordination activity of the Region on CVA identified by us at the outcome of the previous analysis carried out on your behalf”*, resolved, supported by the Board of Auditors, the disappearance of the subjection of the Company to the management and coordination activity by the Region. On 5 February 2019, the Company sent to the Region and FINAOSTA a specific notice of termination of management and coordination activities by the Region, and then registered the same notice with the Register of Companies of Aosta on 21 February 2019.



Significant events during the period

As already described, 2019, due to the constraints set forth in the TUSP, saw the process of increasing installed capacity by acquisition of operating plants stopped. Among the operations that characterised the year in question, we would like to point out:

- in 2019, activities to redefine the Group's commercial strategy were started and specific activities to identify and promote the brand and "corporate identity" were initiated in order to strengthen the corporate image. In particular, the objective being pursued is to define a strategy, valid also for the coming years, that will improve the margins of commercial activities by identifying the groups of users most sensitive to sustainability and environmental issues, communicating to them the values of your Group, with the aim of promoting the signing of energy supply contracts. With reference to this last point, with the aim of entering the national market, C.V.A. has been identified. Trading S.r.l. a s.u. the new naming CVA Energie S.r.l. a s.u. to replace the previous company name. A new logo has also been identified and a web portal has been created with the aim of providing customers and prospects with a real on-line branch, which can therefore reach customers outside the region even if there are no local branches. This project, as scheduled, was finally completed in April 2020;
- in addition, your Group, with a view, on the one hand, to making its commercial offer more competitive to its main business customers and, on the other, to seeking solutions capable of stabilising the price risk in new investments in RES, has decided to launch a strategic project aimed at acquiring specific know-how on power purchase agreements. Upon completion of the activities, the Group could position itself as a strategic partner of potential producers and customers interested in PPAs. During the last quarter, CVA began negotiations with an important energy-consuming customer in the Valle d'Aosta aimed at finalising a PPA contract and with a major banking group for the definition of a contractual structure and a PPA term sheet that would be acceptable to both parties and that could serve as the basis for any project financing transactions for new RES plants with private counterparties;
- ARERA sanctioning procedure on paper bills. On 31 May 2019, CVA ENERGIE was notified of Determination DSAI/23/2019/EEL by which the Regulatory Authority for Energy Networks and the Environment (hereinafter "ARERA" or the "Authority") initiated a "sanctioning and prescriptive proceeding for violations regarding the billing of energy consumption". In particular, on 06 December 2018, the Authority acquired the contractual documentation available on CVA ENERGIE's website, analysing its content and finding that Article 12 of the general contractual conditions provides for the application of a charge of Euro 1.20 to the end customer if the latter opts to receive a paper invoice. Consequently, the Authority points out that this practice is in contrast with the provisions of art. 9, paragraph 8, and art. 16, paragraph 12, of Legislative Decree no. 102/2014, which came into force on 19 July 2014: specifically, the first rule provides that the Authority "shall ensure that no specific fees are applied to end customers for the receipt of bills, billing information



and for access to data relating to their consumption”, while the second states that “The retail energy sales company that applies specific fees to the end customer for the receipt of bills or billing information or for access to data relating to consumption is subject to a pecuniary administrative sanction from Euro 300 to 5,000 for each violation” .

From the investigations carried out, it emerged that shipping costs were charged to a total of 20,600 domestic end customers in the period 01 February 2015 - 31 December 2017, for a total number of 270,850 and a valuation of Euro 325,020.00. This practice had been put in place to encourage customers to switch to the digital invoice, considering that art. 9, paragraph 8, of Legislative Decree 102/2014 was to be applied only following transposition by ARERA, and, therefore, only from Resolution 555/2017/R/com which came into force on 01 January 2018. Indeed, CVA ENERGIE, like many other operators in the sector, only eliminated the charge for the paper invoice after the entry into force of the above-mentioned Authority decision. In accordance with the provisions of Resolution 243/2012/E/com and in order to avoid the potential sanction, on 28 June 2019 (and, therefore, within the peremptory deadline set for 29 June 2019) CVA ENERGIE proceeded to send ARERA an initial statement of commitments, containing a list of obligations of a restitutive and compensatory nature that had already been the subject of a telephone discussion with ARERA's Sanctions and Commitments Department.

Subsequently, on 09 October 2019, CVA ENERGIE was heard by the Authority. In the course of the meeting, the Authority requested an adjustment of the commitments submitted by analogy with the commitments submitted by a number of other operators to whom the same objection had been made in the past. On 04 November 2019, the Authority formally requested from CVA ENERGIE clarifications with respect to the proposal of commitments originally submitted; by communication by certified e-mail of 05 November 2019, CVA ENERGIE then submitted its own proposal of commitments integrated as agreed with the Authority, which provides:

1. the repayment of fees paid for receiving paper invoices to end customers, both domestic and non-domestic, served on the free market, for a total cost of Euro 431,813.00;
2. recognition, for each customer who has been charged a fee for sending a paper invoice, of a one-off invoice discount of Euro 12.00, for a total cost of Euro 225,972.00;
3. for customers already in supply with CVA ENERGIE, recognition of:
 - a one-off bonus of Euro 3.00 for switching to digital billing;
 - a one-off bonus of Euro 3.00 for the activation of the automatic debit service on the current account;
 - a one-off bonus of Euro 6.00 in the event of switching to digital billing or activation of the automatic current account debit service.

The estimated cost of this commitment, which will depend on the number of end customers who decide to activate one or both of the above options, can be estimated at Euro 57,721.50 (assuming that 50% of the eligible customers sign up). On 22 November 2019, the proposed commitments submitted by CVA ENERGIE were published and declared eligible by ARERA. In addition, the period of 30 days for the submission of comments by third parties has expired (the market test): in the absence of comments by the above-mentioned deadline, the Authority will approve and make mandatory for CVA ENERGIE the commitment proposal and will close the sanctioning proceeding without finding an infringement;

- with regard to the ongoing litigation with the Customs Offices (which, as known, concerns offices all over Italy and aims to ensure the recovery of excise duties applied by them as a result of the refusal of the facilitation for the energy self-produced by the incorporated companies Idroenergia S.c.r.l. and Idroelettrica S.c.r.l.), on 18 April, the first hearings on the subject were held at the Supreme Court of Cassation. The Court of Cassation, with the first twenty-six judgements given, has uniformly accepted the position of the offices of CVA ENERGIE deems it appropriate to continue to cultivate the dispute both at the national level, in all appropriate venues, and by appealing to the European Court of Human Rights for violation of Article 1, paragraph 1 because it is considered that the Italian State has breached Article 1 of protocol no. 1 to the European Convention on Human Rights, which protects the rights of human beings to respect for their property. In particular, it is intended to challenge the damage to property suffered as a result of the enactment of measures that turned out to be incorrect;
- with regard to the ongoing dispute with the Aosta Revenue Agency concerning the alleged evasion of VAT determined on the taxable amount consisting of the excise duty not applied on the supplies to the members of the two consortia, it should be noted that the Supreme Court of Cassation with judgement no. 27290/19 of 24.10.2019 ruled in favour of the sales company and that, consequently, the dispute was extinguished allowing the same to release the risk provisions created against the dispute.

Transactions with related parties

Regarding transactions with related parties, reference is made to as illustrated in the notes.

Macroeconomic scenario of reference

2019 was characterised by favourable weather conditions (mild winter and abundant autumn rainfall) and contracting demand as a result of the economic situation, which pushed down European gas and energy spot prices, which at the end of the year were at multi-year lows and down drastically compared with 2018: the TTF gas price was down -41% compared with the previous year, lower even than in 2016 and higher only than the historic low of 12.8 €/m³ recorded in 2010.

FUEL	UoM	FY	Var Y-1 (%)	Last price future Y-1	Calendar Y+1
Brent	USD/bbl	64.62	-9%	55.09	63.60
Fuel Oil	USD/MT	336.02	-16%	297.50	426.80
Diesel	USD/MT	578.16	-8%	504.92	603.34
Coal	USD/MT	61.88	-33%	86.35	56.40
FUEL	UoM	FY	Var Y-1 (%)	Last price future Y-1	Calendar Y+1
Brent	EUR/bbl	57.74	-4%		55.48
Fuel Oil	EUR/MT	299.72	-11%		372.29
Diesel	EUR/MT	516.59	-3%		526.28
Coal	EUR/MT	55.23	-29%		49.20
Exchange Rate	USD/EUR	1.12	-5%	1.18	1.15

Figure 1 Crude oil and fuels, spot and forward annual and monthly prices. Arithmetic mean - Source GME "GME Newsletter Issue 133 January 20"

In the electricity sector, Italy was in line with the European trend, with a 15% drop in the PUN compared with the 2018 average, at the fifth lowest level ever after 2016 (42.8 €/MWh), 2004 (51.6 €/MWh), 2014 (52.1 €/MWh) and 2015 (52.3 €/MWh). Electricity prices in Germany and France were also down in 2019, settling below € 40/MWh. The effect is related to a decrease in the cost of fossil fuels compared with the previous year: in fact, Brent oil in 2019 recorded an average price of \$64/bbl (-11% compared with 2018), as well as ARA coal at -33% when compared with the previous year. Only CO₂ bucked the trend, closing 2019 at € 24.8/tonne i.e. up 56% on 2018, at a ten-year high. However, this trend came to a halt in the final part of the year, due to the prospect of Great Britain's exit from the European Union ("Brexit") and the economic slowdown in the Eurozone.

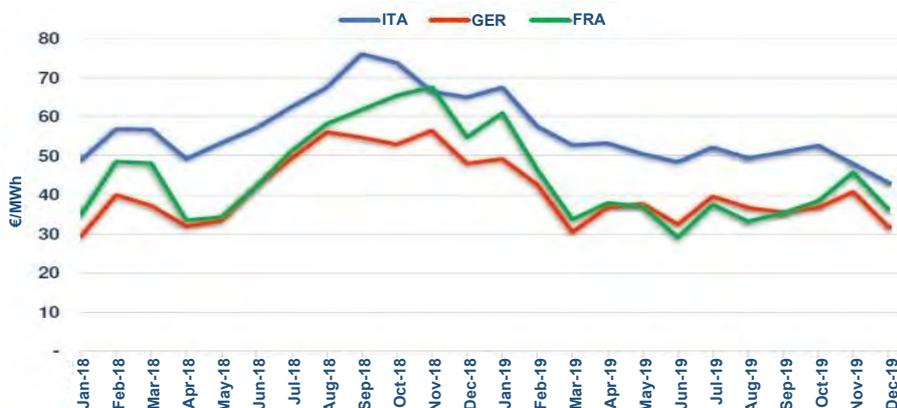


Figure 2 Trend of average electricity prices in Italy, Germany and France

As regards the Italian market in more detail, in 2019 the energy purchase price (PUN) on the Day-Ahead Market (Mercato del Giorno Prima, MGP), equal to 52.3 €/MWh, after two rises

from the historic low of 2016, returned to the levels of the two-year period 2014/2015, recording an annual decrease of 14.7%. Volumes traded in the market remained virtually unchanged and at their highest levels since 2013, driven, on the supply side, exclusively by domestic combined-cycle and wind-power sales (at all-time highs) and, on the demand side, by an increase in purchases by non-institutional operators and exports. Liquidity on the MGP was also substantially stable (72.1%) and, for the third year in a row, at the highest level ever, with volumes on the exchange again reaching the highest level since 2009 (+0.2%). There was a widespread and marked drop in sales prices in the peninsular areas and in Sardinia and Sicily.¹

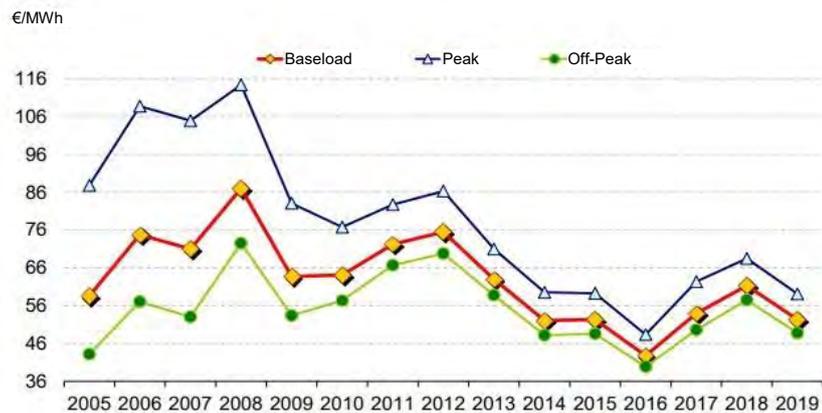


Figure 3 Historical trend of the Single National Price - Source GME "GME Newsletter Issue 133 January 20"

In terms of sources, 2018 maintained stability in domestic sales, but recorded a decrease of 8% in traditional source plants, offset by an increase in renewable sources, up to 96 TWh (+14.4%), lower only than the historical high of 2014. The growth in renewable sources was mainly due to the sales of energy produced by hydroelectric plants, which were just below the maximum of 2014 and with record levels reached in May and June, and by wind power plants, which recorded an all-time high (almost 1,900 MWh, +15.6%). In general, on the other hand, there was a reduction in solar energy (-5.9%) at both zonal and monthly level.²

¹ Source GME "GME Newsletter issue 133 January 20"

² Source GME "GME Newsletter issue 133 January 20"

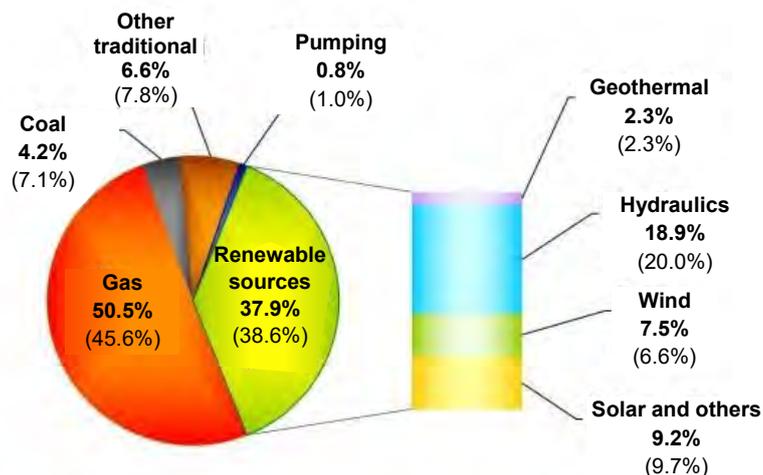


Figure 4 Sales structure by source on MGP - Source GME "GME Newsletter Issue 133 January 20"

At the local level, all sales prices were down sharply, falling to 51/52 €/MWh on the Italian mainland and in Sardinia (-8/-9 €/MWh) and below 63 €/MWh in Sicily (-7 €/MWh), due mainly to the greater availability of lower-cost combined cycle and wind power supplies. A further reduction in the North-South spread, which has remained positive since 2009, was virtually nil for the first time (0.36 €/MWh, -0.98 €/ MWh), consistent with a reduction in purchases in the North.³

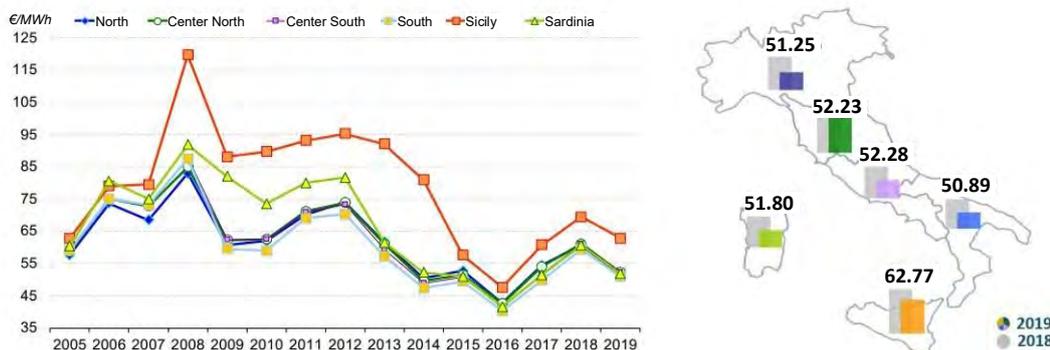


Figure 5 Historical trend of zonal sales prices recorded on MGP and comparison 2018-2019 - Source GME "GME Newsletter Issue 133 January 20"

The intraday market is still showing price dynamics similar to those of the PUN, with which it is practically aligned for the first time, and volumes are recovering, lower only than the all-time high of 2016. Transactions recorded on the Forward Energy Accounts Platform (PCE) fell to their lowest level since 2011.⁴

³ Source GME "GME Newsletter issue 133 January 20"

⁴ Source GME "GME Newsletter issue 133 January 20"

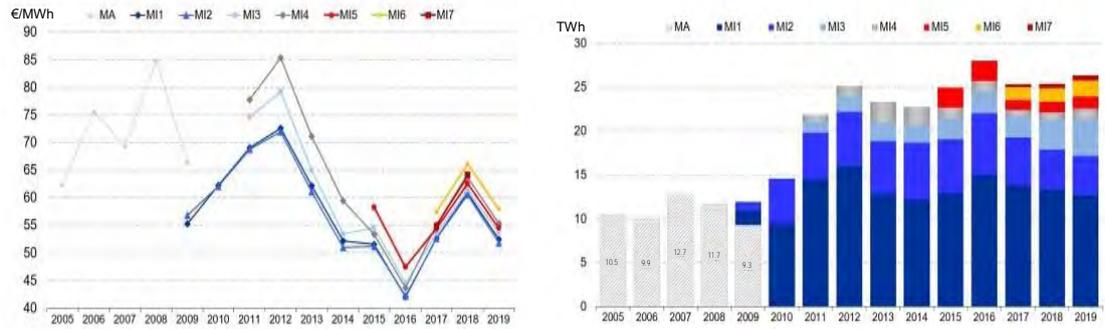


Figure 6 Prices and volumes traded on the Intraday Market - Source GME "GME Newsletter Issue 133 January 20"

On environmental markets, the average price on the organised market for energy efficiency certificates (MTEEs) reverses the intense upward trend of recent years and falls to € 260/TOE, down 14% from the all-time high in 2018 and back to 2017 levels. The average price recorded on the bilateral platform was also down (€ 243/TOE, -13%), narrowing the spread with the corresponding market level to below € 18/MWh, a differential that, when analysed on an intra-annual basis, reached its highest level in July (€ 40/TOE), when the bilateral price dropped to a low of € 219/TOE. Volumes traded on MTEE, which had already shown a sharp slowdown in 2018, continue to contract in 2019, bringing them to their lowest value in six years, at 2.9 million TOE (-15%). While bilateral trade decreased more sharply, falling to 2.9 million TOE (-37%), the liquidity of the market was close to 50% (+7 percentage points compared with the previous year). An analysis of the monthly trend in volumes shows a general contraction spread over all months of the year, with some peaks recorded during significant issues of securities.⁵



Figure 7 Monthly prices and volumes TEE - Source GME "GME Newsletter Issue 133 January 20"

For the year of obligation 2019, the Energy Services Manager ("GSE") has published the portion of the obligations to which each distributor of electricity and natural gas must comply, defined by the Authority in Determination DMRT/EFC/1/2019.

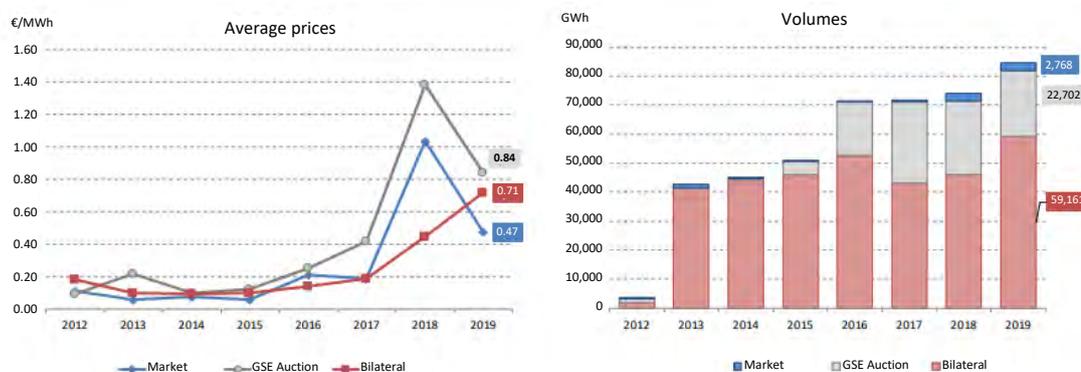
⁵ Source GME "GME Newsletter issue 133 January 20"
33



	Quantitative obligation (number of white certificates)
AcegasApsAmga S.p.a.	9,985
Areti S.p.a.	122,369
ASM Terni S.p.a.	4,097
Deval S.p.a.	7,053
e-distribuzione S.p.a.	2,372,357
Edyna S.r.l.	23,253
INRETE Distribuzione energia S.p.a.	27,003
IRETI S.p.a.	49,446
Megareti S.p.a.	15,067
Servizi a Rete S.r.l.	5,776
Set Distribuzione S.p.a.	23,695
Unareti S.p.a.	109,869

Figure 8 Electricity distributors subject to obligation in 2019 and obligation quotas - Source ARERA Determination DMRT/EFC/1/2019

In the GO market, the price, which had shown exponential growth in 2018, drops sharply to €0.47/MWh (-54%), while still remaining at significantly higher levels than in previous years. On the other hand, the upward trend of the average price of bilateral quotations continues, exceeding the market price of 0.24 €/MWh, reaching an all-time high of 0.71 €/MWh (+59% on 2018). As for the individual types of GO traded, the trends are respected in each of the three sectors; the securities referring to production from solar plants are generally the most expensive, in particular they remain above 1 €/MWh in the GSE auctions, while the Geothermal category is the most popular on the bilateral platform (+75%).



In July 2019, the Decree of the Ministry of Economic Development was published for the incentive of electricity produced by technologies deemed mature: onshore wind and solar photovoltaic plants (Group A), hydroelectric and gas residue from purification processes (Group B), onshore wind, hydroelectric and gas residue from purification processes subject to total or partial refurbishment (Group C). Compared to the previous decrees on the subject, DM 04/07/2019 (so-called DM FER1) introduces support for newly constructed photovoltaic systems, whose modules are installed to replace roofs of buildings and rural buildings on which the complete removal of eternit or asbestos is carried out (Group A-2). The methods of access to incentives remain unchanged and depend on the power of the plant and the group to which it belongs: Registration with the Registers for plants with a



capacity of more than 1 kW (20 kW for photovoltaic plants) and less than 1 MW that belong to Groups A, A-2, B and C; participation in auction procedures for plants with a capacity of 1 MW or more that belong to Groups A, B and C. Depending on the power of the plant, the Ministerial Decree identifies two different incentive mechanisms: the All-Inclusive Tariff (TO) consisting of a single tariff, corresponding to the tariff due, which also remunerates the electricity withdrawn by the GSE; an Incentive (I), calculated as the difference between the tariff due and the hourly zone price of energy, since the energy produced remains at the disposal of the operator. The latter mode significantly reduces the impact of the support mechanism on the system. In fact, the general trend is towards a gradual reduction in incentive mechanisms, as renewable technologies mature, in favour of contractual types that stabilise various kinds of investments, such as long-term contracts (power purchase agreements - PPAs). Overall, as a result of the expiry of the incentive period for plants that benefit from former Green Certificates, an all-inclusive tariff and CIP 6 incentives, a progressive reduction in the incentive power is expected through to 2030.

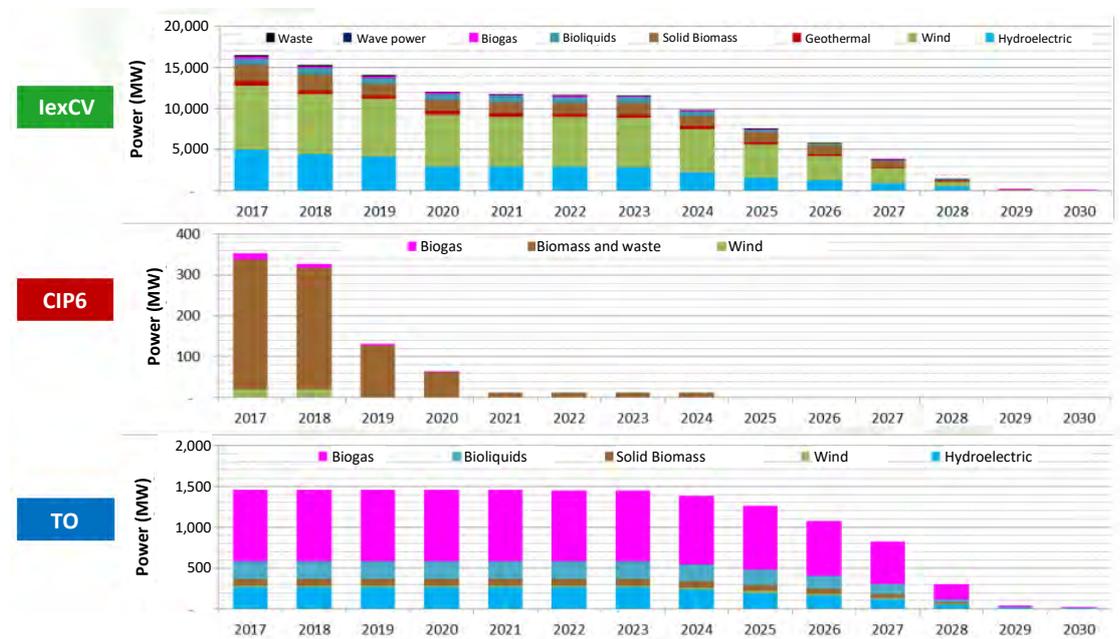


Figure 9 RES meter. Projection of the incentive power - source GSE "Scenarios for the evolution of the "RES meter"

Alternative performance indicators

In this Report on Operations, in order to allow for a better assessment of economic-financial operating performance, certain Alternative Performance Indicators (hereinafter for brevity also "APIs") are reported that are different from the financial indicators expressly provided for by the international accounting standards IAS/IFRS adopted by the Group. With reference to the APIs, on 3 December 2015, CONSOB issued Communication no. 0092543/15, which transposes the Guidelines on the use and presentation of Alternative Performance Indicators as part of regulated financial information, issued on 05 October 2015 by the European Securities and Markets Authority (ESMA). These Guidelines - which have replaced the CESR Recommendation on alternative performance indicators (CESR/05 - 178b) - are intended to promote the usefulness and transparency of APIs to improve their comparability, reliability and understanding. In accordance with the aforementioned Guidelines, the descriptions, content and bases of calculation used for the construction of the alternative performance indicators adopted by the Group are described below. A summary of the APIs for the years in question is shown below:

Amounts in Euro thousands	2019	2018	2019 vs 2018	
			Change	% change
Economic data				
EBIT	104,097	91,013	13,084	14.4%
Adjusted EBIT	100,809	91,143	9,666	10.6%
EBITDA	152,458	140,960	11,498	8.2%
Equity and financial information				
Investments	33,104	97,478	-64,374	-66.0%
Net Working Capital	5,778	26,461	-20,683	-78.2%
Net Invested Capital	859,262	888,739	-26,577	-3.0%
Net Financial Debt	-141,554	-173,514	31,960	-18.4%
Economic-Equity indexes				
ROE	10.4%	8.8%	1.6%	18.5%
ROI	12.1%	10.2%	1.9%	18.4%
Financial Independence	66.4%	63.3%	3.1%	4.9%

Economic data

Operating result or EBIT (Earnings Before Interest and Taxes) - This indicator represents an indicator of operating performance and is used by management to monitor and evaluate the performance of the Group. It is defined by management as a result before taxes for the year, financial income/expenses and income/expenses from investment.

Amounts in Euro thousands	2019	2018	2019 vs 2018	
			Change	% change
PRE-TAX RESULT (A)	103,752	90,301	13,451	14.9%
Financial management				
Financial income	5,447	2,566	2,881	112.3%
Financial expense	-5,793	-2,783	-3,010	108.1%
Results from investments	0	-495	495	-100.0%
TOTAL FINANCIAL BALANCE (B)	-346	-712	366	-51.4%
EBIT or OPERATING RESULT (A-B)	104,097	91,013	13,084	14.4%

Ordinary/Adjusted Operating Result (Adjusted EBIT)- This is the Operating Result or EBIT (as defined in the previous point) adjusted to take account of some non-recurring income and expenses, not strictly related to the Group's core business and operations. The identification of this indicator therefore allows a more homogeneous analysis of the Group's performance during the financial years.

Amounts in Euro thousands	2019	2018	2019 vs 2018	
			Change	% change
EBIT	104,097	91,013	13,084	14.4%
Write-downs of tangible assets	0	2,197	-2,197	-100.0%
Contingent asset reversal of rents RAVDA	0	-2,066	2,066	-100.0%
Self-producer excise dispute	-9,770	0	-9,770	n.a
Provincial surtax litigation	10,237	0	10,237	n.a
Employee energy discount	-2,119			
Large dam interventions	-1,637	0	-1,637	n.a
Adjusted EBIT	100,809	91,144	9,665	10.6%

Gross Operating Margin or EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) - Also in this case it is an indicator of the operating performance, used by the management to monitor and evaluate the performance of the Group. It is defined by management as a result before tax for the year, financial income/expenses, income/expenses from investment, amortisation, provisions and write-downs.

Amounts in Euro thousands	2019	2018	2019 vs 2018	
			Change	% change
EBIT or OPERATING RESULT (A)	104,097	91,013	13,084	14.4%
Amortisation, depreciation, provisions and write-downs				
Amortisation	50,231	47,291	2,940	6.2%
Provisions and write-downs	-1,871	2,656	-4,527	-170.4%
TOTAL AMORTISATION, DEPRECIATION, PROVISIONS AND WRITE-DOWNS (B)	48,361	49,947	-1,586	-3.2%
EBITDA or GROSS OPERATING MARGIN (A+B)	152,458	140,960	11,498	8.2%

Equity/financial information

Net investments - Represents an equity indicator that allows an assessment of the increase in fixed assets of the Group, determined by the sum of increases (costs incurred for the realisation and/or acquisition of goods or services for which the Group expects to be able to benefit from future economic benefits) in tangible and intangible assets, net of divestments, including any effect deriving from changes in the scope of consolidation for the year. In 2019 they amounted to Euro 31,104 thousand.

Net Working Capital - Represents an equity indicator that allows the Group's liquidity situation to be assessed and is determined by the algebraic sum of the values represented in the balance sheet of Current assets (positive sign) and Current liabilities (negative sign) of a non-financial nature.

Amounts in Euro thousands	2019	2018	2019 vs 2018	
			Change	% change
Inventories	3,028	2,746	282	10.3%
Trade receivables	120,056	125,270	-5,214	-4.2%
(Trade payables)	-109,275	-119,199	9,924	-8.3%
TRADE WORKING CAPITAL	13,809	8,817	4,992	56.6%
Tax receivables/(payables)	12,210	5,463	6,747	123.5%
Other assets/(liabilities)	-20,241	12,181	-32,422	-266.2%
NET WORKING CAPITAL	5,778	26,461	-20,683	-78.2%

Net Invested Capital - Represents an equity indicator that allows the total assets held by the Group to be valued and is determined by the algebraic sum (balance sheet asset positive sign and balance sheet liability negative sign) of "Net fixed assets", "Net working capital" and "Employee benefits", "Provisions for risks and charges" and "Deferred tax liabilities". "Net fixed assets", which are equal to Total Non-current assets, are determined as the sum of Tangible assets, Intangible assets, Goodwill, Equity investments, Financial assets, Sensitivity assets and Other non-current assets.

Net Financial Debt or Net Financial Position - The aggregate is used as an indicator of performance within the Group's financial structure and is determined in accordance with the provisions of CONSOB communication no. DEM/6064293 of 28 July 2006, in accordance with the provisions of the Recommendation ESMA/2013/319 of 20 March 2013. More specifically, this indicator is the result of the algebraic sum (balance sheet asset positive sign and balance sheet liability negative sign) of current financial assets, cash and cash equivalents, other non-current financial liabilities and other current financial liabilities.

Economic-equity indexes

ROE or Return On Equity - Represents an economic-equity indicator that allows assessing the ability to remunerate the risk capital that shareholders used. It is determined by the ratio between net profit (or loss) for the year and shareholders' equity, net of the net result for the year.

Amounts in Euro thousands	2019	2018
Net result of the period (A)	75,771	63,959
Total shareholders' equity (B)	802,286	794,486
Total shareholders' equity, adjusted of the result of the year (B-A)	726,515	730,526
ROE (Return on Equity) [A / (B-A)]	10.4%	8.8%

ROI or Return On Investment - Represents an economic-equity indicator that allows evaluating the profitability and the economic efficiency of the ordinary operations regardless of the sources used; i.e. this index expresses the yield of the capital invested through typical operations. It is determined by the ratio between the Operating Result (EBIT) and the Net Invested Capital, as defined above.

Amounts in Euro thousands	2019	2018
EBIT (A)	104,097	91,013
Net Invested Capital (B)	859,262	888,739
ROI (Return on Investment) (A / B)	12.1%	10.2%

Financial independence - The financial independence index indicates the percentage of business activity guaranteed by equity, i.e. the capital contributed by the shareholders. This index is determined by the ratio between shareholders' equity and total assets, net of other current financial assets and cash and cash equivalents.

Amounts in Euro thousands	2019	2018
Total shareholders' equity (A)	802,286	794,486
Total Assets (B)	1,445,437	1,486,670
Other current financial assets (C)	22,483	41,399
Cash and cash equivalents (D)	214,992	189,674
Total Assets Adjusted (B-C-D)	1,207,962	1,255,597
Financial Independence Index [A / (B-C-D)]	66.4%	63.3%

Economic, equity and financial position of the CVA Group

The Group's economic, equity and financial information for the years ended 31 December 2019 and 31 December 2018 is shown below.



Economic data selected of the Group for the years ended 31 December 2019 and 2018

Provided below is the consolidated economic data of the Group for the years ended 31 December 2019 and 2018:

Amounts in Euro thousands	2019	2018	2019 vs 2018	
	Total	Total	Change	% change
Revenues				
Revenues from sales and services	755,438	791,555	-36,117	-4.6%
Other revenues and income	49,994	53,023	-3,029	-5.7%
TOTAL REVENUES (A)	805,433	844,577	-39,144	-4.6%
of which: impact of non-recurring items		2,066	(2,066)	-100.0%
Operating costs				
Costs for raw materials and services	579,925	632,098	-52,173	-8.3%
Personnel costs	34,839	37,514	-2,675	-7.1%
Other operating costs	42,414	38,010	4,404	11.6%
Capitalised days of work	-4,203	-4,005	-198	4.9%
TOTAL OPERATING COSTS (B)	652,975	703,617	-50,642	-7.2%
of which: impact of non-recurring items	-2,119	0	(2,119)	n.a.
GROSS OPERATING MARGIN (A-B)	152,458	140,960	11,498	8.2%
of which: impact of non-recurring items	2,119	2,066	53	2.6%
Amortisation, depreciation, provisions and write-downs				
Amortisation	50,231	47,291	2,940	6.2%
Provisions and write-downs	-1,871	2,656	-4,527	-170.4%
TOTAL AMORTISATION, DEPRECIATION, PROVISIONS AND WRITE-DOWNS (C)	48,361	49,947	-1,586	-3.2%
of which: impact of non-recurring items	-1,170	2197	-3367	-153.3%
OPERATING RESULT (A-B+/-C)	104,097	91,013	13,084	14.4%
of which: impact of non-recurring items	3,289	-131	3420	-2610.7%
Financial management				
Financial income	5,447	2,566	2,881	112.3%
Financial expense	5,793	3,278	2,515	76.7%
TOTAL FINANCIAL BALANCE (D)	-346	-712	366	-51.4%
of which: impact of non-recurring items	3,397	0	3397	n.a.
PRE-TAX RESULT (A-B+/-C+/-D)	103,752	90,301	13,451	14.9%
of which: impact of non-recurring items	6,686	-131	6817	n.a.
Gains/(losses) for income taxes	27,981	26,341	1,640	6.2%
Net result of continuing operations	75,771	63,960	11,811	18.5%
Net result of discontinued operations	-	-	-	-
PERIOD NET RESULT	75,771	63,960	11,811	18.5%
Profit/(loss) attributable to the Group	75,103	62,687	12,416	19.8%
Profit/(loss) attributable to non-controlling interests	668	1,273	-605	-47.5%

805.4
Min
Total revenues

Revenues

These amounted to a total of Euro 805,433 thousand compared with Euro 844,577 thousand in 2018, the change between the two years is mainly due to a decrease in volumes produced by hydroelectric sources partially offset by production from wind and photovoltaic source plants. With specific reference to "Other revenue and income", it must be noted that the item includes the contributions for the GRIN tariff (former Green Certificates) for Euro 26,714 thousand and incentives for the production of electricity from other renewable sources for Euro 16,138 thousand (in 2018, respectively, Euro 30,609 thousand and Euro 11,385 thousand). Overall, the incentives accrued on electricity production in 2019 amounted to Euro 42,832 thousand, contributing 28.1% to the gross operating margin (in 2018, they amounted to Euro 41,993 thousand, contributing 29.8% to the gross operating margin).

Operating costs

Operating costs amounted to Euro 652,975 thousand at the end of 2019, a decrease of 7.2% compared with Euro 703,617 thousand in 2018. The change refers in particular to: i) Personnel costs, which show a sharp reduction, coming to Euro 34,839 thousand at the end of 2019, a decrease of 7.1% compared with Euro 37,514 thousand in 2018. The decrease recorded, even though the average workforce increased, is mainly due to the benefit arising from the reversal to income of the energy discount provision, previously set aside in favour of employees against the trade union agreement that sanctioned its overrun. ii) Costs for raw materials and services, which from Euro 632,098 thousand in 2018 decreased by 8.3% to Euro 579,925 thousand. The change recorded refers mainly to lower costs for the purchase of electricity, which was then supplied, as well as to a significant reduction in costs relating to legal, administrative and commercial consultancy linked to a different distribution of the projects developed in the two consecutive financial years. The components of this item also include the significant decrease in costs for the purchase of TEEs (energy efficiency certificates) and GOs compared with the previous year.

Amortisation, depreciation, provisions and write-downs

At 31 December 2019, these amounted to Euro 48,361 thousand, a decrease of Euro 1,586 thousand (-3.2%) compared with the Euro 49,947 thousand of the previous year. These include Euro 50,231 thousand for depreciation and amortisation and a negative Euro 1,871 thousand for provisions and write-downs. With regard to the item "depreciation and amortisation", the change recorded is mainly due to higher depreciation and amortisation due to the mandatory introduction as of FY 2019 of the accounting standard IFRS 16, which identifies the criteria for recognition, measurement and presentation with reference to leases for both parties under the lease agreement.

With reference to the item "Provisions and Write-downs", the overall negative value recorded in 2019 refers to the value of the reversals of provisions that exceeded the provisions and write-downs; in particular, this item includes the reversal into income, against the positive ruling of the Supreme Court of Cassation, for the Group's sales company, of provisions for almost Euro 10 million previously set aside totally related to the closure of the dispute with the Aosta Tax Revenue Office for VAT on excise duties that were in turn subject

652.975
Min
Operating costs

to litigation. It is also worth mentioning the new provision made necessary by the probable litigation that CVA ENERGIE will have to face with regard to the requests for reimbursement of additional excise taxes, as better described in the Report on Operations. A further significant income of approximately Euro 2 million was recorded for the Parent Company, with reference to the provision allocated in 2012 for charges, to be borne by the concession-holders, related to the maintenance of the safety conditions of the "large dams" which, following the work carried out, is now a remote risk.

Financial income and expenses

In 2019, the balance of financial management generated expenses for a total of Euro 346 thousand, of which financial income for Euro 5,447 thousand and financial expenses for Euro 5,793 thousand (in 2018, there were total expenses of Euro 712 thousand).

Income taxes

The tax burden for 2019 income taxes was Euro 27,981 thousand, compared with Euro 26,241 thousand in 2018. The tax rate was 27% in 2019 and 29.2% in 2018.

Period net result

FY 2019 closed with a net profit of Euro 75,771 thousand, with a change of 18.5 % as compared with the Euro 63,960 thousand for 2018. Net income includes Euro 668 thousand in minority profit (Euro 1,273 thousand in 2018). The consolidated net result pertaining to the Group was Euro 75,103 thousand.

75.7
Mln
Net profit



Equity data selected and financial debt of the Group for the years ended 31 December 2019 and 2018

Provided below is the consolidated equity and financial data of the Group for the years ended 31 December 2019 and 2018:

Amounts in Euro thousands	2019	2018	2019 vs 2018	
	Total	Total	Change	% change
Assets				
Non-current assets				
Tangible assets	672,695	690,152	-17,457	-2.5%
Intangible assets	13,373	13,261	112	0.8%
Goodwill	238,026	238,026	0	0.0%
Equity investments	1,968	1,729	239	13.8%
Deferred tax assets	25,939	25,600	339	1.3%
Derivatives	2,242	-	-	-
Non-current financial assets	84,578	79,261	5,317	6.7%
Other non-current assets	5,072	3,228	1,844	57.1%
Total non-current assets	1,043,894	1,051,257	-7,363	-0.7%
Current assets				
Inventories	3,028	2,746	282	10.3%
Trade receivables	120,056	125,270	-5,214	-4.2%
Receivables for income taxes	5,130	5,342	-212	-4.0%
Other tax receivables	11,638	14,594	-2,956	-20.3%
Derivatives	3,536	22,291	-18,755	-84.1%
Other current financial assets	22,483	41,399	-18,916	-45.7%
Other current assets	20,680	34,097	-13,417	-39.3%
Cash and cash equivalents	214,992	189,674	25,318	13.3%
Total current assets	401,543	435,413	-33,870	-7.8%
TOTAL ASSETS	1,445,437	1,486,670	-41,233	-2.8%

Amounts in Euro thousands	2019	2018	2019 vs 2018	
	Total	Total	Change	% change
Shareholders' equity				
Share capital	395,000	395,000	0	0.0%
Other reserves	283,887	290,742	-6,855	-2.4%
Accumulated Profits/(Losses)	41,379	39,257	2,122	5.4%
Net result of the year	75,103	62,687	12,416	19.8%
Shareholders' equity attributable to the Group	795,369	787,686	7,683	1.0%
Shareholders' equity - Minority interests	6,917	6,800	117	1.7%
Total shareholders' equity	802,286	794,486	7,800	1.0%
Liabilities				
Non-current liabilities				
Employee benefits	6,083	10,411	-4,328	-41.6%
Provisions for risks and charges	27,829	29,909	-2,080	-7.0%
Deferred tax liabilities	48,900	50,004	-1,104	-2.2%
Derivatives	1,234	-	-	-
Non-current financial liabilities	337,826	364,819	-26,993	-7.4%
Other non-current liabilities	20,120	19,394	726	3.7%
Total non-current liabilities	441,992	474,537	-32,545	-6.9%

Amounts in Euro thousands	2019	2018	2019 vs 2018	
			Change	% change
	Total	Total		
Current liabilities				
Employee benefits	2,095	-		
Provisions for risks and charges	215	-		
Trade payables	109,275	119,199	-9,924	-8.3%
Payables for income taxes	1,200	9,260	-8,060	-87.0%
Other tax payables	3,358	5,213	-1,855	-35.6%
Derivatives	18,246	18,354	-108	-0.6%
Other current financial liabilities	40,557	39,768	789	2.0%
Other current liabilities	26,210	25,852	358	1.4%
Total current liabilities	201,158	217,647	-16,489	-7.6%
TOTAL EQUITY AND LIABILITIES	1,445,437	1,486,670	-41,233	-2.8%

The following table shows the main equity and financial data of the Group reclassified at 31 December 2019 and 2018:

Amounts in Euro thousands	2019	2018	2019 vs 2018	
			Change	% change
Fixed capital	926,062	943,168	-17,106	-1.8%
Net Working Capital (*)	5,778	26,461	-20,683	-78.2%
Deferred tax assets/(liabilities)	-22,961	-24,404	1,443	-5.9%
Provisions for risks/charges and Employee benefits	-33,912	-40,320	6,408	-15.9%
Other non-current assets/(liabilities)	-15,705	-16,166	1,118	-6.9%
NET INVESTED CAPITAL (*)	859,262	888,739	-28,820	-3.2%
Net financial debt	-141,554	-173,514	31,960	-18.4%
Non-current financial assets	84,578	79,261	5,317	6.7%
Shareholders' equity	-802,286	-794,486	-7,800	1.0%
EQUITY AND NET FINANCIAL DEBT	-859,262	-888,739	1,775	-0.2%

Fixed capital

The breakdown of fixed capital at 31 December 2019 and 2018 is shown below:

Amounts in Euro thousands	2019	2018	2019 vs 2018	
			Change	% change
Tangible assets	672,695	690,152	-17,457	-2.5%
Intangible assets	13,373	13,261	112	0.8%
Goodwill	238,026	238,026	0	0.0%
Equity investments	1,968	1,729	239	13.8%
Total fixed capital	926,062	943,168	-17,106	-1.8%

Fixed capital include tangible, intangible and financial assets, and mainly refers to hydroelectric and wind power generation plants and authorisations for the operation of the relative plants.

Consolidated fixed capital amounted to Euro 926,062 thousand at 31 December 2019, with a negative change of 1.81% equal to Euro 17,106 thousand on the previous year. The decrease is principally due to the effect of the ordinary depreciation process, partially offset by the increase in the item "participations" due to the revaluation equal to the share of profits for the year of the participation in TELCHA.

Net Working Capital

Amounts in Euro thousands	2019	2018	2019 vs 2018	
			Change	% change
Inventories	3,028	2,746	282	10.3%
Trade receivables	120,056	125,270	-5,214	-4.2%
(Trade payables)	-109,275	-119,199	9,924	-8.3%
TRADE WORKING CAPITAL	13,809	8,817	4,992	56.6%
Tax receivables/(payables)	12,210	5,463	6,747	123.5%
Other assets/(liabilities)	-20,241	12,181	-32,422	-266.2%
NET WORKING CAPITAL	5,778	26,461	-20,683	-78.2%

(*) Trade Working Capital (CWC) and Net Working Capital (NWC) are not identified as an accounting measure either in the Italian Accounting Standards or in the IFRS accounting standards. The determination criteria adopted by the Group may not be consistent with those adopted by other groups, and therefore the balances obtained may not be comparable with those determined by the latter. (**) The item "Tax Receivables and Payables" represents the sum of receivables and payables for income taxes as well as other tax receivables and payables.

The net working capital mainly includes inventories, receivables for the sale of electricity, net of provisions for impairment, invoiced but not yet collected in the period or still to be invoiced and receivables for incentives accrued on electricity produced and not yet collected in the period. It also includes trade payables for electricity purchased and not yet paid in the period and for purchases or services rendered by suppliers and not yet paid during the year. Lastly, it includes tax receivables as the result of the credit/debit position with respect to the tax authorities.

In addition to reflecting the Group's normal financial cycle, the changes that occurred between the two years used for comparison purposes are chiefly the result of a significant reduction in "Other assets and liabilities" caused by a reduction in assets related to commodity derivatives and a decrease in receivables for incentives included in this group.

Deferred tax assets/(liabilities)

They mainly relate to deferred taxes calculated on the differences between the statutory values and the related tax values.

At 31 December 2019, they had a negative balance of Euro 22,961 thousand referring to deferred tax assets of Euro 25,939 thousand and Euro 48,900 thousand to deferred tax liabilities, at 31 December 2018 they showed a net liability of Euro 24,404 thousand. The main component refers to deferred taxes calculated, at the IRES rate of 24%, on the amortisation of goodwill calculated for tax purposes only.

Provisions for risks and charges and Employee benefits

Provisions for risks and charges mainly include:

- the provision for risks on additional excise duties, amounting to Euro 10,236 thousand, was set aside during the year in order to assess the probable risk of having to repay to customers, following a dispute in the civil courts, the additional duties collected for energy supply for the years 2010 to 2012. As more fully described in the Letter to Shareholders, the sales company owned by the Group, following the ruling of the Court of Cassation no. 15198 of 4 June 2019, which confirmed the incompatibility of the provisions establishing the surcharges on excise duty on electricity with Directive 2008/118/EEC; this being the case, the Group is faced with the risk of having to face both costs arising from disputes with customers and the cost of refunding the surcharge;
- the provision for the costs of dismantling the sites on which wind or photovoltaic electricity production plants operate for a total of Euro 5,557 thousand;
- the provision for the ETS Arbitration dispute: amounting to a total of Euro 3,189 thousand (it did not undergo any changes during the year), it refers to the risk deriving from the Arbitration Procedure Energy & Technical Services S.r.l. (hereinafter ETS) for liabilities that could potentially emerge from the outcome of the arbitration proceedings, one of the parties of which was the company PONTE ALBANITO S.r.l. a s.u. This arbitration arises from the alleged violation of contractual commitments and/or guarantees with respect to the company ETS. The sum set aside was estimated according to the outcome of the arbitration that was the subject of a subsequent appeal to the Court of Appeal of L'Aquila. The Court adjourned the hearing for closing arguments first to 14 January 2020, then to 26 May 2020 and then to 24 November 2020;
- the provision for staff leaving indemnities and other employee benefits amounted to Euro 6,083 thousand; it should be noted that the item was influenced by the reversal to income of the provision for energy discounting following the trade union agreement that sanctioned its overrun of approximately Euro 2 million.



Other non-current assets/(liabilities)

At the end of 2019, the balance of other non-current assets and liabilities showed a payable of Euro 15,048 thousand against a payable of Euro 16,166 thousand at 31 December 2018. It refers to receivables for other non-current assets of Euro 5,072 thousand (Euro 3,228 thousand at 31 December 2018) that mainly refer to various long-term security deposits to third parties (Euro 2,962 thousand compared to Euro 1,668 thousand at 31 December 2018) and medium/long-term receivables from employees, relating to loans granted to employees and interest-bearing (Euro 1,465 thousand compared to Euro 1,547 thousand at 31 December 2018).

Other non-current liabilities amounted to Euro 20,120 thousand (Euro 19,394 thousand at the end of the previous year) and are mainly consequent to the application of IFRS 15, which came into force on 1 January 2018. This standard has led, for DEVAL, to the deferment of contributions received from customers on the basis of the nature of the obligation resulting from the contract with customers, with the recognition of the related deferred liability, released on the basis of the useful life of the asset to which the contribution refers.

Net Financial Position

Pursuant to the provisions of CONSOB communication no. DEM/6064293 of 28 July 2006, it is noted that the net financial debt was determined in accordance with the provisions of the Recommendation ESMA/2013/319 of 20 March 2013, as detailed below:

Amounts in Euro thousands	2019	2018	Change	% change
A Cash	8	10	(2)	-19.7%
B Other cash and cash equivalents	214,984	189,664	25,320	13.3%
C Securities held for trading	21,837	38,985	(17,147)	-44.0%
D Cash and cash equivalents (A+B+C)	236,830	228,659	8,170	3.6%
E Current financial receivables	645	2,414	(1,769)	-73.3%
F Current portion of non-current financial debt	40,557	39,768	789	2.0%
G Current financial debt (F)	40,557	39,768	789	2.0%
H Net liquidity (D) + (E) - (G)	196,273	191,305	4,968	2.6%
I Non-current bank payables	337,826	364,819	(26,992)	-7.4%
L Non-current financial debt (I)	337,826	364,819	(26,992)	-7.4%
M Net financial debt (L) - (H)	141,554	173,514	(31,960)	-18.4%

At the end of 2019, the Group's net financial debt amounted to Euro 141,554 thousand, a decrease of Euro 31,960 thousand compared with Euro 173,514 thousand the previous year. The change appears modest, also in consideration of the fact that during the year the Group distributed dividends for a total of Euro 42,195 thousand.

Non-current financial assets

Non-current financial assets recognised at the end of 2019, amounting to Euro 84,578 thousand, recorded an increase of a total of Euro 5,317 thousand referring to a dual composite effect of the opposite sign; the increase in the item referring to capitalisation insurance policies held by the Parent Company, amounting to Euro 76,429 at 31 December 2019 (Euro 48,016 thousand at 31 December 2018) which refer to the fair value of the investments of liquidity through the subscription of insurance policies, increased during the year due to the reinvestment of policies that expired during the year and the investment of liquidity generated by corporate operations. The securities/funds portfolio, which was zero at 31 December 2019, had a value of Euro 8,002 thousand at 31 December 2018 and was reclassified to current financial assets as it represented the fair value of savings bonds held with maturity during 2020. Lastly, there was a change of Euro 14,524 thousand between the two years in financial receivables from the parent company, due to the early repayment of the loan granted to the parent company FINAOSTA.

Shareholders' equity

The table below shows the breakdown of shareholders' equity at 31 December 2019 and 2018:

Amounts in Euro thousands	2019	2018	2019 vs 2018	
	Total	Total	Change	% change
Shareholders' equity				
Share capital	395,000	395,000	0	0.0%
Other reserves	283,887	290,742	-6,855	-2.4%
Accumulated Profits/(Losses)	41,379	39,257	2,122	5.4%
Net result of the year	75,103	62,687	12,416	19.8%
Shareholders' equity attributable to the Group	795,369	787,686	7,683	1.0%
Shareholders' equity - Minority interests	6,917	6,800	117	1.7%
Total shareholders' equity	802,286	794,486	7,800	1.0%

At 31 December 2019, the share capital was fully paid-in and divided into 395,000,000 ordinary shares with nominal value of Euro 1 euro each. The entire share capital refers to the Sole Shareholder FINAOSTA. The changes in shareholders' equity recorded in 2019 compared with 2018 primarily relate, in addition to the recognition of net income for the period, to the movement in the cash flow hedge reserve which includes the fair value of derivatives as of 31 December 2019.

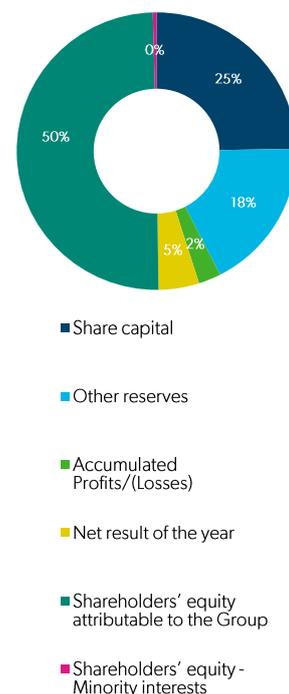
Analysis of cash flows of the Group for the years ended 31 December 2019 and 2018

Below is a summary of the Group's cash flow statement for the years ended 31 December 2019 and 2018.

Amounts in Euro thousands

CVA Group - Consolidated Statement of Cash Flows	For the year ended 31 December		2019 vs 2018	
	2019	2018	Change	% change
Cash flows generated/(absorbed) by operating activities	113,049	123,360	-10,311	-8.36%
Cash flows generated/(absorbed) by investing activities	-18,671	-93,621	74,950	-80.06%
Cash flows generated/(absorbed) by financing activities	-69,060	-106,880	37,820	-35.39%
Final cash change	25,318	-77,141	102,459	-132.82%
Cash and cash equivalents - opening balance	189,674	266,816	-77,142	-28.91%
Final cash change	25,318	-77,141	102,459	-132.82%
Cash and cash equivalents - closing balance	214,992	189,675	25,317	13.35%

Shareholders' equity



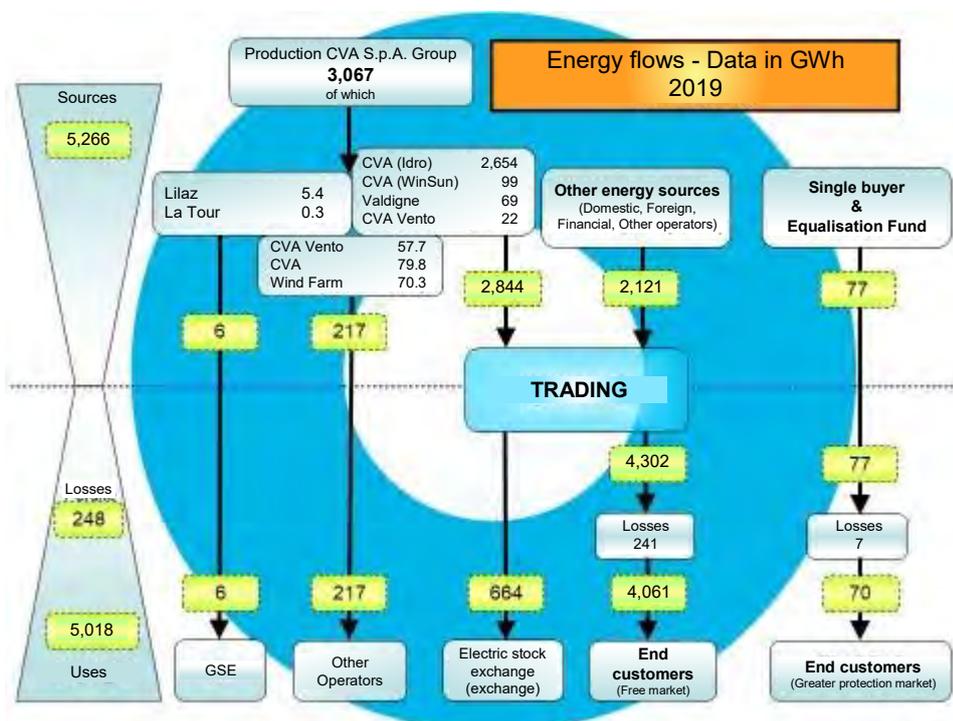
In 2019, the positive economic and financial results enabled the Group to maintain a high level of cash flow generation, which developed more than 25 million new cash in total. Cash flows generated by operating activities, although down by 8.4% compared with Euro 123,360 thousand in 2018, were significant and totalled Euro 113,049 thousand. The absorption of liquidity for investing activities, which amounted to Euro 93,621 thousand in 2018 (mainly related to investments to increase wind power capacity in line with the Group's strategic and development policies) was reduced to only Euro 18,671 thousand as a result of the difficulty in finding new investments to increase production capacity compatible with the operating constraints in which your companies must move. Finally, financing activities absorbed Euro 69,060 thousand, of which Euro 42,195 thousand related to dividends paid and Euro 26,306 thousand to the payment of instalments on existing debt amortisation plans.

Non-financial performance indicators of the Group for the years ended 31 December 2019 and 2018

The following table summarises the key non-financial performance indicators of the Group for the years ended 31 December 2019 and 2018:

	For the year ended 31 December		2019 vs 2018	
	2019	2018	Change	% change
Hydroelectric production (GWh)	2,728	3,098	-370	-11.9%
Production from other renewable sources (GWh)	339	285	54	18.9%
Electricity sold to wholesale customers (GWh)	223	238	-15	-6.3%
Electricity sold on the Power Exchange (GWh)	664	296	368	124.3%
Electricity sold to end customers (GWh)	4,131	4,966	-835	-16.8%
POD Electricity (#/1000)	143	147	-4	-2.7%
Electricity distributed (GWh)	913	951	-38	-4.0%
Average of the PUN (Single Nationwide Price) Base load (Euro/MWh)	52	61	-9	-14.8%
Average of the PUN (Single Nationwide Price) Peak load (Euro/MWh)	58	68	-10	-14.0%

The following table shows the sources/uses of the electricity flows in 2019 of the CVA Group:



Analysis by Business Unit

For management purposes, the Group is organised into Business Units, the subdivision of which reflects the reporting structure analysed by the management and the Board of Directors in order to manage and plan the Group's activities. In compliance with the provisions of IFRS 8 - Operating Segments, information is provided below for Business Units, identified on the basis of the management structure and the internal reporting system of the Group.

More specifically, the CVA Group operates in the following business sectors:

- Hydro;
- Other sources of renewable energy ("Other RES");
- Distribution;
- Sales.

Based on the nature of the activities carried out by the companies of the Group, the breakdown by geographical area is not significant.

"Corporate" includes the result of the activities and businesses that do not constitute an operating segment pursuant to IFRS 8, as well as values not attributable to the performance of the business areas identified, as they are not directly attributable to their management responsibility. For the purposes of a correct reading of the economic results relating to the

individual Business Units, it should be noted that the revenues and costs related to the common activities have been partially allocated to the Businesses, through the use of technical-economic drivers. The item “eliminations and adjustments”, on the other hand, includes consolidation adjustments and eliminations between the individual Business Units. The operating segments in which the CVA Group is divided are represented by the following Business Units:

- **Hydro Business Unit**
- **Other RES Business Unit**
- **Distribution Business Unit**
- **Sales Business Unit**
- **Corporate Business Unit**

It should be noted that, with the aim of improving the comparison with the previous year, 2018 was also reclassified where the improvement of the analysis tools allowed the refinement of the attribution of the data to the Business Units.

Hydro Business Unit

The Hydro Business Unit refers to the activity of electricity generation from hydroelectric sources, and to the relative sale of the same to wholesalers/traders. The CVA Group has 32 hydroelectric plants in the Valle d'Aosta area with a total nominal power of 934 MW. In 2019, these plants produced 2,728 GWh. The companies of the Group operating in the production of hydroelectric energy are the Parent Company and VALDIGNE.

Other RES Business Unit

The “Other RES” Business Unit refers to the activity of electricity generation from renewable energy sources other than the hydroelectric source, and to the relative sale of the same to wholesalers/traders. The CVA Group has 8 wind farms distributed between Valle d'Aosta, Tuscany, Lazio, Apulia and Campania, with a total installed power of 158 MW and 3 photovoltaic plants located in Valle d'Aosta and Piedmont, for a total power of 13 MW. In 2019, these plants produced 339 GWh. The Group companies operating in this Business Unit are the Parent Company, CVA VENTO and WIND FARM MONTEVERDE.

Distribution Business Unit

The “Distribution” Business Unit refers to the activity of electricity distribution to end users, as well as to the management of the network itself. DEVAL is the Group company that deals with the distribution in the territory of the Region, by virtue of the concession of the distribution and metering service assigned by the Ministry of Productive Activities, free of charge, expiring on 31 December 2030. In 2019, DEVAL distributed 913 GWh for consumption for the current year, serving 129,145 delivery points.

32

Hydroelectric
power stations on
the territory of
Valle d'Aosta

339
GWh

Products from
other RES

913

GWh
Distributed by
DEVAL

Sales Business Unit

The “Sales” Business Unit contains Energy Management and Market activities. Energy Management activity refers to operations on energy and financial markets in order to procure electricity and related network services and in order to optimise its energy portfolio. The term Market represents the sales activity to end users that takes place both in the Free market (divided into the Retail and Business segments) and in the Greater Protection market. In the first, the sale of energy takes place according to conditions agreed freely between the parties. In the second case, the economic and contractual conditions of supply are established by ARERA. Energy Management and Market activities are overseen by CVA ENERGIE which in 2019 provided a total of 4,131 GWh of electricity to 90,479 customers distributed over approximately 147,054 delivery points.

4,131
GWh
Supplied by CVA
ENERGIE

Corporate Business Unit

The “Corporate” Business Unit contains all the administrative, accounting, financial, strategic and coordination support activities, whose costs are not re-debited to the individual Business Units. The following tables show the breakdown by operating segment of the main economic and equity data for the years ended 31 December 2019 and 2018:

Summary data by Business Unit at 31 December 2019

Amounts in Euro thousands	For the year ended 31 December 2019						
	Hydro	Distribution	Sales	Other RES	Corporate	Eliminations	Total
Economic data by sector of activity							
Revenues	162,752	33,881	736,075	44,394	3,284	(174,953)	805,433
Personnel cost	(13,296)	(6,590)	(4,142)	(289)	(10,529)	6	(34,839)
Other operating costs	(42,331)	(10,302)	(721,752)	(8,393)	(9,807)	174,449	(618,136)
Gross Operating Margin (EBITDA)	107,125	16,990	10,181	35,712	(17,052)	(497)	152,458
% of revenues	65.8%	50.1%	1.4%	80.4%	-519.3%		18.9%
Amortisation, depreciation, provisions and write-downs	(20,669)	(7,095)	(323)	(17,875)	(2,832)	433	(48,361)
Operating Result (EBIT)	86,456	9,895	9,858	17,838	(19,884)	(65)	104,097
% of revenues	53.1%	29.2%	1.3%	40.2%	-605.5%		12.9%
Result from non-recurring transactions	1,637	-	(467)	-	2,119	-	3,289
Adjusted Operating Result (Adjusted EBIT)	84,819	9,895	10,324	17,838	(22,003)	(65)	100,809
% of revenues	52.1%	29.2%	1.4%	40.2%	-670.0%		12.5%
Financial balance	-	-	-	-	(346)	-	(346)
PRE-TAX RESULT	86,456	9,895	9,858	17,838	(20,230)	(65)	103,752
Expenses for income taxes	-	-	-	-	(27,975)	(5)	(27,981)
PERIOD NET RESULT	86,456	9,895	9,858	17,838	(48,205)	(70)	75,771
Equity data by sector of activity							
Investments	11,855	8,732	227	7,649	4,641	-	33,104
Tangible assets	340,595	97,493	710	199,021	38,469	(3,593)	672,695
Intangible assets	174,953	23,262	-	51,648	1,537	-	251,400
Trade receivables	142,931	8,897	212,929	5,218	7,558	(257,477)	120,056
Trade payables	(121,813)	(9,969)	(223,360)	(2,210)	(12,674)	260,751	(109,275)

Summary data by Business Unit at 31 December 2018

Amounts in Euro thousands	For the year ended 31 December 2018						Total
	Hydro	Distribution	Sales	Other RES	Corporate	Eliminations	
Economic data by sector of activity							
Revenues	158,956	36,874	770,202	40,364	12,035	(173,854)	844,577
Personnel cost	(14,072)	(6,917)	(3,957)	(148)	(12,427)	7	(37,514)
Other operating costs	(40,208)	(12,684)	(763,628)	(8,838)	(12,898)	172,153	(666,103)
Gross Operating Margin (EBITDA)	104,676	17,273	2,617	31,378	(13,289)	(1,694)	140,960
% of revenues	65.9%	46.8%	0.3%	77.7%	-110.4%		16.7%
Amortisation, depreciation, provisions and write-downs	(23,976)	(6,752)	(391)	(16,899)	(3,181)	1,252	(49,947)
Operating Result (EBIT)	80,699	10,521	2,225	14,480	(16,471)	(442)	91,013
% of revenues	50.8%	28.5%	0.3%	35.9%	-136.9%		10.8%
Result from non-recurring transactions	(2,197)	-	-	-	2,066	-	(131)
Adjusted Operating Result (Adjusted EBIT)	82,896	10,521	2,225	14,480	(18,537)	(442)	91,144
% of revenues	52.2%	28.5%	0.3%	35.9%	-154.0%		10.8%
Financial balance	0	-	-	-	(712)	-	(712)
PRE-TAX RESULT	80,699	10,521	2,225	14,480	(17,183)	(442)	90,301
Expenses for income taxes	-	-	-	-	(26,397)	56	(26,341)
PERIOD NET RESULT	80,699	10,521	2,225	14,480	(43,580)	(386)	63,960
Equity data by sector of activity							
Investments	11,693	7,110	54	76,291	2,329	-	97,478
Tangible assets	351,139	95,080	86	209,162	35,102	(417)	690,152
Intangible assets	174,896	23,642	-	51,733	1,016	-	251,287
Trade receivables	134,613	8,156	218,232	5,204	8,920	(249,856)	125,270
Trade payables	(122,387)	(8,646)	(224,030)	(2,904)	(14,014)	252,783	(119,199)

Result by operating sector/Business Unit

Hydro Business Unit

The following table shows the main data relating to the Hydro Business Unit for the years ended 31 December 2019 and 2018:

Amounts in Euro thousands	For the year ended 31 December		2019 vs 2018	
	2019	2018	Change	% change
Economic data				
Revenues	162,752	158,956	3,796	2.4%
Personnel cost	-13,296	-14,072	776	-5.5%
Gross Operating Margin (EBITDA)	107,125	104,676	2,449	2.3%
% of revenues	65.8%	65.9%		
Amortisation, depreciation, provisions and write-downs	-20,669	-23,976	3,307	-13.8%
Operating Result (EBIT)	86,456	80,699	5,757	7.1%
% of revenues	53.1%	50.8%		
Result from non-recurring transactions	1,637	2,197	-560	-25.5%
Adjusted Operating Result (Adjusted EBIT)	84,819	82,896	1,923	2.3%
% of revenues	52.1%	52.2%		
Investments	11,855	11,693	162	1.4%

Revenues

2019 vs 2018

The positive change in the revenue item that occurred between FY 2019 and 2018, derives, despite the presence of an overall less advantageous meteorology compared with the previous fiscal year from an increase in the average sales prices obtained (albeit against decreasing average market prices).

Gross Operating Margin (EBITDA)

2019 vs 2018

The gross operating margin shows a slight, but important increase of Euro 2,499 thousand (2.3%).

Given the operating structure of this Business Unit, the above-mentioned change derives directly from the trend in revenues, which had an impact on margins; the reduction in personnel costs absorbed the increase in costs incurred for water diversion agreements, which underwent a significant increase due to the increase in tariffs imposed by the concessionaire.

Gross margins totalled 65.8 %, compared to 65.9 % in 2018.

Operating Result (EBIT)

2019 vs 2018

The operating result for 2019, amounting to Euro 86,456 thousand, was positively affected by the performance of the gross operating margin and further improved by the decrease in the item amortisation, depreciation, provisions and write-downs compared with the previous year, due to the reversal to income of the provisions.

Adjusted Operating Result (Adjusted EBIT)

2019 vs 2018

Adjusted operating income amounted to Euro 84,819 thousand and was the result of the reversal to income of the provision for its residual value of Euro 1,637 thousand, existing against the costs, borne by the concession-holders, related to the maintenance of the safety conditions of the "large dams" for which the concrete risk of obstruction of the discharge organs had been ascertained; the risk is considered to have been overcome in view of the measures taken.

Investments

2019 vs 2018

Capital expenditure by the Hydro Business Unit was substantially stable compared with the previous year with an increase of 1.4%.

Distribution Business Unit

The following table shows the main data relating to the Distribution Business Unit for the years ended 31 December 2019 and 2018

Amounts in Euro thousands	For the year ended 31 December		2019 vs 2018	
	2019	2018	Change	% change
Economic data				
Revenues	33,881	36,874	-2,993	-8.1%
Personnel cost	-6,590	-6,917	327	-4.7%
Gross Operating Margin (EBITDA)	16,990	17,273	-283	-1.6%
% of revenues	50.1%	46.8%		
Amortisation, depreciation, provisions and write-downs	-7,095	-6,752	-342	5.1%
Operating Result (EBIT)	9,895	10,521	-626	-5.9%
% of revenues	29.2%	28.5%		
Result from non-recurring transactions	0	-		
Adjusted Operating Result (Adjusted EBIT)	9,895	10,521	-626	-5.9%
% of revenues	29.2%	28.5%		
Investments	8,732	7,110	1,622	22.8%

Revenues

2019 vs 2018

The trend in revenues year on year shows a decrease of Euro 2,993 thousand (-8.12%). This decrease is mainly due to the reduction of Euro 2,478 thousand in revenues from the cancellation of energy efficiency certificates due to lower quantities cancelled compared with the previous year. Tariff and equalisation revenues decreased by Euro 275 thousand or 0.9%. Other revenues decreased by Euro 147 thousand due to a reduction in insurance settlements

Gross Operating Margin (EBITDA)

2019 vs 2018

The gross operating margin shows a decrease of 1.64% (equal to Euro 283 thousand). Against a negative trend in revenues (-8.12%), the change in EBITDA was determined by the trend in operating costs, which showed a reduction in both the personnel cost component, due to higher capitalisation and a decrease in the cost of temporary staff, and in services due to lower rental fees, as a result of the introduction of the IFRS16 accounting standard, as well as lower contracts for breakdown maintenance and lower costs for telephone services. EBITDA margin on revenues totalled 50.15% compared to 46.8% at 31 December 2018.

Operating Result (EBIT)

2019 vs 2018

The operating result for 2019 was 5.95% lower than in the previous year due to the worsening in the gross operating margin described above and the increase in the amortisation and depreciation costs incurred by this BU in 2019.

Operating margins totalled 29.21%, compared to 28.60% in 2018.

Adjusted Operating Result (Adjusted EBIT)

2019 vs 2018

The adjusted operating result for the year 2019 coincides with the operating result for 2019 and shows no change compared to the previous year.

Investments

2019 vs 2018

Investments relating to the Distribution Business Unit in 2019 show a decrease of Euro 1,622 thousand compared with 2018 (23.0%). The main investments in 2019 concerned investments in distribution networks on customer request (Euro 3,671 thousand) and in service quality (Euro 3,533 thousand), in remote control and telecommunication systems (Euro 1,145 thousand).

Sales Business Unit

The following table shows the main data relating to the Sales Business Unit for the years ended 31 December 2019 and 2018:

Amounts in Euro thousands	For the year ended 31 December		2019 vs 2018	
	2019	2018	Change	% change
Revenues	736,075	770,202	-34,127	-4.4%
Personnel cost	-4,142	-3,957	-185	4.7%
Gross Operating Margin (EBITDA)	10,181	2,617	7,564	289.0%
% of revenues	1.4%	0.3%		
Amortisation, depreciation, provisions and write-downs	-323	-391	68	-17.3%
Operating Result (EBIT)	9,858	17,838	-7,980	-44.7%
% of revenues	1.3%	2.3%		
Result from non-recurring transactions	-467	-		
Adjusted Operating Result (Adjusted EBIT)	10,324	17,838	-7,513	-42.1%
% of revenues	1.4%	2.3%		
Investments	227	54	173	319.8%

Revenues

2019 vs 2018

The trend in revenues year-on-year shows a decrease of Euro 34,127 thousand or 4.4%, mainly due to the reduction in the volumes supplied to customers by the Group's sales companies, which, as shown in the section dedicated to the Group's non-financial performance indicators, have decreased by approximately 17% in two consecutive years.

Gross Operating Margin (EBITDA)

2019 vs 2018

EBITDA shows a significant increase between the two consecutive years, equal to Euro 7,564 thousand, mainly due to the decrease in costs typically incurred by the BU, typical of the structure related to its operations, for the transport of energy on the distribution networks as well as for the system charges incurred for the dispatching of electricity and the use of the transmission networks.

The decrease in costs for services deriving from technical, legal and tax/administrative consultancy also contributed, albeit to a lesser extent, to the increase in the BU's EBITDA. Margins totalled 1.4%, a rise on the previous year.

Operating Result (EBIT)

2019 vs 2018

The operating result for FY 2019 in line with the gross operating margin recorded a significant increase of Euro 7,632 thousand (+342 %).

Operating margins totalled 1.3%, compared to 0.3% the previous year.

Adjusted Operating Result (Adjusted EBIT)

2019 vs 2018

Adjusted operating profit 2019 was Euro 10,324 thousand and internalised the combined and opposite effect referred to two main accounting events. The allocation, during the year, of a total of 10,236 thousand, made against the assessment of the amount of litigation that could arise as a result of the ruling of the Court of Cassation no. 15198 of 04 June 2019, which established the incompatibility of the provisions establishing the additional excise duty on electricity with Directive 2008/118/EEC as already described in this report. The reversal into income of provisions for Euro 9,770 thousand relating to the closure of the dispute with the Aosta Revenue Agency for VAT on excise duties also subject to dispute. In view of the positive Supreme Court ruling of 18 April 2019 on VAT (filed on 16 October 2019), any contingent liability in this regard ceased to exist and the provisions for risks that had been allocated at the time were reversed.

Investments

2019 vs 2018

In 2019, capital expenditure related to the Sales Business Unit amounted to Euro 227 thousand, an increase compared with FY 2018.

Business Unit Other Renewable Energy Sources (“RES”)

The following table shows the main data relating to the “Other Renewable Energy Sources” (RES) Business Unit for the years ended 31 December 2019 and 2018

Amounts in Euro thousands	For the year ended 31 December		2019 vs 2018	
	2019	2018	Change	% change
Economic data				
Revenues	44,394	40,364	4,030	10.0%
Personnel cost	-289	-148	-141	95.1%
Gross Operating Margin (EBITDA)	35,712	31,378	4,334	13.8%
% of revenues	80.4%	77.7%		
Amortisation, depreciation, provisions and write-downs	-17,875	-16,899	-976	5.8%
Operating Result (EBIT)	17,838	14,480	3,358	23.2%
% of revenues	40.2%	35.9%		
Result from non-recurring transactions	0	-		
Adjusted Operating Result (Adjusted EBIT)	17,838	14,480	3,358	23.2%
% of revenues	40.2%	35.9%		
Investments	7,649	76,291	-68,642	-90.0%

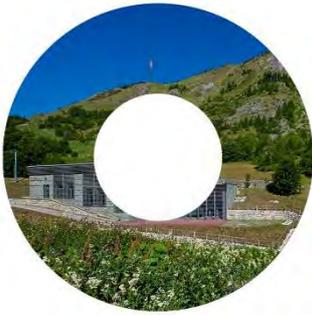
Revenues

2019 vs 2018

The increase witnessed between 2019 and 2018 (equal to 9.9%) in the item “Revenues” is mainly due to the change in the perimeter compared with the previous year, represented above all by the entry into the Business Unit, with the contribution for the entire year, of the Monteverde wind farm acquired in 2018 through the company WIND FARM MONTEVERDE, which brought more than Euro 7 million of Revenues in 2019 compared with approximately Euro 3 million in the previous year due to the sale of energy to wholesale customers as well as the incentives obtained from the GSE as well.

To a lesser extent, the entry for the full year of the wind farm located in Pontedera acquired in May 2018 and operated for the full year in 2019 had an impact.

Also worth mentioning are the favourable meteorological conditions represented by a good windiness compared with past data, recorded during the year in the areas where the Company's plants are located.



Gross Operating Margin (EBITDA)

2019 vs 2018

The gross operating margin shows an increase of 13.8%, mainly due to the dynamics widely presented in the description of revenues with regard to the delta perimeter.

There was a slight increase in absolute terms in the share of labour costs attributed in 2019 to the BU in question, due to the allocation of staff to the Parent Company and dedicated to wind and photovoltaic plants.

Margins totalled 80.4%, compared to 77.7 % reported in 2018.

Operating Result (EBIT)

2019 vs 2018

The operating result is affected by the internalised margin on acquisitions, details of which have been given above.

It is noted that, against the increase in the perimeter, the item amortisation and depreciation increased by 5.7 %, modulating the increase in margins, which at the level of operating income was around 40.2% against 35.9% of the previous year.

Adjusted Operating Result (Adjusted EBIT)

2019 vs 2018

During the two financial years in question, there were no non-recurring transactions such as to justify a misalignment between the operating result and the adjusted operating result.

Investments

2019 vs 2018

Investments relating to the "Other RES" Business Unit made in 2019 amounted to Euro 7,649 thousand, a slight decrease compared with Euro 76,291 thousand in 2018, which included investments related to the acquisition of the Pontedera (acquisition of a business unit by CVA) and Monteverde wind farms.

Corporate Business Unit

The following table shows the main data relating to the "Corporate" Business Unit for the years ended 31 December 2019 and 2018:

Amounts in Euro thousands	For the year ended 31 December		2019 vs 2018	
	2019	2018	Change	% change
Economic data				
Revenues	3,284	12,035	-8,751	-72.7%
Personnel cost	-10,529	-12,427	1,897	-15.3%
Gross Operating Margin (EBITDA)	-17,052	-13,289	-3,763	28.3%
% of revenues	-519.3%	-110.4%		
Amortisation, depreciation, provisions and write-downs	-2,832	-3,181	350	-11.0%
Operating Result (EBIT)	-19,884	-16,471	-3,413	20.7%
% of revenues	-605.5%	-136.9%		
Result from non-recurring transactions	2,119	2,066	53	2.5%

Amounts in Euro thousands	For the year ended 31 December		2019 vs 2018	
Adjusted Operating Result (Adjusted EBIT)	-22,003	-18,537	-3,466	18.7%
% of revenues	-670.0%	-154.0%		
Investments	4,641	2,329	2,312	99.2%

Revenues

2019 vs 2018

Year on year revenues show a significant decrease equal to Euro 8,751 thousand (-72.7%) mainly due to the refinement of the mechanism of attribution of the elision of revenues deriving from outsourcing contracts stipulated with the Parent Company by the companies of the Group.

Gross Operating Margin (EBITDA)

2019 vs 2018

The gross operating margin shows a decrease of Euro 3,763 thousand (28.3 %) due to the decrease in revenues, partially offset by the reduction in labour costs and other operating costs, more precisely attributed to the BUs through the implementation of new analysis tools to support segment reporting.

Operating Result (EBIT)

2019 vs 2018

In 2019, the Operating Result amounted to Euro 19,884 thousand (20.7%), worsening compared to the previous year for the reasons already described in the previous paragraphs.

Adjusted Operating Result (Adjusted EBIT)

2019 vs 2018

Adjusted EBIT amounted to Euro 22,003 thousand (down 18.5% compared with the previous year); this result includes Euro 2,19 thousand for the reversal to income of the energy discount provision following the trade union agreement that sanctioned its elimination. A detailed description is provided in the appropriate section of the Notes to the Consolidated Financial Statements.

Investments

2019 vs 2018

In 2019, the Corporate Business Unit increased its investments by Euro 2,312 thousand compared with 2018.

Economic, equity and financial situation of C.V.A. S.p.A. a s.u.

Economic situation of C.V.A. S.p.A. a s.u.

Amounts in Euro	2019	2018	2019 vs 2018	
	Total	Total	Change	% change
Revenues				
Revenues from sales and services	160,238	151,671	8,568	5.6%
Other revenues and income	28,215	31,148	-2,933	-9.4%
TOTAL REVENUES (A)	188,453	182,818	5,635	3.1%
of which: impact of non-recurring items		2,066		
Operating costs				
Costs for raw materials and services	16,681	18,631	-1,950	-10.5%
Personnel costs	23,181	25,190	-2,009	-8.0%
Other operating costs	37,661	34,831	2,830	8.1%
Capitalised days of work	-877	-865	-12	1.3%
TOTAL OPERATING COSTS (B)	76,646	77,787	-1,141	-1.5%
of which: impact of non-recurring items	1,540			
GROSS OPERATING MARGIN (A-B)	111,807	105,031	6,775	6.5%
Amortisation, depreciation, provisions and write-downs				
Amortisation	31,451	30,856	595	1.9%
Provisions and write-downs	-2,332	1,903	-4,235	-222.5%
TOTAL AMORTISATION, DEPRECIATION, PROVISIONS AND WRITE-DOWNS (C)	29,119	32,759	-3,640	-11.1%
of which: impact of non-recurring items	1,637	2,197		
OPERATING RESULT (A-B+/-C)	82,688	72,272	10,416	14.4%
of which: impact of non-recurring items	1,637	-131		
Financial management				
Financial income	10,361	6,773	3,587	53.0%
Financial expense	6,105	1,983	4,122	207.9%
TOTAL FINANCIAL BALANCE (D)	4,256	4,791	-535	-11.2%
PRE-TAX RESULT (A-B+/-C+/-D)	86,944	77,063	9,881	12.8%
of which: impact of non-recurring items	1,637	-		
Gains/(losses) for income taxes	23,336	22,025	1,312	6.0%
Net result of continuing operations	63,607	55,038	8,569	15.6%
Net result of discontinued operations	-	-		
PERIOD NET RESULT	63,607	55,038	8,569	15.6%

Revenues and other revenues

In 2019, the Parent Company generated revenues of Euro 188,453 thousand, an increase of Euro 5,635 thousand on the Euro 182,818 thousand of 2018.

Revenues from the sale of electricity produced amounted to Euro 149,007 thousand in 2019 (Euro 135,985 thousand in 2018), among these, the sale of electricity to the subsidiary CVA ENERGIE is predominant (Euro 145,656 thousand in 2019 compared with Euro 132,463 thousand in 2018). The main reason for the change in sales prices is the less than positive impact on the quantities produced by the hydroelectric power plants, attributable primarily to less than favourable weather conditions, offset in part by the output of the other renewable sources, such as photovoltaic and wind farms.

Revenues from the sale of energy certificates/titles to CVA ENERGIE (amounting to Euro 2,566 thousand in FY 2019, Euro 2,908 thousand in FY 2018) show a negative change mainly attributable to the decrease in the number of certificates (the "GO") products, together with the decrease in the average sales price; revenues from services were stable between the two years.

"Other revenues and income" are down 9.4% mainly comprising operating revenues that amount to Euro 26,052 thousand in 2019 (Euro 27,084 thousand in 2018), and includes the contribution paid by the GSE such as the Energy Account, the Tariff Incentive and GRIN incentive. The change found between FY 2019 and FY 2018 (equal to Euro -1,032 thousand) is almost all attributable to the GRIN Incentives whose total contracted from Euro 20,236 thousand in 2018 to Euro 18,267 thousand in 2019 due to the effect of the decrease in the unit value of the GRIN incentive, which went from Euro 98.95/MWh in FY 2018 to Euro 92.11/MWh in FY 2019 as well as due to the lower production of the incentivised plants; partially offsetting the decrease in the GRIN incentives is the trend in the incentive tariffs and the energy account on photovoltaic production, which between the two financial years show a total increase of approximately Euro 1 million. This is explained in detail in CVA's explanatory note below.

Operating costs

Operating costs decreased moderately by approximately 1.5%, from Euro 77,787 thousand in 2018 to Euro 76,646 thousand at 31 December 2019. The change is mainly affected by the inverse of the changes undergone by personnel costs, which contracted by more than Euro 2 million mainly due to the reversal to income of the employee energy discount provision no longer deemed necessary due to new union agreements (as fully described in the explanatory note below); on the other hand, there was an increase of more than Euro 2.8 million in 2019 in the item "other operating costs" mainly due to the increase in tariffs against the fees recognised by the Company for the diversion of water for hydroelectric use.

These charges totalled Euro 34,864 thousand at 31 December 2019, compared with Euro 32,071 thousand in 2018.

The reduction in the item "costs for raw materials and services" is mainly due to savings on the item "legal, administrative and commercial consultancy".

Amortisation, depreciation, provisions and write-downs

The item amortisation, depreciation, provisions and write-downs at 31 December 2019 amounted to Euro 29,119 thousand, a decrease of Euro 3,640 thousand on the Euro 32,759 thousand in 2018. The change that took place was mainly due to the performance of the item "provisions and write-downs" which decreased by Euro 3,640 thousand to a negative value of Euro 2,332 thousand at 31 December 2019, as a result of the proceeds from provisions exceeded provisions and write-downs, unlike in 2018 where net provisions and write-downs of Euro 1,903 thousand were recorded.

In particular, the positive effects arising from the partial reversal into income, for Euro 659 thousand, of the provision set aside in previous years for the dispute with INPS on the payment of sickness and maternity contributions for some categories of employees, following the closure of the dispute with sentence 816/2019 of the Turin Court of Appeal, as well as the reversal into income, for Euro 1,636 thousand of the provision allocated in 2012 for charges, to be borne by the concession-holders, related to the maintenance of the safety conditions of the "large dams" for which a concrete risk of obstruction of the discharge organs had been ascertained, which was considered by the directors to have been overcome following the work carried out, in the light of the information available to them, they now considered the risk of the occurrence of such charges to be remote and therefore the provision.

Total depreciation and amortisation amounted to Euro 31,451 thousand, an increase of Euro 595 thousand compared with the previous financial year. In detail, depreciation of tangible assets amounted to Euro 30,410 thousand in FY 2019 (Euro 29,699 thousand in FY 2018) and refers mainly to the depreciation of plant and machinery for Euro 26,108 thousand as well as both operating and non-operating buildings, industrial and commercial equipment and other assets in addition to leasehold improvements. Amortisation of intangible assets amounted to Euro 1,041 thousand in 2019 (Euro 1,157 thousand in 2018) and refer for the most part to patents and intellectual property rights, concessions, licences and trademarks. As described previously, in this information package, it should be noted that, also for the Parent Company, in FY 2019, the first application of the international accounting standard IFRS 16, resulted in the emergence of amortisation of the rights of use recorded for a total amount of Euro 348 thousand, of which full details are given in the Notes to the financial statements.

Financial management

In 2019, the Company recorded dividends distributed by the subsidiaries for a total of Euro 3,623 thousand, of which Euro 1,850 thousand related to dividends approved by the subsidiary DEVAL and Euro 1,773 thousand to dividends approved by the subsidiary VALDIGNE.

Financial income from Group companies and related parties, amounting to Euro 4,657 thousand, increased in 2019 compared with Euro 2,719 thousand in 2018, this increase was mainly due to the early repayment, on 24 December 2019, of the loan granted by the Company to its parent company FINAOSTA which resulted in the recognition within FY 2019 to income of the entire amortised cost still accrued amounting to Euro 2,347 thousand.

Other financial income amounted to Euro 1,679 thousand in 2019, showing an increase of almost 19% compared with the previous year and internalises the increase in interest income received on financial investments made by the Parent Company such as capitalisation policies, repurchase agreements; it also includes interest on bank account balances, loans granted to employees as well as other financial income including interest on tax credits requested for repayment.

The financial expenses incurred in 2019 by the Company, amounted to Euro 6,105 thousand, a significant increase compared with the previous year (which presented a balance of Euro 1,983 thousand), mainly as a result of the manifestation of interest due on the loan payable of Euro 200,000 thousand taken out at the end of FY 2018, as well as the differentials paid on the Interest Rate Swap transactions linked to this to fix the rate. This is discussed in detail in the appropriate section of the Explanatory Notes.

This item also includes interest expense that corresponds to the portion of interest recognised in accordance with IFRS 16 on lease payments and the related financial liabilities (Euro 83 thousand).

Other financial charges relate to interest paid to subsidiaries on amounts deposited in their centralised treasury accounts, in addition to charges resulting from the actuarial valuation of risk provisions.

Income taxes

The tax expense for 2019 amounted to Euro 23,336 thousand (Euro 22,025 thousand in 2018) with a tax rate of 26.8% (in 2018, the tax rate was 28.6%).

Current taxes show a decrease of around 4% compared with the previous year (Euro 16,143 thousand in 2018 versus Euro 15,470 thousand in 2019), accounting for about 18% on the pre-tax result. Present an inverse trend the net deferred tax assets/deferred tax liabilities, which increased compared with the previous year (Euro 8,381 thousand in FY 2019 compared with Euro 5,874 thousand in FY 2018) of more combined effects related to the differences between statutory and fiscal amortisation, on the tax treatment related to hedging derivatives as well as the effect resulting from the reversal to income of some risk provisions. The changes are analysed in detail in the relevant section of the Notes.

Equity and financial situation of C.V.A. S.p.A. a s.u.

Amounts in Euro	Notes	2019	2018	2019 vs 2018	
		Total	Total	Change	% change
Assets					
Non-current assets					
Tangible assets	(12) (14)	405,633	419,446	-13,813	-3.3%
Intangible assets	(13) (14)	7,510	7,046	465	6.6%
Goodwill	-15	188,217	188,217		0.0%
Equity investments	-16	129,523	129,287	236	0.2%
Deferred tax assets	-17	13,458	13,669	-211	-1.5%
Non-current financial assets	-18	182,589	94,294	88,294	93.6%
Other non-current assets	-19	1,822	1,867	-45	-2.4%
Total non-current assets		928,752	853,826	74,926	8.8%
Current assets					
Inventories	-20	998	961	37	3.9%
Trade receivables	-21	152,549	145,772	6,777	4.6%
Receivables for income taxes	-22	6,384	9,199	-2,815	-30.6%
Other tax receivables	-23	3,680	6,112	-2,432	-39.8%
Other current financial assets	-25	50,494	171,768	-121,274	-70.6%
Other current assets	-26	12,394	17,706	-5,312	-30.0%
Cash and cash equivalents	-27	211,584	183,085	28,498	15.6%
Total current assets		438,084	534,604	-96,519	-18.1%
Assets classified as held for sale		-	-		
TOTAL ASSETS		1,366,836	1,388,430	-21,594	-1.6%

Amounts in Euro	Notes	2019	2018	2019 vs 2018	
		Total	Total	Change	% change
Shareholders' equity					
Share capital		395,000	395,000		0.0%
Other reserves		276,500	267,360	9,140	3.4%
Accumulated Profits/(Losses)		35,815	35,815		0.0%
Net result of the year		63,607	55,038	8,569	15.6%
Total shareholders' equity	-28	770,922	753,213	17,709	2.4%
Liabilities					
Non-current liabilities					
Employee benefits	-29	3,376	6,666	-3,290	-49.4%
Provisions for risks and charges	-30	7,096	9,342	-2,246	-24.0%
Deferred tax liabilities	-17	43,062	36,352	6,710	18.5%
Non-current financial liabilities	(14) (31)	313,852	339,502	-25,650	-7.6%
Total non-current liabilities		367,386	391,862	-24,476	-6.2%
Current liabilities					
Employee benefits	-29	1,591		1,591	n.a.
Trade payables	-34	128,966	129,046	-80	-0.1%
Payables for income taxes	-35	1,807	9,279	-7,472	-80.5%
Other tax payables	-36	2,237	1,274	963	75.6%
Derivatives	-24	12,820	6,182	6,638	107.4%
Other current financial liabilities	(14) (31)	73,564	89,741	-16,177	-18.0%
Other current liabilities	-37	7,542	7,833	-291	-3.7%
Total current liabilities		228,528	243,355	-14,827	-6.1%
Liabilities related to assets held for sale		-	-		
TOTAL EQUITY AND LIABILITIES		1,366,836	1,388,430	-21,594	-1.6%

Non-current assets

Non-current assets amounted to Euro 928,752 thousand at 31 December 2019, up from Euro 853,826 thousand at 31 December 2018, the increase is mainly due to the effect of the increase in non-current financial assets. The change recorded in the year, in addition to the normal repayment cycle of loans, is affected by the provision of loans to WIND FARM MONTEVERDE and CVA VENTO, respectively for Euro 50,000 thousand and Euro 45,000 thousand.

Tangible assets consists of all the tangible assets owned and the rights of use on tangible assets.

Tangible assets amounted to a total of Euro 405,633 thousand (Euro 419,446 thousand at the end of the previous financial year) and refer to owned tangible assets and rights to use tangible assets arising from the application of the accounting principle IFRS 16 described above. Among these assets, a significant position is occupied by the assets inherent to the freely transferable works (on the balance sheet for Euro 154,642 thousand as at 31 December 2019) whose amortisation process is related to the duration of the concession since, pursuant to art. 12, paragraph 1 of Legislative Decree 16 March 1999, no. 79, upon expiry of the concessions for large hydroelectric diversions, the works referred to in article 25, first paragraph, of the consolidated text of Royal Decree no. 1775 of 11 December 1933 (the so-called "wet works"), pass without compensation, into the ownership of the regions, in a state of regular operation.

Intangible assets totalled Euro 7,510 thousand at 31 December 2019 and consisted of all owned intangible assets and rights of use on intangible assets. During 2019, there was an overall increase in the item "intangible assets" as the effect of the ordinary amortisation process was lower than the value of investments for the period, which saw the capitalisation of charges mainly related to Software improvements and maintenance and the Group rebranding operation.

The item "investments" shows substantial stability, standing at Euro 129,522 thousand in 2019 compared with Euro 129,287 thousand at 31 December 2018.

Other non-current financial assets amounted to Euro 182,589 thousand at the end of 2019 compared with Euro 94,294 thousand in increase compared with 2018 for the reasons explained at the beginning of this paragraph.

Current assets

The balance of Euro 438,084 thousand recognised at 31 December 2019 for Current Assets shows a decrease of Euro 96,519 thousand compared with 2018 mainly attributable to the reduction in receivables from Group companies for centralised treasury, which showed a balance of Euro 125,806 thousand in 2018 compared with Euro 16,080 thousand at 31 December 2019; this reduction is related to the disbursement of loans to certain Group companies, previously mentioned.

Trade receivables showed an increase of approximately 5 %, amounting to Euro 152,549 thousand in 2019 compared with Euro 145,772 thousand in 2018 due mainly, to the increase in the sale of energy produced by the Company to the Group's sales company.



Cash and cash equivalents mainly include the balance receivable of current bank accounts at the reporting date, up on last year and equal to Euro 211,584 thousand (Euro 183,085 thousand at 31 December 2018).

Shareholders' equity

The table below shows the breakdown of shareholders' equity at 31 December 2019 and 2018

Amounts in Euro	Notes	2019	2018	2019 vs 2018	
		Total	Total	Change	% change
Shareholders' equity					
Share capital		395,000	395,000		0.0%
Other reserves and accumulated profits (losses)		312,315	303,175	9,140	3.01%
Net result of the year		63,607	55,038	8,569	15.57%
Total shareholders' equity	-28	770,922	753,213	17,709	2.35%

At 31 December 2019, the share capital was fully paid-in and divided into 395,000,000 ordinary shares with nominal value of Euro 1 euro each. The entire share capital refers to the Sole Shareholder FINAOSTA.

The changes in Shareholders' Equity recorded in 2019, compared with 2018, in addition to referring to the recognition of the result for the period, refer to the distribution to the Shareholder of CVA of dividends for Euro 41,277 thousand.

Non-current liabilities

Non-current liabilities amounted to 367,386, a decrease of 6.2% compared with the previous year, particularly due to the decrease in the item "employee benefits" compared with the previous year.

The main change derives from the performance of the item "employee benefits", which shows a year-on-year decrease of approximately 49% (opening to Euro 3,290 thousand) mainly due to the reversal to income of the provision for energy discount following the trade union agreement that sanctioned its cancellation.

There is also a 24 % change in the Provision for risks and charges, uses and reversal to income of which have shown a better than provided for performance. In particular, the main impact is due to the reversal to income of Euro 1,637 thousand from the provision for charges relating to maintenance of large dams, which was fully released following the work carried out, making the risk represented by the cost of maintaining the safety conditions of the "large dams" remote.

The item "deferred tax liabilities" amounted to Euro 43,062 thousand at 31 December 2019 (Euro 36,352 thousand at 31 December 2018), of which Euro 37,271 thousand (Euro 31,506 thousand at December 2018) for IRES with an increase of 18.5% mainly resulting from deferred taxes recorded on amortisation (of goodwill) carried out exclusively for tax purposes.

Current liabilities

At the end of 2018, current liabilities amounted to Euro 228,528 thousand, an increase of Euro 14,827 thousand (-6.1%) compared with Euro 243,355 thousand at the end of the previous year.

The main movement in increase comes from the valuation, at fair value at the balance sheet date, of current interest rate derivatives (assets and liabilities) and shows an increase of 107.4% from Euro 6,182 thousand to Euro 12,820 thousand between 2018 and 2019.

We also note the decreasing movement between the two years of the item "income tax payables" of Euro 1,807 thousand at 31 December 2019 against Euro 9,279 thousand at 31 December 2018 which mainly refer to payables for current taxes accrued during the year as well as payables to subsidiaries participating in the national IRES tax consolidation scheme.

Financial management and rating

The liquidity of the Group was thus invested or deposited respectively on 31 December 2019 and 31 December 2018:

Type of investment	Invested capital at 31/12/2019	% of total liquidity	Invested capital at 31/12/2018	% of total liquidity
Capitalisation policies	76,429.4	23.74%	48,015.9	15.37%
Government Bonds	-	0.00%	-	0.00%
Other bonds/stable component	-	0.00%	-	0.00%
Other financial investments/stable component	-	0.00%	8,001.8	2.56%
Loans to investee companies	8,719.4	2.71%	9,541.0	3.05%
Loans to parent company	-	0.00%	18,132.0	5.81%
Stable component of the Portfolio	85,148.8	26.45%	83,690.7	26.79%
Capitalisation policies	8,772.1	2.72%	23,957.5	7.67%
Repurchase transactions and Time Deposits	13,017.8	4.04%	15,027.3	4.81%
Government Bonds	-	0.00%	-	0.00%
Other temporary component bonds	-	0.00%	-	0.00%
Commercial cards backed by bank surety	-	0.00%	-	0.00%
Temporary component of the Portfolio	21,789.9	6.77%	38,984.8	12.48%
Free amounts on bank current accounts and other cash	214,992.2	66.78%	189,674.4	60.72%
Free amounts	214,992.2	66.78%	189,674.4	60.72%
TOTAL CASH AND CASH EQUIVALENTS	321,930.9	100.00%	312,349.9	100.00%

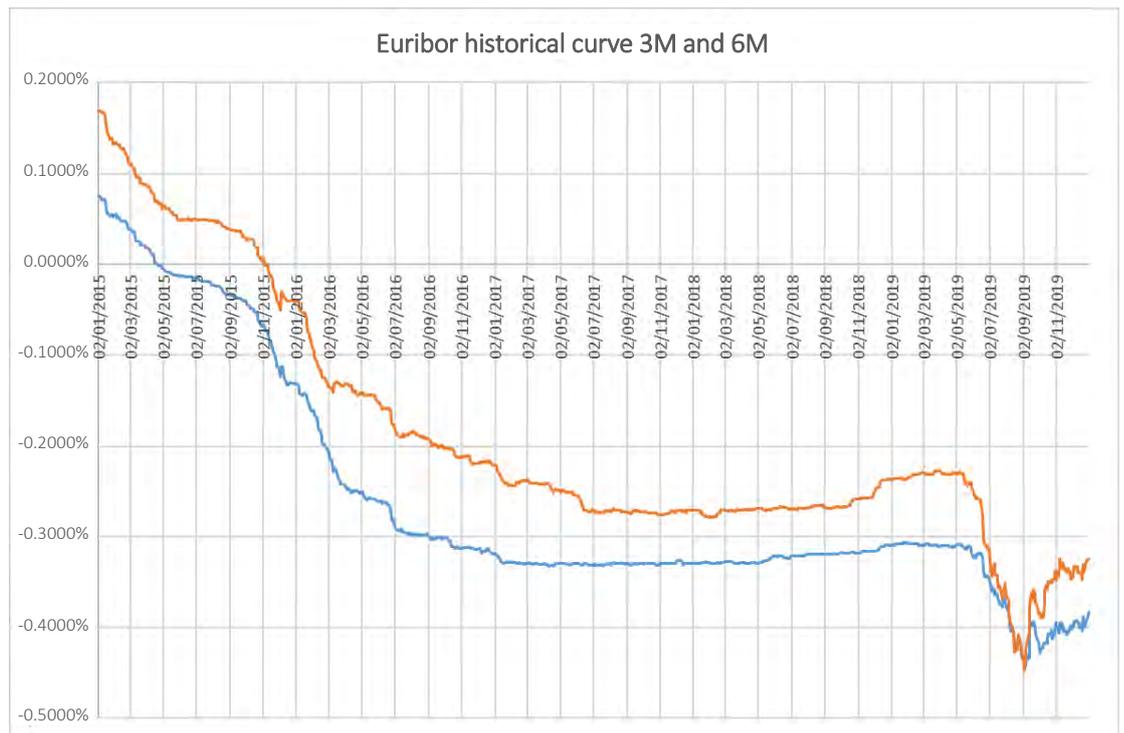
The Group's liquidity management has been implemented in line with an internal investment policy based on the current and prospective situation of the liquidity available for investment and on the analysis/detection of risk propensity and the Company's time horizon. This policy, which was launched in 2008 and updated, most recently, in 2016, envisages, in its current version, for financial management, the distribution of assets in three different portfolios:

- temporary component: to be considered as an immediate liquidity reserve, it assumes that the liquidity used respects the stringent liquidity and low risk limits identified by the policy. The component is held in order to guarantee at any time for CVA liquid funds to seize immediate opportunities for strategic investments;
- stable component: to be considered as a medium-term liquidity reserve (3 years), its objective is to generate a positive margin compared with a performance benchmark consisting of the 6-month EURIBOR rate and must also be subject to stringent

investment limits. This component can be invested in bond investment instruments that meet a set of generic and specific investment limits;

- treasury component: the update to the policy approved in 2016 was also introduced to incorporate the regulatory developments with the introduction of the BRRD legislation that exposes the Group to the risk of remaining involved in a BAIL IN procedure if a bank where deposits are made over Euro 100,000 enters into a restructuring procedure. To this end, a new component called “Treasury Component” was envisaged for which specific limits have been set. Regarding this component, which collects the portfolio destined for temporary investment of liquidity, the constraint of minimising the risk of loss of the amounts deposited prevails.

The Group's cash management yields, although higher than in the previous year, are affected by the trend in interest rates in the financial markets. The persistence of a negative situation in the short term prevents your Group from obtaining attractive returns, in accordance with the principles of prudence identified in the policy, from investments of liquidity. The following table graphically summarises the trend of the 3-month Euribor and 6-month Euribor rates from 01/01/2015 to 31/12/2019:



Rating “BBB+” with stable outlook by FitchRatings and Rating: “Baa2” with stable outlook of Moody’s

Your Group has maintained high credit ratings both from Moody’s (“Baa2” with stable outlook) and from FitchRatings (“BBB+” with stable outlook), higher than the credit rating recognised by the same companies to the Italian Republic (respectively Baa3 and BBB-).

On 24 October 2019, Fitch deemed to change CVA’s rating from “A-” with “negative outlook” to “BBB+” with “stable outlook”, the downgrade mainly reflects FITCH’s expectations of increased leverage by the CVA Group. This downgrade did not result in the start of negotiations to modify the contractual terms of existing loans.

It must be pointed out that the tensions regarding the sovereign rating of the Italian Republic, the dividends policy requested of your Company, the uncertainties and above all the lack of decisions on the possible future developments of the CVA Group (regardless of the type of decisions taken) and the expected possible regulatory developments (following the amendments made to the text of art. 12, paragraph 1 of Legislative Decree 16 March 1999, no. 79, by art. 11-quater, paragraph 1, letter a) of Decree Law 14 December 2018, no. 135, converted into law, with amendments, by art. 1 of the Law of 11 February 2019) of the renewal of major concessions for hydroelectric diversion could affect the maintenance of current rating levels.

Evolution of the regulatory framework

The regulatory and legislative environment of the electricity sector was characterised, during 2019, by numerous interventions by the Authority, as well as by national legislators, European institutions, and other entities that regulate the electricity system and the market. Below is a more in-depth detail of the regulatory actions that have affected the sector at national and European level in 2019.

European legislation and national decrees

European Green Deal

During 2019, the growing sentiment of attention to policies to combat climate change prompted the European institutions to adopt a new act of commitment to climate neutrality: in December 2019, the President of the European Commission - Ursula von der Leyen - presented the European Green Deal, a programme of measures to lead Europe to become the first climate-neutral continent, which implies emitting less carbon dioxide and removing the emitted one from the atmosphere. To do so, it will be necessary to extend to more sectors the emissions trading system that already helps the European Union to reduce emissions from the energy and industrial sectors; to invest in cleaner energy sources and green, environmentally friendly technologies; to develop a truly circular economy; and to protect biodiversity. The European Green Deal is intended to be a pathway to a fair and socially equal transition. The plan provides for major investments, estimated at over one billion euros over the next ten years.



National Integrated Energy and Climate Plan

On 20 March 2019, the Ministry of Economic Development launched a consultation on the proposed Integrated National Energy and Climate Plan (NIPEC), which was sent to the European Commission in December 2018. The latter, in June, published its assessment of the proposed Plans submitted by the various EU Member States, in implementation of the Regulation of the European Parliament and of the Council 2018/1999, aimed at achieving the European energy and climate objectives and, in particular, the targets set for 2030.

With regard to the Italian PNIEC, the Commission highlighted the lack of exhaustive specificity regarding the future developments and costs of the measures described, in particular with reference to the decarbonisation process. In more detail, specific recommendations have been made to Italy for the drafting of the final plan:

- in terms of renewable sources, sustain the level of ambition that the country has set for itself by adopting detailed and quantified policies and measures in line with the obligations imposed by the EU Directive 2018/2001 (30% of energy from renewable sources by 2030, raising the level of ambition in the district heating and cooling sector, achieving the target also in the transport sector);
- for energy efficiency, ensure that the key policy tools outlined in the PNIEC will deliver adequate savings also in the period 2021-2030, and adequately reflect and substantially strengthen the planned updates and improvements to existing support schemes by continuing to pursue the strengthening of energy efficiency measures in buildings and transport;
- specify the diversification and energy dependency reduction measures envisaged to support the objectives set for energy security. In particular, the Commission considers it necessary that in the electricity sector the adequacy of resources be assessed, taking into account the regional context and the actual potential of interconnections, as well as the production capacities in neighbouring countries; for the gas sector, on the other hand, it is recommended to specify the extent to which the planned development is compatible with the declared decarbonisation objectives and the planned gradual abandonment of coal-fired thermoelectric plants;
- setting clear objectives, milestones and timetables for the implementation of market opening reforms, with particular reference to wholesale markets for natural gas and the operation of retail markets for electricity and natural gas;
- specify the national and funding objectives for research, innovation and competitiveness to be achieved in the period 2021-2030, supporting them with specific and appropriate policies and measures, including those to be developed in cooperation with other Member States such as the Strategic Energy Technology Plan;
- carry out consultations with neighbouring countries on gas interconnection in Central and South-Eastern Europe (CESEC), further exploring the cross-border potential and macro-regional aspects of a coordinated energy and climate policy (in particular in the Adriatic) and exploit further the potential for closer cooperation in the Mediterranean;

- list actions taken and plans to phase out energy subsidies (especially fossil fuel subsidies);
- complete the analysis, including quantitative analysis, of interactions with air quality and air emissions policy;
- complement the fair and equitable transition aspects by setting out in more detail the effects of the envisaged objectives, policies and measures on society, employment, skills and income distribution, including in industrial and carbon-intensive regions, and by envisaging complementing the approach to overcoming energy poverty by introducing specific, measurable targets and details of the financial resources allocated to the implementation of the stated policies.

Renewable Sources Support Decree (“RES 1 Decree”)

In July 2019, the Decree of the Ministry of Economic Development was published for the incentive of electricity produced by technologies deemed mature: onshore wind and solar photovoltaic plants (Group A), hydroelectric and gas residue from purification processes (Group B), onshore wind, hydroelectric and gas residue from purification processes subject to total or partial refurbishment (Group C).

Compared to the previous decrees on the subject, DM 04/07/2019 (so-called Decree FER 1) introduces support for newly constructed photovoltaic systems, whose modules are installed to replace roofs of buildings and rural buildings on which the complete removal of eternit or asbestos is carried out (Group A-2). The methods of access to incentives remain unchanged and depend on the power of the plant and the group to which it belongs: Registration in the Registers for plants with a power greater than 1 kW (20 kW for photovoltaic) and less than 1 MW that belong to Groups A, A-2, B and C; participation in auction procedures for plants with a power greater than or equal to 1 MW that belong to Groups A, B and C.

Depending on the power of the plant, the Ministerial Decree identifies two different incentive mechanisms: the All-in-One Fee (TO) consisting of a single tariff, corresponding to the tariff due, which also remunerates the electricity withdrawn by the GSE; an Incentive (I), calculated as the difference between the tariff due and the hourly zone price of energy, since the energy produced remains in the availability of the operator.

The Decree RES 1 provides for three different tariff definitions: the Reference Tariff, determined according to the source and type of plant and the power, applying the tariffs and any reductions provided by the previous Ministerial Decree of 23/6/2016, for non-photovoltaic plants registered in a useful position in the Registers, which enter into operation within one year from the entry into force of the Ministerial Decree of 04/07/2019 and which have not benefited from specific priority criteria set out in the latter, i.e. the rates set out in Annex 1 to the Ministerial Decree of 04/07/2019 for all other plants; the Offered Tariff, calculated by applying to the reference tariff any reductions requested by the Responsible Party during registration in the Registers or Auctions, in order to benefit from the relevant priority criteria; the Offered Tariff, calculated by applying to the offered tariff any further reductions provided for by the Ministerial Decree of 04/07/2019 for plants that have been placed in a useful position in the rankings of the Registers and Auctions and subsequently

admitted to the incentives. Compared with the previous incentive mechanisms, a two-way contract for difference mechanism is envisaged, i.e. the producer receives the differential between the due tariff and the market price, if the latter is lower, but also the restitution of the difference in the opposite case (market price higher than the due tariff).

This mode significantly reduces the impact of the support mechanism on the system. In fact, the general trend is towards a gradual reduction in incentive mechanisms, as renewable technologies mature, in favour of contractual types that stabilise various kinds of investments, such as long-term contracts (power purchase agreements - PPAs).

Electricity market

During 2019, regulatory activities aimed at harmonising the Italian electricity market with the European market continued. Specifically, with DCO 322/2019/R/eel, which contains proposals for updating the Integrated Text of Electric Dispatching (TIDE), the Authority submitted for consultation its guidelines, which are designed to achieve two macro-objectives: on the one hand, the identification of the main lines of action for the evolution of the dispatching service in the new context of rapid and continuous evolution linked to the spread of non-programmable renewable sources and distributed generation, as well as the gradual disappearance of programmable plants that have historically made available the resources to guarantee the balance between demand and supply of electricity; on the other hand, the completion of the integration of Italian markets with those of other European countries, taking into account the European regulatory framework, with special emphasis on the coupling of intraday markets characterised by continuous trading (possibly supplemented with auction mechanisms) and the shifting of the gate closure to the hour before the one to which the subject of the trading refers, as well as the harmonisation and sharing of the services needed to ensure the safety of the system (ancillary services).

More specifically, the Authority's proposals were aimed at improving, in terms of efficiency, effectiveness and transparency, the functionality of the Dispatching Services Market (MSD) and the instruments with which Terna is called upon to guarantee the safety of the national electricity system; these include interventions on the methods with which the resources for ancillary services are procured and remunerated, in compliance with the time and logistical constraints that characterise the functioning of the system.

The Authority's guidelines also concerned the revision of the valuation of imbalances, so that it may be as consistent as possible with the temporal, spatial and commodity dimensions that distinguish the value of energy in real time (also making use, with due gradualness, of nodal prices), avoiding that any distortions in the formation of imbalance prices lead to inefficient market outcomes, with consequent possible negative repercussions also on the security of the electricity system and the costs incurred to guarantee it. As already indicated in previous documents, the Authority also returned to the provision for the introduction of negative prices on the national markets (limited to the Day-Ahead Market and the Intraday Market).

Market coupling

Pending the completion of the reform of the MSD, the Authority requested Terna and the Energy Markets Manager (hereinafter “GME”) (Resolution 350/2019/R/eel) to adopt transitional measures to allow Italy to participate in the XBID project as early as 2020. In fact, the Authority expressed a favourable opinion on the proposal for coordination between MI and MSD put forward by Terna, which envisages allowing operators to modify their programmes up to the H-1 hour, therefore also after the determination of the *ex-ante* MSD results (subject to any constraints imposed by Terna itself as a result of the *ex-ante* MSD), as well as the obligation compatibly with the start of the *ex-ante* MSD session, for authorised units to submit a “pre-nomination” (i.e., to translate into a withdrawal or input schedule the total volumes of energy traded up to that moment in continuously traded MIs), so as to have a schedule as a starting point for the MSD scheduling phase. Terna's proposal also envisages that the outcome of the *ex-ante* MSD will provide the quantities selected (but not subject to remuneration) and the operating constraints that the qualified units will have to respect, in the form of feasibility intervals within which the final cumulative programme of each qualified unit will have to fall. In addition, the Authority entrusted to the GME the task of developing and managing the Local Trading System (LTS) trading platform through which Italian operators will be able to complete their trades and interface with the systems of the XBID project and the nomination platform.

Italy-Switzerland coupling

Implicit intraday auctions for capacity allocation on the Italian-Swiss border were launched on 17 April 2019. In this regard, continuing the activities carried out in 2018, the Authority, with resolution 134/2019/R/eel, took a further important step by positively verifying: the contractual outlines of the contract “Intraday Operational Agreement for the Intraday Market Coupling between Italy and Switzerland”, which establishes the rights and obligations of grid operators and market operators active in Italy and Switzerland; the amendments to the agreement between Terna and GME, updated in order to regulate the management of information flows functional to the coupling project, as well as integrated with additional aspects for the management of information flows provided for in the contract “Multi-Regional Market Coupling Day-Ahead Operations Agreement” and for the coordination of the management activities of the Electricity Market and the Energy Accounts Platform; the new versions of the Intraday Allocation Rules and the Congestion Management Rules, updated to take into account the extension of intraday market coupling to the border between Northern Italy and Switzerland; the proposed agreement between Terna and Swissgrid for the distribution of proceeds from capacity allocation auctions.

Italy-Greece coupling

In 2019, the Authority, in coordination with the Greek regulator, approved the proposal on the methodology for the design and implementation of complementary regional intraday auctions for the Italy-Greece region, prepared jointly by NEMO and TSOs in the region pursuant to EU Regulation 2015/1222 (CACM Regulation).

Balancing

Replacement Reserve

With Resolution 8/2019/R/eel, the Authority approved, in coordination with all other European regulators involved, the proposed methodology for an implementation framework for a platform for the exchange of balancing energy from replacement reserve, prepared by TSOs, pursuant to EU Regulation 2017/2195 (Balancing Regulation).

As is well known, the purpose of the latter is, in fact, to foster the integration of the balancing markets of European countries, through the adoption of harmonised rules and the creation of common European platforms for the exchange of balancing energy, including, in particular, the platform for the exchange of Replacement Reserve (RR Platform). However, subsequently, in November, the Authority approved Terna's request for a 12-month derogation from participation in the RR Platform in order to adapt the systems, guarantee an adequate period of parallel running of the RR Platform with national operators and coordinate participation in the platform with at least one neighbouring TSO participating in the same platform.

Nonetheless, Terna continues to work to pursue the objective of starting participation in the RR Platform by the first half of 2020, cooperating to this end with the French TSO to ensure that it also participates by that date or, in any case, that it makes available the exchange capacity needed to allow trading of balancing energy between the Italian system and the other systems participating in the RR Platform.

Capacity Market

By Ministerial Decree of 28 June 2019, the Ministry of Economic Development approved the regulation of the remuneration system for electricity production capacity, defining the target value of the adequacy indicator.

The capacity market was launched at the end of the year with the holding of competitive tenders relating to the 2022 and 2023 delivery years. Consequently, Terna published the Regulations for the initial implementation phase, the Regulations for the full implementation phase (subject to possible amendments as a result of the initial implementation phase) and the technical operating provisions, previously verified by the Authority (Resolution no. 364/2019/R/eel), which also published the economic parameters of the competitive procedures (Resolution no. 363/2019/R/eel).

Network

During the year, the Authority intervened several times in the approval of the amendments proposed by Terna to the Grid Code and the Grid Transmission, Dispatching, Development and Safety Code, in order to implement the provisions of EU Regulation 2017/2196 on emergency conditions and restoration of the electricity grid (Resolution 546/2019/R/eel), for the purposes of implementing the European regulations on connections (Resolution 539/2019/R/eel), for the purpose of adapting to the requirements of the European DCC - Demand Connection Code and the European HVDC - High-Voltage Direct Current

regulations (Resolution 82/2019/R/eel), as well as for the purpose of revising the procedures for assessing the compatibility, with the needs of the security of the electrical system, of strikes affecting the electrical sector and the methods for calculating the so-called “vital reserve” (Resolution 542/2019/R/eel).

At the end of the year, ARERA also published its guidelines for amending the “Standard Network Code for the Electric Power Transmission Service”. To this end, interventions have been outlined aimed at reducing the exposure of distribution companies, reducing the time required to terminate contracts and at the same time reducing the onerousness of the system of guarantees for transport users. At the same time, a strengthening of the rules governing guarantees has been proposed, with particular attention to ratings and insurance guarantees, as well as the clause verifying the regularity of payments and the procedures for verifying the adequacy of the amounts of guarantees provided. The results of the consultation are not yet known.

Retail sales

Greater Protection Service

In anticipation of the abolition of the Greater Protection Service, postponed several times and, lastly, set for 1 January 2022, the Authority has put out for consultation, with document 397/2019/R/eel, its guidelines aimed at defining the regulation rules for the transition to the Free market for all domestic end customers and businesses connected at low voltage with less than fifty employees and an annual turnover not exceeding ten million euros that will find themselves without a supplier, following the termination of the Greater Protection Service, in implementation of Article 1, paragraph 60 of Law 124/17. In order to implement the provisions of the aforementioned law, the Authority therefore initiated proceedings to regulate the establishment of the safeguard service (Resolution 396/2019/R/eel).

Of particular importance is the Report no. 515/2019/1/com that ARERA sent to Parliament and the Government at the end of the year to highlight critical issues concerning the markets for the sale of electric power and natural gas, in view of the removal of price protection regimes. Specifically, the Authority pointed out that the context of the retail markets and the actual degree of maturity for market access achieved by small customers show that the objective identified by the legislator is still far from being effectively achieved and that the protection service continues to be the predominant method of supply for domestic customers of electric power and natural gas. In view, therefore, of the lack of the conditions laid down in Art. 1, paragraphs 59 and 60, of the Competition Law, for the removal of price protections in both sectors, the Authority deemed it appropriate to point out to Parliament and the Government the need to continue the process of accompanying small end customers, and in particular domestic customers, in the path towards the effective liberalisation of the electricity and natural gas markets. For these customers, the Legislature therefore considered a further extension of the abolition deadline.

Purchasing groups

With resolution 59/2019/R/com, the Authority intervened in defining the content of the voluntary guidelines for the promotion of commercial offers of electricity and natural gas in favour of purchasing groups, with particular reference to the comparability, transparency and advertising of offers, as well as the creation of IT platforms aimed at facilitating the aggregation of small consumers, in compliance with the provisions of Article 1, paragraph 65 of Law no. 124 of 4 August 2017.

Consumer Portal

On 01 July 2019, the following came into effect. "Consumption Portal" (hereinafter referred to as the "Portal"), to make available to end customers the consumption of electricity and natural gas, as required by the 2018 Budget Law.

By Resolution no. 270/2019/R/com, the Authority approved the Regulations for the new Portal, developed and managed by the Single Buyer. In order to allow users to consult all the information related to the withdrawal points they own, the Portal consists of a public and a private area, respectively accessible using general information and authentication through the Public Digital Identity System (SPID). In particular, the data extracted from the Integrated Information System and which users can access are: POD codes associated with the tax code and/or VAT number of each customer; indication of any switching practices in progress; customer information, consisting of supply status, tax code or VAT number, customer information, consisting of supply status, tax code or VAT number, supply address, name of the distributor to whose networks the customer is connected, type of meter and scheduled consumption bands; contractual information, consisting of the name of the current seller(s) of electricity and natural gas, type of market, date of commencement of the supply contract and, if known, of its conclusion; specific information in the case of electricity, such as indications of the committed power, type of customer, including if resident, and the supply voltage; supply history: name of previous sellers to the current ones, up to the previous 36 months, and relative supply period; readings for each withdrawal and/or redelivery point, with the maximum granularity available pursuant to the regulation in force, possibly by bands; consumption calculated between two consecutive readings. The Portal makes available to the user actual data, as recorded by the distributor, or actual data communicated by the customer (self readings) and validated by the distributor. The maximum historical depth of the data is 36 months, but this is reduced to 12 months at start-up.

Code of Commercial Conduct

With consultation document 564/2019/R/com, the Authority presented its guidelines for amendments to the Code of Commercial Conduct with the aim of making it easier for end customers to compare offers proposed by sellers, strengthen the transparency of contractual information and ultimately promote awareness and participation of small customers in the energy market.

The proposed amendments concern in particular the pre-contractual phase for which the Authority proposes replacing the current Information Note with a Summary Sheet, in which the essential information on the offer must be presented and summarised in a concise and standardised manner. It is proposed that these sheets also include synthetic price indicators

relating only to the raw material energy/natural gas, containing all those components, not already included in the categories of transport and meter management costs, system charges and taxes, the value of which is freely determined by the seller, as well as an estimate of the estimated annual expenditure gross of taxes and duties, calculated by the seller at the time of submission of the offer, following the calculation criteria of the portal offers, on the basis of the historical data of actual consumption in its possession (in case of a new offer to its end customer) or the consumption declared by the end customer, reported on the bill or available through portal consumption.

With regard to the contractual phase, the main proposals concern the inclusion in the notice, currently provided in the case of unilateral changes to the contract, of an estimate of the gross annual cost for the 12 months following the change and calculated on the basis of the customer's consumption in the 12 months prior to the notice, as well as the inclusion of an indication of the difference in costs compared with the conditions prior to the change expressed in absolute and percentage terms.

The results of the consultation are not yet known.

Social bonus

As a result of Decree Law 4/2019, the Authority, by way of Resolution 165/2019/R/com, intervened to allow, on a transitional basis, holders of the Citizenship Income and Citizenship Pension to have access to the electricity and gas bonus for economic hardship, having met the requirements, in accordance with the provisions already provided for the other beneficiaries of the electricity and gas bonus for economic hardship, in terms of the date of commencement of the concession and the duration of the concession period. Consequently, the related forms have been updated to include the information needed to identify the beneficiaries of the Citizenship Income, without prejudice to the possibility, for beneficiaries with an ISEE indicator of less than or equal to Euro 8,170.50, to also request the water bonus.

Invoicing

Tariffs

Following the initiation of the procedure for the infra-period update of the tariff regulation relating to electricity transmission, distribution and measurement services (Resolution 126/2019/R/eel), ARERA issued its final guidelines for consultation in document 481/2019/R/eel.

As part of this consultation, the Authority addressed the issue of tariffs for charging electric vehicles and that of fixed contributions for power variations requested by domestic customers. In particular, with regard to the latter, the Authority expressed its willingness to extend for a further four years, until the end of 2023, all the facilities already in force for requests to change the power committed, limited to domestic customers. The Authority has indicated that it intends to define in the course of 2020 the operating procedures to be able to activate the equalisation mechanism, already provided for in point 6 of Resolution 782/2016/R/EEL, in order to offset the effects deriving from the non-application of the fixed-rate contributions.

In the document, the Authority also set out its proposed changes to the updated tariff regulation of withdrawals and injections of reactive energy. For high and extra-high voltage, the Authority has established that the minimum level of the power factor for monthly reactive energy injected by distribution companies and end customers at high and extra-high voltage withdrawal points should be equal to 1 at all times of day. In the event that there are withdrawals of reactive energy beyond the established thresholds ($\cos\phi = 0.95$) and for the input of reactive energy, the Authority indicated in the document its intention to replace the current unit fees regulated by TIT with a new fee, equal to the quotient between the costs that Terna incurs for the management of reactive energy and the total volumes of reactive energy withdrawn and injected into the relevant grid. Based on 2014 data (Euro 150 million and 22.5 TVArh), this fee would be 0.50 €/kVArh. A recent update showed that for 2018 there was a cost of Euro 300 million and total volumes of reactive energy withdrawn and injected into the relevant grid of 22.5 TVArh: in this case the unit fee would have been 1.333 €/kVArh. In view of the fact that these costs and volumes vary from year to year, the Authority believes that, starting from the 2020-23 regulatory period, the revision of the reactive energy fees for withdrawals and injections into the relevant network may take place periodically, following an update with respect to a "test year", approximately the penultimate year of the regulatory period preceding that for which the fees are to be updated. On the other hand, with reference to end customers and distribution companies connected at medium and low voltage, the Authority also envisaged introducing, as from 2021, the minimum level of the monthly reactive energy power factor equal to 1 in all time bands. With regard to the unit fees for the input of reactive energy by end customers and distribution companies, those in force for medium and low voltage withdrawals with a power factor of less than 0.8 would be maintained. The periodicity for updating the fees would remain unchanged (annual). Lastly, the Authority provided for the application of fees for withdrawals and injections of reactive energy from/into the relevant network and for transits between distribution networks for each time slot on a monthly basis, rather than for each hour or daily slot.

The aforementioned guidelines were followed, at the end of 2019, by the publication of the new tariff regulation for electricity transmission, distribution and measurement services for the 2020-2023 regulatory semi-period. With respect to what was envisaged during the consultation phase, the Authority deemed it appropriate to extend until 31 December 2023 the current rules on transmission, distribution and measurement tariffs applicable to withdrawal points dedicated exclusively to the recharging of electric vehicles in places accessible to the public, making only minor updates to the definition of “public recharging infrastructure” and the calculation criteria, to take into account the changes that have taken place in the primary reference legislation and in the types of recharging infrastructure most widely used. In addition, additional studies will be carried out to define the minimum requirements that must be met by low voltage customers (residential or small non-domestic) who wish to benefit, at the same cost and only in cases where it can be demonstrated that they are using electric vehicles for recharging purposes, from a greater availability of power that can be drawn during the night/holiday period (F3), up to a final value of no more than 6 kW.

Fraudulent withdrawals

Following consultation document 49/2019/R/eel, the Authority has updated Art. 16-bis of the TIV, confirming most of the guidelines set out in the consultation. Specifically, starting with the applications for admission to the compensation mechanism filed for 2019, a 45-day deadline for the issuance of bills (calculated from the date on which the DSO receives the data relating to the reconstruction of withdrawals and the minimum master data identifying the end customer responsible for fraudulent withdrawals) has been introduced, after which the amounts subject to recognition under the mechanism will be reduced by 10% for each month of delay, up to a maximum of 50%. Limited to applications for admission to the mechanism submitted in the years 2019 and 2020, this deadline is extended to 90 days.

The operators of the “Greater Protection” tariff are required to account for fraudulent withdrawals in a separate bill with respect to the cases provided for by the TIF, applying the provisions of Sections 2 and 3 of Bill 2.0, with the exception of the information requirements relating to: annual consumption differentiated by time bands; information on the electricity bonus; average unit cost; time window for self-reading and other minimum elements referred to in Article 10 of Bill 2.0.

In more general terms, there is the obligation to issue the bill punctually in all cases in which the distribution company finds irregular conduct with the end customers, which constitutes the minimum condition to be able to consider the conduct of the operator of the Greater Protection Sector as efficient. Moreover, this obligation is in turn functional to the Authority's control and verification of the correct calculation of the amount due to the operator.

Distribution activities

Among the provisions issued in 2019 by the Authority, the following are the most important for the electricity distribution service and metering activity:

- *Resolution 76/2019/R/eel - Determination of the definitive reference tariffs for electricity distribution and metering services, for 2018.*

The resolution provides for the final determination of the Reference Tariffs for electricity distribution and metering services for 2018 for companies serving more than 100,000 withdrawal points, replacing the provisional tariffs previously determined. The rates set for DEVAL result in a change in Admitted Revenues for 2018 of Euro 22,889 thousand;

- *Resolution 117/2019/R/eel - Determination of the provisional reference tariffs for the distribution service and the electricity metering service, for 2019.*

The resolution provides for the provisional determination of the Reference Tariffs for electricity distribution and metering services for 2019 for companies serving more than 100,000 withdrawal points. For the measurement, the following were considered for each individual company: the pre-calculation data of the assets that entered into operation and the fixed assets in progress relating to 2018; the service volumes communicated by the distribution companies as estimates for 2018. The rates set for DEVAL result in a positive change in Admitted Revenues for FY 2019 of 23,041;

- *Resolution 119/2019/R/eel - Measures for the efficient management of fraudulent withdrawals by end customers in the "Greater Protection" segment and revision of the mechanism referred to in Article 16-bis of the TIV.*

The measure, as part of the process of revising the compensation mechanism for operators of the "Greater Protection" tariff for delinquency due to fraudulent withdrawals, provides for the establishment of a new communication flow between the distribution companies and the IIS for the transmission of reconstruction data for fraud attributable to customers without a supply contract;

- *Resolution 306/2019/R/eel - Update, for the three-year period 2020-2022, of the directives for the recognition of the costs of second-generation (2G) smart metering systems for the measurement of low-voltage electricity and provisions regarding commissioning.*

- As a result of DCO 100/19, the Authority updates the directives for the preparation of plans for the installation of new 2G meters by distribution companies with more than 100,000 customers who have not yet started their replacement plan and defines the methods for the admission of costs for the three-year period 2020-2022. Businesses will have to replace 90% of their current meters by 31 December 2025. To start the replacement, companies must submit to ARERA for approval, a "request for admission to recognition of investments" (RARI) containing details of their "plan for commissioning the 2G smart metering system" (PMS2) to be illustrated later in a public session. The distribution company may request an abbreviated analysis (fast track), certifying that all ARERA provisions have been complied with and that the unit

cost of commissioning the 2G meters is within the limit of Euro 130 per meter identified by the Authority. Every six months the implementation of the plan must be reported with the final costs incurred; in case these expenses are lower than budgeted (both by the company and by the Authority), an additional incentive will be granted. On the other hand, in the event of delays in the implementation of the plan or failure to achieve the performance levels already defined by Resolution 87/16, penalties will be applied to the amount awarded;



- *Resolution no. 467/2019/R/eel - Initiation of an experimental regulation on the modernisation of obsolete risers in buildings.*

The measure provides for a three-year experimental regulation aiming to:

- carry out a census of obsolete risers by each distribution company;
- verify the effectiveness and efficiency of the involvement of the condominium owners in carrying out the work of modernising the risers;
- strengthen the regulatory framework in relation to the commitment required of distribution companies to ensure the supply of electricity even in the face of changed and future withdrawal conditions;
- acquire information and elements useful for the implementation of a stable and sustainable regulatory framework, starting from 1 January 2023.

The experimentation concerns all upright columns prior to 1970; those between 1970 and 1985 that, in the opinion of the distribution company, present potential criticalities in relation to the contemporaneity of the withdrawals are also included. Each intervention must guarantee an available power of at least 6.6 kW for each user; the interested condominiums will have to formalise the adhesion through the subscription of a specific agreement with the distribution company. The construction work will be borne by the condominium which will be recognised by the distributor a refund determined by comparison between the costs incurred and the amounts set by ARERA (distributors can attribute these expenses to a newly introduced asset). The data on the census must be sent to the Authority within 30 September 2022 by the distribution companies that for each on-site inspection carried out will be entitled to a contribution of € 20, plus an additional amount of € 70 that can be capitalised in the new asset;

- *Resolution 479/2019/R/eel - Simplification and centralisation within the Integrated Information System of the contents and operating procedures of information flows between distributors and sellers of electricity relating to technical data and measurement of withdrawal points and data functional to the management of the change of supplier.*

The measure approves the rationalisation of information flows concerning technical and measurement data of withdrawal points and data functional to the management of supplier changeover, as well as the introduction of an information service on technical data for commercial counterparties within the IIS. The "2G" flows are extended also for 1G meters while the data of the start of supply will be transmitted to the traders by the IIS and no longer by the distributors;

- *Resolution 529/2019/R/efr - Initiation of the procedure to reform the tariff contribution to be recognised to distributors in execution of the Lombardy Regional Administrative Court's judgement 2538/2019 and urgent measures within the mechanism of energy efficiency certificates.*

Pursuant to a decision handed down by the Regional Administrative Court of Lombardy, this resolution sets in motion a procedure to revise the rate contribution payable to distributors who meet their energy conservation obligations under the TEE mechanism. In fact, the Regional Administrative Court censured the Authority's adoption of the € 250/TEE limit set by the Ministry;

- *Resolution 553/2019/R/eel - Closure of the proceedings initiated with Authority Resolution 404/2019/R/eel to enforce Lombardy Regional Administrative Court ruling no. 1901/2019 cancelling Authority Resolution 127/2017/R/eel on the extension of automatic compensation to end customers, to be paid by network operators, for long-term interruptions.*

The measure concludes the proceedings to comply with the Lombardy Regional Administrative Court's ruling that cancelled Resolution 127/2017/R/eel on the extension of automatic compensation to end customers, to be paid by network operators, for long-term interruptions. Considering the results of the consultation 430/2019/R/eel and of a request for information to the distribution companies on the automatic indemnities recognised for the period 01 October 2017 - 20 August 2019, the previous resolution (annulled only for procedural reasons) is essentially confirmed, re-presenting the 72-hour limit within which the supply must be restored even in the presence of force majeure, reiterating the need for the distributor to reactivate the supply within a reasonable time regardless of the causes of the interruption;

- *Resolution 559/2019/R/eel - Losses on electricity distribution networks: confirmation for 2020 of the conventional percentage loss factors and extension of the procedure initiated by Authority Resolution 677/2018/R/eel.*

The measure confirms the values of the conventional percentage loss factors to be applied to withdrawals, injections and interconnections between grids as set out in Table 4 of the TIS and extends the procedure initiated with Resolution 677/2018/R/eel to finalise the regulation of losses, to be completed by 30 May 2020. The mechanism for the reduction of commercial losses referred to in Article 26 of the TIV is extended to the three-year period 2019-2021;

- *Resolution 566/2019/R/eel - Approval of the Integrated text of the output-based regulation of electricity distribution and metering services for the 2020-2023 semi-period.*

The measure approves the regulation of the quality of distribution and metering services for the four-year regulatory period 2020-23. The main objectives are: reduction of the gaps for areas defined as "critical", also through projects presented by companies; promotion of aggregation among distribution companies;

assessment of the effects of climate change on interruptions; financial rebalancing of the Exceptional Events Fund;

- *Resolution 568/2019/R/eel - Update of the tariff regulation of electricity transmission, distribution and metering services for the 2020-2023 regulatory semi-period.*

The measure approves the tariff regulation of electricity transmission, distribution and measurement services for the four-year period 2020-23, identifying the criteria for determining the costs recognised to cover operating costs. In addition, the facilities for requests to change power submitted by residential customers have been extended and measures to promote electric mobility have been introduced.

In 2019, the Authority also approved the recognition of contributions/economic bonuses in the favour of DEVAL pursuant to the following provisions:

- *Resolution 190/2019/R/eel - Provisions on the remuneration paid to the incentivised investments, realised in the years 2012-2013 by Deval S.p.a., for the tariff year 2018: Euro 7,347.31;*
- *Resolution 500/2019/R/eel - Determination of the premiums and penalties related to the output-based regulation of the electricity distribution service, for 2018: Euro 593,360.31.*

Major hydroelectric diversion concessions

1. *The reform of hydroelectric concessions operated by Decree Law no. 135/2018: essential contents.*

Recently, the rules governing concessions for large hydroelectric diversions (i.e., those pertaining to hydroelectric plants with an average nominal capacity of at least 3 MW) have undergone a significant reform, by Decree Law no. 135/2018 (the "Simplifications Decree", converted, with amendments, into Law 12/2019), which provides for the regionalisation of the ownership of hydroelectric works upon the expiration of concessions and in cases of forfeiture or renunciation thereof.

With regard to the procedures for awarding concessions, when they do not deem that there is an overriding public interest in a different use of the water that is incompatible with the continued use of the water for hydroelectric purposes, the regions may award concessions for large-scale diversions of water, subject to verification of the requisites of technical, financial and organisational capacity: a) to economic operators identified through the completion of tenders with public evidence procedures; b) to mixed public-private capital companies in which the private partner is chosen through the completion of tenders with public evidence procedures; c) through forms of partnership pursuant to Articles 179 *et seq.* of the code referred to in Legislative Decree no. 50 of 18 April 2016. Entrusting to investee companies must in any case take place in compliance with the provisions of the Consolidated Text referred to in Legislative Decree no. 175 of 19 August 2016.

By 31 March 2020, the regions are responsible for regulating, by means of their own laws, the modalities and procedures for awarding concessions for large-scale diversions of water for hydroelectric purposes. In particular, the regional law shall

have a series of legislatively predefined contents, such as the procedures for carrying out the assignment procedures, the terms for starting the procedures, the admission and assignment criteria, the requirements of financial, organisational and technical capacity appropriate to the object of the concession requested of the participants and the evaluation criteria of the project proposals, providing for a series of minimum requirements, pre-established by Decree Law no. 135/2018.

It establishes the principle that the administrative functions for the assignment of the concession are the responsibility of the region on whose territory the greatest amount of water diversion under concession is located.

The procedures for assigning concessions for large hydroelectric derivations are started within two years of the entry into force of the regional law. In the event of non-compliance with the start-up deadline by the region concerned, provision is made for the State to exercise substitute powers.

Concessionaires of large hydroelectric power plants are required to pay the regions a fee every six months, which is determined by individual regional laws, after consulting ARERA, and includes a fixed component tied to the average nominal capacity of the concession and a variable component, calculated as a percentage of normalised revenues, based on the ratio of the plant's output, net of energy supplied to the region, to the local price of electric power.

The unit fee varies in proportion to changes, not less than 5 percent, in the ISTAT index of industrial prices for the production, transport and distribution of electricity. At least 60% of the fee thus determined is allocated to the Provinces whose territory is affected by the derivations. In the case of concessions for large-scale derivations of water for hydroelectric purposes, the regions may enact legislation that requires concession holders to provide annually to the same regions, free of charge, 220 kWh per kW of average rated capacity of the concession, at least 50% of which must be used for public services and categories of users in the provincial areas affected by the derivations.

In the case of concessions for large-scale diversions of water for hydroelectric power plants that expire before 31 December 2023, including those that have already expired, the Regional Administrations are responsible for defining, no later than 31 March 2020, the terms, conditions and quantifications of the fees payable by the outgoing concession holder for the continued operation of the concession beyond its expiry date and for the length of time needed to complete the award procedures, but not later than 31 December 2023.

This is expressly without prejudice to the powers of the special statute regions and autonomous provinces of Trento and Bolzano.

2. *Complementary letter of formal notice to Italy from the EU Commission on the rules governing hydroelectric concessions.*

On 7 March 2019, the EU Commission decided to send a complementary letter of formal notice to Italy, considering that the Italian authorities have not organised transparent and impartial selection procedures for the new allocation of expired authorisations in the hydroelectric sector and that the repeated extensions that have occurred, up to the latest legislative intervention, which delays the launch of selection procedures in some cases until 2023, are censurable in this respect. In the Commission's view, the Italian authorities have thus granted an advantage to the holders of concessions in force, allowing them to continue to use the concessions without having to participate in a selection procedure launched in due course.

The Commission's findings also concern the procedures for the "technical extension" of two hydroelectric concessions in the Region (the plants involved are "Champagne 2", in Villeneuve, and Grand Vert (Donnas).

"Automatically prolonging the relevant concessions - the EU Commission notes - the Italian authorities have failed to call for the selection procedures required by Article 12 of the Services Directive".

More generally, the infringement proceedings against Italy concern the violation of Directive 2006/123 on services in the internal market in connection with the automatic extensions of hydroelectric concessions and the rules governing the compensation to be paid by the incoming concession-holder to the outgoing concession-holder for the purchase of so-called dry assets. In this regard, it should be noted that under EU law, the operation of hydroelectric power plants for the generation of hydroelectric energy constitutes a service provided for remuneration within the meaning of the Services Directive 2006/123/EC (the "Bolkestein Directive") and of the TFEU, for which the Commission refers in its letter to Article 49 on freedom of establishment and Article 57 on the definition of services. The service of operating hydroelectric power stations for the generation of hydroelectricity is listed in Regulation (EC) no. 213/2008 on the Common Procurement Vocabulary (CPV).

3. *ARERA's resolution concerning the fees payable to operators of large-scale diversions of hydroelectric power plants.*

On the subject of fees to be applied to concession-holders of large hydroelectric diversions, ARERA has just intervened with Resolution 490/2019/1/eel of 26 November 2019, with which some indications are provided to the regions in preparation for the subsequent issuance of the opinion on the draft regional laws on the aforementioned fees to be applied to concession-holders of large hydroelectric diversions (as per Article 12, paragraph 1-quinquies, of Legislative Decree no. 79/1999, as amended by Legislative Decree no. 135/2018).

In particular, ARERA specifies, first of all, that the opinion that will be issued will be limited to the variable component of the fee as only this aspect is relevant to the specific competences of the Authority itself.

Moreover, ARERA plans to exercise its advisory functions according to a two-stage model:

- a) an *ex-ante* one, in which the Authority sets out general assessment criteria (the “guidelines”) that can help regions in preparing their draft regional laws;
- b) an *ex-post* one, in which the Authority expresses its own non-binding opinion on each draft of a regional law (very quickly if the Region's choices are consistent with the Authority's guidelines).

In this regard, Resolution 490/2019/I/eel already contains guidelines in the annex that:

- provide guidance for the subsequent issuing of the opinion. Essentially, they provide information on the correlation of the variable part of the fee with the quantities of electricity actually fed into the grid and with zone prices;
- provide some considerations regarding the optional implementation by the regions of the provision set forth in the last sentence of Article 12, Section 1-quinquies (“*In the case of concessions for large-scale diversions of water for hydroelectric power plants, the regions may adopt by law an obligation for the concession holders to provide the regions with 220 kWh per year free of charge for each kW of average rated capacity of the concession*”).

4. *The legislative competence of the Autonomous Region of Valle d'Aosta with regard to concessions for large-scale hydroelectric diversions.*

Based on the news released during 2019, it was possible to learn that the Region has started the process of approving an implementation rule on large hydroelectric diversions for the purpose of regulating the procedures for the allocation of expired regional concessions.

With reference to the implementation regulation, it is pointed out that Article 48-bis of the Special Statute, introduced by the Constitutional Law no. 2 of 23 September 1993, establishes that “*the Government is delegated to issue one or more legislative decrees containing the provisions for the implementation of the Special Statute and the provisions for harmonising the national legislation with the legislation of the Region of Valle d'Aosta, taking into account the particular conditions of autonomy attributed to the Region. The outlines of the legislative decrees are elaborated by a joint commission composed of six members nominated, respectively, three by the Government and three by the Regional Council of Valle d'Aosta and are submitted to the opinion of the Council*”.

These are therefore state legislative acts which are reserved for the regulation of two areas:

- implementation of the Statute, mainly by conferring on the Region the administrative functions corresponding to the statutory legislative powers;
- the harmonisation of state legislation with regional legislation, i.e. the adoption of specific provisions adapted to the particularities of the Valle d'Aosta, by way of derogation from the relevant state legislation.

At present, it would appear that the joint committee for the Valle d'Aosta is waiting to be reconstituted.

Business outlook

Sales Business Unit

In line with the indications of the 2019-2023 Business Plan recently confirmed in the 2020-2024 Plan and as a result of the changed commercial approach started from the end of 2018 and aimed at favouring margins on customers even if this implies a reduction in volumes administered, the Sales BU will see in FY 2020:

- with reference to Business customers in the deregulated market: the contraction in volumes compared with the historical trend, it is assumed that a volume of about 2.2 TWh will be supplied compared with about 3.9 TWh in 2019 (and an average value of 4.5 TWh in previous periods);
- with reference to retail customers in the deregulated market: a moderate growth in volumes, also targeting customers outside of Valle d'Aosta; in this sense, the commercial plan provides for a significant effort in the front office and marketing area, in addition to the support of digital technologies;
- with reference to customers in the Greater Protection market a moderate contraction in volumes due to the continued migration of customers to the Free market and the closure of pods due to the termination of users.

As a result of these changes, the volume of revenues developed by your Group is expected to contract (excluding the possible effect of the COVID-19 health emergency) to approximately Euro 550 million from the Euro 805 million reported in 2019; no negative impact on EBITDA is expected from this contraction.

Hydro Business Unit and Other RES Business Unit

The amount of snowfall in the winter that has just ended allows us to assume, under conditions of normal melting of the snow, that 2020 was a year without hydraulic problems and, as regards the wind farms and photovoltaic plants in operation, we expect a result substantially in line with that of 2019 in light of the wind movement and radiation forecasts estimated on a historical basis. With reference to the objective of continuing the path of gradual diversification of the portfolio of energy sources, thus reaching an efficient scale such as to ensure adequate competitiveness for CVA, in light of the regulatory constraints that make it difficult to grow by acquiring plants on the secondary market, the Group has shifted the objective to the development and/or construction phase of these plants. Such a shift, in addition to overcoming incompatibilities with the TUSPP, could allow, even if marked by a potential higher mortality of projects, to internalise, in the event of a positive outcome, a higher profitability. On the basis of the co-development agreement signed in 2020 and the agreements currently being defined, we are confident that we will be able to resume the growth path of the installed capacity of the plants owned by the Group as early as 2020. The hedging strategies implemented by the CVA Group to mitigate the effects of price volatility on the Italian electricity market, the continuing regulatory uncertainties that affect the activities of the sector, ARERA interventions in electricity distribution and metering, make it possible to predict, for 2020, with the same production volumes, a substantial stability in both CVA and Group margins. In addition to hedging strategies, the Group has started analysing the PPA (Power Purchase Agreement) as an instrument for the sale of electricity

produced by the Group's plants at a fixed price over the medium/long term. A first PPA contract is expected to be finalised in 2020 with a primary customer. Specifically with regard to the Hydro Business Unit, there is still a high degree of regulatory uncertainty concerning the expiration of and the process for awarding hydroelectric concessions. The law of the Lombardy Region no. 5 of 08 April 2020, with which the region intended to implement the discipline dictated by art. 12 of Legislative Decree no. 79 of 16 March 1999, as amended by art. 11-quater of Decree Law no. 135/2018 (conv. with law no. 12/2019) has been challenged by the State but, at the same time, the Parliament is re-discussing and suggesting even important changes to the same Legislative Decree 16 March 1999, no. 79. This scenario makes it very difficult for companies in the industry, including your Company, to plan and implement investments on plants. In this regard, it is emphasised that, in this period of emergency in which it is essential to undertake initiatives aimed at revitalising the Italian economy, the hydroelectric sector could represent a fundamental strategic lever to support the revitalisation of the economy, able to support Italian companies, mainly active in the construction and civil engineering, hydraulic and electromechanical sectors, as well as to enhance the territories and communities that host the plants. The hydroelectric sector has great investment potential, which industry studies estimate at around 7.5 billion euros, for the renovation of existing facilities, which would make it possible to develop additional installed capacity of about 5.7 GW by 2030. At present, this potential remains untapped due to the imminent expiration of most hydroelectric concessions and the uncertainty surrounding the rules governing their renewal, due to well-known European and national issues. Most of the current national hydroelectric concessions have expired or are scheduled to expire in the short/medium term: in the case of CVA, the Company has one concession that has already expired, while most of the other concessions - i.e., those acquired from Enel - will expire in March 2029. These time-frames effectively prevent both CVA and the current concession-holders from carrying out revamping and repowering works, as they would not allow the remuneration of the investment made should the concession be lost. It should be added that the current process of revising the rules governing the electricity sector carries a strong risk of disharmonious development of the sector: both at Community level, in that Italy is currently the only European nation to have already provided for the need to put expired concessions out to tender - with serious prejudice to the principle of reciprocity, in that European companies will be able to take part in Italian tenders but Italian companies will not be able to take part in European tenders - and at national level, in that referring the regulation of the procedures for allocating expired concessions to each region will mean having different procedures in each region, with a high risk of litigation. In short, it is hoped that the legislature will consider an extension of hydroelectric concessions for extraordinary measures, dictated both by the need to implement important tools to restore the Italian economy and by the expectation that other EU countries will adopt regulations for the reallocation of concessions similar to the Italian one. This would unlock important investments, which could contribute significantly to the recovery and stimulation of the national economy. In such a scenario, CVA alone could start investments for the renovation and modernisation of its plants, against extensions of its concessions for at least ten years (hopefully thirty years), for more than 600 million euros, most of which would have important repercussions on the territory of Valle d'Aosta.

Plant activities

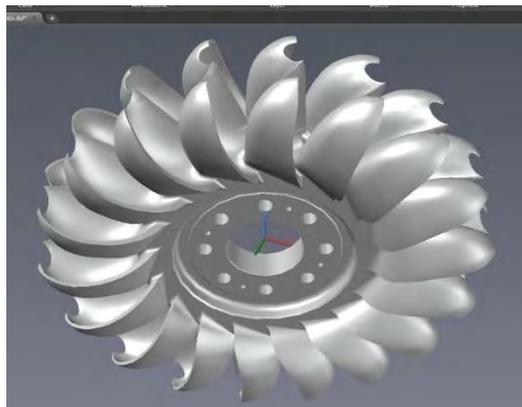
CVA has always paid the utmost attention to the safety and efficiency of its plants, whose average age, especially for hydroelectric plants, is particularly high, exceeding 70 years. The Operations Department constantly updates its knowledge of the state of the plants with monitoring and inspections that are the basis for planning the maintenance and upgrading of the entire production system. In particular, the monitoring of works and plants, largely designed internally and then verified after comparison with other competitors, sees the installation of about 2000 instruments whose indications are analysed by specialised personnel. Inspections are carried out both by Operating personnel, who are continuously present at the plants, and by more specialised personnel from the Engineering departments. The Engineers in 2019 carried out over 300 targeted surveys. In a context of this kind it is fundamental to take care of the professionalism of the collaborators. During 2019, two-thirds of the Operations Department staff participated in professional courses of more than 8 hours tailored to the needs of each individual employee.

The design activity saw the issuance of over a hundred projects that could be built, as well as a hundred construction sites followed during the year (also the result of the design activity carried out in previous years).

Work on the hydroelectric park exceeded Euro 15 mln, while work on the wind and photovoltaic parks amounted to approximately Euro 5.5 mln.

Some of the most relevant activities include:

- Acquisition and regeneration of impellers that will see CVA committed between 2019 and 2021 with the replacement of 26 impellers (with an average age of 26 years and with the oldest impeller dating back to 1951) and the regeneration of another 8. This activity required surveys for the design of the new impellers on 31 turbines and foresees, when fully operational, greater plant efficiency which should lead to a higher value of over Euro 2.2 million per year. The cost of the project exceeds Euro 9 million over the three-year period.



- Overhaul of turbines and valves of group 1 of the Signayes power station with:
 - Complete overhaul of rotary valves and accessories
 - Overhaul of injector components, pin rods, guide crosses, compensators
 - Replacement of impellers
 - Support and bearing overhaul



- Overhaul turbine gr. 2 at the Montjovet power plant which resulted in:
 - Regeneration of the Francis impeller
 - New impeller-turbine shaft coupling system with Superbolt
 - General overhaul of the distributor
 - 20 guide vanes with new symmetrical hydrodynamic profile
 - General overhaul of the distributor covers
 - New wear liners
 - New radial shaft seal

- New generator guide support as strategic spare part
- Revision of the Mitchell type thrust support and new injection system
- New oil fume suction system
- New air re-entry device



- Axis line adjustment Gr. 1 at the Avise plant he requested:
 - Finished machining of anti-friction thrust bearing surfaces
 - Alignment by milling the bearing bracket
 - Shaft line adjustment entirely with CVA personnel



- Axis line adjustment Gr. 3 at the Champagne 1 plant on which they were detected:
 - Presence of a very extensive and evolving crack on the turbine shaft
 - Damage and incorrect play on turbine bearings
 - Severe shaft-bearing misalignment



- Axis line adjustment Gr. 3 at the Chavonne power plant which involved:
 - Non-destructive testing and surveys with personnel from the Mechanical Activities Office
 - Procurement of new turbine shaft
 - Turbine bearings refurbished
 - Maze arrangement



- Repair of the C WTG 21 blade of the Piansano wind farm that required disassembly and ground intervention.



- Depolarisation oil transformer at the Champagne 1 power plant which allowed to obtain:
 - Humidity 3 times lower
 - Acidity 7 times lower



- Power transformer oil treatment of at the Champdepraz power plant which allowed to obtain:
 - Humidity 15 times lower
 - Restoration of Buchholz protection functionality
 - Minimisation of thermal stress to insulating papers during treatment



- Hone 1 plant - transformer oil dehydration with extraction of about 10kg of water.



- Renewal of the excitation systems of units 2 at the Montjovet power station and 1 at the Avise power station.



- Installation on the power transformer at the Hone 1 power plant of an on-line dehydration and leakage analysis system (world's first industrial installation of the portable ATMoS system).



- Extraordinary alternator overhaul at the Signayes power station.



- Revision of AT switches in Hone 1, Sendren, Isollaz, Avise, Pont Saint Martin, Maen.



- Works to restore the diversion tunnel between the progressive 1,110 and 1,185 of the Perrères plant.
In September 2019, work to widen the tunnel housing the forced duct was completed: (total amount 2.2 M€).
The work carried out, concerning the last 45 metres or so, consisted of widening the section, positioning the ribs, laying the sprayed concrete, laying the metal reinforcements and executing the completion and finishing castings. In addition, all the new saddles have been laid that will allow the pipeline to free itself from tunnel movements.



- Maintenance and upgrading of building “C” in via Festaz and of the internal yard.



The maintenance and upgrading work on the building and the outdoor forecourt located on Festaz Street, which began in October 2018, was completed in September 2019.

All the internal renovation works have been carried out and all the installations inside the building have been redone. In addition, the square inside the complex has been completely redone.

- Monitoring and intervention on the Chavonne plant.

Interventions on the shunt channel.

During the months of October and November 2019, remediation and restoration work was carried out on the plastering and roofing of the diversion channel in continuation of the activities of previous years.





Installation of supply channel monitoring system

A wireless system of sensors and 2 data acquisition stations was installed in 2019. It is thus possible to have, in real time, the measurement of water levels in the supply canals. The monitoring infrastructure allows alarms to be triggered if there is an abnormal drop in the water level at some point.



Hydrometric sensor installed inside the channel



Station at the measuring points and view of the inside of the cabinet

- Studies and surveys for plant rebuilding:

Geognostic surveys

In 2019, geognostic survey campaigns were carried out to determine the correct location of the works with respect to the geological and geotechnical context. The design of the new plant works for the application for a diversion concession has been developed and environmental investigations of the watercourses concerned have been defined and started.



Probe used to investigate the upstream mouth of the diversion tunnel (Hole length 200 meters)



Survey in the loading tank area

- Hone 2 plant:

Interventions on the shunt channel

In the months of September and October 2019, work was carried out, in continuity with the activities of previous years, to rehabilitate and restore the plaster and some sections of the masonry of the diversion channel.





- Studies and surveys for plant rebuilding:

Geognostic surveys

In 2019, geognostic survey campaigns were carried out to determine the correct location of the works with respect to the geological and geotechnical context. The following were also developed:

- the final design of the new plant works for the application for the diversion concession;
- the environmental impact study of the works;
- environmental surveys of the watercourses concerned;
- surveys along the access road to the intake;
- survey of the valley mouth of the tunnel.





Risks and uncertainties

Risks connected to the commercial activity and to the competitiveness of the market

The Group operates in the production and sale of electricity. It is characterised by high levels of competition on the national market and by the presence of a large number of operators, represented by large international groups, which implement competitive and aggressive strategies worldwide.

The Group's competitive positioning, close to the most important national players, often with greater financial resources and greater diversification, both in terms of production sources and geographically, makes the exposure to risks typically related to market competitiveness particularly significant.

However, the risks and uncertainties associated with the commercial activity are significantly reduced due to the recognised soundness of the CVA Group, as well as the renewable nature of the electricity produced by the Group plants.

In order to respond to inherent risks, monitor the efficiency of development strategies and achievement of results, the Group has consolidated specific processes.

Market risks on commodity prices

The Group is exposed to market risks on commodity prices, and in particular electricity. In 2019, to manage this risk, in continuity with the previous years, the Group deemed it appropriate, after a careful analysis of the instruments present on the market, to proceed with the stipulation of financial derivative contracts aimed at covering this risk.

The policy of the CVA Group is aimed at limiting exposure to market volatility and operations are directed towards the goal of tuning the price structures of the purchase and sale energy, signing, wherever possible, supply contracts structured in such as to reduce the exposure to the risk of volatility of stock exchange prices.

In 2019, the phases within which the energy management activity is organised continued. In particular, CVA ENERGIE is responsible for the execution of operations on both physical and financial energy markets, with the aim of pursuing the maximisation of the economic result achievable within the profile risk defined by the specific Risk Committee; trading portfolios are monitored in a timely manner through specific risk limits, measured in terms of both quantity and in terms of maximum Mark to Market Loss. At the Parent Company from 2019 a structure is operational with the task of monitoring trading activities.

In 2019, the mitigation of market fluctuation risks was consolidated and refined through both physical and financial procurement, thanks to greater liquidity and usability of the futures markets.

At 31 December 2019, the Group holds financial derivative contracts aimed at hedging the risk of fluctuations in the price of electricity generated by the purchases and sales portfolio; in addition, the Group holds in the portfolio some physical and financial positions on the price of energy traded for purely short-term brokerage and/or arbitrage purposes. As in previous years, the Group has deemed it necessary to face the risk of volatility in the amount for the allocation of transport capacity to supplement the rules governing dispatching economic conditions, referring to the differential between zone prices and the single

national price, participating in 2019 in CCC auctions with value in 2020. The CVA Group is analysing the new contractual procedures called Power Purchase Agreements (PPAs). This type of contract is a long-term power supply agreement between two parties, usually between a producer of electricity from renewable sources (seller) and a consumer of electricity (buyer). The PPAs set out in detail all the terms and conditions for the sale and purchase of electricity, including the volume of electricity to be supplied, negotiated prices, balancing of generation and consumption, and penalties for breach of contract. Since it is a bilateral agreement, the PPA can take various forms and be tailored to the parties. The main advantages of PPAs are: long-term price security, the possibility to finance investments in new production capacity or to reduce risks in the sale and purchase of electricity. There is also the possibility of a specific physical supply of electricity with certain regional characteristics and guarantees of origin. This gives customers the opportunity to make their brand more sustainable and greener. The above also applies to price formation: PPAs can be concluded at fixed prices or allow for greater participation in market risks and opportunities.

Credit risk

Credit risk represents the exposure of the Group's sales company to potential losses arising from the non-fulfilment of the obligations assumed by the counterparties.

This risk can arise from factors that are more strictly technical-commercial or administrative-legal (disputes over the nature/quantity of the supply, the interpretation of contractual clauses, etc.) and from factors that are typically financial or, the credit standing of the counterparty.

Energy sales activities are concentrated in CVA ENERGIE, whose exposure to credit risk is mainly linked to the correct assessment and monitoring of the customer, who will then be supplied with electricity.

In order to control this risk, the sales company, with reference to customers in the free market, uses tools for assessing the "Business" and "Small Business" customer at the time of its supply request, for the subsequent monitoring of the expected flows and for the implementation of any recovery actions. With regards to credit risk relating to other customers in the Free market operating in the customer segment defined as "domestic" and in the Greater Protection market, the sales company, even though it cannot implement actions aimed at the preliminary assessment of the customer, will continue to maintain the already consolidated control standards. In addition, in order to further mitigate the risk linked to the possible insolvency of customers supplied on the open market, a contract was also stipulated for the insurance of receivables deriving from supplies to Business and Small Business customers.

Counterparty Risk

Counterparty risk is linked to the possibility that a counterparty does not fulfil its contractual obligations of payment or delivery/withdrawal of commodities in the agreed time and manner. The methodology adopted by the CVA Group for the management of counterparty risk is characterised by a prudential approach and is aimed at the conscious assumption of this risk. Specifically, the counterparty risk management process includes the following phases:

1. **prevention:** this includes all precautionary activities aimed at assessing the creditworthiness of a potential counterparty, establishing the associated operational limits and consequently identifying the strategy to be adopted for the (possible) conclusion of the contract.
2. **monitoring:** this includes all activities carried out in order to measure and monitor the evolution of exposure to counterparty risk through the assessment of concentration risk with reference to the defined risk limits, and to promptly identify any changes in the creditworthiness of counterparties. These activities are carried out both for individual counterparties and at Group level.
3. **response:** this includes corrective action taken if risk limits are exceeded or if the creditworthiness of the counterparty deteriorates. These actions aim to minimise losses and maximise coverage of the credit exposure associated with the counterparty.

Interest rate risk

The CVA Group is exposed to the interest rate risk deriving from the volatility of the market rates with reference to loans payable and to securities receivable held in the portfolio, both indexed at variable rates.

The exposure to interest rate risk deriving from the variability of the flows of interest generated by the debt of some Group companies is mitigated through the use of derivative financial instruments stipulated by the Group and aimed at fixing or limiting the risk of interest rate fluctuations.

Furthermore, the Group has entered into derivative financial instruments to hedge liquidity operations; this allowed more flexible management of portfolio assets, but always in compliance with the policy approved by the Board of Directors.

At 31 December 2019, the Group holds derivative financial instruments on the rate to hedge loans payable and a security receivable in the portfolio stipulated with leading credit institutions such as Intesa Sanpaolo S.p.A., Société Générale and BNL.

Liquidity risk

Liquidity risk represents the risk that the Company's available financial resources be insufficient to meet the Group's financial obligations pursuant to the contractual terms and conditions set. Considering the economic context of reference, characterised by increased volatility and potential uncertainties on the financial markets, CVA and the Group pay particular attention to the management of liquidity risk while maintaining high short-term financial resources, differentiated by a broad portfolio of Credit institutions and short-term

financial instruments. In addition, the liquidity management policy approved by the Board of Directors of CVA aims at safeguarding the capital invested and its liquidity, also for transactions lasting more than one year. In addition to this and in order to optimise the use of financial resources, CVA centrally manages the flows of all subsidiaries.

Tax risks

At the date of these financial statements, with reference to Group companies, the main tax risks originate from the disputes that have arisen over the years between the Customs Agency and the current sales company CVA ENERGIE. They derive from the management of excise duties and surcharges relating to the supply of energy to end users by CVA ENERGIE and its subsidiaries (Idronergia S.c.r.l. and Idroelettrica S.c.r.l.). Tax risks can be classified into the following categories:

- **risk attributable to acts of refusal to offset excise credits:** These are credits for excise duty and additions under chapters 1411/01 and 1411/02, offset by deduction from debts accrued in subsequent periods for the same type of tax and not admitted by the Office of the Customs Agency of Piacenza. The sales company, not agreeing with the regulatory interpretation of the Offices, initiated two litigations against the Customs Office. The first litigation established in 2017, against the challenge of the payment notice and the notice of objection, ended positively with Judgement no. 27290 of the Supreme Court of Cassation. Following the settlement of the litigation, the provision for risks, which was set up for this purpose, was reversed to income in the 2019 financial statements (Euro 378.00 thousand). On the other hand, the provision for risks relating to the second dispute (Euro 409.00) is still recognised in the financial statements. However, it should be noted that, with regard to this litigation, in 2018 the Tax Commission of First Instance had ordered the suspension of the proceedings pending the decision of the Supreme Court regarding the previous litigation. CVA ENERGIE resumed the proceedings before the Piacenza Provincial Administrative Court and is waiting for a ruling as of the date of these financial statements;
- **risk related to the issue of self-production from renewable sources:** Objections raised by the Customs Agency against Idroelettrica S.c.r.l. (later merged into Idronergia S.c.r.l.) and towards Idroenergia S.c.r.l. (now incorporated into CVA ENERGIE) refer to the non-excise duty of the energy invoiced by the Consortia to its associated Members, since the exemption from excise duty pursuant to article 52 TUA paragraph 3 lett. b) is not applicable. To this end, it is noted that the TUA (504/1995) provides for exemption from tax for electricity “produced with plants operated by renewable sources in accordance with current legislation on the subject, with available power of more than 20 kW, consumed by self-production companies in premises and places other than homes”. However, the TUA itself does not refer to its own definition of “self-production company” and, therefore, in the presence of this legislative gap, the notion of self-producer specifically envisaged by Bersani Decree no. 79/99, art. 2, paragraph 2 was reasonably deemed applicable. With note 13/12/2013, the Customs Agency expressed its concern regarding the lack of extensibility to the tax sector of the notion of self-producer acknowledged by

the aforementioned Decree. This led to the start of a dispute with the competent offices amounting to a total of Euro 52.9 million for excise duties that had been invoiced exempt by the Consortia.

- Believing that it has always operated in full compliance with the indications specifically provided by the same Financial Administration, to this end the Consortia submitted, independently, a request aimed at recognising the legitimate expectations of the same companies in having applied the exemption system of excise duty on energy produced from renewable sources and distributed, over time, to its associated members pursuant to art. 52 paragraph 3 lett. b) of the TUA, and the tax and the penalties requested declared as not due or, in any case, challenged by the various territorial Offices of the Agency and by the Guardia di Finanza in relation to the aforementioned case. On 25 May 2015, the Customs and Monopolies Agency - Interregional Department for Liguria, Piedmont and Valle d'Aosta sent the responses to the consortia. With the aforementioned replies, the Agency indicated that it considers that the conditions apply for the recognition of legitimate expectations, recognising the good faith of the actions of the companies in the uncertainty of the applicable tax rules, but only for the purposes of penalties, interest and late payment, whereas, according to this interpretation of the Agency itself, the tax is still payable.
 - Following the response of the Interregional Department, the consortia made the payments requested by the individual Customs Offices against which subsequently an appeal was presented to the competent Provincial Tax Commissions. For this reason, the amounts paid were recognised in the financial statements as receivables due from the Customs Offices, as these are payments that according to the defensive line of the consortia are not due.
 - With reference to the evolution of the litigation, it should be noted that in 2019 the first rulings of the Supreme Court of Cassation were issued with an unfavourable outcome for the sales company: the exemption of excise duty was not recognised, recurring this in the case of self-produced and self-consumed energy; according to the Supreme Court, this prerequisite was not met because CVA ENERGIE sold the self-produced energy to the consortium members who are in any case different legal entities. As a result of the above-mentioned negative rulings, the value of the excise duties paid during the course of the year and which are definitively due to the Treasury at the date of these financial statements amounts to Euro 11.6 million. Consequently, these amounts no longer appear under receivables from the tax authorities as they have been written off by using the specific write-down provision posted in previous years.
- However, CVA ENERGIE, in the firm belief that it must take action in all competent venues to see recognition of its work, which has always been carried out in full compliance with tax regulations, has decided to appeal to the European Court of Human Rights against the Italian State following the aforementioned Supreme Court rulings.

Corporate Governance

Organisational and management model

Legislative decree 8 June 2001 no. 231, entitled “Discipline of the administrative responsibility of legal entities, companies and associations also without legal personality”, introduced into the Italian legal system a regime of administrative responsibility for companies for some types of offences (by way of example and not exhaustively, offences against the public administration, corporate offences, offences concerning health and safety in the workplace, environmental offences, etc.) committed by persons who perform functions of representation, administration or management of the entity, as well as by persons subject to the management or supervision of the latter, in the interest or advantage of the companies themselves.

In implementation of the provisions of art. 6 of the aforementioned Legislative Decree no. 231/2001, the administrative bodies of the companies of the CVA Group have resolved on the approval of their “Organisation, Management and Control Model”.

The purpose of this model is the preparation of a structured and organic system of procedures and of control activities, aimed at preventing the commission of the different types of crime envisaged in Legislative Decree no. 231/2001. Likewise, the same companies appointed a Supervisory Body (hereinafter also the “**Body**” or “**SB**”) with a three-year mandate.

The Bodies - with independent powers of initiative and control - monitor the functioning and observance of the Model, regularly reporting their work in the periodic Reports submitted to the attention of the administrative bodies, within which it was also highlighted what emerged from the significant information flows received from the various corporate structures concerned. From the same point of view, the Supervisory Bodies have been responsible for monitoring the regulatory updates, as well as the structural changes that have affected the companies of the CVA Group, so as to constantly assess the adequacy and compliance of the corporate organisational models; for this reason, during 2019 all the corporate organisational models were updated.

Lastly, in order to verify the current nature of the control standards already implemented for the activities considered sensitive under the aforementioned Decree, the Bodies assessed and suggested any adjustments necessary, supporting CVA Group companies in the implementation of new specific company procedures and/or updating of the current ones and in the training and information activity of all company personnel of the same.



Code of Ethics and Conduct

The awareness of the ethical, moral, social and environmental aspects that accompany the activities carried out by the companies of the CVA Group - together with the consideration of the importance of both the cooperative approach with stakeholders and the good reputation of the same - have inspired the drafting of the Code of Ethics and Conduct of the CVA Group.

The issue of the Code of Ethics and Conduct was adopted by resolution of the Board of Directors of CVA and the document is unique for all the companies of the CVA Group, which have ratified the entry into force with an appropriate resolution of the related administrative bodies. The Code of Ethics and Conduct is binding, as expressive of the commitments and ethical responsibilities in the conduct of business and company activities undertaken by all collaborators.

During 2019, work was carried out to achieve the preparation of a new version of the CVA Group's Code of Ethics and Conduct, which was approved by the Parent Company's Board of Directors in December. The same version will be ratified by the subsidiaries at the first meeting of the administrative body.

Regulation on transparent administration

Law 6 November 2012, no. 190 and Legislative Decree 14 March 2013, no. 33 introduced significant obligations regarding the prevention of corruption, publicity and transparency on the part of public administrations and the companies controlled by them or in which they have an interest. These provisions are implemented in the context of the companies of the CVA Group, by virtue of the changes in the subjective scope of application made by Legislative Decree 97/2016, with the same various requirements: in particular, the preparation of measures for the prevention of corruption is required, in addition to those adopted pursuant to Legislative Decree 231/2001, of publicity and transparency, as well as the periodic publication of a series of company data and information in the "Transparent Company" section specially created on the institutional website of the Parent Company.

Given the willingness to comply with these requirements, the companies of the CVA Group appointed a person responsible for the prevention of corruption and transparency (or, alternatively, an internal contact person), in compliance with the provisions of ANAC Determination no. 1134/2017 "New guidelines for the implementation of legislation on the prevention of corruption and transparency by companies and private law entities controlled and owned by public administrations and public economic entities", which came into force on 5 December 2017, the date of publication of the notice in the Official Journal.

In 2019, the companies of the CVA Group started the processes for the integration of anti-corruption and transparency measures in their respective 231 Models and populated and monitored the "Transparent Company" section on the institutional website of the Parent Company, which is constantly updated to date. For the sake of completeness, it is noted that the CVA Group is also subject to the application of transparency obligations imposed by the regional legislation of Valle d'Aosta, and in particular by Regional Law 23 July 2010, no. 22 "Opération Transparence"). By virtue of this provision, the companies of the CVA Group publish the data and information required by the regional regulations in the sections of their

respective corporate sites (please note that these have been integrated into the “Transparent Company” web page), updating them according to the scheduled frequency.

Internal control system pursuant to Legislative Decree 231/2001

With regard to the obligations put in place to exempt CVA from administrative responsibility, pursuant to Legislative Decree no. 231 of 08 June 2001, in the case of crimes committed in the interests or to the advantage of the same by directors, managers and employees, CVA has long since established an Organisation, Management and Control Model (hereinafter also the “**Model**”), constantly monitored by a Supervisory Body appointed for this purpose. The Body is composed of four members who monitor the functioning and observance of the Model; the SB, with independent powers of initiative and control, has promptly reported its work in the periodic Reports submitted to the attention of the Board of Directors, within which it was also highlighted what emerged from the significant information flows received from the various company structures. During 2016, the Supervisory Body carried out the activities necessary for the constant verification of the effectiveness of its Organisation, Management and Control Model; for this reason, the mapping has been updated of company risks relating to the predicate offences of Legislative Decree 231/2001, several monitoring activities were formalised on the sensitive processes of CVA and the activities preliminary to the review of the entire document were put in place, the updating of which was appropriately approved by the Board of Directors and entered into force in June 2016. At the same time, the same corporate body approved the documents containing the assessments made with respect to the types of offence deemed not to be feasible in the company context in the interest or for the benefit of the entity.

CVA - with the support of its own Supervisory Body - also issued a new version of the Code of Ethics and Conduct and of the Anti-Corruption Plan; both documents are to be considered unique for the entire CVA Group.

As part of its operations, the Supervisory Body paid particular attention to the issues of workplace safety (Legislative Decree 81/08 and subsequent amendments), as well as environmental protection (Legislative Decree 152/2006 and subsequent amendments), continuing the effective collaboration with the Head of the Prevention and Protection Service and with the relevant corporate structures. Lastly, in order to verify the current nature of the control measures already implemented for the activities considered sensitive under the aforementioned Decree, the Body monitored the developments of CVA, the activities carried out and the various reference regulations, suggesting the necessary adjustments, supporting CVA in the implementation of new specific company procedures and/or updating of the current ones and in the training and information activity of all company personnel.

Processing of confidential information

On 4 May 2016, Regulation 2016/679 (GDPR) of 27 April 2016 on the protection of individuals with regard to the processing of personal data was published in the Official Gazette of the European Union and subsequently came into force on 25 May 2018. With Legislative Decree no. 101/2018, in force since 19 September 2018, Italy has adapted its national legislation to the provisions of the GDPR, adapting and updating Legislative Decree no. 196/2003 (Privacy Code).

In order to make data protection even more secure and effective, the GDPR has appointed the **Data Protection Officer (DPO)**; a professional with particular expertise in the fields of information technology, law, risk assessment and process analysis, whose main responsibility is to oversee the management of the processing of personal data in accordance with European and national privacy laws.

The Data Controller of the CVA Group companies with employees, have appointed a single DPO, whose main tasks are: i) advise on the GDPR and other provisions on personal data protection; ii) continuously monitor compliance with the GDPR and other provisions on personal data protection, through appropriate structuring of regular on-site and remote monitoring activities; iii) provide training for staff on personal data protection; iv) give prior opinions on the privacy impact assessment, for example on the introduction of new processing of personal data; v) cooperate, where necessary, with the control authorities.

Information Systems

The management of ITC issues is considered a strategic activity for your Group and, as such, is managed and developed directly by CVA. With reference to the set of measures implemented during FY 2019, in addition to the normal maintenance activities of the IT systems, for an in-depth examination of the activities carried out in this area, please refer to the details on the subject in the document "Sustainability Report" prepared for FY 2019.

Personnel

The CVA Group consisted of 574 employees at 31 December 2019 (536 employees at 31 December 2018, 535 employees at 31 December 2017), of whom 2 executives, 58 managers, 338 white collars and 176 blue collars.

Relations with the 2 executives are governed by the National Collective Labour Contract of executives of companies that produce goods and services, while for the rest of employees relations are governed by the National Collective Labour Contract for workers in the electricity sector.

At the level of individual Group companies, the number of employees was as follows at 31 December 2019:

- 378 at CVA (356 in 2018 and 355 in 2017);
- 61 at CVA ENERGIE (57 in 2018 and 57 in 2017);
- 135 at DEVAL (123 in 2018 and 123 in 2017).



Below is a breakdown of the changes occurred in the number of Group employees between 31 December 2017 and 31 December 2019:

	Balance at 31 December		
	2019	2018	2017
Executives	2	2	3
Managers	58	54	53
White collars	338	307	305
Blue collars	176	173	174
Total	574	536	535

574
Group people

The increase in personnel in 2018 is due to the difference between 4 hires and 3 terminations in 2019 is due to the difference between 47 hires and 9 terminations.

During 2018, within the companies of the CVA Group, there were 4 hires, 2 intragroup contract transfers and 3 job terminations.

During 2019, within the companies of the CVA Group, there were 47 hires, 7 intragroup contract transfers and 9 job terminations.

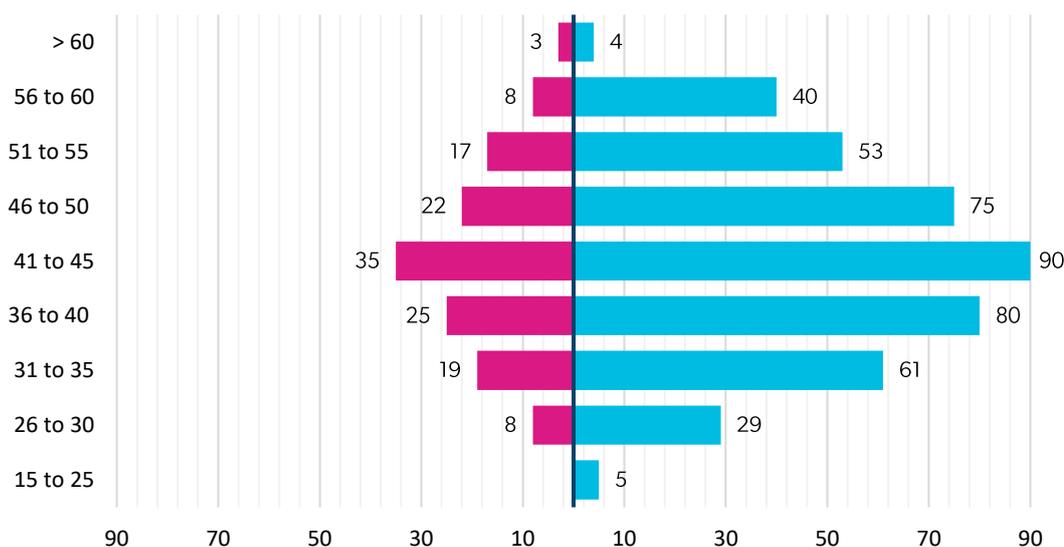
Between 2018 and 2019, the increase was 38 units, from 536 employees at 31 December 2018 to 574 employees at 31 December 2019.

The breakdown by age and gender at 31 December 2019 is as follows:

CVA group - Breakdown of balance at 31/12/2019 by age and gender range

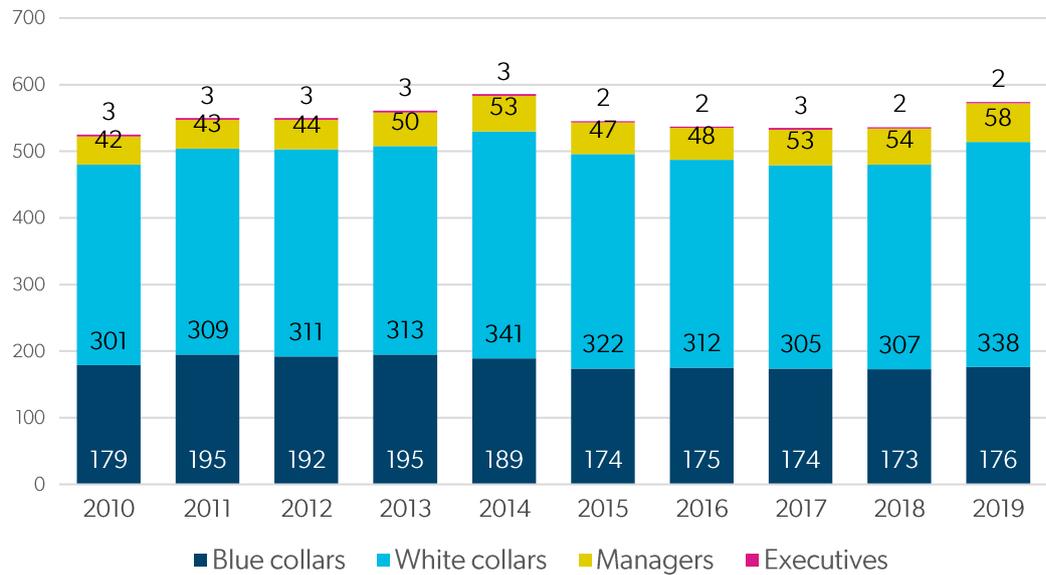
■ Females = 137

■ Males = 437



The breakdown by professional category (executives, managers, white collars, blue collars) and the evolution compared to previous years is shown below:

CVA Group - Personnel balance



Industrial relations

The Group continues to maintain with the trade unions the necessary relations to express the most complete transparency on the significant activities undertaken, to apply the contractual rules and to allow the management of personnel for the organisation of work and in compliance with occupational prevention and safety regulations. In the 2017-2019 period, activities aimed at standardising the treatment of personnel present in the companies of the CVA Group continued according to the provisions of the "Protocol of industrial relations at the CVA Group". The agreements relating to the following issues were signed with the trade unions at CVA Group level or by the individual company:

- minutes at CVA Group level: economic agreements, integration of minutes of result bonus year 2016, productivity welfare year 2016, result bonus years 2017-2018 and integration, result bonus years 2019-2021, welfare-work-life balance, overcoming electricity tariff facilitation, organisational operating model and regulation of career progressions and professional awards;
- minutes at the individual company level: work at height training, company safety training 2018 and integration, P.E.R.F.O.R.M.2 training, company safety training 2019 and integration, company safety training 2019-2020, aggression risk training 2020, agreement on recording, storing and making available for re-listening recorded conversations in the Retail Libero customer office, fault reporting service, effective communication training in customer relations, result bonus year 2017 cash 2018, result bonus year 2018 cash 2019, result bonus year 2019 cash 2020.

C.V.A. S.p.A. a s.u.

During 2019, the average number of CVA staff was 363 people (354 people in 2018 and 355 people in 2017). At 31 December 2019, the CVA workforce was of 378 people (356 at 31 December 2018 and 355 at 31 December 2017).

Below is a breakdown of the changes occurred in the number of CVA employees between 31 December 2017 and 31 December 2019:

	Balance at 31 December 2017	Hires	Terminations	Intra-group mobility	Incoming category changes	Outgoing category changes	Balance at 31 December 2018
Executives	3	-	(1)	-	-	-	2
Managers	40	-	-	-	1	-	41
White collars	186	4	(2)	-	1	(1)	188
Blue collars	126	-	-	-	-	(1)	125
Total	355	4	(3)	-	2	(2)	356

	Balance at 31 December 2018	Hires	Terminations	Intra-group mobility	Incoming category changes	Outgoing category changes	Balance at 31 December 2019
Executives	2	-	-	-	-	-	2
Managers	41	-	(1)	(1)	2	-	41
White collars	188	24	(3)	(2)	2	(2)	207
Blue collars	125	6	(1)	-	-	(2)	128
Total	356	30	(5)	(3)	4	(4)	378

During 2018 there were 4 hires, 1 positive contract transfer from the Group, 1 negative contract transfer to the Group and 3 job terminations. During 2019 there were 30 hires, 2 positive contract transfers from the Group, 5 negative contract transfers to the Group and 5 job terminations. The 30 permanent hires (24 white collar and 6 blue collar) were carried out:

- to comply with the provisions of Law 68/1999 on compulsory placement (protected categories) for 1 employee;
- for the stabilisation of contract personnel for 19 employees;
- for the replacement of urgent positions for 10 employees.

Recruitment took place at the following Operating Units:

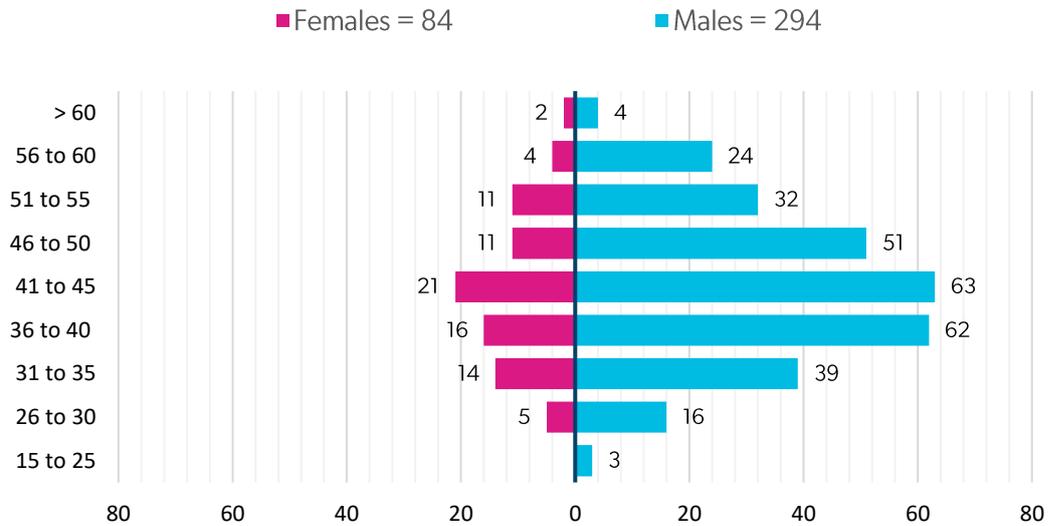
Description of Operating Unit	Protected categories	Stabilisation	Urgent	General total
CEO/AALS-LCA/Risk Management Function		1		1
CEO/Marketing and External Relations Function	1			1
CEO/Information Technology Services Function		3		3
DAFRU-FHR/Administration and Finance Department			1	1
DAFRU-FHR/Management Control Function		1		1
DAFRU-FHR/Personnel Department		1	2	3
DAFRU-FHR/General Services Department		6		5
DO-OP/Exercise Function - RO High Valley			1	1
DO-OP/Exercise Function - RO Low Valley		1	2	3
DO-OP/Exercise Function - RO Middle Valley			2	2
DO-OP/Civil Engineering Function		4		4
DO-OP/Electromechanical Engineering Function		2		2
DO-DP/Equity, TLC and Open Innovation			1	1
CO-OP/Quality, Safety and Environment Department			1	1
	1	19	10	30

Between 2017 and 2018, the average decrease in workforce was 1 employee, while the actual increase was of 1 unit, resulting in a shift from 355 employees at 31 December 2017 to 356 employees at 31 December 2018, of whom 2 have a managerial qualification and are governed by the National Collective Labour Contract of executives of companies producing



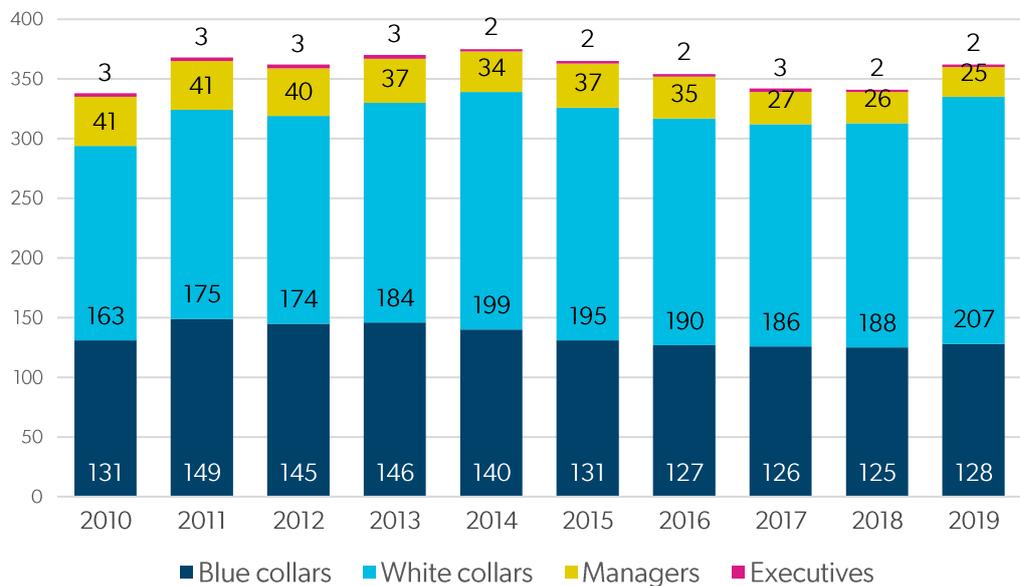
goods and services and 354 (as follows: 41 managers, 188 employees and 125 blue collars) are regulated by the National Collective Labour Contract for workers in the electricity sector. Between 2018 and 2019, the increase in workforce was 9 employees, while the actual increase was of 22 units, resulting in a shift from 356 employees at 31 December 2018 to 378 employees at 31 December 2019, of whom 2 have a managerial qualification and are governed by the National Collective Labour Contract of executives of companies producing goods and services and 376 (as follows: 41 managers, 207 employees and 128 blue collars) are regulated by the National Collective Labour Contract for workers in the electricity sector. The breakdown of CVA employees at 31 December 2019 by age and gender ranges is as follows:

CVA - Breakdown of balance at 31/12/2019 by age and gender range



The breakdown by professional category (executives, managers, white collars, blue collars) and the evolution compared to previous years is shown below:

CVA - Personnel balance



In 2019, hours worked totalled 581,001 hours (559,877 ordinary and 21,124 overtime) corresponding to 1,608 hours (1,542 ordinary and 66 overtime) average worked by each employee in force at CVA.

In 2018, hours worked totalled 564,105 hours (540,913 ordinary and 23,192 overtime) corresponding to 1,604 hours (1,529 ordinary and 75 overtime) average worked by each employee in force at CVA.

In 2017, hours worked totalled 572,966 hours (547,037 ordinary and 25,929 overtime) corresponding to 1,613 hours (1,540 ordinary and 73 overtime) average worked by each employee in force at CVA.

Of the 378 employees in service at 31 December 2019, 305 (299 at the end of 2018 and 297 at the end of 2017) opted for a full contribution to a complementary pension fund, 29 (29 at the end of 2018 and 29 at the end of 2017) for the partial transfer to a complementary pension fund and 30 (28 at the end of 2018 and 29 at the end of 2017) for the maintenance of employee severance indemnity (TFR) at the company and 14 new hires (0 at end 2018 and 0 at end 2017), having 6 months to express their intentions, have not yet made their choice. In the three-year period 2017-2019, in addition to the normal entry training activity that involved the newly hired staff, training courses were offered to employees, both at company headquarters and outside.

The number of people trained in the year 2019 is indicated below:

- health and safety training - 282 employees;
- periodic department training - 90 employees;
- environmental training - 5 employees;
- professional training - 268 employees;
- meetings, conferences, workshops - 30 employees.

Organisation Chart

As regards CVA, with effect from 01 January 2019, the new organisational structure was made operational in order to:

- consolidate a more balanced organisational structure, favouring a less centralised organisational model, enhancing the skills present in the company;
- converge all the activities of a general legal, sector regulatory and corporate affairs nature, all having similarity and adjacency in their processes, defining, through a common language, the priorities and strategies to provide greater support to the CEO and to all the company Departments/Functions;
- redefine the management and coordination activities performed by CVA with regard to the commercial processes managed within CVA ENERGIE.

The most significant changes in the streamlining project were as follows:

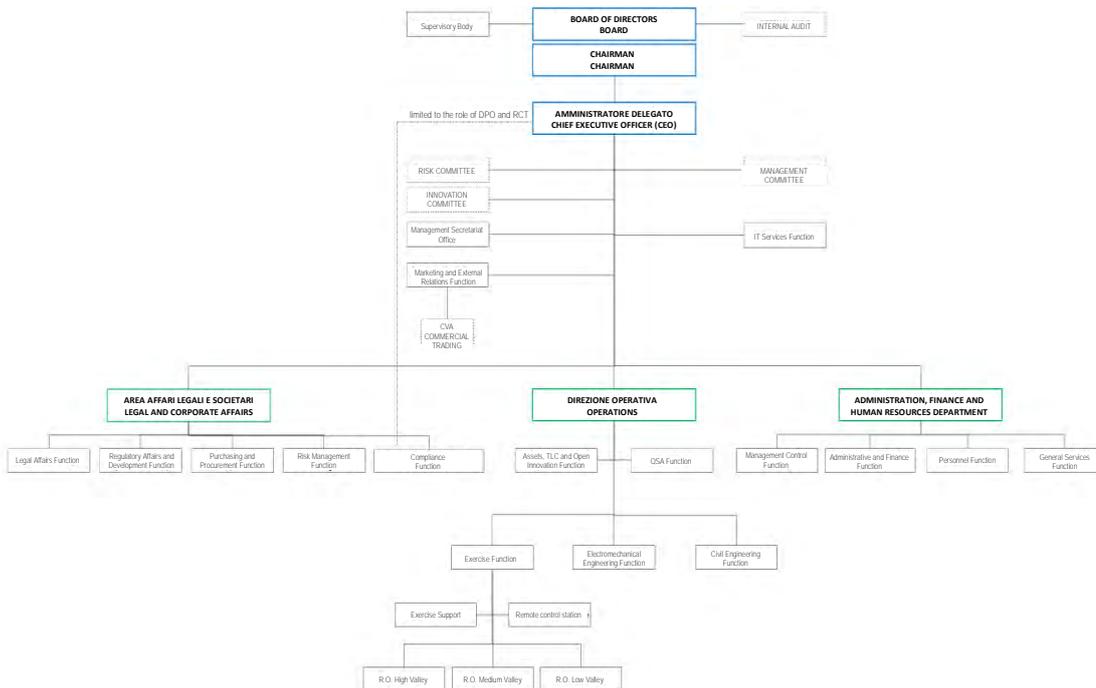
- creation of a more streamlined organisational model, with 2 direct functional reports on the staff of the CEO, 1 of whom is responsible for the commercial activities managed by CVA ENERGIE;
- grouping of activities of a “legal” nature into a single area.

In order to implement the rationalisation project, the following changes were made to the organisational structure:

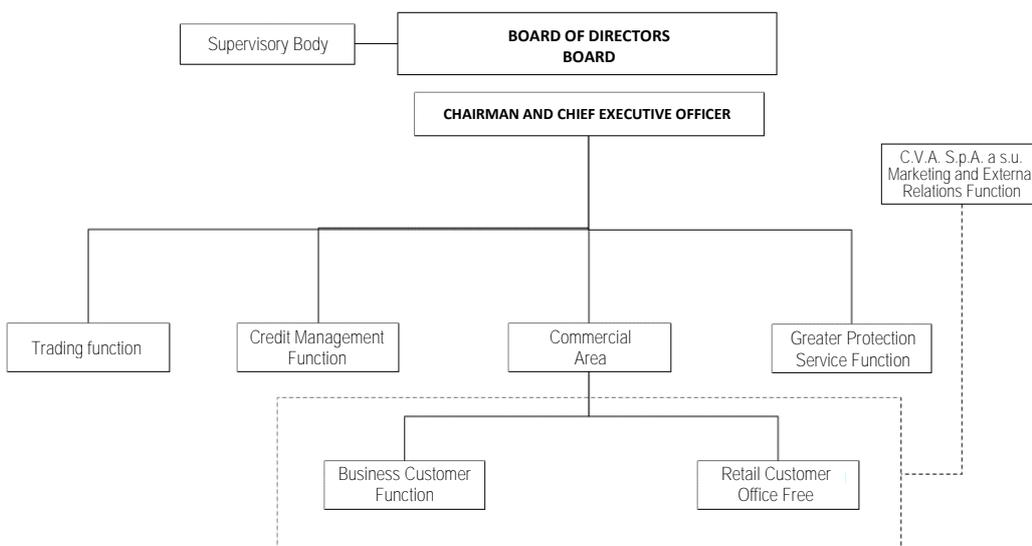
- creation of the Marketing and External Relations Function on the CEO’s staff and elimination of the Regulatory and External Relations Function;
- change of name of the Legal and Corporate Affairs Function to Legal Affairs Function;
- creation of the Regulatory Affairs and Development Function and abolition of the Strategy Capital Market and Investor Relations Function;
- creation of the Risk Management Function and absorption of the Risk Office and the activities managed by the Development Office;
- creation of the Compliance Function and absorption of the Supervisory Board Office;
- creation of the Legal and Corporate Affairs Area with coordination of the Legal Affairs, Regulatory Affairs and Development, Risk Management, Regulatory Compliance/Compliance and Procurement and Tenders Functions;
- suppression of the Commercial, Strategy and Development/Trading, Marketing, Strategy and Business Development Department and the Business Development Function;
- change of name of the Assets, TLC and Plant Security Function to Assets, TLC and Open Innovation Function;
- change of name of the Maintenance and Development Electromechanical Engineering Function to Electromechanical Engineering Function;
- change of name of the Civil Engineering Department for Dams to Civil Engineering Department.

The organisation charts of the Group companies as of 31 December 2019 are provided below:

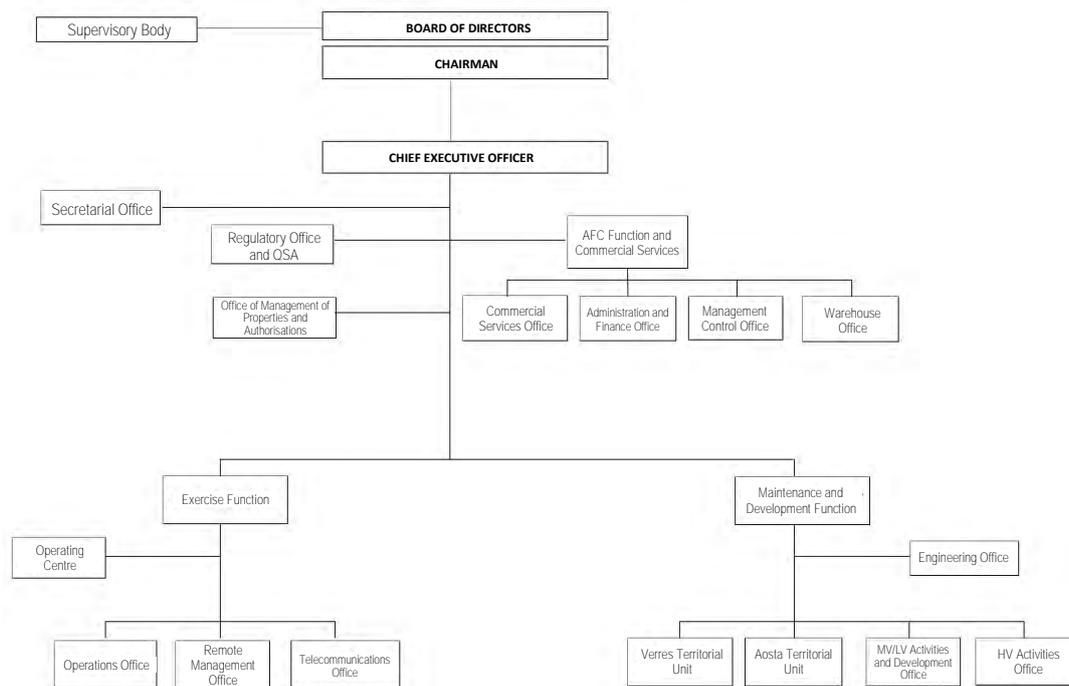
CVA



CVA ENERGIE



DEVAL



Recruitment plan

The Board of Directors, also taking into account the significant amendments to the rules governing fixed-term employment contracts and the provision of work made by Decree Law no. 87 of 12 July 2018 "Urgent provisions for the dignity of workers and companies" (Dignity Decree), at its meetings of 24 July 2018 and 29 October 2018, approved the 2018/2019 personnel budget, which provides for the hiring of 46 resources, of which 35 for the stabilisation of positions currently held by staff and 11 for the coverage of urgent positions, in addition to any hiring resulting from the application of Law 68/1999 on compulsory placement (protected categories).

At the meetings of 30 January 2019, 17 May 2019, 17 June 2019, 26 June 2019, 03 October 2019 and 09 December 2019, the 2018/2019 personnel budget was updated bringing the forecast of placements to 57 resources, of which 36 for the stabilisation of positions currently covered by administered staff (35+1 transferred from CVA ENERGIE to CVA against the transfer of a contract) and 21 (11+10 new) to cover urgent positions, in addition to possible hirings resulting from the application of Law 68/1999 on compulsory employment (protected categories).

In 2018, 4 hires were made, of which 2 for the stabilisation of positions held by staff, 1 for the coverage of urgent positions and 1 in accordance with the provisions of Law 68/1999 on compulsory placement (protected categories).

In 2019, 30 hires were made, of which 19 for the stabilisation of positions held by staff, 10 for the coverage of urgent positions and 1 in accordance with the provisions of Law 68/1999 on compulsory placement (protected categories).

With regard to the 25 remaining positions in the 2018/2019 staff budget, 12 people will be hired in the first quarter of 2020 and calls for applications for the remaining 13 positions will be published during 2020.

Industrial relations

CVA continues to maintain with the trade unions the necessary relations to express the most complete transparency on the significant activities undertaken, to apply the contractual rules and to allow the management of personnel for the organisation of work and in compliance with occupational prevention and safety regulations.

In the 2017-2019 period, activities aimed at standardising the treatment of personnel present in the companies of the CVA Group continued according to the provisions of the "Protocol of industrial relations at the CVA Group". The agreements relating to the following issues were signed with the trade unions at CVA Group level or by the individual company:

- minutes at CVA Group level: economic agreements, integration of minutes of result bonus year 2016, productivity welfare year 2016, result bonus years 2017-2018 and integration, result bonus years 2019-2021, welfare-work-life balance, overcoming electricity tariff facilitation, organisational operating model and regulation of career progressions and professional awards;
- individual company minutes: training for safety in work at height, training for safety in the company 2018 and integration, training for safety in the company 2019 and integration, training for safety in the company 2019-2020, performance bonus year 2017 cash 2018, performance bonus year 2018 cash 2019, performance bonus 2019 cash 2020.

Quality, Safety and Environment

The CVA Group, which has always been attentive to environmental protection and personnel safety, also during FY 2019 continued to invest resources and commitment in activities aimed at ensuring that high levels of attention are maintained on these issues, which it considers an integral part of its corporate mission. The fundamental tool used for this purpose is the Integrated Management System (IMS), the structure of which makes it possible to monitor all the operational processes that affect the quality of the service with a view to protecting the environment and the safety of workers. In particular, there was a strong involvement of the relevant corporate structures on issues such as:

- analysis of the hydrological and climatic situation;
- attention to impacts on environmental aspects;
- the safety of personnel employed by the Group.

It should be noted that all the hydroelectric, wind and photovoltaic production sites of CVA, as well as CVA ENERGIE and VALDIGNE, are currently certified by RINA according to the ISO

14:0001:2015 Environment, OSHAS 18:0001:2007 Safety and ISO 90001:2015 Quality standards.

For a more in-depth examination of the activities carried out in this area, please refer to the details on the subject in the document “Sustainability Report” prepared for FY 2019.

Research and Development

The CVA group does not currently have an R&D organisational unit, and does not include its many technical development and innovation activities in R&D (see definitions in Communication CE/2014/C 198/01). In this context, in 2017, CVA has launched an OPEN INNOVATION programme, called CVA 2022, with which new technologies relevant to the different areas of activity of all the companies of the group are monitored and submitted to proof of concept projects, both from known vendors and from small businesses and innovative start-ups. This program allows CVA to act as an “early adopter” of emerging technologies and solutions proposed by the market. To implement this project, the Group has its own organisational unit, which reports to a control room set up by the top management of the Companies.

Other disclosures

Power Purchase Agreement (“PPA”)

In the Italian national energy strategy, the target for the development of renewable sources by 2030 is 187 TWh, equal to 55% of gross domestic electricity consumption. The target implies investments of more than Euro 30 billion taking into account only new capacity, not including refurbishment of existing plants and development of grid infrastructure and storage. Mobilising these resources requires the involvement of the financial sector, which has traditionally been involved in financing capital-intensive renewable energy sources, limited to a context of public guarantees through incentives.

In this context, the PPA instrument, which can be briefly defined as a medium/long-term electricity supply contract at a fixed price, is an alternative to the incentive system and is intended to encourage the development and construction of new plants for the production of energy from renewable sources in a context of market parity. PPAs are also developing in Italy, although at a slower pace than in more advanced countries in the sector, such as Great Britain, Spain, the Nordic European countries and the United States, but they are struggling to become established as a method of energy contracting in the Italian market.

During 2019, the Company participated in the PPA Committee organised by REF-E, Public Affair Advisor and the law firm Herbert Smith Freehills aimed at developing the Power Purchase Agreement (“PPA”) instrument and encouraging its dissemination throughout the country. The work of the committee made it possible to take stock of the state and experiences of the PPAs of the participating subjects, to understand the risks and opportunities offered by the contractual instrument for the various market players, to identify the nodes and barriers of the Italian market for the diffusion of PPAs, to review possible actions for the removal of the barriers and to make proposals at political and institutional level

for the creation of consensus and for the diffusion of PPAs. After having successfully participated in the PPA Committee and having internalised an important know-how on the subject, CVA has decided to act as a strategic partner of potential producers and customers interested in PPA. During the last quarter, CVA began negotiations with an important energy customer in the Valle d'Aosta aimed at finalising a PPA contract which, not only would be one of the first contracts of this type in Italy with physical delivery of the electricity, but which could also be defined as “zero kilometre” in view of the close proximity between the customer and the Company's production plants.



Requests for rebate of provincial surtaxes

With reference to this issue, it should be noted that, as of December 2019, your Group has been the subject of requests, by customers who have approached the sales company CVE Energie, for rebate of the provincial surtaxes provided for in Article 6 of Decree Law 511/1988 for consumption in 2010 and 2011, which the current sales company and, in the past, the consortium companies Idroenergia S.c.r.l. and Idroelettrica S.c.r.l., as obligated parties, paid to the Customs and Monopolies Agency and subsequently charged to their customers, in accordance with the tax regulations *ratione temporis* applicable. In order to obtain repayment of the undue payment made, those customers objected to the alleged incompatibility of the Italian legislation establishing the provincial surcharge on excise duty on electricity (Decree Law no. 511/88) with respect to Community legislation (Directive 2008/118/EC). These claims are based on four 2019 Supreme Court pronouncements that set forth the following principles of law:

- *“the provincial surcharge on excise duty on electricity laid down in Article 6 of Decree Law no. 511 of 1988, in the version applicable *ratione temporis*, subsequent to the amendments introduced by Article 5, paragraph 1 of Legislative Decree no. 26 of 2007, must be disapplied on the ground that it is contrary to Article 1, p. 2, of Directive no. 2008/118/EC, as interpreted by the Court of Justice of the EU in its judgements of 5 March 2015 in Case C-553/13 and 25 July 2018 in Case C-103/17 respectively” (Cass. Civ. no. 27101/2019 and, accordingly, Cass. Civ. no. 15198/2019)*
- *“The additional taxes on the consumption of electricity referred to in Article 6(3) of Decree Law no. 511/1988 (in the text applicable *ratione temporis*) are payable, like the excise duties, by the supplier at the time when the electricity is supplied to the final consumer and, in the event of undue payment, the only person entitled to submit a claim for reimbursement to the tax authorities pursuant to Article 14 of Legislative Decree no. 504 of 1995 and Article 29(2) of Law no. 428 of 1990 is the supplier”; consequently, “The final consumer of electricity, to whom the additional taxes on the consumption of electricity referred to in Article 6(3) of Legislative Decree no. 511 of 1988 (in the text applicable *ratione temporis*) by the supplier, may take action against the latter with the ordinary action for recovery of undue payments and, only if such action proves impossible or excessively difficult with reference to the situation in which the supplier finds himself, may exceptionally request reimbursement from the tax authorities, in accordance with the EU principle of effectiveness and subject to allegation and demonstration of the factual circumstances that justify such*

extraordinary legitimacy” (Cass. Civ. no. 27099/2019 and, accordingly, Cass. Civ. no. 29980/2019).

On the basis of the aforementioned principles of law, the provincial surcharges are allegedly ‘unlawful’ and the sales company CVA ENERGIE would be forced to undergo compulsory litigation for the repayment of the provincial surcharges that customers unduly paid; if it loses the case, CVA ENERGIE would be required to return the surcharges to the customers and, only subsequently and within 90 days from the date on which the relevant rulings become final, to request the reimbursement from the Customs and Monopolies Agency.

Disclosure required by Article 19 of the TUSPP and the resolution of the Regional Council of Valle d’Aosta no. 234/XV of 19 December 2018

The resolution of the Regional Council of Valle d’Aosta no. 234/XV of 19 December 2018 established to set, pursuant to Article 19 paragraph 5 of the TUSPP (Consolidated Law on Publicly Held Companies), as a target on the overall operating expenses and on those of personnel costs, for subsidiaries, the general rationalisation of operating expenses and the average maintenance between operating costs (thus including personnel costs) and revenues recorded in the last three years (2016-2017-2018), giving account of this in the disclosure of the financial statements for the year ended 31 December 2019. In implementation of the above regulatory provision, evidence is therefore provided in the following table of CVA’s operating costs for the three-year period 2016-2017-2018, as well as a comparison between the average of the same and the value of operating costs for FY 2019:

Euro thousands

Item description	2016	2017	2018	Three-year average	2019
Materials and supplies	1,692	1,524	538	1,251	1,959
Costs for services and leased assets	13,917	14,027	15,864	14,603	14,298
Gross Staff	23,058	23,318	25,190	23,855	23,181
Capitalised personnel	-1,072	-1,135	-865	-1,024	-877
Other operating costs	35,404	35,920	36,889	36,071	37,885
Total operating costs	72,998	73,655	77,617	74,757	76,447
<i>of which diversion fees</i>	<i>31,297</i>	<i>31,499</i>	<i>32,071</i>	<i>31,622</i>	<i>34,837</i>
Total operating costs net of diversion fees	41,702	42,155	45,546	43,134	41,610
Revenues	166,573	161,610	182,818	170,334	188,453
Ratio of operating costs and revenues	25.0%	26.1%	24.9%	25.3%	22.1%

In order to provide a correct analysis of the above information, it should be noted, as already pointed out in the introduction, that the Company, due to the nature of its production plants, expects a rather rigid trend in the value of operating costs, compared with a trend in revenues that is strongly influenced by weather conditions, the trend of which has a significant impact on the production of energy in each financial year. The value of operating costs is increasing over the three-year period under review, while an inverse trend is observed for FY 2019, with a significant reduction mainly due to the reduction in the items costs for services and personnel costs. Revenues show an upward trend in the years under review, resulting in a contraction, between 2019 and the previous three years, of more than 3.2% in the ratio of the Company's operating costs to the revenues it manages to express. Details of operating costs are detailed below:

- cost of materials - the item shows an increasing trend and refers to the energy purchased for the operation of the plants as well as the material used for their management;
- costs for services and use of third party assets - the item shows a decrease in 2019 compared with the average of the previous three years, mainly due to a decrease in administrative legal and commercial consulting expenses, as well as the impact generated on rental and lease costs compared with 2018, due to the application of IFRS 16 previously described;
- labour costs - the item shows a concrete decrease especially if referred to the previous year, which is also confirmed when compared with the average of the three-year period of reference. It should be noted that during 2019 a significant number of positions held by temporary workers were stabilised, thereby ensuring on the one hand greater stability in the monitoring of business processes as well as the acquisition of important skills, while at the same time reducing costs for temporary agencies. The decrease in costs for FY 2019 is also due to the effect of the reversal to income of the provision allocated, in past years, against the energy discount recognised to employees, following its overrun against different union agreements. Evidence is given in the table below of the final amounts of employees in the three-year period 2016 - 2018 and in 2019;

	Balance at 31 December			
	2016	2017	2018	2019
Executives	2	3	2	2
Managers	37	53	54	58
White collars	190	305	307	338
Blue collars	127	174	173	176
Total	356	535	536	574

- other operating costs - this item mainly includes the diversion fees (described below) neutralised in the calculation of the index, as well as costs relating to maintenance performed on the plants. The trend is mainly due to the maintenance work carried out on the plants as well as the trend in the above-mentioned fees;

- water diversion fees - This item refers to the cost of water diversion fees for hydroelectric power plants, the value of which is based on rates set exogenously by the party granting the right to use the water. It follows that, despite being included in operating costs, these charges cannot be subject to any containment action by the Company as they are independent of the rationalisation policies implemented by it.

Significant events after year-end

Pursuant to Article 2427, paragraph 1, number 22-quater of the Italian Civil Code, please note that:

- your Company and the Group it controls believe it is essential to continue the process, started in past years, of technological diversification of its plants. This objective, in compliance with the limits imposed by the TUSPP, is directing the Company to operate on plants under development. In this sense, on 28 April 2020, a co-development agreement was signed with a major operator in the sector, referring to a possible pipeline of photovoltaic plant projects located in northern Italy. The goal is to authorise, in the next 3 years, photovoltaic projects for a total of 150 MW and the subsequent implementation and direct management of the same;
- the spread of the pandemic caused by the COVID-19 virus is also having a major impact on people's working lives, as well as their private lives. The Group immediately activated all the necessary activities to follow the obligations and prohibitions imposed by the government authorities in order to safeguard the health and safety of people, with reference to the company's employees, customers and related suppliers. The precautions put in place aimed at maintaining the continuity of the services provided, in full compliance with the actions imposed at government level to mitigate the evolution of the virus and which, since March, have seen a succession of decrees to define the lines of conduct in terms of travel, quarantine, blocking of economic activities and other measures for public health safety. These precautions made it possible to ensure the continuity of services and, at the same time, to keep the spread of the virus among the company's population at extremely low levels.

As a contribution to the Valle d'Aosta region in overcoming the emergency, the Group has: i) offered its customers payment suspension and instalment formulas for the amounts suspended over 3 years starting from January 2021 and ii) advanced payments to suppliers falling due in the March to June 2020 quarter, so as to support them with a liquidity advance.

The pandemic will have an incisive impact on the trend of GDP and the real economy in Italy in 2020, even if it is difficult to estimate today, and in order to try to contain its effects, public finance intervention is expected to try to relaunch the entire Italian system, especially after the reopening of activities due to the absence of the lock-down. The pandemic did not spare the electricity market with a reduction in demand that dragged down average prices in March and April, which fell to 31.99 and 24.81 euros/MWh respectively compared with the average of 52.32 in 2019. Unfortunately, the negative economic consequences of the Coronavirus have not only involved Italy but have affected all the world's economies and in addition to the above, there was also the collapse in the price of oil that occurred in March 2020 and continued in April, when on the 20th, the WTI recorded its lowest price.

The consequences of the health emergency on the accounts of your Company and the Group it controls are still uncertain because, although policies to hedge against the risk of fluctuations in the price of energy and to manage and hedge credit risk are in place, it can be assumed that they will manifest themselves in terms of the price of unhedged quantities, changes in the solvency of customers and changes in the volumes of energy sold, with repercussions also on the effectiveness and costs of hedging policies.

Although a highly critical scenario is expected, characterised by negative economic effects, we believe, on the basis of the effects recorded to date and on the basis of the prospective scenarios prepared in the 2020 budget document, that the Company will not see its ability to continue and operate as a going concern compromised.

Treasury shares

C.V.A. did not directly hold, either through a trust company or through a third party, either treasury shares or shares in the parent company.

List of secondary locations

In addition to its registered office in Via Stazione, 31 in Châtillon (AO), CVA exercises its activities at the following locations:

- Alessandria (AL) - Cabanette snc area;
- Antey-St-Andre' (AO) - Covalou snc area;
- Aosta (AO) - Signayes snc area;
- Aosta (AO) - Via Clavalité 8;
- Arlena di Castro (VT) - Strada Vicinale della Banditella snc;
- Avise (AO) - Baraccon area;
- Aymavilles (AO) - Strada Comunale di Aymavilles snc;
- Aymavilles (AO) - Strada Vic. Di Saillod snc;
- Bard (AO) - San Giovanni snc area;
- Bionaz (AO) - Place Moulin snc area;
- Brusson (AO) - Via Col Di Joux;
- Challand-St-Victor (AO) - Centrale Isollaz snc area;

- Champdepraz (AO) - Fabbrica snc area;
- Châtillon (AO) - Breil area;
- Châtillon (AO) - Via Stazione 30;
- Châtillon (AO) – Via Stazione, 32;
- Cogne (AO) - Lillaz area, 47;
- Foggia (FG) - Ponte Albanito snc area;
- Gaby (AO) - Zuino snc area;
- Gressoney-La-Trinitè (AO) - Edelboden area;
- Gressoney-La-Trinitè (AO) - Gabiet snc area;
- Gressoney-St-Jean (AO) - Sendren snc area;
- Hone (AO) - Centrale snc area;
- Hone (AO) - Raffort snc area;
- Issime (AO) - Grand Praz snc area;
- Montjovet (AO) - Le Bourg snc area;
- Nus (AO) - Strada Statale 26 snc;
- Nus (AO) - Strada Statale 26 snc;
- Piansano (VT) - Varie snc area;
- Pontedera (PI) - Viale America snc;
- Pontey (AO) - Saint Clair snc area;
- Pont-Saint-Martin (AO) - Via Breda, 2;
- Quart (AO) - La Tour snc area;
- Quincinetto (TO) - Strada dei Chiappeti snc;
- Saint Denis (AO) - Puy De St. Evence snc area;
- Valenza (AL) - Strada Alla Nuova Fornace snc;
- Valgrisenche (AO) - Beauregard snc area;
- Valpelline (AO) - Prailles snc area;
- Valtournenche (AO) - Perreres snc area;
- Valtournenche (AO) - Cignana snc area;
- Valtournenche (AO) - Goillet snc area;
- Valtournenche (AO) - Maen snc area;
- Verres (AO) - Via Degli Artifici snc;
- Villeneuve (AO) - Area Champagne snc;
- Villeneuve (AO) - Area Champagne snc;
- Villeneuve (AO) - Chavonne snc area.

Approval of the financial statements in the longer term

By virtue of the provisions of paragraph 1 of Article 106 of the Cura Italia Decree, headed "Rules on the conduct of company meetings", which states that "Rules on the conduct of company meetings", which states that "notwithstanding the provisions of Articles 2364, paragraph two, and 2478-bis, of the Italian Civil Code or the different provisions of the Articles of Association, the ordinary shareholders' meeting shall be called within one hundred and eighty days from the end of the financial year", and considering that the Company is required to prepare consolidated financial statements, it has taken advantage of the increased period of one hundred and eighty days for the approval of the 2019 financial statements.



Châtillon, 27 May 2020

The Chief Executive Officer

Enrico De Girolamo

The Chairman

Marco Cantamessa



CONSOLIDATED ANNUAL FINANCIAL REPORT OF THE CVA GROUP AT 31 December 2019

Consolidated Income Statement

Amounts in Euro thousands	Notes	2019	2018
		Total	Total
Revenues			
Revenues from sales and services	(1)	755,438	791,555
Other revenues and income	(2)	49,994	53,023
TOTAL REVENUES (A)		805,433	844,577
of which: impact of non-recurring items	(4)	-	2,066
Operating costs			
Costs for raw materials and services	(3)	579,925	632,098
Personnel costs	(4)	34,839	37,514
Other operating costs	(5)	42,414	38,010
Capitalised days of work	(6)	(4,203)	(4,005)
TOTAL OPERATING COSTS (B)		652,975	703,617
of which: impact of non-recurring items	(4)	(2,119)	-
GROSS OPERATING MARGIN (A-B)		152,458	140,960
of which: impact of non-recurring items	(4)	2,119	2,066
Amortisation, depreciation, provisions and write-downs			
Amortisation	(7)(13)	50,231	47,291
Provisions and write-downs	(8)	(1,871)	2,656
TOTAL AMORTISATION, DEPRECIATION, PROVISIONS AND WRITE-DOWNS (C)		48,361	49,947
of which: impact of non-recurring items	(8)	(1,170)	2,197
OPERATING RESULT (A-B+/-C)		104,097	91,013
of which: impact of non-recurring items	(4)(8)	3,289	(131)
Financial management			
Financial income	(9)	5,447	2,566
Financial expense	(9)	5,793	3,278
TOTAL FINANCIAL BALANCE (D)		(346)	(712)
of which: impact of non-recurring items	(9)	3,397	-
PRE-TAX RESULT (A-B+/-C+/-D)		103,752	90,301
of which: impact of non-recurring items	(4)(8)(9)	6,686	(131)
Gains/(losses) for income taxes	(10)	27,981	26,341
Net result of continuing operations		75,771	63,960
Net result of discontinued operations		-	-
PERIOD NET RESULT		75,771	63,960
Profit/(loss) attributable to the Group		75,103	62,687
Profit/(loss) attributable to non-controlling interests		668	1,273
Basic earnings per share (Euro)		0.19	0.16
Diluted earnings per share (Euro)		0.19	0.16

Consolidated Statement of Other Items of Comprehensive Income

Amounts in Euro thousands	Notes	2019	2018
Result of the period (A)	(27)	75,771	63,960
Other components of the Comprehensive Income Statement that can be reclassified to the Income Statement in subsequent periods (net of the tax effect)			
Effective portion of changes in fair value of cash flow hedges	(27)	(26,136)	6,571
Total other components of the Comprehensive Income Statement that can be reclassified to the Income Statement in subsequent periods (net of the tax effect) (B)		(26,136)	6,571
Other components of the Comprehensive Income Statement that cannot be reclassified to the Income Statement in subsequent periods (net of taxes)			
Remeasurement of liabilities for defined benefit plans for employees	(27)	(165)	228
Total other components of the Comprehensive Income Statement that cannot be reclassified to the Income Statement in subsequent periods (net of taxes) (C)		(165)	228
Total profit/(loss) recognised directly in equity (B+C)		(26,301)	6,800
Total profit recognised in the year (A+B+C)		49,470	70,760

Consolidated Statement of Financial Position: Assets

Amounts in Euro thousands	Notes	2019 Total	2018 Total
Assets			
Non-current assets			
Tangible assets	(11) - (13)	672,695	690,152
Intangible assets	(12) - (13)	13,373	13,261
Goodwill	(14)	238,026	238,026
Equity investments	(15)	1,968	1,729
Deferred tax assets	(16)	25,939	25,600
Derivatives	(23)	2,242	-
Non-current financial assets	(17)	84,578	79,261
Other non-current assets	(18)	5,072	3,228
Total non-current assets		1,043,894	1,051,257
Current assets			
Inventories	(19)	3,028	2,746
Trade receivables	(20)	120,056	125,270
Receivables for income taxes	(21)	5,130	5,342
Other tax receivables	(22)	11,638	14,594
Derivatives	(23)	3,536	22,291
Other current financial assets	(24)	22,483	41,399
Other current assets	(25)	20,680	34,097
Cash and cash equivalents	(26)	214,992	189,674
Total current assets		401,543	435,413
Assets classified as held for sale		-	-
TOTAL ASSETS		1,445,437	1,486,670

Consolidated Statement of Financial Position: Liabilities

amounts in Euro thousands	Notes	2019 Total	2018 Total
Shareholders' equity			
Share capital		395,000	395,000
Other reserves		283,887	290,742
Accumulated Profits/(Losses)		41,379	39,257
Net result of the year		75,103	62,687
Shareholders' equity attributable to the Group		795,369	787,686
Shareholders' equity - Minority interests		6,917	6,800
Total shareholders' equity	(27)	802,286	794,486
Liabilities			
Non-current liabilities			
Employee benefits	(28)	6,083	10,411
Provisions for risks and charges	(29)	27,829	29,909
Deferred tax liabilities	(16)	48,900	50,004
Derivatives	(23)	1,234	-
Non-current financial liabilities	(13)-(30)	337,826	364,819
Other non-current liabilities	(31)	20,120	19,394
Total non-current liabilities		441,992	474,537
Current liabilities			
Employee benefits	(28)	2,095	-
Provisions for risks and charges	(29)	215	-
Trade payables	(32)	109,275	119,199
Payables for income taxes	(33)	1,200	9,260
Other tax payables	(34)	3,358	5,213
Derivatives	(23)	18,246	18,354
Other current financial liabilities	(13)-(30)	40,557	39,768
Other current liabilities	(35)	26,210	25,852
Total current liabilities		201,158	217,647
Liabilities related to assets held for sale			-
TOTAL EQUITY AND LIABILITIES		1,445,437	1,486,670

Consolidated Statement Of Changes In Shareholders' Equity

Amounts in Euro thousands	Share capital	Other reserves	Reserve from remeasurement for employee benefit plans	Cash flow hedge reserve	Net result of the year	Group shareholders' equity	Minorities Shareholders' Equity	Total shareholders' equity
As at 1 January 2018	395,000	355,649	(1,607)	11,035	40,774	800,851	5,867	806,718
Allocation of 2017 profits/(losses)								
profits carried forward	-	27,162	-	-	(27,162)	-	-	-
distribution of dividends	-	(55,403)	-	-	(13,600)	(69,003)	947	(68,055)
Comprehensive profit/(loss) recognised in the year								
profits and losses recognised directly in equity	-	-	228	6,571	-	6,800	-	6,800
year profit	-	-	-	-	62,687	62,687	-	62,687
First-time adoption of new standards								
IFRS15	-	(14,394)	-	-	-	(14,394)	-	(14,394)
IFRS9	-	11	-	-	-	11	-	11
Other changes								
	-	745	-	-	(12)	733	(14)	719
At 31 December 2018	395,000	313,770	(1,378)	17,607	62,687	787,686	6,800	794,486
At 01 January 2019								
At 01 January 2019	395,000	313,770	(1,378)	17,607	62,687	787,686	6,800	794,486
Allocation of 2018 profits/(losses)								
profits carried forward	-	21,409	-	-	(21,409)	-	-	-
distribution of dividends	-	-	-	-	(41,278)	(41,278)	(551)	(41,828)
Comprehensive profit/(loss) recognised in the year								
profits and losses recognised directly in equity	-	-	(165)	(26,136)	-	(26,301)	-	(26,301)
year profit	-	-	-	-	75,103	75,103	668	75,771
Other changes								
	-	158	-	-	-	158	-	158
At 31 December 2019	395,000	335,338	(1,543)	(8,529)	75,103	795,369	6,917	802,286

Consolidated Statement of Cash Flows

Amounts in Euro thousands	2019	2018
A. Cash flows from operating activities (indirect method)		
Profit (loss) of the year	75,771	63,960
Income taxes	27,981	26,341
Net financial interest expenses	325	353
Allocations and income provisions for risks and charges	893	976
Allocations and income employee severance indemnity (TFR) and other benefits	(686)	450
Amortisation/Depreciation of fixed assets	50,231	47,291
Bad debts	209	372
Write-downs, revaluations and gains/losses	(22)	2,588
Result from shareholdings carried at equity	(218)	-
Other adjustments for non-monetary elements	(18,485)	-
Financial flow after adjustments of non-monetary items	136,000	142,330
Changes in NWC		
Decrease/(increase) in trade receivables net of write-downs	5,004	(9,197)
Increase/(decrease) in payables to suppliers	(9,924)	(10,097)
Increase/(decrease) in other current assets/liabilities	(6,804)	(14,004)
<i>of which: net taxes (paid)/reimbursed</i>	<i>(27,214)</i>	<i>(2,086)</i>
Changes in NWC	(11,723)	(33,299)
Cash flow after changes in NWC	124,277	109,031
Other changes not included in changes in NWC		
Net change in provisions for risks and charges	(2,434)	(2,001)
Net change in Employee severance indemnity (TFR) and other employee benefits	(1,693)	(2,402)
Change in other assets and liabilities not included in NWC	(7,101)	18,731
Other changes not included in changes in NWC	(11,228)	14,328
Cash flow from operating activities (A)	113,049	123,360
B. Cash flows from investment activities		
(Investments)/divestments - Tangible assets	(31,085)	(81,404)
(Investments)/divestments - Intangible assets	(2,055)	(1,681)
(Investments)/divestments - Equity investments and goodwill	-	(15,653)
(Investments)/Divestments or repayments - Short-term and other financial assets	14,469	5,118
Cash flows from investment activities (B)	(18,671)	(93,621)
C. Cash flows from financing activities		
Interest collected/(paid)	(597)	10,247
Borrowed capital	(26,306)	(32,594)
New/(Repayment) of loans	(26,306)	(32,594)
Equity	(42,157)	(84,532)
Other capital increases (decreases)	38	(13,863)
Dividends (and interim dividends) paid	(42,195)	(70,669)
Cash flow from financing activities (C)	(69,060)	(106,880)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	25,318	(77,141)
<i>Of which net cash and cash equivalents from extraordinary transactions</i>	<i>-</i>	<i>(60,091)</i>
Cash and cash equivalents at 01 January	189,674	266,816
Cash and cash equivalents at 31 December	214,992	189,674

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Form and content of the financial statements

The Consolidated Financial Statements of the CVA Group for the year ended 31 December 2018 have been prepared on the basis of the business operating as a going concern and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as the legislative and regulatory provisions in force in Italy. IFRS refers to all the revised international accounting standards (IAS/IFRS), all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously referred to as the Standing Interpretations Committee (SIC).

In this regard, it is noted that the accounting standards and criteria applied to these financial statements comply with those adopted in the previous year, except for the "Accounting standards, amendments and interpretations approved and applied from 01 January 2019", to which reference is made.

The Consolidated Annual Financial Report has been prepared on a general historical cost basis, with the exception of items that under IFRS must or can be measured at fair value. The Consolidated Financial Statements for the year 2019 consist of the Consolidated Statement of Financial Position, the Consolidated Income Statement, the Statement of the other components of the Consolidated Comprehensive Income Statement, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related Notes to the Consolidated Financial Statements.

In accordance with IAS 1 (Presentation of Financial Statements) comparative information included in the consolidated financial statements refers, unless otherwise indicated, to the previous year. Where a better representation has required a different reclassification of the items in the financial statements, the comparative information has been adapted accordingly.

The reporting currency of the consolidated financial statements is the Euro. Unless otherwise indicated, the financial statements and related notes are presented in thousands of Euros, rounded off to the nearest business unit.

It is specified that for the Consolidated Statement of Financial Position the classification of assets and liabilities is carried out according to the "current/non-current" criterion - as required by paragraph 60 and following of IAS 1 - with specific separation of assets and liabilities discontinued or destined to be sold.

An asset is considered current when:

- it is expected to be realised, or is held for sale or consumption, in the normal course of the operating cycle;
- it is held mainly for the purpose of negotiating it;
- it is expected to be realised within twelve months of the closing date of the year;
- it consists of cash or cash equivalents unless it is forbidden to exchange it or use it to settle a liability for at least twelve months from the closing date of the financial year.



All other assets are classified as non-current.

- Similarly, a liability is considered current when:
- it is expected to be settled in its normal operating cycle;
- it is held mainly for the purpose of negotiating it;
- it must be settled within twelve months of the closing date of the year; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months of the closing date of the year.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The Consolidated Income Statement is classified according to the nature of costs, as this form of presentation is considered more appropriate for representing the Group's economic activities, complies with internal reporting procedures and is in line with the practices of the reference industrial sector. In addition to the Operating Result, the Consolidated Income Statement shows the Gross Operating Margin obtained by subtracting total operating costs from total revenues. For more information on the APIs adopted by the Group and different from the financial indicators expressly provided for by the IAS/IFRS international accounting standards, reference is made to the Report on Operations.

The Consolidated Statement of Changes in Equity has been prepared in accordance with the provisions of IAS 1.

The Statements of Comprehensive Income include the profit or loss for the year as shown in the income statements and all other non-owner changes in equity;

The Consolidated Cash Flow Statement is presented using the indirect method as permitted by IAS 7.

Furthermore, in the Income Statement, income and expenses relating to transactions which by nature do not occur during normal operation (non-recurring transactions) have been specifically identified and their impact has been shown separately, when they are significant. The Group uses the "net presentation" method to represent the trading margin of electricity trading activities in the income statement, considering that the new presentation - together with the related explanatory notes - provides a better representation of the substance of the transaction as required by the reference accounting standards.

Standards and scope of consolidation adopted in preparing the Consolidated Financial Statements

Subsidiaries

The Consolidated Financial Statements include the financial statements of CVA and its subsidiaries at 31 December 2019. Control is obtained when the Group is exposed or entitled to variable returns, deriving from its relationship with the investee and, at the same time, has the ability to impact these returns by exercising its power over such entity. Specifically, the Group controls an investee if, and only if, the following conditions are met:

- the Group exercises its power over the investee (or holds valid rights that give it the current ability to manage the relevant activities of the investee);
- the Group is exposed or has rights to variable returns arising from the relation with the entity of the investment;
- the Group has the ability to exercise its power on the entity of the investment to affect the amount of its returns.

Generally, there is a presumption that the majority of voting rights entails control. In support of this presumption and when the Group holds less than the majority of voting rights (or similar rights), the Group considers all the relevant facts and circumstances to determine whether it controls the investee, including:

- contractual agreements with other holders of voting rights;
- rights deriving from contractual agreements;
- voting rights and potential voting rights of the Group;
- a combination of the above.

The Group reconsiders whether or not it has control of an investee if the facts and circumstances indicate that there have been changes in one or more of the elements relevant to the definition of control. The consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the Consolidated Financial Statements from the date on which the Group obtains control until the date on which the Group no longer exercises control over the company.

The profit (loss) for the year and each of the other components of the Comprehensive Income Statement are attributed to the shareholders of the parent company and minority holdings, even if this implies that the minority holdings have a negative balance. When necessary, appropriate adjustments are made to the Financial Statements of the subsidiaries, in order to ensure compliance with the Group's accounting standards. All assets and liabilities, equity, revenues, costs and inter-group financial flows relating to transactions between Group entities are derecognised completely during the consolidation phase.

Changes in the investment in a subsidiary that do not involve the loss of control are recognised in equity.

If the Group loses control of a subsidiary, it must derecognise the related assets (including goodwill), liabilities, minority interests and other components of equity, while any profit or loss is recognised in the Income Statement.

Associated Companies

Companies in which the Group exercises significant influence, but not control (or joint control), on financial and operating policies are considered associated. The Consolidated Financial Statements include the Group's portion of the results of associates, accounted for using the equity method, from the date on which significant influence commences until the time said significant influence ceases to exist. Should the portion attributable to the Group of any losses of the associate exceed the carrying value of the investment in the financial statements, the value of the investment is set to zero, and the excess share of the additional loss is not recognised, except and to the extent in which the Group is responsible.

Scope of Consolidation

The scope of consolidation includes companies that the Parent Company directly or indirectly controls, joint ventures and associated companies. The details of the Group's scope of consolidation at 31 December 2019 are shown below.

List of companies included in the Consolidated Financial Statements on a line-by-line basis at 31 December 2019

Company Name	Registered Office	Share capital as at 31/12/2019	% Possession of the Group
Compagnia Valdostana delle Acque – Compagnie Valdôtaine des Eaux S.p.A. a s.u.	Via Stazione, 31 – Châtillon (Aosta)	Euro 395,000,000	Parent Company
CVA Energie S.r.l. a s.u.	Via Stazione, 31 – Châtillon (Aosta)	Euro 3,000,000	100%
Valdigne Energie S.r.l.	P.za Vittorio Emanuele II, 14 – Pré Saint Didier (Aosta)	Euro 11,474,567	75%
Deval S.p.A. a s.u.	Via Clavalité, 8 – Aosta	Euro 38,632,000	100%
CVA Vento S.r.l. a s.u.	Via Stazione, 31 – Châtillon (Aosta)	Euro 100,000	100%
Wind Farm Monteverde S.r.l. a s.u.	Via Stazione, 31 – Châtillon (Aosta)	Euro 6,000,000	100%
CVA Smart Energy S.r.l. a s.u.	Via Stazione, 31 – Châtillon (Aosta)	Euro 10,000	100%

List of equity investments not fully consolidated at 31 December 2019

Associated companies

At 31 December 2019, the investment in the associated company TELCHA, equal to 15.31% of the share capital, was valued on the basis of the corresponding portion of equity.

Other companies

At 31 December 2019, CVA holds 13.7% in the share capital of LE BRASIER, recognised in the financial statements at fair value with a counter-entry on the income statement.

Main changes in the scope of consolidation in 2019

There were no changes in the scope of consolidation.

Summary of the main accounting standards adopted in preparing the Consolidated Financial Statements at 31 December 2018

Proprietary tangible assets

Property, plant and equipment

Property under construction, equipment and plants are recorded at historical cost, net of the related accumulated depreciation and accumulated impairment losses.

Pursuant to IAS 16, an operating condition for an item of property, plant and equipment may require significant regular checks for any failures, regardless of whether the parts of the item are replaced; when each significant check is carried out, its cost is recognised in the carrying amount of the asset as a replacement, provided that the recognition criteria are met.

The historical cost of property, plant and equipment may also include the costs for the replacement of part of machinery and plant at the time they are incurred, if they comply with the recognition criteria. Where periodic replacement of significant parts of plant and equipment is necessary, the Group depreciates them separately based on their specific useful life. Likewise, during major revisions, the cost is included in the carrying amount of the plant or equipment as in the case of replacement, where the criterion for recognition is met.

All other repair and maintenance costs are recognised in the Income Statement as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Balance sheet items	Min. rate (%)	Max. rate (%)
Buildings	0.21%	9.76%
Freely transferable works	0.37%	50.00%
Plants and machinery	0.21%	50.00%
Industrial and commercial equipment	0.83%	50.00%
Other assets	0.42%	50.00%
Leasehold improvements	4.46%	25.00%

The useful life of leasehold improvements is determined on the basis of the duration of the lease or, if lower, of the duration of the benefits deriving from the improvement itself; land is not depreciated as it has an indefinite useful life. The carrying amount of an item of property, plant and equipment and any significant component initially recognised is derecognised at the time of disposal or when no future economic benefit is expected from their use or disposal. The book value is instead derecognised at disposal. Any profit or loss that arises at the time the asset is derecognised (calculated as the difference between the carrying amount of the asset and the net amount) is recognised in the Income Statement when the item is derecognised. The residual values, useful lives and depreciation methods of tangible assets are reviewed at the end of each financial year and, where appropriate, corrected prospectively.

Freely transferable assets

Tangible assets also include freely transferable assets that are subject to the concessions mainly referable to large water diversions and state-owned areas destined for the operation of such plants. These assets are normally depreciated over a period equal to the duration of the concession to which they refer, with the sole exception of work on wet works, for which, pursuant to art. 12, paragraph 1 of Legislative Decree 16 March 1999, no. 79, by art. 11-quater, paragraph 1, letter a) of Decree Law 14 December 2018, no. 135, converted into law, with amendments, by art. 1 of Law 11 February 2019, no.12 there is an indemnity in favour of the concession-holder, liquidated at the time of the “reallocation of the concession” and equal to the residual book value of the investment. These assets are therefore depreciated on the basis of their useful economic and technical life. Assets that can be returned free of charge also include cyclical maintenance for cleaning and draining the basins, which is capitalised as it is intended to ensure the future functionality of the asset. The useful life of these interventions is determined on the basis of the multi-year cyclicity with which they must be carried out.

Financial expense

Financial expenses directly attributable to the acquisition, construction or production of an asset that requires a period long enough before being available for use are capitalised on the cost of the asset. All other financial expenses are recognised as costs for the year in which

they are incurred. Financial expenses consist of interest and other costs incurred by an entity in relation to obtaining loans.

Owned intangible assets

Intangible assets are assets that are not physical, identifiable, controlled by the company, and that can produce future economic benefits.

Intangible assets acquired separately are initially recognised at cost, while those acquired through business combinations are recognised at fair value on the acquisition date. After initial recognition, intangible assets are recognised at cost, net of accumulated amortisation and accumulated impairment, if any.

The useful life of intangible assets may be definite or indefinite.

Intangible assets with a definite useful life are amortised over their useful life and tested for impairment whenever there is evidence of a loss of value. The amortisation period and the amortisation method of an intangible asset with definite useful life are reconsidered at least at the end of each year. Changes in the expected useful life or in the manner in which the future economic benefits related to the asset will be realised are recognised through the change in the period or amortisation method, as the case may be, and are considered changes in accounting estimates. The amortisation of intangible assets with definite useful life is recognised in the annual profit/(loss) statement in the cost category that reflects the function of the intangible asset.

Amortisation is calculated on a straight-line basis over the estimated useful life of intangible assets as follows:

Balance sheet items	Min. rate (%)	Max. rate (%)
Software	1.67%	20.00%
Concessions	3.33%	6.67%
Other intangible assets	3.33%	20.00%

Intangible assets with indefinite useful life are not amortised but are subject to an annual impairment test at an individual level or at cash generating unit level. The valuation of the indefinite useful life is reviewed annually to determine whether this allocation continues to be sustainable, otherwise, the change from indefinite useful life to definite useful life is applied on a prospective basis.

The profits or losses deriving from the derecognition of an intangible asset are calculated as the difference between the net revenue from the disposal and the carrying value of the intangible asset and are recognised in the Income Statement at the time of derecognition.

Goodwill

Goodwill arising from the acquisition of subsidiaries or business units represents the excess of the sum of i) the consideration agreed for the acquisition of control (measured at fair value at the acquisition date) ii) the value of any non-controlling interest, and the value of the net assets identifiable in the acquired business. Net assets are defined as the total value of assets, measured at fair value, expressed net of current and contingent liabilities relating to the acquired business, also measured at their fair value.

If the fair value of the net assets acquired exceeds the agreed consideration, the Group rechecks that it has correctly identified and valued all the assets acquired and all the liabilities assumed, reviewing, if necessary, the procedures used to determine these values. If after this restatement, the current values of current and potential assets and liabilities exceed the acquisition cost, the excess is immediately recognised in the Income Statement.

Goodwill is initially recorded at cost. After initial recognition, goodwill is not subject to amortisation, but subjected to an annual verification of recoverability in accordance with the methods described in the paragraph "Impairment test". For the purposes of the impairment test, goodwill is allocated, from the acquisition date, to each cash generating unit (hereinafter "CGU") identified.

Right of use of leased assets

In accordance with IFRS 16, lease liabilities are presented through the recognition of a financial liability in the statement of financial position consisting in the present value of future lease payments, against the recognition of the right of use of the leased asset.

On the commencement date of the lease, the right of use is recognised at cost including: the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, initial direct costs incurred for the signature of the lease and the present value of the estimated restoration and dismantling costs set out in the lease, less any incentives.

Subsequently, the right of use is amortised over the term of the lease (or the useful life of the asset, if lower), subject to impairment and adjusted for any remeasurement of the lease liability.

Non-current assets held for sale

A non-current asset (or a disposal group consisting of assets and liabilities) is classified as held for sale if its carrying amount will be recovered mainly through a sale transaction, rather than through its continued use. Immediately prior to the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the asset are valued in accordance with the Group's accounting standards. Subsequently, the asset (or group held for sale) is measured at the lower amount between its carrying amount and fair value less costs to sell. The impairment loss of a group held for sale is allocated primarily to goodwill, then to the remaining assets and liabilities in a proportional manner, with the exception of inventories, financial assets, deferred tax assets, employee benefits, property investments and biological

assets, which continue to be assessed in accordance with the Group's accounting standards. Impairment losses for the initial classification of an asset as held for sale and subsequent valuation differences are recognised in the Income Statement. Positive changes in value are recognised only up to the amount of any accumulated impairment losses.

Impairment of non-financial assets (impairment testing)

On each reporting date, the Group assesses whether there is evidence that an asset may be impaired. In this case, or if annual impairment testing is required, the Group estimates the recoverable value. Recoverable amount is the fair value of the asset or the CGU, net of selling costs, or its value in use if greater. Recoverable amount is determined for each individual asset, except when the asset generates cash flows that are not fully independent from those generated by other assets or groups of assets. If the carrying amount of an asset is higher than its recoverable amount, the asset is considered impaired and is consequently written down to its recoverable amount.

In measuring value in use, the Group discounts the forecast cash flows to their present value, using a discount rate that reflects the market assessment of the current value of money and the specific risks associated with the asset. In determining the fair value less costs to sell, recent transactions on the market are taken into account. If these transactions cannot be identified, an appropriate valuation model is used.

The Group bases its impairment test on detailed budgets and forecast calculations, prepared separately for each CGU. These budgets and forecast calculations generally cover a period of five years. To project future cash flows beyond the fifth year, a long-term growth rate is calculated.

The impairment of continuing operations is recognised in the annual profit/(loss) statement in the cost categories consistent with the function of the impaired assets. Exceptions are previously revalued assets, where the revaluation was recognised as other components of the Comprehensive Income Statement. In such cases, the impairment loss is in turn recognised as other components of the Comprehensive Income Statement up to the previous revaluation. At each reporting date, the Group assesses the existence of indications of the loss (or reduction) of previously recognised impairment losses and, if such indications exist, estimates the recoverable value of the asset or of the CGU. The value of a previously impaired asset is only reinstated if the assumptions used to determine its recoverable amount change after recognition of the last impairment. The recovery in value cannot exceed the carrying amount that would have been determined, net of amortisation/depreciation, had no impairment been recognised in prior years. Such recovery is recognised in the annual profit/(loss) statement unless the asset is recognised at a revalued amount, in which case the recovery is treated as a revaluation increase.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent evaluation

Financial assets and liabilities, including derivative financial instruments, are recognised at the time that the contractual rights and obligations forming part of the instrument arise.

Financial assets and liabilities are accounted for in accordance with IFRS 9 - "Financial Instruments".

The definition of a derivative instrument of IFRS 9 includes both financial contracts (commodity swaps, commodity futures and interest rate swaps) and forward supply or sale contracts which, although providing for the physical delivery of the underlying energy, are not directly attributable to the Group's operational needs as stipulated for the purposes of brokerage and/or arbitrage.

Forward contracts on commodities stipulated and maintained to receive or deliver the underlying energy with respect to the Group's purchase, sale or use forecasts ('own use') are instead normally recognised at cost.

The Group uses derivative financial instruments (such as forward contracts, commodity swaps, commodity futures and interest rate swaps) to hedge exposure to the price risk of its energy portfolio and exposure to interest rate risk on loans and investments in financial assets. These derivative financial instruments - including embedded derivatives subject to separation from the main contract (hybrid instruments) - are initially recognised at fair value on the date the derivative contract is signed and subsequently measured at fair value. Derivatives are accounted for as financial assets when the fair value is positive and as a liability when the fair value is negative.

In accordance with IFRS 9, derivative financial instruments are accounted for as trading instruments, with any gains or losses deriving from fair value changes recognised directly in the Income Statement, with the exception of derivatives for which the Group applies the accounting treatment envisaged for hedging derivatives (hedge accounting). Specifically, for hedge accounting purposes, hedging derivatives can be classified as:

- fair value hedges, if they are to cover the risk of changes in the fair value of the underlying asset or liability or an irrevocable commitment not recognised;
- cash flow hedges, if they are exposed to the variability of cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable scheduled transaction or a currency risk related to an irrevocable commitment not recognised;
- hedging of a net investment in a foreign operation.

At the start of a hedge operation, the Group formally designates and documents the hedging relationship, to which it intends to apply hedge accounting, its objectives in risk management and the strategy pursued.

Before 1 January 2018, the documentation included the identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and the way in which the Group would assess the effectiveness of changes in the fair value of the hedging instrument in offsetting exposure to changes in the fair value or cash flows of the hedged item attributable to the hedged risk. These hedges were expected to be highly effective in offsetting the changes in fair value or cash flows and were evaluated on an ongoing basis to determine whether such hedges actually proved to be highly effective in years for which they were designated as hedging transactions.

Starting from 1 January 2018 - following the adoption of the new IFRS 9 standard (as described below) - the documentation includes the identification of the hedging instrument, the hedged item, the nature of the risk and the way in which the Group assesses whether the hedging relationship meets the requirements of hedge effectiveness (including the analysis of the sources of hedge ineffectiveness and how the hedging relationship is determined). The hedging relationship meets the eligibility criteria for hedge accounting if all of the following requirements are met:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of the credit risk does not prevail over the changes in value resulting from the aforementioned economic relationship;
- the hedging ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge this quantity of hedged item.

Transactions that meet all the criteria for hedge accounting are accounted for as described in greater detail below.

Fair value hedges

The fair value hedge is used by the Group to protect itself from the risk of adverse changes in fair value, assets, liabilities or irrevocable commitments, which are attributable to a specific risk and which could impact the Income Statement. Changes in the fair value of derivatives of this type, which qualify and are designated as hedging instruments, are recognised in the annual profit/(loss) statement under other costs. Changes in the fair value of the hedged item attributable to the hedged risk are recognised as part of the carrying amount of the hedged item and are also recognised in other expenses under profit or loss. With regard to fair value hedges relating to items recognised at amortised cost, any adjustment to the carrying amount is amortised in profit or loss over the remaining life of the hedge using the effective interest rate (EIR) method. The amortisation thus determined may begin as soon as an adjustment exists but may not extend beyond the date on which the hedged item ceases to be adjusted due to changes in fair value attributable to the hedged risk. If the hedged item is derecognised, the unamortised fair value is immediately recognised in the profit/(loss) statement of the year.

Cash flow hedges

The cash flow hedge is applied with the intent of hedging the Group from exposure to the risk of changes in the expected cash flows associated with a highly probable asset, liability or transaction. These changes are attributable to a specific risk and may impact the Income Statement.

The effective part of the changes in the fair value of derivatives, which are designated and qualify as cash flow hedges, is recognised in equity under "other components of comprehensive income" (OCI) in the cash flow hedge reserve; these amounts will be



recognised in the Income Statement when the hedged transaction influences the Income Statement (for example, when the expense or income is recognised on the hedged instrument or when an expected sale occurs).

The profit or loss relating to the ineffective portion is instead recognised directly in the Income Statement.

When a hedging instrument matures, it is sold, derecognised or exercised without replacement (as part of the hedging strategy), if its hedging instrument designation is revoked or if the hedge no longer meets the criteria for the application of hedge accounting, accumulated gains and losses and recognised as “other components of comprehensive income (OCI)”, remain suspended in equity and then recognised in the Income Statement when the future transaction is carried out. When a transaction that was scheduled is no longer considered probable, the accumulated gains and losses recognised in equity are immediately recognised in the Income Statement.

Fair value measurement

As specified, the Group assesses derivative financial instruments at fair value at each reporting date. Fair value is the price that would be received for the sale of an asset, or that would be paid to transfer a liability in an arm’s length transaction at the measurement date. The fair value of an asset or liability is therefore valued by adopting the assumptions that market operators would use in the determination of price of the asset or liability, assuming that market operators act to best meet their own economic interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities for which the fair value is measured or recognised in the financial statements are classified according to the fair value hierarchy, as described below:

- **level 1** - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **level 2** - inputs other than the quoted prices included in Level 1, directly or indirectly observable for the asset or liability;
- **level 3** - valuation techniques for which the input data is not observable for the asset or liability.

The fair value is entirely classified in the same level of the fair value hierarchy in which the input of the lowest level of hierarchy used for the valuation is classified.

For assets and liabilities recognised in the financial statements at fair value on a recurring basis, the Group determines whether there have been transfers between the hierarchy levels re-evaluating the classification (based on the lowest level input that is significant for the purposes of the fair value measurement in its entirety) at each reporting date.

For reporting purposes related to the fair value, the Group determines classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Equity investments

As illustrated in the previous paragraph dedicated to the standards and scope of consolidation of the Group:

- investments in subsidiaries are consolidated on a line-by-line basis;
- investments in associates are accounted for in the Consolidated Financial Statements using the equity method;
- investments in other companies are measured at fair value with a counter-entry in the income statement. When a market value is not available or the fair value cannot be reliably determined using other methods, the share of the investee company's equity is used as the best estimate. The risk arising from potential losses exceeding the carrying value of the investment is recognised in a specific provision as long as the controlling company is committed to fulfil the legal or implicit obligations towards the subsidiary or to cover its losses.

Other financial assets

Initial recognition and subsequent evaluation

Upon initial recognition, financial assets are classified, as the case may be, on the basis of subsequent measurement methods, i.e. at amortised cost, at fair value in OCI and at fair value in profit or loss.

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the business model that the Group uses to manage them.

With the exception of trade receivables that do not contain a significant financing component or for which the practical expedient was applied, as envisaged by paragraph 63 of IFRS15, the Group initially values a financial asset at its fair value plus transaction costs, in the case of a financial asset not at fair value through profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied a practical expedient are valued at the transaction price determined in accordance with IFRS 15.

The Group's Business model for the management of financial assets refers to the way in which it manages its financial assets in order to generate financial flows. The business model determines whether the cash flows will arise from the collection of contractual cash flows, the sale of financial assets or both.

For the purposes of subsequent evaluation, financial assets are classified in the following four categories:

- **financial assets at amortised cost (debt instruments)**, if both of the following requirements are met:
 - the financial asset is held as part of a business model whose objective is to hold financial assets for the purpose of collecting contractual cash flows;
 - the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the amount of principal to be repaid.

Financial assets at amortised cost are subsequently valued using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or revalued.

- **financial assets at fair value through profit or loss with reclassification of cumulative gains and losses (debt instruments)**, if both of the following requirements are met:
 - the financial asset is held as part of a Business model whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets;
 - the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest determined on the amount of principal to be repaid.

For assets from debt instruments measured at fair value through OCI, interest income, changes in exchange rates and impairment losses, together with reversals, are recognised

in the income statement and are calculated in the same way as for financial assets measured at amortised cost. The remaining changes in fair value are recognised in OCI. Upon derecognition, the cumulative change in fair value recognised in OCI is reclassified to the income statement.

- **Financial assets at fair value through profit or loss without reversal of cumulative gains and losses at the time of derecognition (equity instruments).** On initial recognition, the Group may irrevocably choose to classify its equity investments as equity instruments recognised at fair value through profit and loss when they meet the definition of equity instruments pursuant to IAS 32 - "Financial instruments: Presentation" and are not held for trading. The classification is determined for each individual instrument. Gains and losses on these financial assets are never reclassified to the income statement. Dividends are recognised as other income in the income statement when the right to payment has been approved, except when the Group benefits from such income as a recovery of part of the cost of the financial asset, in which case such profits are recognised in OCI. Equity instruments recognised at fair value through OCI are not subject to impairment testing.
- **Financial assets at fair value through profit or loss.** This category includes assets held for trading, assets designated at the time of initial recognition as financial assets at fair value with changes recognised in the income statement, or financial assets that must be measured at fair value. Assets held for trading are all those assets acquired for sale or repurchase in the short term. Derivatives, including those separated, are classified as financial instruments held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value in the income statement, regardless of the Business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be recognised at fair value through profit or loss upon initial recognition if this results in the elimination or significant reduction of an accounting mismatch. Financial instruments at fair value with changes recognised in the income statement are recognised in the statement of financial position at fair value and net changes in fair value are recognised in the annual profit/(loss) statement.

Derecognition

A financial asset (or where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset no longer apply; or
- the Group has transferred to a third party the right to receive the cash flows from the asset or has undertaken the contractual obligation to pay them full and promptly and (a) it has transferred substantially all of the risks and rewards of ownership of the financial asset, or (b) it has neither transferred nor retained substantially all of the risks and rewards of the asset but has transferred control of the asset.

Impairment of financial assets

On each reporting date, the Group assesses whether a financial asset or group of financial assets has been impaired. There is an impairment loss when, after initial recognition, one or more events have occurred that have an impact, which can be reliably estimated, on the estimated future cash flows of the financial asset or group of financial assets.

In particular, the Group recognises an expected credit loss (ECL) write-down for all financial assets represented by debt instruments not held at fair value in the income statement. ECLs are based on the difference between the contractual cash flows due under the contract and all the cash flows the Group expects to receive, discounted at an approximation of the original effective interest rate. Expected cash flows will include cash flows arising from the enforcement of collateral held or other credit guarantees that are an integral part of the terms of the contract. Reference should be made to the following paragraph on "Use of estimates" for further information on the determination of the provision for credit risks.

Other financial liabilities

Initial recognition and subsequent evaluation

At the time of initial recognition, the other financial liabilities (other than the derivatives described above) are recognised as liabilities at fair value in the income statement, in addition (in the case of mortgages, loans and payables) to the transaction costs directly attributable.

For the purposes of subsequent evaluation, financial liabilities are classified in the following categories:

- **Financial liabilities at fair value recognised in the Income Statement** - The first category includes the liabilities held for trading and the liabilities designated at the time of the first recognition as financial liability at fair value with changes recognised in the income statement. Liabilities held for trading are all those undertaken with the intention of extinguishing or transferring them in the short term. Gains or losses on liabilities held for trading are recognised in the profit/(loss) statement of the year. Financial liabilities are designated at fair value with changes recognised in the income statement from the date of initial recognition, only if the criteria of IFRS 9 are met.

- **Loans** - after initial recognition, loans are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains or losses are recognised in the Income Statement when the liability is settled, as well as through the amortisation process. The amortised cost is calculated by recognising the discount or premium on the acquisition and fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is included in financial expenses in the profit/(loss) statement.

Derecognition

A financial liability is derecognised when the obligation underlying the liability is settled, cancelled or honoured. If an existing financial liability is replaced by another one from the same lender, under substantially different conditions, or the conditions of an existing liability are substantially modified, this exchange or modification is accounted for as a derecognition of the original liability, accompanied by the recognition of a new liability, with any differences in carrying amounts recognised in the annual profit/(loss) statement.

Financial guarantees payable

Financial guarantees payable are contracts that require a payment to reimburse the holder of a debt security following a loss suffered by it as a result of default on the part of the debtor in payment at the contractually agreed deadline. Financial guarantee contracts are initially recognised as liabilities at fair value, increased by transaction costs directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the greater of the amount of the provision to cover expected losses at the reporting date and the amount initially recognised, net of accumulated amortisation.

Compensation of financial assets and liabilities

An asset and a liability (financial and/or trade) may be offset and the net balance shown in the Statement of Financial Position, when:

- there is a current legal right to offset the amounts recognised in the accounts; and
- there is the intention to settle the net residual, or realize the asset and at the same time settle the liability.

Cash and cash equivalents

Cash and cash equivalents and short-term deposits include cash on hand and demand and short-term deposits with a maturity of no more than three months, held to meet short-term cash commitments, rather than for investment or other purposes, and which are not subject to significant risks associated with changes in value.

For the purposes of presentation in the consolidated cash flow statement, cash and cash equivalents are represented by cash and cash equivalents as defined above.

Trade receivables and payables

Trade receivables and payables are initially recognised at the fair value of the amount to be received/paid, which for this type normally corresponds to the nominal value indicated on the invoice. Trade receivables, where necessary, are recognised at their estimated realisable value, by means of appropriations (bad debts provision) that reflect the estimate of losses on receivables (determined in accordance with the provisions of IFRS 9) and that are recognised as a write-down of nominal values (see the following paragraph "Use of estimates" for further details).

Subsequently, where the conditions are met, receivables and payables are valued using the amortised cost method. It is noted that trade receivables and payables, the expiration of which falls within normal commercial terms, are not discounted, since the time component has little relevance in their valuation, and continue to be recognised at nominal value.

Inventories

Inventories are recognised at the lower of the cost and the net estimated realisable value. The cost configuration used is the weighted average cost, which includes ancillary charges. Net realisable value is the estimated selling price in the ordinary course of business, net of estimated completion costs and estimated selling costs.

Employee benefits

Post-employment benefits are defined on the basis of programs that according to their characteristics can be divided into "defined contribution" programs and "defined benefit" programs.

Until 31 December 2006, the employee severance indemnity (TFR) of Italian companies was considered a defined benefit plan. The discipline of this fund was amended by Law 296 of 27 December 2006 and subsequent decrees and regulations issued in the first few months of 2007. As a result of these changes, companies with at least 50 employees are required to transfer the TFR to the "Treasury Fund" managed by the INPS (National Social Security Institute) or other supplementary pension funds. Before these amendments, the TFR of all Italian companies could be managed by the companies themselves.

In accordance with IAS 19 - Employee benefits, the TFR accrued starting from 1 January 2007 and which is paid into the INPS fund and the part paid to any supplementary pension scheme, are classified as defined contribution plans as the company's obligation is limited to the payment of contributions due to the State or to a legally distinct equity or entity (fund). The sums recognised as provisions for TFR, consisting of the residual obligation relating to the TFR until 31 December 2006 (or the date of choice by the employee in the case of allocation to supplementary funds), instead retain their nature as defined benefits. This is a non-financed defined benefit plan, considering the benefits almost entirely accrued, with the sole exception of future revaluations.

In addition to the severance indemnity accrued up to 31 December 2006, for the Company, the following components also belong to the category of defined benefit plans:

- additional monthly payments due to eligible employees on the basis of the requisites envisaged by the CCNL National Collective Bargaining Agreement (“IMA”);
- the company loyalty bonus paid to employees, determined on the basis of the achievement of a certain length of service;
- tariff concessions (“electricity discount”), granted to former employees after retirement;
- additional compensation for FOPEN contributions due to eligible employees;
- benefits deriving from the plan related to the Agreement on art. 4 of the Law no. 92/2012 (“Riforma del Lavoro Fornero” - Fornero Labour Reform).

The current cost of work services and the current value of obligations for defined benefit plans and other long-term benefits granted to employees is determined on the basis of actuarial valuations (see the following paragraph “Use of estimates” for further details).

The components of defined benefits are recognised as follows:

- the components for the re-measurement of liabilities, which include actuarial gains and losses, are recognised as other comprehensive income (losses) (these components are never reclassified to the Income Statement in subsequent periods);
- the costs related to service provisions are recognised in the Income Statement;
- the net financial expenses on the defined benefit liabilities are recognised in the Income Statement as financial expenses.

Provisions for risks and charges

Provisions for risks and charges of the Group are recognised where there is a legal or constructive obligation as a result of a past event at the closing of the financial year, the settlement of which will likely result in an outflow of resources whose amount can be estimated reliably. If the effect is significant, provisions are determined by discounting expected future cash flows at a pre-tax discount rate that reflects current market assessments of money in relation to time and, if applicable, the specific risk attributable to the obligation. If the provision is discounted, the periodic adjustment of present value due to the time factor is recognised as a financial expense in the Income Statement. Where it is assumed that all expenses, or part of them, required to settle an obligation are repaid by third parties, compensation, if virtually certain, is recognised as a separate asset. If the liability is connected to the dismantling of the plants and/or restoration of the site where they are located, the provision is recognised as a balancing entry to the asset to which it refers and the charge is recognised in the Income Statement through the amortisation process of the aforementioned tangible asset.

For contracts whose non-discretionary costs necessary to fulfil the obligations undertaken are higher than the economic benefits that are supposed to be obtainable from the contract (onerous contracts), the Group recognises a provision equal to the lower between the cost necessary to fulfil and any compensation or penalty resulting from breach of the contract. Changes in the estimates of accruals to the provision are reflected in the Income Statement for the financial year in which the changes occur, with the exception of those relating to the costs of decommissioning and/or restoration resulting from changes in the timetable and costs necessary to extinguish the obligation or from a change in the discount rate. These changes increase or decrease the related assets and are recognised in the Income Statement through the amortisation process. When they increase the value of the assets, it is also assessed whether the new carrying amount of the assets is fully recoverable. If this is not the case, a loss equal to the unrecoverable amount is recognised in the Income Statement.

Changes in the estimate are shown as a balancing entry to the asset up to its carrying amount and, for the excess, immediately in the Income Statement. For further details on the estimate criteria adopted in determining the liabilities relating to the decommissioning and restoration of sites, reference is made to the following paragraph dedicated to the use of significant estimates.

Grants

Grants, both from public entities and from third party private entities, are measured at fair value when there is the reasonable certainty that they will be received and that the Group will be able to comply with the terms and conditions for obtaining them.

Grants related to plants received for specific assets are recognised, when they become payable, as deferred revenue and recognised as income in the Income Statement systematically during the useful life of the asset to which they refer. The deferred revenue relating to the grants themselves is reflected in the balance sheet as other liabilities, with appropriate separation between the current portion and the non-current one.

Revenue grants (given to provide the company with immediate financial support or as compensation for expenses or losses incurred in a previous accounting period) are recognised in their entirety in the Income Statement as soon as the conditions for recognising the grants are met.

Revenues

As required by IFRS 15, revenue recognition is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations, represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified on the basis of the stand-alone sale price of each good or service; (v) recognition of the revenue when the relative performance obligation is satisfied, i.e. when the promised good or service is transferred to the customer; the transfer is considered completed when the customer obtains control of the good or service, which can occur continuously over time diluted and extended or at a point in time.

Depending on the type of transaction, the main revenues are recognised on the basis of the following specific criteria:

- revenues for the sale and transport of electricity and gas are recognised at the time that the energy is supplied or the service rendered, even if invoicing has not yet taken place, and are determined by adding estimates of consumption to amounts resulting from pre-established meter-reading schedules. Where applicable, these revenues are based on the tariffs and related tariff restrictions in force during the year prescribed by the law and ARERA. In particular, with regard to the sale of energy, the time of transfer of control can be identified as the time of consumption (for end customers) or physical delivery (for wholesale customers);
- revenues from services are recorded with reference to the stage of completion of the activities. If it is impossible to calculate revenues on a reliable basis they are recognised up to the amount of the costs incurred providing they are expected to be recovered;
- connection fees paid by users are measured at fair value when there is the reasonable certainty that they will be received and that the Group will be able to comply with the terms and conditions for recognising them. Revenues from connection to the electricity network are closely related to the nature of the regulatory obligations in

place; therefore, as from 01 January 2018, as a result of the first-time adoption of IFRS 15, certain electricity network connection services are deferred on the basis of the nature of the obligation resulting from the contract with customers. Reference should be made to the paragraph below “Changes in accounting standards, new accounting standards, changes in estimates and reclassifications” for further details on the effects of the first-time adoption of IFRS 15;

- revenues from the sale of certificates are recognised at the time of sale;
- revenues are recognised, net of returns, discounts, allowances and premiums.

The Group has generally concluded that it acts as the “Principal” in the agreements that generate revenues, as it usually controls the goods and services before they are transferred to the customer.

In determining the price of the sale of the assets, the Group considers any effects deriving from the presence of variable fee, significant financing components and/or non-monetary fees. The Group also considers whether there are other promises in the contract that represent obligations to make to which a part of the transaction fee must be allocated.

The following section “Use of estimates” explains the significant discretionary evaluations, estimates and assumptions relating to revenues deriving from contracts with customers.

Other income

Other income includes all types of revenues not included in the previous types and not of a financial nature and are recognised according to the methods indicated above for revenues from the sale of goods and provision of services.

Costs

Costs are measured at fair value of the amount paid or to be paid, net of returns, discounts, rebates and premiums, and net of taxes directly associated with the purchase of goods and provisions of services.

Costs for the acquisition of goods and services are recognised when their amount can be determined reliably. Costs for the purchase of goods are recognised at the time of delivery, which on the basis of the contracts in force identifies the time of transfer of the related risks and benefits. Costs for services are recognised on an accrual basis when they are received.

Dividends

Dividends are recognised when the unconditional right to receive payment is established and are classified in the Income Statement as financial income.

Other financial income and expenses

With reference to assets and liabilities valued at amortised cost and financial assets that accrue interests classified as available for sale, interest income and expense are recognised using the effective interest rate method (TIE), which represents the rate that exactly discounts expected future cash flows based on the expected life of the financial instrument.

Financial income is recognised when the following conditions are met:

- it is likely that the selling company will enjoy the economic benefits of the transaction;
- the amount of revenues can be determined reliably.

Borrowing costs are recognised as costs for the year in which they are incurred.

Income taxes

Current taxes

Current tax assets and liabilities for the year are measured for the amount expected to be recovered or paid to the tax authorities. The tax rates and tax laws used to calculate the amount are those enacted or substantially in force at the reporting date.

Current taxes related to items recognised directly in shareholders' equity are also recognised in shareholders' equity and not in the annual profit/(loss) statement.

Deferred taxes

Deferred taxes are calculated on the temporary differences at the reporting date between the tax values of assets and liabilities and the corresponding carrying amounts.

Deferred tax assets are also recognised for tax receivables and unused tax losses that can be carried forward, to the extent that it is probable that sufficient future taxable income will be available to allow the use of the tax reduction.

The book value of deferred tax assets is reviewed at each reporting date and reduced when it is no longer probable that sufficient taxable income will be available in the future to allow the full or partial use of such receivable. The unrecognised deferred tax assets are reviewed at each reporting date and are recognised to the extent that it becomes probable that the taxable income will be sufficient to allow the recovery of these deferred tax assets. Deferred tax assets and liabilities are measured using the tax rates that are expected to be applied in the year in which said assets will be realised or said liabilities will be settled, considering the rates currently in force and those already enacted, or substantially in force, at the reporting date.

Deferred taxes relating to items recognised outside the Income Statement are also recognised outside the Income Statement and, therefore, as shareholders' equity or in the Comprehensive Income Statement, in line with the element to which they refer.

Deferred tax assets and deferred tax liabilities are offset if there is a legal right that allows compensation of current tax assets and current tax liabilities and the deferred taxes refer to the same taxpayer and the same tax authority.

Conversion criteria for foreign currency items

The functional and reporting currency adopted by the Group is the Euro. Foreign currency transactions are initially recognised at the exchange rate in effect on the date of the transaction. Apart from fixed assets, any assets and liabilities held in foreign currencies are recognised at the exchange rate of reference at the end date of the period; the related exchange gains and losses are recognised in the Income Statement for the period of competence. Any net gain is allocated to non-distributable reserve until the date of realisation.

Changes in accounting standards, new accounting standards, changes in estimates and reclassifications

In accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the IFRS in force from 01 January 2019 are briefly described below.

The impacts resulting from the application, from 01 January 2019, of IFRS 16 (Leases) are, instead, reported in the following paragraph "Adoption of the new standard IFRS 16".

Amendments to IFRS 9 (Financial Instruments): Prepayment Features with Negative Compensation

On 22 March 2018, Regulation EU no. 2018/498 was issued, which transposed certain limited amendments to IFRS 9 (Financial Instruments) at EU level.

These amendments permit an entity to measure financial assets that are "prepayable with a negative compensation" (e.g. debt instruments where the borrower is permitted to prepay for an amount that may be less than the outstanding debt including interest due) at amortised cost or fair value through other comprehensive income instead of at fair value through profit or loss. The adoption of these amendments had no impact on the consolidated financial statements as at 31 December 2019.

IFRIC 23 - Uncertainty over Income Tax Treatments

On 23 October 2018, EU Regulation No. 2018/1595 was issued, which implemented IFRIC 23 (Uncertainty over Income Tax Treatments) at the EU level. This interpretation governs how to account for uncertainty in accounting for income taxes. In this regard, IAS 12 - Income Taxes specifies how to account for current taxes and deferred taxes, but not how to account for the effects of uncertainty.

For example, there may be some doubt:

- on how to apply tax law to specific transactions or circumstances; or
- whether or not the tax authorities will accept the treatment chosen/implemented by the entity. If the entity believes that it is not likely that the tax treatment applied will be accepted, then the entity shall use estimates (most probable value or expected value) in determining the tax treatment (taxable profits, tax base, unused tax losses, unused tax credits, tax rates, etc.). The decision should be based on the method that best assesses the outcome of the uncertainty.

The adoption of these amendments had no impact on the consolidated financial statements as at 31 December 2019.

Amendments to IAS 28 (Investments in Associates and Joint Ventures): Long-term Interests in Associates and Joint Ventures

On 08 February 2019, Regulation (EU) No. 2019/237 was issued, which implemented at a European Community level, a limited number of amendments to IAS 28 - Investments in Associates and Joint Ventures.

The adoption of these amendments had no impact on the consolidated financial statements as at 31 December 2019.

Amendments to IAS 19 - Employee Benefits: amendment, curtailment or settlement of a Plan

On 13 March 2019, EU Regulation No. 2019/402 was issued, which implemented at the EU level certain limited amendments to IAS 19 - Employee Benefits. These changes relate to changes, reductions or terminations of defined benefit plans. The amendments require an entity in the event of a plan amendment, curtailment or settlement to use the updated assumptions in this remeasurement to determine current service cost and net interest for the remaining reporting period after the plan amendment. The adoption of these amendments had no impact on the consolidated financial statements as at 31 December 2019.

Improvements to IFRS (2015-2017 cycle)

On 14 March 2019, Regulation (EU) No. 2019/412 was issued, which implemented at the EU level certain improvements to IFRS, for the 2015-2017 cycle. In particular, please note:

- **amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** the amendments to IFRS 3 clarify that when an entity that is already a party to a jointly controlled activity obtains control of that activity, which constitutes a business, the entity must remeasure at fair value the interest previously held in the jointly controlled activity. The amendments to IFRS 11 clarify that when an entity, which participates in a jointly controlled activity, obtains joint control of that activity which constitutes a business, the entity does not restate the interest previously held in that jointly controlled activity;
- **amendments to IAS 12 Income Taxes:** the amendments clarify that an entity must recognise the tax on dividends in the separate income statement, or among the other components of the comprehensive income statement or in shareholders' equity in relation to the method of accounting for the transaction/event that determined the distributable profits that generated the dividends;
- **amendments to IAS 23 Borrowing costs:** the amendments clarify that if any specific loan remains outstanding after the related asset is ready for its intended use or sale, that loan becomes part of the funds that an entity uses when calculating the capitalisation rate on general purpose loans.

The adoption of these amendments had no impact on the consolidated financial statements as at 31 December 2019.

Adoption of the new standard IFRS 16 (Leasing)

The main disclosures as well as a summary of the impacts resulting from the application of IFRS 16 (Leases) from 01 January 2019 are provided below.

On 31 October 2017, EU Regulation No. 2017/1986 was issued, which implemented IFRS 16 (Leasing) at EU level.

IFRS 16 replaces IAS 17 (Leases) and its Interpretations (IFRIC 4 Determining whether an arrangement contains a lease; SIC 15 Operating Leases - Incentives; SIC 27 Evaluating the substance of transactions in the legal form of a lease). During 2019, the IFRIC also commented on the duration of leases, leasehold improvements, incremental financing rate and subsoil rights; the application of the standard also took these interpretations into account.

Regulatory provisions

IFRS 16 introduces a new definition of a lease, outlining it as a contract that grants control (right of use) of the use of an identified asset (underlying asset) for a specified period of time in exchange for payment of a price.

The fundamental elements for a contract to be considered a lease are: the identification of the asset, the right of non-replacement of the same by the lessor, the right to obtain substantially all the economic benefits derived from its use and the right to direct the use of the asset underlying the contract. Therefore, leases include, in addition to lease contracts, also, for example, rental, lease and gratuitous loan contracts.

However, the following are excluded from the scope of application of the standard:

- intellectual property licenses granted by the lessor pursuant to IFRS 15 “Revenue from Contracts with Customers”;
- rights held by the lessee under licensing agreements in accordance with IAS 38 “Intangible Assets”.

In accordance with IFRS 16, lease liabilities are presented through the recognition of a financial liability in the statement of financial position consisting in the present value of future lease payments, against the recognition of the right of use (or “ROU”) of the leased asset.

This liability is subsequently adjusted over the term of the lease contract to reflect the payment of interest on the debt and the repayment of the principal; the right to use the leased asset is amortised over the term of the contract. Compared with the previous method of accounting under IAS 17, which required the recognition of operating costs for non-financial leases, the adoption of IFRS 16 resulted in lower operating costs and higher depreciation, amortisation and finance charges; furthermore, unlike the previous standard, lessees are no longer required to distinguish between finance lease and operating lease.

Within each contract it is necessary to identify the possible presence of additional non-lease components (such as, for example, in the case of the leasing of an asset and the provision of a maintenance service), as the standard provides that “non-lease components” are outside its scope of application.

The consideration due must therefore be allocated to the various components on the basis of their relative prices, following the logic of IFRS 15 for service contracts. However, in cases where separation of the components is not practical, as a practical expedient, the lessee may elect, by class of underlying assets, not to do so and to account for all components as a lease. For the lessor, the new provisions essentially confirm the accounting treatment of leases under IAS 17, maintaining the distinction between finance leases and operating leases.

The exceptions to these rules are short-term leases with a contractual term of 12 months or less and leases where the underlying asset is a low-value asset, for which it is possible to substantially maintain the accounting treatment envisaged by IAS 17 for operating leases, with recognition of the lease payments in the income statement on an accruals basis.

The project for the transition to IFRS 16

During FY 2019, the CVA Group carried out a special project aimed at analysing the perimeter of contracts to be subject to the rules of IFRS 16, defining the related accounting treatment - on first-time application and when fully operational - as well as identifying the necessary IT and organisational implementations. The project saw the involvement of the company structures concerned, in various ways, in the management of contracts, the definition of business processes and the selection of IT solutions.

In particular, with regard to the project strand relating to contract management, activities focused on defining and identifying the scope of contracts containing a leasing component and on defining and obtaining the information set necessary for their correct booking in the accounts.

With reference to business processes, the introduction of IFRS 16 required a review of the expense management process with the relevant functions in order to allow for:

- the correct identification of the lease contracts when signing them;
- the correct supply of the necessary information by the information procedure used to calculate the right of use and the related liability;
- the proper management of the accounting of invoices received according to the new accounting rules.

The application choices of the CVA Group

At the transition date (01 January 2019), no changes were identified about the accounting for existing leases receivable, as all contracts qualified as operating leases.

For leases previously classified under IAS 17 as operating leases, on the other hand, the Group has applied the modified retrospective method, with the recognition of the financial liability for leases and the corresponding value of the right of use measured on the remaining contractual rentals at the date of transition, leaving the previous comparative periods unchanged.

Contracts falling within the scope of IFRS 16 mainly relate to:

- land;
- buildings used for operating purposes;
- company cars;
- equipment;
- building rights and easement fees.

With reference to the options and exemptions provided for by IFRS 16, the Group has made the following choices:

- IFRS 16 has generally not been applied to contracts with short durations (i.e., less than 12 months) and low unit values (less than Euro 5 thousand);
- rights of use and financial liabilities relating to lease contracts have been classified respectively under fixed assets (according to their nature) and under other financial liabilities, providing the appropriate details in the notes;
- any service component included in lease payments has generally been excluded from the scope of IFRS 16;
- a single discount rate expressing the Group's marginal cost of borrowing was used for the valuation of all contracts existing at 01 January 2019. Only for the valuation of contracts pertaining to distribution activities was it considered more indicative to use a rate equal to the Weighted Average Cost of Capital (hereinafter "**WACC**") specific to distribution activities. The Group's marginal borrowing cost was determined considering a time horizon equal to the weighted average maturity of the individual contracts.

Impacts of the adoption of IFRS 16

Impacts on the consolidated statement of financial position at 01/01/2019 (transition date)

The adoption of IFRS 16 resulted in the Group recording higher non-current assets due to the recognition of rights to use leased assets as a balancing entry to higher financial liabilities. The impact of the transition on the main items of the Group's statement of financial position is summarised below.

Amounts in Euro thousands	31/12/2018	IFRS 16 impacts	01/01/2019 Redefined
Assets			
Non-current assets			
Tangible assets	690,152	9,576	699,727
Intangible assets	13,261	729	13,990
Goodwill	238,026		238,026
Equity investments	1,729		1,729
Deferred tax assets	25,600		25,600
Derivatives	-		-
Non-current financial assets	79,261		79,261
Other non-current assets	3,228		3,228
Total non-current assets	1,051,257	10,305	1,061,562
Current assets			
Inventories	2,746		2,746
Trade receivables	125,270		125,270
Receivables for income taxes	5,342		5,342
Other tax receivables	14,594		14,594
Derivatives	22,291		22,291
Other current financial assets	41,399		41,399
Other current assets	34,097	(535)	33,562
Cash and cash equivalents	189,674		189,674
Total current assets	435,413	(535)	434,878
Assets classified as held for sale	-	-	-
TOTAL ASSETS	1,486,670	9,770	1,496,440
Shareholders' equity	794,486	-	794,486
Liabilities			
Non-current liabilities			
Employee benefits	10,411	-	10,411
Provisions for risks and charges	29,909	-	29,909
Deferred tax liabilities	50,004	-	50,004
Non-current financial liabilities	364,819	8,864	373,683
Other non-current liabilities	19,394	-	19,394
Total non-current liabilities	474,537	8,864	483,401
Current liabilities			
Employee benefits	-	-	-
Trade payables	119,199	-	119,199
Payables for income taxes	9,260	-	9,260
Other tax payables	5,213	-	5,213
Derivatives	18,354	-	18,354
Other current financial liabilities	39,768	906	40,674
Other current liabilities	25,852	-	25,852
Total current liabilities	217,647	906	218,553
Liabilities related to assets held for sale	-	-	-
TOTAL EQUITY AND LIABILITIES	1,486,670	9,770	1,496,440

Impact on key consolidated income statement and consolidated statement of financial position items for FY 2019

The following is a breakdown of the impact of IFRS 16 on the key income statement figures for FY 2019 compared to the comparable 2019 financial year.

Amounts in Euro thousands	Comparable year 2019	IFRS 16 impact	2019
Revenues	805,433	-	805,433
Operating costs	653,970	(995)	652,975
EBITDA	151,463	995	152,458
Amortisation, depreciation, provisions and write-downs	47,447	913	48,361
EBIT	104,015	82	104,097
Financial management	(122)	(224)	(346)
EBT	103,894	(142)	103,752
Income taxes	28,007	(27)	27,981
PERIOD NET RESULT	75,887	(116)	75,771

The different nature, qualification and classification of expenses, with the recognition of “Amortisation of rights of use of assets” and “Interest expense related to rights of use”, instead of “Costs for use of third party assets”, as per IAS 17, resulted in a consequent positive impact on EBITDA of Euro 116 thousand.

In particular, the application of IFRS 16 to lease contracts has resulted in:

- a reduction in Operating costs due to the different accounting treatment of lease payments;
- the increase in Amortisation as a result of the amortisation of the rights of use amortised over the duration of the contract;
- the increase in financial charges for interest related to rights of use due to the recognition of higher financial liabilities;
- the change in Income Taxes which represents the tax effect of the changes illustrated above.

Details of the impact of the new accounting standards on the key figures in the Statement of Financial Position as at 31 December 2019 are set out below.

Amounts in Euro thousands	Comparable year 2019	IFRS 16 impact	31/12/2019
Non-current assets	1,034,402	9,492	1,043,894
Current assets	402,080	(537)	401,543
TOTAL ASSETS	1,436,482	8,955	1,445,437
SHAREHOLDERS' EQUITY	802,402	(116)	802,286
Non-current liabilities	433,646	8,347	441,992
Current liabilities	200,434	724	201,158
TOTAL EQUITY AND LIABILITIES	1,436,482	8,955	1,445,437

It should be noted that the changes in the balance sheet also had an impact on the statement of cash flows. The following diagram shows the relevant effects.

Amounts in Euro thousands	Comparable year 2019	IFRS 16 impact	31/12/2019
A. Cash flows from operating activities (indirect method)			
Financial flow after adjustments of non-monetary items	136,830,828	(831,262)	135,999,566
Changes in NWC	(12,259,615)	536,997	(11,722,618)
Cash flow after changes in NWC	124,571,214	(294,265)	124,276,949
Other changes not included in changes in NWC	(11,227,838)	-	(11,227,838)
Cash flow from operating activities (A)	113,343,376	(294,265)	113,049,111
B. Cash flows from investment activities	(10,092,678)	(8,578,708)	(18,671,386)
C. Cash flows from financing activities	(77,932,848)	8,872,973	(69,059,875)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	25,317,850	-	25,317,850
Cash and cash equivalents at 01 January	189,674,397	-	189,674,397
Cash and cash equivalents at 31 December	214,992,248	-	214,992,248

Standards enacted but not yet in force

At the date of preparation of these consolidated financial statements, the IASB had issued the following new standards / interpretations which have not yet come into force:

New Standards/Interpretations not yet endorsed by the EU	Mandatory application from
Amendments to IFRS 3 (Business Combinations)	01/01/2020
Amendments to IAS 1 and IAS 8 (Definition of Material)	01/01/2020
Amendments to References to the Conceptual Framework in IFRS Standards	01/01/2020
Interest Rate Benchmark Reform: Amendments to IFRS 9 (Financial Instruments), IAS 39 (Financial Instruments: Recognition and Measurement) and IFRS 7 (Financial Instruments: Disclosures)	01/01/2020

The potential impacts on the individual financial statements from application of these new standards and interpretations are currently being assessed.

Significant accounting estimates

The preparation of the Consolidated Financial Statements, drawn-up in compliance with the IAS/IFRS standards, required the use of estimates, judgements and hypotheses that have an effect on the carrying amount of assets and liabilities, on the information regarding contingent assets and liabilities and on the value of revenues and costs recognised. The estimates and related assumptions are based on elements known at the date of preparation of the financial statements, on historical experience and on other factors that may be considered relevant.

The underlying estimates and assumptions are updated periodically and regularly by the Management. Actual results may differ from estimates and therefore need to be amended. The effects of any changes in estimates are recognised in the Income Statement in the period in which they occur or in subsequent periods.

The main items requiring estimates are described below and for which a significant difference with respect to the carrying amounts of assets and liabilities may be required in the future.

Impairment test

The book value of non-current assets is subjected to periodic verification (at each reporting date) and whenever circumstances or events require more frequent verification. In the presence of potential impairment loss indicators (and obligatory at each reporting date for assets with indefinite useful life), it is necessary to proceed with an impairment test, within which the recoverable value is determined, which is the higher of fair value less costs to sell the asset or of the smaller CGU and its value in use. The recoverable value is determined by individual asset or CGU, in the event that it is not possible to allocate the cash flows to the individual asset.

An impairment loss must be recognised when the book value of the asset being tested exceeds its recoverable value; conversely, if the recoverable value exceeds the book value, no recognition is necessary. Impairment related to goodwill cannot be reinstated in following years.

The value in use is the present value of future cash flows expected from the use of the asset or CGU and from its disposal at the end of its useful life. Based on the IFRS accounting standards applied in professional practice on valuation, the estimate of the value in use is made by discounting the operating cash flows, i.e. the cash flows available before the repayment of financial payables and the remuneration of shareholders (Unlevered Discounted Cash Flow (UDCF) method), appropriately calculated assuming an actual marginality that can be realised by the Company in the event of carrying out the activity at normal market conditions.

The cost of capital of the Group is determined using the WACC method, so as to be representative of the weighted average cost of financing sources (risk capital and debt capital). Some of the parameters used to calculate the WACC are derived from market indicators and from comparable companies/groups.

It is believed that the estimates underlying the calculation of the recoverable amounts determined in the context of the impairment test conducted by the management are reasonable; however, possible variations in the underlying estimating factors could produce different evaluations.

Amortisation

Tangible and intangible assets with definite useful life are depreciated or amortised on a straight-line basis over their estimated useful life. The useful economic life of these assets is determined at the time of purchase, with the support of technical experts. The Group periodically evaluates technological and sector developments, dismantling/closure charges and the recovery value to update the residual useful life of assets. This evaluation could result in a change in the economic useful life of assets and, consequently, also in the depreciation period and the underlying depreciation portion to be recognised in future years.

Measurement of derivative financial instruments

The fair value of derivative instruments is determined both using valuation models which also take into account subjective measurements such as, for example, cash flow estimates, expected volatility of prices, etc., and on the basis of prices existing in regulated markets or quotations provided by financial counterparties.

More specifically, the derivative financial instruments on commodities used by the Group are measured at fair value based on the forward market curve at the reporting date, if the underlying of the derivative is traded on markets that provide official, liquid forward prices. If instead the market does not provide Forward prices, forecast price curves are used based on simulation models developed by the Group internally. However, the actual results of derivatives could differ from the measurements made.

It is also noted that, the serious turbulence that took place on the markets for the energy Commodities traded by the Group, could lead to greater volatility in Cash Flows and in expected results.

Recognition of revenues

Revenues from sales to customers are recognised on an accruals basis and on the basis of the fair value of the amount received or receivable. Revenues from sales of electricity to end customers are recorded in the financial statements on the basis of the time of supply and include, in addition to the amount invoiced on the basis of periodic readings, or on the basis of the volumes communicated by distributors and transporters, an estimate of the electricity supplied during the year but not yet invoiced. Revenues between the last reading date and the end of the financial year are partly based on estimates of the customer's consumption, based on the related historical profile.

Provision for risks on receivables

As previously specified, receivables are recognised in the financial statements at their estimated realizable value, by adding appropriations that reflect the estimate of losses on receivables and that are recognised as a nominal value adjustment.

The Group uses a matrix to calculate expected credit losses (ECL) for trade receivables and contractual activities. The allocation rates are based on the days past due for each class of customers grouped in the various segments with similar historical loss trends (market, type of customer, contract status, type of payment).

The matrix is initially based on the historical default rates observed by the Group. At least once per financial year, the historical insolvency rates are updated.

Although the provision is considered adequate, the use of different calculation assumptions or changes in macro-economic conditions could cause a change in the bad debts provision.

Employee benefits

As previously specified, the current cost related to work services and the current value of obligations for defined benefit plans and other long-term benefits granted to employees is determined on the basis of actuarial valuations using the Projected Unit Credit Cost Method. According to this methodology, the Group assigns the benefit deriving from the plan to the years in which the obligation arises to provide the benefit itself or, in the moment in which employees provide work service. The amount of the liability is calculated by estimating the amount to be paid upon termination of the employment relationship, taking into consideration economic, financial and demographic assumptions, which are annually validated by a third-party and independent actuary. This value is charged *pro-rata temporis* based on the period of work already accrued. For severance indemnity accrued at 31 December 2006 (or the date of choice by the employee in the case of allocation to complementary funds), the *pro-rata temporis* is instead not applied, since as specified above, at the reporting date the benefits can be considered fully accrued.



The components of remeasurement of the liability, which include actuarial gains and losses, as well as any effects deriving from changes to the actuarial assumptions adopted, are recognised as comprehensive profits (losses).

Although the determination of the current value of the obligation is based on the use of objective and compatible actuarial assumptions, as well as on financial parameters deriving from market estimates known at the reporting date, regarding the year in which the obligations will be settled, the use of different assumptions, or the change in macro-economic conditions, could determine a change in the current value of the obligation.

Provisions for risks and charges

The identification of the existence or non-existence of a current obligation (legal or implicit), as well as the subsequent quantification of any underlying, represents a process that is not easy to determine by the Directors.

Management carries out a case-by-case assessment of the potential obligations, together with the estimate of the amount of economic resources required for the fulfilment of the same. Estimating allocations to the provisions for risks and charges is therefore the result of a complex process that can also involve subjective judgements on the part of Company management. When the directors are of the opinion that it is only possible that a liability could arise, the risks are disclosed in the section on commitments and contingent liabilities without making a provision.

Obligations for dismantling and/or recovery

The nature of the activity carried out by the Group may entail a related obligation for future activities and interventions required for the dismantling of plants (renewable energy production) and/or restoration of the site on which they are located. The estimate of future expenses depends on the type of generation adopted and is based on financial and engineering assumptions that depend on the existing technology at the valuation date, as well as the laws and regulations in force. The current liability is then calculated by discounting the expected future cash flows that the Group believes will be required for the obligation assumed. Subsequent to initial recognition, the value of the obligation is reviewed annually and possibly adjusted to reflect the passing of time and any change in the underlying estimates. As specified above in the context of the accounting standards adopted by the Group, the provision relating to these obligations is recognised as a balancing entry to the asset to which it refers and the charge is recognised in the Income Statement not only at the financial value over time but also through the depreciation process of the aforementioned tangible asset.

Recoverable value of deferred tax assets

Income taxes (current and deferred) are calculated according to a prudent interpretation of the tax laws in effect. This process sometimes involves complex estimates to determine taxable income and deductible and taxable temporary differences between the carrying amounts and the taxable amounts. In particular, prepaid tax assets are recognised to the extent that future taxable income will be available against which they can be recovered. The measurement of the recoverability of prepaid tax assets, recognised based on both unused tax loss carry-forwards to future years and deductible temporary differences, takes into account the estimate of future taxable income and is based on conservative tax planning. In making these valuations, management relies on the most recent budgets and business plans (prepared and used also as part of the asset impairment testing) and also takes into account participation in the group's domestic consolidated tax regime, which allows the Company to transfer its taxable income, whether positive or negative, to the group.

These estimates and assumptions are subject to a certain degree of uncertainty, especially with reference to the future macro-economic trend. Therefore, changes in current estimates due to unforeseen events could impact the valuation of deferred tax assets.

Absence of an applicable standard or interpretation

As required by IAS 8 (Accounting Standards, Changes in Accounting Estimates and Errors), paragraph 10, in the absence of a Standard or an Interpretation that specifically applies to a particular transaction, Management, through careful subjective evaluation techniques, chooses the accounting methods to adopt with a view to providing financial statements which faithfully represent the financial position, the results of operations and the cash flows of the Group, which reflect the economic substance of the transactions, which are neutral, prepared on a prudent basis and complete in all material respects.

Assessment of Guarantee of Origin Certificates

The valuation of the adjustments necessary to align the portfolio of Guarantee of Origin Certificates acquired with the actual consumption of energy from renewable sources by users is based on the prices expressed by the markets on 31 December. Any differences between these prices and the price actually agreed at the time of the transaction are considered as relating to the year in which the transaction takes place.

The same method is applied to Certificates of Origin for which the right to issue them has matured (against the production of energy from renewable sources), but for which the sale price has not yet been contractually agreed.

Information related to operating sectors

For management purposes, the Group is organised into Business Units, the subdivision of which reflects the reporting structure analysed by the management and the Board of Directors in order to manage and plan the Group's activities. In compliance with the provisions of IFRS 8 - Operating Segments, information is provided below for Business Units, identified on the basis of the management structure and the internal reporting system of the Group.

More specifically, the CVA Group operates in the following business sectors:

- **Hydro BU:** dedicated to electricity generation from hydroelectric sources, and to the relative sale of the same to wholesalers/traders. This production mainly relates to the Parent Company and, to a residual extent, to VALDIGNE;
- **Other Renewable Energy Sources BU** (hereinafter for brevity also "Other RES"): dedicated to the activity of electricity generation from renewable energy sources other than the hydroelectric source, and to the relative sale of the same to wholesalers/traders. The activity is carried out mainly by the Parent Company and by the companies CVA VENTO and WIND FARM MONTEVERDE;
- **Distribution BU:** dedicated to the distribution of electricity to end users entirely carried out by DEVAL, which manages a distribution network (located exclusively in Valle d'Aosta);
- **Sales BU:** includes the activities performed by CVA ENERGIE which operates (i) in the electricity sales sector; (ii) in the energy management sector, also carrying out electricity trading activities mainly in physical and financial energy markets.

In addition to these Business Units, it is also possible to identify the so-called "Corporate" includes the result of the activities and Businesses that do not constitute an operating segment pursuant to IFRS 8, as well as values not attributable to the performance of the Business areas identified, as they are not directly attributable to their management responsibility.

Based on the nature of the activities carried out by the companies of the Group, the breakdown by geographical area is not significant.

The item "eliminations and adjustments", on the other hand, includes consolidation adjustments and eliminations between the individual Business Units.

The following tables show some economic and financial information broken down by segment for the years 2019 and 2018 (for comparative purposes).

For further details regarding results by Business Unit, reference is made to as illustrated in the Report on Operations.

Summary data by Business Unit at 31 December 2019

Amounts in Euro thousands	For the year ended 31 December 2019						
	Hydro	Distribution	Sales	Other RES	Corporate	Eliminations	Total
Economic data by sector of activity							
Revenues	162,752	33,881	736,075	44,394	3,284	(174,953)	805,433
Personnel cost	(13,296)	(6,590)	(4,142)	(289)	(10,529)	6	(34,839)
Other operating costs	(42,331)	(10,302)	(721,752)	(8,393)	(9,807)	174,449	(618,136)
Gross Operating Margin (EBITDA)	107,125	16,990	10,181	35,712	(17,052)	(497)	152,458
% of revenues	65.8%	50.1%	1.4%	80.4%	-519.3%		18.9%
Amortisation, depreciation, provisions and write-downs	(20,669)	(7,095)	(323)	(17,875)	(2,832)	433	(48,361)
Operating Result (EBIT)	86,456	9,895	9,858	17,838	(19,884)	(65)	104,097
% of revenues	53.1%	29.2%	1.3%	40.2%	-605.5%		12.9%
Result from non-recurring transactions	1,637	-	(467)	-	2,119	-	3,289
Adjusted Operating Result (Adjusted EBIT)	84,819	9,895	10,324	17,838	(22,003)	(65)	100,809
% of revenues	52.1%	29.2%	1.4%	40.2%	-670.0%		12.5%
Financial balance	-	-	-	-	(346)	-	(346)
PRE-TAX RESULT	86,456	9,895	9,858	17,838	(20,230)	(65)	103,752
Expenses for income taxes	-	-	-	-	(27,975)	(5)	(27,981)
PERIOD NET RESULT	86,456	9,895	9,858	17,838	(48,205)	(70)	75,771
Equity data by sector of activity							
Investments	11,855	8,732	227	7,649	4,641	-	33,104
Tangible assets	340,595	97,493	710	199,021	38,469	(3,593)	672,695
Intangible assets	174,953	23,262	-	51,648	1,537	-	251,400
Trade receivables	142,931	8,897	212,929	5,218	7,558	(257,477)	120,056
Trade payables	(121,813)	(9,969)	(223,360)	(2,210)	(12,674)	260,751	(109,275)

Summary data by Business Unit at 31 December 2018

Amounts in Euro thousands	For the year ended 31 December 2018						
	Hydro	Distribution	Sales	Other RES	Corporate	Eliminations	Total
Economic data by sector of activity							
Revenues	158,956	36,874	770,202	40,364	12,035	(173,854)	844,577
Personnel cost	(14,072)	(6,917)	(3,957)	(148)	(12,427)	7	(37,514)
Other operating costs	(40,208)	(12,684)	(763,628)	(8,838)	(12,898)	172,153	(666,103)
Gross Operating Margin (EBITDA)	104,676	17,273	2,617	31,378	(13,289)	(1,694)	140,960
% of revenues	65.9%	46.8%	0.3%	77.7%	-110.4%		16.7%
Amortisation, depreciation, provisions and write-downs	(23,976)	(6,752)	(391)	(16,899)	(3,181)	1,252	(49,947)
Operating Result (EBIT)	80,699	10,521	2,225	14,480	(16,471)	(442)	91,013
% of revenues	50.8%	28.5%	0.3%	35.9%	-136.9%		10.8%
Result from non-recurring transactions	(2,197)	-	-	-	2,066	-	(131)
Adjusted Operating Result (Adjusted EBIT)	82,896	10,521	2,225	14,480	(18,537)	(442)	91,144
% of revenues	52.2%	28.5%	0.3%	35.9%	-154.0%		10.8%
Financial balance	0	-	-	-	(712)	-	(712)
PRE-TAX RESULT	80,699	10,521	2,225	14,480	(17,183)	(442)	90,301
Expenses for income taxes	-	-	-	-	(26,397)	56	(26,341)
PERIOD NET RESULT	80,699	10,521	2,225	14,480	(43,580)	(386)	63,960
Equity data by sector of activity							
Investments	11,693	7,110	54	76,291	2,329	-	97,478
Tangible assets	351,139	95,080	86	209,162	35,102	(417)	690,152
Intangible assets	174,896	23,642	-	51,733	1,016	-	251,287
Trade receivables	134,613	8,156	218,232	5,204	8,920	(249,856)	125,270
Trade payables	(122,387)	(8,646)	(224,030)	(2,904)	(14,014)	252,783	(119,199)

Comments on the main Consolidated Income Statement items

The breakdown of the main items of the Consolidated Income Statement is provided below. The following tables, unless otherwise indicated, show the figures in thousands of Euro.

1. Revenues from services

Revenues from services totalled Euro 755,438 thousand in 2019 (Euro 791,555 thousand in 2018). A breakdown of revenues by nature is provided below:

Amounts in Euro thousands	2019										Total Group
	Hydro		Distribution		Sales		Other RES		Corporate		
	Total	Infra-group items	Total	Infra-group items	Total	Infra-group items	Total	Infra-group items	Total	Infra-group items	
REVENUES FROM SALES AND SERVICES	147,135	(146,828)	31,300	(17,582)	733,288	(2,497)	16,645	(6,027)	8,363	(8,357)	755,438
Sale of electricity	144,300	(143,993)	-	-	350,223	(955)	16,247	(5,925)	-	-	359,896
To wholesale customers	144,300	(143,993)	-	-	91,476	-	16,247	(5,925)	-	-	102,104
To end customers - Free market	-	-	-	-	258,959	(733)	-	-	-	-	258,225
To end customers - Greater protection market	-	-	-	-	6,339	(222)	-	-	-	-	6,117
Income from energy hedging instruments	-	-	-	-	(6,552)	-	-	-	-	-	(6,552)
Revenues for energy transport	-	-	29,678	(17,344)	320,741	(731)	-	-	-	-	332,344
Fees for use of the system	-	-	-	-	48,422	(110)	-	-	-	-	48,312
Income from Commodities hedging activities	-	-	-	-	5,133	-	-	-	-	-	5,133
Connection fees and fixed fees	-	-	1,378	(232)	3,503	(701)	-	-	-	(0)	3,948
Result from trading activities	-	-	-	-	3,524	-	-	-	-	-	3,524
Disposal of energy certificates/securities	2,561	(2,561)	-	-	1,319	-	102	(102)	-	-	1,319
Provisions of services	274	(274)	243	(6)	424	-	296	-	8,363	(8,357)	962

Amounts in Euro thousands	2018										Total Group
	Hydro		Distribution		Sales		Other RES		Corporate		
	Total	Infra-group items	Total	Infra-group items	Total	Infra-group items	Total	Infra-group items	Total	Infra-group items	
REVENUES FROM SALES AND SERVICES	139,053	(138,712)	31,519	(18,731)	768,196	(2,309)	16,722	(4,190)	8,472	(8,467)	791,555
Sale of electricity	135,828	(135,487)	-	-	355,176	(789)	16,502	(3,969)	-	-	367,261
To wholesale customers	135,828	(135,487)	-	-	92,927	-	16,502	(3,969)	-	-	105,800
To end customers - Free market	-	-	-	-	258,625	(537)	-	-	-	-	258,088
To end customers - Greater Protection market	-	-	-	-	10,839	(252)	-	-	-	-	10,587
Income from energy hedging instruments	-	-	-	-	(7,215)	-	-	-	-	-	(7,215)
Revenues for energy transport	-	-	29,953	(18,440)	351,336	(656)	-	-	-	-	362,192
Fees for use of the system	-	-	-	-	53,225	(103)	-	-	-	-	53,122
Connection fees and fixed fees	-	-	1,419	(286)	3,944	(761)	-	-	-	-	4,317
Result from trading activities	-	-	-	-	2,102	-	-	-	-	-	2,102
Disposal of energy certificates/securities	2,920	(2,920)	-	-	1,446	-	221	(221)	-	-	1,446
Provisions of services	305	(305)	147	(4)	524	-	-	-	8,472	(8,467)	671
Income from Commodities hedging activities	-	-	-	-	444	-	-	-	-	-	444

For further details regarding the breakdown and performance of revenues by nature and Business Unit, reference is made to as illustrated in the specific section of the Report on Operations.

It should be noted that the item “results from commodity trading activities” includes the margin generated on transactions in trading commodity trading portfolios of Euro 3,524 thousand (Euro 2,102 thousand at 31 December 2018) as shown in the table below:

Amounts in Euro thousands	2019	2018
RESULT FROM TRADING ACTIVITIES	3,524	2,102
Income from trading activities	45,357	43,469
Expenses from trading activities	(41,834)	(41,367)

2. Other revenues and income

The breakdown of the item Other operating revenues and income is shown in the following table:

Amounts in Euro thousands	2019	2018
OTHER REVENUES AND INCOME	49,994	53,023
GRIN (former Green Certificates)	26,694	30,609
Incentive tariffs	11,515	7,079
Photovoltaic plant incentives	4,623	4,306
Contribution for the purchase of TEE securities	1,629	4,107
Other operating contributions	695	713
Penalties and insurance reimbursements	1,953	1,440
Other income	2,886	4,770

The item GRIN amounted to Euro 26,694 thousand in 2019 (Euro 30,609 thousand in 2018) and refers to the contribution received from the GSE on the basis of the incentive mechanism replacing “green certificates”. The reduction recorded is due to the decrease in the unit value of the GRIN incentive, from Euro 98.95/MWh in 2018 to Euro 92.11/MWh in 2019 (the value of the incentive is established annually by the GSE on the basis of as provided by Ministerial Decree of 06 July 2012, as amended), as well as the lower production of plants benefiting from incentives, particularly those from hydroelectric sources.

The item Incentive tariffs amounted to Euro 11,515 thousand in 2019 (Euro 7,079 thousand in 2018) and refers to the contribution received from the GSE on the basis of the incentive mechanism of the “incentive tariff”, with which a specific tariff is recognised for each MWh produced by the plant in agreement with the GSE. The incentive tariffs, guaranteeing a fixed value of the energy sold, move inversely proportional to the market prices of electricity, the fall in average prices in 2019 has led, therefore, to an increase in the contribution of the GSE. The increase is also related to the presence of the Monteverde wind farm in the scope of consolidation for the full year (WIND FARM MONTEVERDE was acquired in July 2018).

The increase in the average value of the tariff was partly mitigated by a reduction in the production of some incentivised plants. The item "Photovoltaic plant incentives" amounted to Euro 4,623 thousand in 2019 (Euro 4,306 thousand in 2018) and refers to the grants for the year accrued as per the Energy Account mechanism on the production of the Valenza and Alessandria plants owned by CVA. The item "TEE securities", amounting to Euro 1,629 thousand in FY 2019 (Euro 4,107 thousand in FY 2018) refers for Euro 809 thousand to the contribution received from the company DEVAL for the cancellation of the securities purchased in FY 2019 to cover the obligations of the 2018 year, which ended in May 2019, for Euro 15 thousand to the use of the provision for TEE price changes set up in FY 2017, for Euro 821 thousand to the recording of the estimated cancellation value of the securities purchased to cover the 2019 obligation, which expires in May 2020. Other operating contributions, amounting to Euro 695 thousand in FY 2019 (Euro 713 thousand in FY 2018) mainly refer to the value of the service continuity premium due to DEVAL, estimated on the basis of the relevant regulations in force (Integrated text of ARERA's provisions on the quality of electricity distribution, metering and sales services), and amounting to Euro 582 thousand (Euro 592 thousand in 2018) and relates to the service continuity levels achieved in 2019 determined on the basis of the number and duration of interruptions. Overall, the contributions received on hydroelectric production amount to Euro 15,343 thousand, those on wind production to Euro 22,866 thousand, those on photovoltaic production to Euro 4,323 thousand and those on energy distribution to Euro 2,213 thousand. Penalties and insurance reimbursements, which amounted to Euro 1,953 thousand in 2019 as compared with Euro 1,440 thousand in 2018, include all penalties applied to suppliers for contractual defaults, as well as indemnities and social bonuses received from distributors and insurance reimbursements received for credit losses. The latter two items are characteristic of CVA ENERGIE's activity of selling energy to end customers.

At 31 December 2019, the item Other income amounted to Euro 2,886 thousand (Euro 4,770 thousand at 31 December 2018) and mainly refers to the following types:

- income received by CVA ENERGIE (formerly CVA Trading) following participation in the mechanism to compensate for arrears of end customers under Greater Protection, as well as following the presentation of the COR model, which amounted to Euro 1,107 thousand in 2018 (Euro 1,065 thousand in 2018);
- income from property leases, amounting to Euro 844 thousand in FY 2018 (Euro 2,922 thousand in FY 2017); in particular, this item in 2018 includes an out-of-period income of Euro 2,066 thousand due to the change in the contractual conditions that occurred in relations with the Regional Council of Valle d'Aosta, which led to the recognition as income of the amounts paid over the years as a down payment on the purchase of the property. Pursuant to IFRS 16, the contracts have all been classified as operating leases. The accounting treatment of the relative revenues, therefore, has not changed compared to previous years, as the new IFRS 16 substantially follows the provisions of the previous IAS 17.

The remainder of the item is attributable to the sum of miscellaneous revenues that are not individually significant.

3. Costs for raw materials and services

Costs for raw materials and services totalled Euro 579,925 thousand in 2019 (Euro 632,098 thousand in 2018).

Their breakdown by type is shown in the table below:

Amounts in Euro thousands	2019	2018
COSTS FOR RAW MATERIALS AND SERVICES	579,925	632,098
Costs for raw materials	193,043	208,476
Expenses from commodities hedging activities	3,902	372
Expenses for use of the system	47,040	52,931
Expenses for energy transport	310,175	341,265
Connection fees and similar	2,315	2,642
Costs for services	23,165	25,109
Costs for rents and leases	286	1,303

Raw materials and services costs do not include the costs incurred during the year in connection with transactions in commodity trading portfolios, amounting to Euro 41,834 thousand (Euro 41,367 thousand at 31 December 2018), because, as explained in greater detail above, the margin generated is represented in accordance with the "net presentation" margin and, being positive, is shown under revenues.

The item "costs for raw materials" totalled Euro 193,043 thousand in 2019 (Euro 208,476 thousand in 2018). The detail of costs for raw materials is as follows:

Amounts in Euro thousands	2019	2018
COSTS FOR RAW MATERIALS	193,043	208,476
Wholesale electricity	186,261	198,169
Energy securities/certificates	3,725	7,420
Raw and ancillary materials and consumables	2,462	2,599
Energy for auxiliary services of generating plants	331	13
Vehicle power sources	263	275

Wholesale electric power represents all transactions carried out with wholesalers (including the GME), as well as imbalances between consumption and production units.

The costs of certificates/energy certificates are open to the costs for procurement of Guarantee of Origin Certificates (for the portion necessary to cover the quantities of renewable energy sold and not produced by the Group's plants) and TEE Certificates.

It should be noted that energy for auxiliary services represents the cost incurred towards third parties with respect to the Group.

Almost all generation plants, in fact, use energy supplied by Group companies. The amounts recorded relate to the Monteverde plant, which is also being supplied with Group companies from December 2019. The increase is linked to the presence of this plant in the consolidation area for almost the entire year (11 months), whereas it was absent in the previous year.

Automotive power sources represent the cost of purchasing fossil fuels and electricity for transport.

The item "costs for services" totalled Euro 23,165 thousand in 2019 (Euro 25,109 thousand in 2018). Details are shown in the following table:

Amounts in Euro thousands	2019	2018
COSTS FOR SERVICES	23,165	25,109
Maintenance	6,069	6,069
Commercial, legal, administrative and professional consultancy	3,977	6,205
Insurance	2,437	2,430
Regarding personnel	1,761	1,654
Costs for Information & Communication Technology services - IT services	1,685	1,724
Telephone and data transmission services	1,643	1,785
Costs for bank and postal services	917	1,047
Trips and transfers, representation	703	600
Fees for Directors, Auditors, SB and Independent Auditors	693	666
Car park management expenses	427	309
Advertising	420	296
Miscellaneous utilities	173	170
Other costs for services	2,258	2,157

With reference to consultancy costs, the significant reduction recorded in the year is mainly attributable to the extraordinary nature of the costs in FY 2018, impacted by the expenses for the stock market listing project, which is currently suspended.

With reference to the maintenance costs, we point out that, among these, Euro 1,264 thousand are attributable to the maintenance of the hydroelectric plant park, Euro 4,069 thousand to the wind and photovoltaic plant park and Euro 454 thousand to the distribution networks. The residual amount is mainly represented by maintenance costs for leased and unleased civil and instrumental (office use) buildings.

The item Costs for rents and leases amounted to Euro 285 thousand in 2019 (Euro 1,303 thousand in 2017) and the breakdown is as follows:

Amounts in Euro thousands	2019	2018
COSTS FOR RENTS AND LEASES	285	1,303
Rents and leases	68	510
License and software fees	40	7
Car park rental fees	13	506
Other costs for rents and leases	164	281

The decrease compared to the previous year is mainly attributable to the application of the new IFRS 16 standard, which requires, for all leases, accounting using the so-called financial method, which is better described in the specific section of the note "Approved accounting standards, amendments and interpretations applied from 01 January 2019". The costs recorded in this item correspond to rentals on contracts excluded from the scope of application of IFRS 16 because they do not meet the requirements to be defined as leases or because, although classified as such, they have been excluded due to their duration of less than 12 months or their low unit value. Non-lease components (mainly non-deductible VAT) of lease contracts subject to IFRS 16 are also recorded in this item.

In addition to the costs for the use of software and for the rental of the car park, the item "other" includes the costs for the rental of aircraft and related personnel for the transport of materials in places not reached by road.

4. Personnel costs

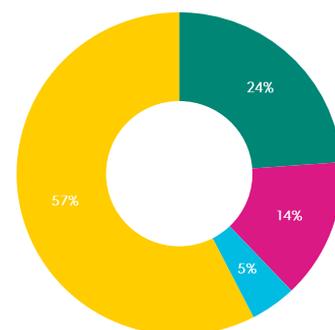
The breakdown of personnel costs is shown in the following table:

Amounts in Euro thousands	2019	2018
PERSONNEL COSTS	34,839	37,514
Wages and salaries	26,443	27,106
Social security contributions	7,997	7,807
Employee severance indemnity and others	(443)	1,611
Other personnel costs	843	990

The item Personnel costs totalled Euro 34,839 thousand in 2019 (Euro 37,514 thousand in 2018). The changes in the year are mainly attributable to the following aspects:

- wages and salaries: the decrease recorded is due to i) the reduction in the average number of executives; ii) the increase in the minimum integrated contractual amounts with effect from December 2019 and payment of a one-off payment for economic coverage of the June-October 2019 period provided for in the renewal of the National Collective Bargaining Agreement for Electrical Workers signed on 09/10/2019; iii) a reduction in the amounts related to bonuses compared with the previous year, which had been affected by the payment of an extraordinary one-off to all employees; iv) the combined effect of an increase in the average number of

Costs for rents and leases



■ Rents and leases
■ License and software fees
■ Car park rental fees
■ Other costs for rents and leases



employees due to the effect of new hires related to the stabilisation of fixed-term positions held by temporary staff, the cost of which, therefore, decreased, balancing the total change;

- social security contributions: the increase recorded is due to the increase in the average contribution rate for INPS purposes and the increase in the average number of employees due to the above-mentioned stabilisation of positions held by temporary staff. These increases were partly offset by the decrease in the average INAIL coefficients and, again with regard to INAIL, the review of the weighted tariff items. It should also be noted that new hires have benefited from the tax benefits provided by the law;
- employee severance indemnities and other employee benefits: this item was influenced by the extraordinary reversal to income, for Euro 2,119 thousand, of the energy discount fund following the trade union agreement that sanctioned its overrun.

The table below shows the average number of employees during the years under review, broken down by category and the related changes:

	2019	2018	Absolute
Executives	2	2	-
Managers	59	54	+5
White collars	338	307	+31
Blue collars	176	173	+3
TOTAL	575	536	+39

5. Other operating costs

In 2019, other operating costs amounted to Euro 42,414 thousand (Euro 38,010 thousand in 2018) and are detailed as follows:

Amounts in Euro thousands	2019	2018
OTHER OPERATING COSTS	42,414	38,010
Fees for the diversion of water for hydroelectric use, contributions, licenses and other fees	36,661	33,825
Indemnities and penalties	2,170	1,658
Stamp duties, levies and various taxes	1,747	1,669
Other sundry expenses	1,837	859

The item Fees for the diversion of water for hydroelectric use, contributions, licenses and other fees, equal to Euro 36,661 thousand in 2019 (Euro 33,825 thousand in 2018), includes the fees for hydroelectric use of state, waterways and mountain catchment basins due to the Region and other public bodies such as the Municipalities and the Province of Turin for the derivation of water based on the relevant legislation. On a residual basis, it also includes the fees paid to bodies and authorities for the exercise of the Group's activities.

The item Indemnities and penalties mainly includes:

- indemnities paid to customers for various types of breach of contract. A large part of this is compensation paid by distribution companies outside the Group and reimbursed to users;
- the allocation to the provisions for charges of Euro 226 thousand made against the proposed commitments for the closure of the sanctioning procedure initiated by ARERA against CVA ENERGIE in June 2019 with determination DSAI/23/2019/eel, for violations of Articles 9, paragraph 8 and 16, paragraph 12, of Legislative Decree 102/14 and Article 5, Annex A to Resolution 555/2017/R/com, on energy consumption billing (application to end customers of additional fees for receiving paper bills). In particular, the amount allocated corresponds to the measurement of the commitment to offer a one-off discount of a compensatory nature to all users affected by the irregularity and still in supply;
- Environmental compensation due to the municipalities where the Group's wind farms are located (Euro 1,044 thousand);
- The item Stamp duties, levies and various taxes amounted to Euro 1,747 thousand in 2019 (Euro 1,669 thousand in 2018) and includes municipal taxes and fees, including IMU, TASI, TOSAP, COSAP and stamp duties.

The item Other sundry expenses amounted to Euro 1,837 (Euro 859 thousand in 2018) and mainly includes the membership fees pertaining to Group companies (for Euro 443 thousand), losses on disposals of assets (for Euro 177 thousand), contingencies and extraordinary liabilities (for Euro 605 thousand) and fines for the year (for Euro 319 thousand). Contingencies and extraordinary liabilities are almost entirely represented by losses on receivables for which a provision for bad debts was not recorded, since they are covered by insurance. In fact, these losses are offset by the insurance indemnities recorded under "Other revenues and income". This type of cost emerged for the first time this year. "Fines, penalties and sanctions" mainly include penalties incurred as a result of negative rulings in the excise tax dispute on self-production. Their sharp increase is explained by the filing of several decisions by the Court of Cassation against the Group with regard to litigation.

6. Capitalised days of work

In 2019, capitalised days of work amounted to Euro 4,203 thousand (Euro 4,005 thousand in 2018). Capitalised costs refer to the materials used and hours of employees involved in the realisation of assets.

7. Amortisation/depreciation

Amortisation/depreciation can be detailed as follows:

Amounts in Euro thousands	2019	2018
AMORTISATION/DEPRECIATION	50,231	47,291
Proprietary tangible assets	47,422	45,201
Rights of use on tangible assets	867	-
Owned intangible assets	1,896	2,090
Rights of use for intangible assets	47	-

Depreciation of tangible assets amounted to Euro 47,422 thousand in 2019 (Euro 45,201 thousand in 2018) and refer to the depreciation of buildings, industrial and commercial equipment, plant and machinery and other goods.

Amortisation of intangible assets amounted to Euro 1,896 thousand in 2019 (Euro 2,090 thousand in 2018).

In this year, as mentioned above, the amortisation of rights of use recognised in accordance with IFRS 16 for a total of Euro 913 thousand, including Euro 867 thousand for rights of use of property, plant and equipment (land, buildings, vehicles and equipment) and Euro 47 thousand for rights of use of intangible assets (building rights and rights of way). A summary table of movements in user rights is available in Note 13.

Net of this effect, there was an increase in depreciation and amortisation for the year mainly due to the presence of the Monteverde and Pontedera wind farms in the scope of consolidation for the entire year rather than only part of it (2018 was the year of their acquisition).

8. Provisions and write-downs

Provisions and write-downs show a negative value of Euro 1,871 thousand as in FY 2019 the proceeds from provisions exceeded provisions and write-downs, unlike in FY 2018 where net provisions and write-downs of Euro 2,656 thousand were recorded.

Below are details:

Amounts in Euro thousands	2019	2018
PROVISIONS AND WRITE-DOWNS	(1,871)	2,656
Write-downs		
Ordinary	265	372
Extraordinary	(1,839)	2,197
Net provisions		
Ordinary	(966)	87
Extraordinary	669	-

A breakdown of the item “write-downs” is provided in the table below:

Amounts in Euro thousands	2019	2018
ORDINARY WRITE-DOWNS	265	372
Write-downs of fixed assets	56	
Write-downs of receivables	248	372
Proceeds from provisions for bad debts	(38)	-
EXTRAORDINARY WRITE-DOWNS	(1,839)	2,197
Write-downs of fixed assets		2,197
Proceeds from provisions for bad debts	(1,839)	

As can be seen in FY 2019, the item was characterised by an extraordinary proceeds from the provision for bad debts related to the closure of the dispute with the Aosta Revenue Agency for VAT on excise duties that were in turn subject to litigation. In view of the Supreme Court's positive judgement of 18 April 2019 on VAT (filed on 16 October 2019), any potential liability in this regard has ceased to exist and provisions for bad debts have been reversed in the amount of Euro 1,839 (equal to the amounts paid after the negative judgement of second instance).

The following table provides a breakdown of “Provisions”:

Amounts in Euro thousands	2019	2018
ORDINARY PROVISIONS	(966)	87
Provisions at source for risks and charges	136	474
Provisions for sundry risks and charges	(1,102)	(402)
Proceeds from provisions for bad debts	-	15
EXTRAORDINARY PROVISIONS	669	-
Provisions for excise tax refund risks	10,237	-
Proceeds from the “Large Dams” maintenance fund	(1,637)	-
Proceeds from provision for VAT litigation risks	(7,931)	-

Ordinary items include the following:

- partial reversal to income, for Euro 659 thousand, of the provision set aside in previous years for the dispute with INPS on the payment of sickness and maternity contributions for some categories of CVA employees. The closure of the dispute, which took place with judgement 816/2019 of the Turin Court of Appeal, issued following the judgement of the Supreme Court of Cassation, changed the valuation of contingent risks and charges, leading to the release of the portions of the provision relating to contributions for which it has been established with certainty that they are not due or have expired;
- partial reversal to income, for Euro 378 thousand, of the provision for litigation against the Piacenza Customs Office for non-recognition of offsets made by CVA ENERGIE. Following the positive judgement of the Supreme Court of Cassation no. 27290/19, the risk of the sanction imposed by the Customs Office and the due payment of the relative excise duty with reference to deed 22/A10 has disappeared.

Extraordinary items, on the other hand, include:

- total reversal into income of the fund allocated in 2012 by CVA for charges, to be borne by the concession-holders, related to the maintenance of safety conditions of the "large dams" for which the concrete risk of obstruction of the discharge bodies has been ascertained. Following the work carried out, the directors, in the light of the information available to them, considered the risk of occurrence of such charges to be remote and therefore the reserve was reversed to income for its residual value of Euro 1,637 thousand;
- total reversal to income of the provision for risks arising from the VAT litigation referred to above, for Euro 7,931;
- provisions of Euro 10,237 against the probable litigation that CVA ENERGIE will most likely have to face in connection with requests for refunds of additional excise taxes, as described in greater detail in the Report on Operations. The provision also includes an assessment of expected legal expenses.

For details on the amount and changes in provisions for risks and charges, as well as for more information about the nature of the main disputes, please refer to paragraph 30.

9. Financial management

Financial management generated a negative margin of Euro 346 thousand (negative margin of Euro 712 thousand in the previous year). The breakdown of the margin is shown in the following table:

Amounts in Euro thousands	2019	2018
FINANCIAL MANAGEMENT	(346)	(712)
Financial income	5,047	2,566
Financial expenses	(5,793)	(2,783)
Results from investments	400	(496)

Financial income

Financial income amounted to Euro 5,047 thousand in 2019 (Euro 2,566 thousand in 2018). The following table provides a breakdown of this item:

	2019	2018
INCOME	5,047	2,566
Interest income and income on financial receivables from related parties	2,822	838
Interest income and income from financial investments	1,484	1,152
Interest income on trade receivables	414	302
Interest income on bank deposits	167	196
Other income	159	78

Interest income and financial income from related parties represent the income from the loans granted to the parent company FINAOSTA and the associate TELCHA valued at amortised cost. Their value, for 2019, was significantly affected by the early repayment of the loan granted to the parent company which resulted in an extraordinary income of Euro 2,033 thousand equal to the difference between the value of the loan at its amortised cost and the nominal value at which it was repaid.

Interest income on financial investments consists primarily of income earned on capitalisation policies.

Interest on trade receivables consists primarily of interest on late payments applied to CVA ENERGIE's customers.

Financial expenses

The breakdown of financial expenses is shown in the following table:

	2019	2018
EXPENSES	(5,793)	(2,783)
Interest and expense on bank loans	(5,933)	(2,225)
Interest expense on rights of use (IFRS16)	(224)	-
Other financial expenses	365	(558)

The item interest expense on bank loans, equal to Euro 5,933 thousand in 2019 (Euro 2,225 thousand in 2018) includes interest due on mortgages and loans payable, the flows relating to the change in fair value of the IRS stipulated in relation to mortgages and the charges deriving from the application of the amortised cost on mortgages. The increase compared to the previous year is mainly due to the manifestation of the interest due on the loans payable of a total of Euro 200,000 thousand obtained from CVA at the end of FY 2018 and the differentials paid on the IRS transactions linked to this to fix the rate.

Interest expense on rights of use is equal to the interest calculated on lease contracts accounted for in accordance with the new standard IFRS 16.

The item "other financial expenses", have a mathematical value of Euro 365 thousand in FY 2019 (Euro 558 thousand in FY 2018), as they were impacted for Euro 1,363 thousand by the extraordinary reversal of the interest expense allocated to the provision in the 2017 and 2018 financial years on the amounts subject to the VAT dispute against the Aosta Revenue Agency already mentioned above and refers almost exclusively to the interest subject to the VAT dispute on excise duties (for Euro thousand). This item also includes charges for the discounting of provisions (specifically, provisions for plant decommissioning and provisions for employee benefits), which amounted to Euro 890 thousand in FY 2019 (compared with Euro 153 thousand in FY 2018).

Results from investments

The item in question includes the net result, pertaining to the Group, of investments in associated companies valued based on the corresponding portion of equity, the write-backs/write-downs of minority shareholdings measured at fair value, and other items relating to the equity investments as detailed below:

	2019	2018
RESULTS FROM INVESTMENTS	400	(496)
Write-backs/(write-downs) of equity investments	239	(359)
Other income/(expense)	162	(136)

The item write-backs/write-downs of equity investments includes:

- the write-back of the investment in TELCHA, measured at equity. The ownership percentage was 15.31% of the share capital as at 31 December 2019, but it is still considered a subsidiary as an employee of CVA is a member of the Board of Directors;
- the write-back of the minority shareholding in Le Brasier, valued at fair value;
- the other changes relate to price adjustments and indemnities received in accordance with the provisions of contracts for the acquisition of equity investments signed in previous years.

10. Income taxes

Income taxes amounted to Euro 26,341 thousand in 2018 (Euro 21,399 thousand in 2017) and the breakdown is as follows:

Amounts in Euro thousands	2019	2018
INCOME TAXES	27,981	26,341
Current IRES	17,442	17,129
Current IRAP	2,501	2,887
IRES deferred tax assets	1,058	(1,004)
IRAP deferred tax assets	(27)	62
IRES deferred tax liabilities	6,228	6,331
IRAP deferred tax liabilities	1,024	1,032
Taxes from previous years	(246)	(95)
Other tax expense/(income)	(1)	-

It should be noted that the Region has approved an ordinary IRAP rate reduced to 3.1% for the three-year period 2019-2021. The rate reduction affected all Group companies except for DEVAL, which is subject to a tax rate of 4.2% because it operates under a concession.

The following statement shows the reconciliation between the IRES ordinary rate and effective rate. The reconciliation between the IRAP ordinary rate and the effective rate is not significant. Only current and not deferred taxes are included in the scheme. Therefore, the changes made to the theoretical tax concern both temporary and definitive changes.

IRES - Reconciliation between theoretical and effective tax expense	Notes	2019
Pre-tax result	A	103,752
Theoretical tax expense	B	24,900
Temporary differences taxable in subsequent years	C	(26,642)
Temporary differences deductible in subsequent years	D	12,484
Reversal of temporary differences taxable from previous years	E	456
Reversal of temporary differences deductible from previous years	F	(13,854)
Permanent differences	G	(3,520)
Taxable amount	[A+C+D+E+F+G]	72,675
Tax deductions	[H]	(8)
Current taxes	[I]	17,442
Effective rate	[L]	17%

Comment on the main Consolidated Statement of Financial Position items

The breakdown of the main items of the consolidated statement of financial position at 31 December 2019 is provided here below.

11. Proprietary tangible assets

Tangible assets totalled Euro 672,695 thousand at 31 December 2019 (Euro 690,150 thousand at 31 December 2018).

Tangible assets are all the proprietary tangible assets and the rights of use on tangible assets. Their breakdown and changes are shown in the table below:

Euro thousands	Proprietary tangible assets	Rights of use on tangible assets	Total
Historical cost	1,148,875	-	1,148,875
Provisions for depreciation	(458,725)	-	(458,725)
Net value at 31.12.2018	690,150	-	690,150
Increases	21,630	9,696	31,326
Depreciation	(47,422)	(867)	(48,289)
Reclassifications	82	-	82
Disposals	(513)	-	(513)
Other changes	(41)	(20)	(61)
Total net changes 2019	(26,265)	(886)	(27,151)
Historical cost	1,168,727	9,676	1,178,403
Provisions for depreciation	(504,841)	(867)	(505,708)
Net value at 31.12.2019	663,885	8,809	672,695

The breakdown and change in the item “Proprietary tangible assets” is shown in the following table:

Euro thousands	Land	Buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Leasehold improvements	Tangible assets in progress and advances	Total
Historical cost	9,364	132,649	962,829	3,876	12,268	4,335	23,555	1,148,875
Provisions for depreciation	(29)	(38,664)	(405,281)	(3,066)	(9,691)	(1,994)	-	(458,725)
Net value at 31.12.2018	9,335	93,985	557,548	810	2,576	2,341	23,555	690,150
Increases	42	130	5,882	96	81	48	15,351	21,630
Depreciation	-	(4,646)	(41,525)	(194)	(913)	(145)	-	(47,422)
Reclassifications	7	2,735	10,314	194	461	5	(13,634)	82
Disposals	(13)	0	(184)	(12)	(2)	-	(302)	(513)
Other changes	-	-	(33)	(8)	-	-	-	(41)
Total net changes 2019	36	(1,782)	(25,545)	75	(372)	(92)	1,415	(26,265)
Historical cost	9,400	135,513	977,711	4,108	12,798	4,226	24,971	1,168,727
Provisions for depreciation	(29)	(43,310)	(445,709)	(3,223)	(10,593)	(1,977)	-	(504,841)
Net value at 31.12.2019	9,371	92,203	532,003	885	2,204	2,249	24,971	663,885

Land

This item mainly includes land related to the Group’s industrial buildings.

Buildings

This item mainly includes the industrial buildings connected to the Group’s plants.

Plants and machinery

This item includes costs relating to hydroelectric, wind and photovoltaic production plants and the distribution networks. Electricity production assets include freely transferable works.

Industrial and commercial equipment

This item includes costs related to the purchase of complementary or ancillary assets for plant and machinery and various equipment.

Other assets

This item includes costs related to the purchase of furniture and office equipment and vehicles.

Leasehold improvements

This item mainly includes the costs incurred by CVA for the construction of a photovoltaic plant located at the ISITIP School Institute, as part of a project developed with the Institute itself and improvements related to the plants of Lamacarvotta and Lamia di Clemente.

Assets in progress and advances

The item Assets in progress includes all the charges incurred for investments in progress and not yet in operation.

Depreciation

In 2019, it amounted to Euro 47,422 thousand (Euro 45,201 thousand in 2018). The change is mainly due to the inclusion of the Monteverde plant in the scope of consolidation for the entire year rather than just part of it.

The following table shows the main investments made during the year:

Euro thousands	Assets under construction at the beginning of the year	Net new investments	Assets commissioned	Assets under construction at year end
Chavonne plant - extraordinary maintenance	567	1,776	1,320	1,023
Monjovet plant - extraordinary maintenance (main object: rebuilding of turbine and alternator unit)	566	1,525	38	2,052
Signayes plant - extraordinary maintenance	1,183	1,163	1,585	761
Perreres plant - extraordinary maintenance (main object: pipeline)	492	1,049	796	745
Hone 2 plant - extraordinary maintenance (main object: shunt channel)	1,896	875	2,639	132
Building Via Festaz - Aosta - extraordinary maintenance - renovation	361	811	1,171	-
Champagne 1 plant - extraordinary maintenance (main object: pipeline, spillway, intake works)	143	764	513	394
Avisé plant - extraordinary maintenance	223	533	380	376
Valpelline plant - extraordinary maintenance (main subject: replacement of impellers)	24	420	154	290
Registered office building - Chatillon - extraordinary maintenance of windows and doors	-	388	371	18
Gressoney plant - extraordinary maintenance (main object: pipeline)	764	343	40	1,067
Other hydroelectric power plants - extraordinary incremental maintenance	732	2,522	2,201	1,053
Other RES plants - extraordinary incremental maintenance	34	11	39	5
High voltage network	-	483	483	-
Medium voltage network	807	3,759	3,449	1,117
Low voltage network	228	2,962	2,912	278
Other distribution systems	559	1,145	947	757
Advances on investments	13,900	-	-	13,900
Other investments	1,075	1,101	1,175	1,001

12. Owned intangible assets

Intangible assets are all the proprietary intangible assets and the rights of use on intangible assets. Their breakdown and changes are shown in the table below:

Euro thousands	Owned intangible assets	Rights of use for intangible assets	Total
Historical cost	37,528	-	37,528
Provisions for amortisation	(24,268)	-	(24,268)
Net value at 31.12.2018	13,261	-	13,261
Increases	1,512	729	2,241
Amortisation	(1,896)	(47)	(1,943)
Reclassifications	(85)	-	(85)
Disposals	(100)	-	(100)
Other changes	-	-	-
Total net changes 2019	(570)	(47)	(617)
Historical cost	35,367	729	36,096
Provisions for amortisation	(22,676)	(47)	(22,723)
Net value at 31.12.2019	12,691	683	13,373

The breakdown and change in owned intangible assets is shown in the following table:

Euro thousands	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Intangible assets in progress and advances	Other intangible assets	Total
Historical cost	24,830	2,129	45	10,524	37,528
Provisions for amortisation	(20,884)	(464)	-	(2,920)	(24,268)
Net value at 31.12.2018	3,947	1,665	45	7,604	13,261
Increases	58	100	1,354	-	1,512
Amortisation	(1,197)	(163)	-	(536)	(1,896)
Reclassifications	566	-	(655)	4	(85)
Disposals	(2)	-	-	(99)	(100)
Other changes	-	-	-	-	-
Total net changes 2019	(575)	(63)	699	(631)	(570)
Historical cost	22,001	2,229	744	10,392	35,367
Provisions for amortisation	(18,630)	(627)	-	(3,419)	(22,676)
Net value at 31.12.2019	3,372	1,602	744	6,973	12,691

Industrial patents and intellectual property rights

The item mainly refers to the total costs incurred for the purchase of company and management software amortised over five years.

Concessions, licences, trademarks and similar rights

The item mainly consists of concessions for the use of optical fiber and for the production of hydroelectric, photovoltaic and wind energy.

Intangible assets in progress and advances

The item Assets in progress and advances mainly consists of investments in progress relating to software use licenses and related costs incurred for implementation.

Other intangible assets

The item Other intangible assets mainly includes the value of long-term expenses incurred for the acquisition of easement rights and the land area of the electrical, photovoltaic and wind plants.

Increases

The change in intangible assets in 2019 consisted mainly of the purchase of Corporate Software by CVA and the capitalisation of the costs of the Group rebranding exercise.

Amortisation

In 2018, it amounted to Euro 1,896 thousand, substantially in line with the previous year (Euro 2,090 thousand in 2018).

13. Rights of use of tangible and intangible assets and related financial liabilities

At 31 December 2019, rights of use on tangible and intangible assets amounted to Euro 9,492 thousand.

The following table summarises the breakdown and movements during the year, as well as the movements of the related financial liabilities recorded in the balance sheet liabilities:

	Intangible rights of use		Tangible rights of use		Total
	Building rights and easement fees	Rights of use on real estate	Rights of use on industrial and commercial equipment	Rights of use on other assets	
Opening value of right of use	-	-	-	-	-
Provisions for amortisation	-	-	-	-	-
Net value at 31.12.2018	-	-	-	-	-
Increases before adoption of standard	729	8,530	54	992	10,305
Increases for new contracts	-	120	-	-	120
Decreases due to contract termination	-	-	-	-2	-
Amortisation	(47)	(468)	(20)	(379)	(913)
Reclassifications	-	-	-	-	-
Other changes	-	-	-	(20)	(20)
Total net changes 2019	683	8,182	34	593	9,532
Closing value of right of use	729	8,650	54	972	10,405
Provisions for amortisation	(47)	(468)	(20)	(379)	(913)
Net value at 31.12.2019	683	8,182	34	593	9,492
Opening financial liability	-	-	-	-	-
Increases for first time adoption of standard	720	8,026	49	975	9,770
Increases for new contracts	-	120	-	-	120
Decreases due to contract termination	-	-	-	(23)	(23)
Changes in fees	-	3	-	0	3
Instalments paid	(53)	(530)	(20)	(392)	(995)
of which:					-
principal share	(48)	(467)	(19)	(372)	(906)
interest	(16)	(188)	(1)	(20)	(224)
Closing financial liability	680	7,808	30	580	9,097
of which:					-
CURRENT	48	468	20	214	750
NON CURRENT	632	7,339	10	366	8,347
<i>Non lease component</i>	-	-	-	(12)	(12)
Total costs on the income statement	(62)	(656)	(21)	(410)	-

Rights of use for building rights and easement fees correspond to the value of contracts for the granting of such rights for which a periodic fee is paid. A portion of the fees is due to the related party Region.

Rights of use of real estate assets primarily reflect the value of contracts concerning the lease of land on which wind farms are located and the lease of operating buildings.

Rights of use of other assets mainly represent the value of rental contracts for the fleet of company vehicles.

The effects of the first-time adoption of the IFRS are described in detail in the relevant note.

With reference to financial liabilities, the table below shows their maturity by bracket and the related expected financial outlay.

	Within 1 year	more than 1 year, but within 5 years	More than 5 years
Instalments	756	2,327	6,409
Financial liabilities	(750)	(1,894)	(6,453)

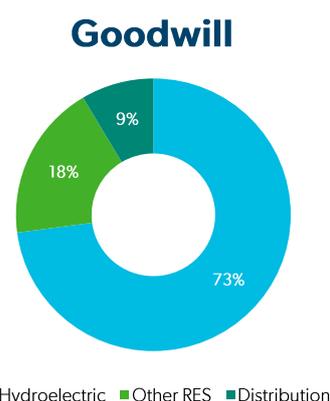
14. Goodwill

At 31 December 2019, goodwill amounted to Euro 238,026 thousand (Euro 238,026 thousand at 31 December 2018).

Goodwill is considered an intangible asset with indefinite useful life and is therefore not amortised, but is subjected at least once a year to an impairment test in order to verify the recoverability of the value recognised in the financial statements. Since goodwill does not generate independent cash flows and cannot be sold separately, the impairment testing of recognised goodwill is carried out by referring to the cash-generating unit to which it may be allocated. The cash-generating units are identified with the individual Business Units and correspond to the business segments represented in the introduction to these notes and are based on the Group's management structure and internal reporting system.

This method allows the most effective verification of future goodwill and investment plans and provides a homogeneous analysis of the information disclosed to the market. The following table shows the allocation of the item Goodwill to the cash-generating units.

Amounts in Euro thousands	2019	2018
Hydroelectric	173,544	173,544
Other RES	44,125	44,125
Distribution	20,357	20,357
Total goodwill	238,026	238,026



The impairment test consists of verifying that the book value of an asset recognised in the financial statements does not exceed the estimate of the recoverable value of the asset itself. The recoverable value of an asset is the higher of its fair value less costs to sell and its value in use.

The impairment test as at 31/12/2019 used the Unlevered Discounted Cash Flow (UDCF) method to estimate value, whereby operating cash flows are discounted at a rate equal to the weighted average cost of capital (WACC) in order to obtain the value of the company's operating capital (Enterprise Value).

The UDCF method is based on the assumption that the value of the operating capital of a company at a certain date (the reference date) is equal to the current value of the cash flows produced by the company's operating management. The prevailing doctrine and professional practice suggest to break down the operating value of the company into two parts to be assessed independently:

- current value of cash flows produced by the company's operating management over a defined period of time (explicit projection period);
- current value of the company's operating activities at the end of the explicit projection period (Terminal Value).

Projections of cash flows for the explicit forecasting period, corresponding to the first five years are based on the most recent budget or multi-year plan approved by the Board of Directors, excluding any future cash inflows or outflows that are estimated to result from future restructuring or improvement or optimisation of business performance. The cash flow forecast also takes into account information from external sources (by way of indication, prices on futures markets or information from macroeconomic research). Expected operating costs are based on individual assumptions at the level of a single CGU.

Terminal Value is divided into two stages. The first corresponds to the period between the end of the explicit projection period and a relevant maturity. For the Hydroelectric and Distribution CGUs, this maturity corresponds to the expiration of the hydroelectric and distribution concessions, respectively. For the Other RES CGU, the average maturity of the incentives provided to the facilities included in that CGU was used. For the Hydroelectric and Other RES CGUs, the growth rate "g" used for the calculation of the first stage of the terminal value is equal to -1% while for the Distribution CGU it is equal to 0.2%. The second stage of Terminal Value represents an estimate of the value of the company's operating assets in the period following the relevant maturity date identified as the end of the first stage.

The WACC used in carrying out the impairment tests in the last two financial years for each CGU is shown below:

Percentage values	2019	2018
Hydroelectric	4.24%	4.89%
Other RES	4.24%	4.89%
Distribution	3.43%	4.25%

Hydroelectric CGU

The value of goodwill, equal to Euro 173,544 thousand at 31 December 2019, was generated mainly following the acquisition of ENEL plants in 2011. There were no changes in goodwill attributable to this CGU compared to the previous year.

Other RES CGU

At 31 December 2019, the goodwill attributable to this CGU amounted to Euro 44,125 thousand and consists of the goodwill generated following the acquisitions of the companies SAINT DENIS VENTO S.r.l. a.s.u., C.V.A. SOLE S.r.l. a.s.u. (formerly RAL S.r.l. and RVA S.r.l.), PIANSANO ENERGY S.r.l. a.s.u., LATERZA ARIA WIND S.r.l. a.s.u. and LATERZA WIND 2 S.r.l. a.s.u., and TARIFA ENERGIA S.r.l. a.s.u. (subsequently incorporated into CVA VENTO). There were no changes in goodwill attributable to this CGU compared to the previous year.

Distribution CGU

At 31 December 2019, the goodwill attributable to this CGU amounted to Euro 20,357 thousand. This goodwill was recognised in 2001 upon the transfer of the electricity business division carried out by Enel Distribuzione S.p.A. in favour of DEVAL. There were no changes in goodwill attributable to this CGU compared to the previous year.

15. Equity investments

At 31 December 2019, equity investments amounted to Euro 1,968 thousand (Euro 1,729 thousand at 31 December 2018).

The item includes:

- equity investments valued using the equity method, consisting of equity investments in companies in which the Group has joint control or exercises significant influence. In particular, there is only one shareholding in associated companies, that in TELCHA, a company active in the provision of district heating services in Valle d'Aosta. The value of the investment amounts to Euro 1,797 and represents 15.31% of the share capital. At 31 December 2019, TELCHA showed a profit of Euro 258 thousand; shareholders' equity, at the same date, amounted to Euro 11,739 thousand. The shareholding decreased from 30.32% in 2018 as a result of the failure to subscribe to the capital increase approved by the Extraordinary Shareholders' Meeting on 21 November 2018 (option matures 28 February 2019). During the financial year, the shareholding, measured using the equity method, was revalued by Euro 218 thousand, equivalent to the share of profit for the financial year, in addition to the effect of dilution of the shareholding on losses carried forward by the company.
- Non-controlling interests measured at fair value, as at 31 December 2019 consisting solely of the investment in LE BRASIER, a company active in the provision of district heating services in the municipality of Morgex. The value of the investment amounts to Euro 163 thousand and represents 13.70% of the share capital. At 31 August 2019 (end of the corporate year), LE BRASIER showed a loss of Euro 23 thousand;

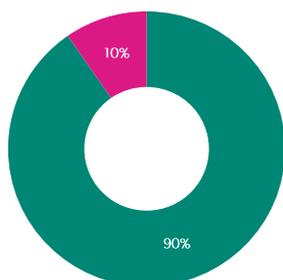
shareholders' equity, at the same date, amounted to Euro 1,190 thousand. During the year, the equity investment was written back by Euro 21 thousand. In the absence of better indicators, equity is considered the best estimate of fair value.

16. Non-current financial assets

At 31 December 2019, non-current financial assets amounted to Euro 79,261 thousand (Euro 95,977 thousand at 31 December 2018).

The item is detailed in the following table:

Non-current financial assets



■ Insurance policies

■ Loan to associate

Amounts in Euro thousands	2019	2018
NON-CURRENT FINANCIAL ASSETS	84,578	79,261
Insurance policies	76,429	48,016
Loan to associate	8,148	8,719
Finaosta loan	-	14,524
Portfolio of securities/funds	-	8,002

The capitalisation insurance policies, equal to Euro 76,429 at 31 December 2019 (Euro 48,016 thousand at 31 December 2018), refer to the fair value of liquidity investments related to the underwriting of long-term insurance policies.

The item "loan to associate" represents the portion of the loan, measured using the amortised cost criterion, granted in the long term to TELCHA, equal to Euro 8,148 thousand at 31 December 2019 (Euro 8,719 thousand at 31 December 2018).

The item "Finaosta loan" amounted to Euro 14,524 thousand at 31 December 2018 and refers to the long-term portion relating to the loan receivable granted to the parent company FINAOSTA and extinguished by it in FY 2019.

The item "securities portfolio", amounting to Euro 8,002 thousand at 31 December 2018 was equal to the fair value of savings bonds maturing on 23 April 2020 held with Intesa Sanpaolo, reclassified in these financial statements to current financial assets.

17. Deferred tax assets and deferred tax liabilities.

The changes relating to “deferred tax assets” and “deferred tax liabilities” by type of time differences are detailed below:

Deferred tax assets and liabilities	31.12.2019	31.12.2018
<i>Deferred tax assets for:</i>		
Differences in value on tangible and intangible assets	11,302	10,478
Write-down of trade and other receivables	1,283	1,158
Charges, bonuses and other employee benefits	1,233	2,373
Provisions for risks and charges	3,842	3,602
Application of IFRS 15	5,134	5,394
Valuation of financial instruments	2,956	2,207
Other items	190	387
Total deferred tax assets	25,939	25,600
<i>Deferred tax liabilities for:</i>		
Differences in value on tangible and intangible assets	(48,652)	(41,227)
Charges, bonuses and other employee benefits	(42)	(42)
Default interest not collected	-	-
Valuation of financial instruments	(81)	(8,438)
Other items	(124)	(297)
Total deferred tax liabilities	(48,900)	(50,004)
Total net deferred tax assets/(liabilities)	(23,338)	(24,659)
Net change	1,321	(5,974)
<i>of which:</i>		
<i>Change in scope of consolidation</i>	-	163
<i>In Income Statement</i>	(8,284)	(6,419)
<i>In Shareholders' Equity</i>	9,605	282

The “deferred tax assets” recognised in the financial statements, for IRES and IRAP purposes, as there is a reasonable certainty of their recoverability, amounted to Euro 25,939 thousand at 31 December 2019 (Euro 25,600 thousand at 31 December 2018).

The increase in the value of deferred tax assets recognised during 2019 is due to the combined effect of several effects, including an increase in differences in value on tangible and intangible assets and on the valuation of financial instruments, and a reduction in differences on provisions for risks (due to the numerous reversals to income recorded during the year).

Deferred taxes amounted to Euro 48,900 thousand at 31 December 2019 (Euro 50,004 thousand at 31 December 2018). The decrease in the year is mainly due to the joint effect of the recognition of deferred taxes for amortisation carried out exclusively for tax purposes

and the release to the income statement of taxes allocated in previous years on income accrued on derivative instruments accounted for under hedge accounting.

Among the effects recorded during the year, although not significant, is the adjustment of the rate on IRAP differences, which are expected to be recovered by 2021. Indeed, the Region granted an ordinary concessional rate of 3.1% for the three-year period 2019-2020-2021 (concession valid for all the companies of the Group, excluding DEVAL subject, instead, to a rate of 4.2%). Deferred taxation has therefore been adjusted for the differences generated by the companies concerned and with return expected by 2021. It was, however, left unchanged at 3.9% and 4.2% (with reference to DEVAL) for the others.

For IRES purposes, deferred taxation has been calculated at the ordinary rate of 24%.

18. Other non-current assets

This item, which amounted to Euro 5,072 thousand at 31 December 2019 (Euro 3,228 thousand at 31 December 2018), mainly included guarantee deposits with third parties in accordance with contractual obligations and medium/long-term receivables from employees, relating to loans granted to employees and interest bearing. In particular, guarantee deposits are increased for cash guarantees presented to Terna for participation in capacity market auctions. The other main component of deposits are guarantees given to energy distributors who are third parties to the Group.

The item is detailed in the following table:

Amounts in Euro thousands	2019	2018
OTHER NON-CURRENT ASSETS	5,072	3,228
Security deposits	3,596	1,669
Receivables from employees	1,466	1,548
Other assets	11	11

19. Inventories

At 31 December 2019, inventories amounted to Euro 3,028 thousand (Euro 2,746 thousand at 31 December 2018). Inventories, mainly attributable to the company DEVAL (Euro 1,994 thousand at 31 December 2019) consist of materials and equipment for operation, maintenance and construction of the plants. Any obsolete materials are constantly written down during the year.

20. Trade receivables

At 31 December 2019, trade receivables amounted to Euro 120,056 thousand (Euro 125,270 thousand at 31 December 2018).

The detail is shown in the following table:

Amounts in Euro thousands	2019	2018
TRADE RECEIVABLES	120,056	125,270
Receivables from customers	129,020	134,120
Trade receivables	260	385
Bad debts provision	(9,224)	(9,235)

Receivables from customers include receivables (for invoices issued or to be issued):

- for the sale of electricity to end customers both in the free market and in the “Greater Protection” market;
- for the sale of electric power on a wholesale basis to traders, GME, GSE and Terna;
- for energy transmission and grid connection services provided to sellers that are not part of the Group.

Receivables from suppliers consist of receivables for credit notes to be received or received for adjustments to the amounts invoiced by them.

The net balance takes into account the provision for doubtful debt of Euro 9,224 thousand (Euro 9,235 thousand at 31 December 2018) determined using a model based on Expected Credit Losses consistent with the relevant provisions of IFRS 9.

21. Receivables for income taxes

The breakdown of receivables for income taxes is shown in the following table:

Amounts in Euro thousands	2019	2018
RECEIVABLES FOR INCOME TAXES	5,130	5,342
IRES	4,532	5,244
IRAP	598	98

The item in question includes the tax receivable from the tax authorities for IRES for Euro 4,532 thousand at 31 December 2019 (Euro 5,244 thousand at 31 December 2018) and the tax receivable from the tax authorities for IRAP for Euro 598 thousand at 31 December 2019 (Euro 98 thousand at 31 December 2018).

22. Other tax receivables

The breakdown of other tax receivables is shown in the following table:

Amounts in Euro thousands	2019	2018
OTHER TAX RECEIVABLES	11,638	14,594
Receivables from Tax Authorities for VAT	2,373	11,113
Receivables from Tax Authorities for excise	9,138	3,341
Other tax receivables	128	140

The item "Receivables from Tax Authorities for VAT" for Euro 2,373 thousand at 31 December 2019 (Euro 11,113 thousand at 31 December 2018) shows the VAT receivable balance from the Tax Authorities for the companies presenting a credit position at 31 December. The reduction recorded is due to the receipt of reimbursements for Euro 8,527 thousand.

Receivables from the tax authorities for excise duties on electricity mainly include receivables for tax on consumption ("IEC") of electricity and for the related additional taxes, for an amount of Euro 7,577 thousand, and net receivables relating to tax and additional taxes requested for excise duty reimbursement, for Euro 1,151 thousand.

23. Current and non-current derivatives

Derivative instruments (assets and liabilities) refer to the measurement at fair value of commodity derivatives (electricity) and interest rates at the reporting date.

The following is a breakdown at the reporting date and the related comparative information:

Amounts in Euro thousands	2019	2018
DERIVATIVE ASSETS	5,778	22,291
Non-current derivative assets	2,242	835
Current derivative assets	3,536	21,456

Amounts in Euro thousands	2019	2018
DERIVATIVE LIABILITIES	19,481	18,354
Non-current derivative liabilities	1,234	-
Current derivative liabilities	18,246	18,354

It is noted that, at 31 December 2019 and 31 December 2018, there are no positions offset among assets and liabilities for derivative financial instruments.

Fair value derivatives by type of transactions and accounting methods

The following tables show the fair value of derivatives (assets and liabilities) at the reporting date, divided according to the type of accounting treatment applied (cash flow hedge or trading) and the derivative instrument used.

Derivative assets

Amounts in Euro thousands	At 31 December 2019	At 31 December 2018
	Asset Fair Value	Asset Fair Value
Cash Flow Hedge derivatives		
Energy derivatives		
Swaps/Forwards	-	-
Futures	4,633	13,630
Options	-	-
Interest derivatives		
Interest rate swaps	-	-
Total Cash Flow Hedge derivatives	4,633	13,630
Hedging derivatives not in Hedge Accounts		
Energy derivatives		
Swaps/Forwards	-	-
Futures	-	245
Options	-	-
Interest derivatives		
Interest rate swaps	-	-
Total hedging derivatives not in Hedge Accounts	-	245
Trading derivatives		
Energy derivatives		
Swaps/Forwards	528	2,866
Futures	617	5,550
Options	-	-
Interest derivatives		
Interest rate swaps	-	-
Total trading derivatives	1,145	8,416
TOTAL DERIVATIVE ASSETS	5,778	22,291

Derivative liabilities

Amounts in Euro thousands	At 31 December 2019	At 31 December 2018
	Fair value liabilities	Fair value liabilities
Cash Flow Hedge derivatives		
Energy derivatives		
Swaps/Forwards	-	-
Futures	4,297	3,672
Options	-	-
Interest derivatives		
Interest rate swaps	11,818	5,535
Total Cash Flow Hedge derivatives	16,115	9,207
Hedging derivatives not in Hedge Accounts		
Energy derivatives		
Swaps/Forwards	-	-
Futures	-	204
Options	-	-
Interest derivatives		
Interest rate swaps	1,915	2,019
Total hedging derivatives not in Hedge Accounts	1,915	2,223
Trading derivatives		
Energy derivatives		
Swaps/Forwards	800	1,997
Futures	651	4,927
Options	-	-
Interest derivatives		
Interest rate swaps	-	-
Total trading derivatives	1,451	6,924
TOTAL DERIVATIVE LIABILITIES	19,481	18,354

Hedge accounting

Derivative contracts are initially recognised at fair value, on the trading date of the contract, and subsequently measured at their fair value. The Group defined its model for the application of hedge accounting and provided the operating tools necessary for formal documentation of the hedging relationships, the verification of the effectiveness and the accounting measurement of the hedging effects, as specifically requested by IFRS 9.

The hedge accounting model requires that derivatives traded by the Group be classified as cash flow hedges. Specifically, the hedging instruments used (commodity futures interest rate swaps) are designated for accounting purposes as follows:

- to hedge expected future transactions involving the procurement of energy on the market or sales to its customer portfolio that are considered highly probable. The objective of the designated hedging relationships is, therefore, to fix, in whole or in part, through the commodity future positions traded, the economic value of the future flows of electricity purchased and/or sold by the Group;
- to hedge interest flows paid on underlying loans payable. The objective that the Group intends to pursue through the designated hedging transactions is therefore to mitigate its risk exposure deriving from the volatility of the market rates by fixing or limiting the onerousness of its variable rate loans.

As a result of the cash flow hedge accounting, the economic effects generated by the fair value measurement of hedging derivatives are recognised in a specific equity reserve (and represented in the comprehensive Income Statement) and then transferred to the Income Statement in the following financial years, i.e. concurrently with the recognition of the underlying transactions for procurement and sale of energy. With reference to commodity hedges, in consideration of the hedging strategies realised dynamically by the Group (aimed at the economic balancing of its energy purchases and sales portfolio) and the operating functioning of future markets, derivatives designated in hedge accounting are normally settled before the relevant contractual expiry date (i.e. the related hedged purchase/sale flows), with the consequent interruption of the hedging relationships designated for hedge accounting purposes; as specifically provided for by IFRS 9, changes in the fair value of hedging derivatives recognised at the date of termination of hedging relationships remain recognised in equity until the date of recognition of the economic effects of the underlying purchases/sales, when they are transferred to the Income Statement. It therefore follows that, at the end of the financial year, the hedging effects recognised in the cash flow hedge reserve are mainly generated by transactions completed in the year and only partly by positions outstanding at the reporting date and recognised in the balance sheet at fair value.



Effects of derivatives accounted in cash flow hedge

The following table shows the impact on the shareholders' equity of the Group of the cash flow hedge reserve recognised with reference to derivatives to hedge the risk of energy price accounted for in hedge accounting at 31 December 2019, gross of the tax effect:

	Book value
Opening balances at 1.1.2018	15,303
Changes in fair value with impact in equity	30,569
Effects to Income Statement	(21,159)
Closing balances at 31.12.2018	24,713
Changes in fair value with impact in equity	-39,272
Effects to Income Statement	3,344
Closing balances at 31.12.2019	-11,215

With reference to commodity transactions, the effectiveness of hedging derivatives recognised at 31 December 2019 in the cash flow hedge reserve (positive for Euro 184 thousand, gross of the tax effect) is partly related to derivatives settled early in the course of the year (negative for Euro 151 thousand) and partly to the derivatives existing at the reporting date (positive for Euro 335 thousand); this amount suspended in the accounts in equity refers to future purchase and/or sale flows of electricity that will be recognised (with the consequent release of the economic effects suspended in equity) mainly in 2020 (negative for Euro 823 thousand) and partly in FY 2021 (positive for Euro 1,007 thousand). Instead, with reference to interest rate hedges, the effectiveness of hedging derivatives recognised at 31 December 2019 in the cash flow hedge reserve (negative for approximately Euro 11,399 thousand, in terms of their tax effect) is relative to the fair value of derivative financial instruments, net of interest rate differentials accrued at the reporting date; this amount suspended in the accounts in equity refers to future interest expense that will be recognised (with the consequent release of the economic effects suspended in equity) partly in 2020 (net payments estimated as approximately Euro 2,648 thousand) and partly in subsequent financial years (net payments estimated as Euro 9,520 thousand).

Sensitivity analysis of commodity price risk and interest rate

As explained in the following paragraphs, the Group is exposed to the risk of fluctuations in commodity prices - with exclusive reference to the price of electricity - and to the risk of fluctuating interest rates the volatility of which could have negative effects on the cash flows and on the income prospects of the Group.

The following is a sensitivity analysis to reasonably possible changes in electricity prices and interest rates at the reference date, keeping

all the other variables underlying the valuation model constant. In particular, the range of changes assumed on the electricity price curve and on the interest rate curve for the purposes of this analysis is respectively $\pm 10\%$ and ± 50 bps (basis points).

Sensitivity analysis of commodity price risk and interest rate at 31 December 2019.

At 31 December 2019					
Description	Change in the rate	Impact on Income Statement (before taxes)		Impact on Shareholders' Equity (before taxes)	
		Increase	Decrease	Increase	Decrease
		Changes in fair value of rate derivatives designated in hedge accounting	± 50 bps	184	(826)
Changes in fair value of rate derivatives not designated in hedge accounting	± 50 bps	823	(844)	-	-

At 31 December 2019					
Description	Commodity price	Impact on Income Statement (before taxes)		Impact on Shareholders' Equity (before taxes)	
		Increase	Decrease	Increase	Decrease
		Changes in fair value of Commodity derivatives designated in Hedge Accounting	$\pm 10\%$		
Changes in fair value of Commodity derivatives not designated in Hedge Accounting	$\pm 10\%$	0	0		
Changes in fair value of trading Commodity derivatives	$\pm 10\%$	-5	5		

Sensitivity analysis of commodity price risk and interest rate at 31 December 2018.

Amount in Euro thousands					
At 31 December 2018					
Description	Change in the rate	Impact on Income Statement (before taxes)		Impact on Shareholders' Equity (before taxes)	
		Increase	Decrease	Increase	Decrease
		Changes in fair value of rate derivatives designated in Hedge Accounting	± 50 bps	612	(1,186)
Changes in fair value of rate derivatives not designated in Hedge Accounting	± 50 bps	1,105	(1,142)	-	-

At 31 December 2018					
Description	Commodity price	Impact on Income Statement (before taxes)		Impact on Shareholders' Equity (before taxes)	
		Increase	Decrease	Increase	Decrease
		Changes in fair value of Commodity derivatives designated in Hedge Accounting	$\pm 10\%$	-	-
Changes in fair value of trading Commodity derivatives	$\pm 10\%$	205	(205)	-	-



Market risks on commodity prices

For more information regarding market risks on commodity prices, reference is made to the Report on Operations.

Interest rate risk

For more information regarding market risks on commodity prices, reference is made to the Report on Operations.

24. Other current financial assets

The breakdown of other current financial assets is shown in the following table:

Amounts in Euro thousands	2019	2018
OTHER CURRENT FINANCIAL ASSETS	22,483	41,399
Portfolio of securities/funds	13,018	15,027
Insurance policies	8,772	23,957
Loans to associates	645	1,062
Loans to FINAOSTA	-	1,352
Other financial assets	48	0

The item "securities/funds portfolio" (totalling Euro 13,018 thousand) mainly includes the credit related to the time deposit subscribed with Société Générale (for Euro 5,000 thousand) and the fair value of the savings bonds maturing on 23 April 2020 held with Intesa San Paolo (Euro 8,018 thousand). The item "insurance policies" of Euro 8,772 thousand includes receivables relating to policies expiring within 12 months. Financial receivables from associated companies amounted to Euro 645 thousand (Euro 1,062 thousand at 31 December 2018) and refer to the short-term portion relating to the loan receivable granted to TELCHA. Financial receivables from parent companies amounted to Euro 1,352 thousand and refer to the short-term portion relating to the loan receivable granted to the parent company FINAOSTA and extinguished by it in FY 2019.

25. Other current assets

At 31 December 2019, the item Other current assets amounted to Euro 20,680 thousand (Euro 34,097 thousand at 31 December 2018) and is detailed in the following table:

Amounts in Euro thousands	2019	2018
OTHER CURRENT ASSETS	20,680	34,097
Receivables from the G.S.E. for incentives	4,855	13,649
Deferred assets	8,325	9,083
Security deposits	2,849	6,070
Receivables from C.S.E.A.	2,511	2,598
Other current assets	2,139	2,696

Receivables from the GSE for incentives

The item receivables from the GSE for incentives includes the receivables for grants related to incentives recognised by the GSE, but not yet disbursed equal to Euro 4,855 thousand at 31 December 2019 (Euro 13,649 thousand at 31 December 2018). The decreasing trend between the two years is due to an acceleration of the collection times.

Deferred assets

This item mainly consists of deferred assets relating to water derivation supra-fees (Euro 5,277 thousand at 31 December 2019, Euro 5,269 thousand at 31 December 2018) due from CVA and VALDIGNE, as provided by the relevant legislation. The item also includes deferred assets relating to insurance premiums, long-term charges and other miscellaneous deferrals.

Security deposits

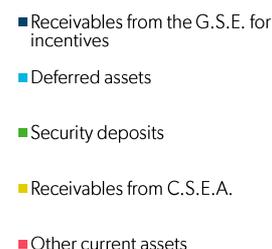
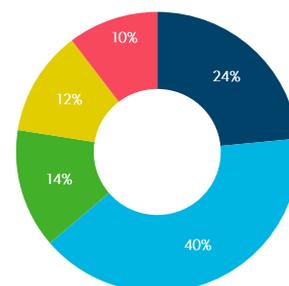
The item security deposits mainly includes the nominal value of the security deposits receivable of CVA ENERGIE equal to Euro 2,849 thousand at 31 December 2019 (Euro 6,070 thousand at 31 December 2018), which include:

- receivables amounting to Euro 1,110 thousand at 31 December 2019 (Euro 1,128 thousand at 31 December 2018) referring to the opening of a security deposit of the “Business Account” opened at the Joint Allocation Office, a company that manages cross-border transmission capacity for Central Western Europe and the borders of Italy and Northern Switzerland. The rules for participation in auctions for transport capacity at the border, require the deposit of an amount to guarantee transactions carried out on a current account in the name of the Joint Allocation Office (the “Business Account”). The amounts for the transport capacity purchased are also debited on this account and, therefore, the guarantee is subject to interim changes for its constant adjustment. The amount of the guarantee is defined according to the type of auction being participated in and the purchase volumes;
- receivables of Euro 1,728 thousand at 31 December 2019 (Euro 4,932 thousand at 31 December 2018) for guarantee deposits with Banca BNP, which was selected from a list of qualified operators as support bank to allow the development of operations on EEX (European Energy Exchange), the main European financial organised market, as well as on EPEX Spot (European Power Exchange), which underlies physical energy exchanges on the market.

Receivables from C.S.E.A.

Receivables from Cassa Servizi Energetici e Ambientali (CSEA Energy and Environmental Services Fund “CSEA”) mainly represent the receivable pertaining to DEVAL, relating to the equalisation mechanisms applied to electricity distributors. The balance at 31 December 2019 (Euro 1,359 thousand) mainly consists of receivables for equalisation for 2019 and previous years, not yet collected at the balance sheet date. The other receivables refer to the 2019 service continuity premium and the TEE purchase contribution.

Other current assets



Other current assets

The residual items included in other current assets amounted to Euro 2,139 thousand at 31 December 2019 (Euro 2,696 thousand at 31 December 2018) and mainly refer to:

- advances provided to the Municipalities for environmental compensation for the presence of production plants of Euro 1,456 thousand at 31 December 2019, unchanged compared to the previous year (Euro 1,504 thousand at 31 December 2018);
- advances to third-party suppliers amounting to Euro 241 thousand at 31 December 2019 (Euro 351 thousand at 31 December 2018).

26. Cash and cash equivalents

The item mainly includes the balance receivable of current bank accounts at the reporting date, equal to Euro 214,992 thousand at 31 December 2019 (Euro 189,663 thousand at 31 December 2018); all balances are recorded at nominal value and also include interest accrued, but not yet credited at year-end.

They are not burdened by constraints of any kind that limit their availability.

Amounts in Euro thousands	2019	2018
CASH AND CASH EQUIVALENTS	214,992	189,674
Cash and cash equivalents	9	12
Bank accounts	214,983	189,663

27. Shareholders' equity

The breakdown of shareholders' equity is as follows:

Amounts in Euro thousands	2019	2018
SHAREHOLDERS' EQUITY	802,286	794,486
Share capital	395,000	395,000
Reserves and profits (losses) carried forward	325,266	329,999
Net result of the year	75,103	62,687
Minorities Shareholders' Equity	6,917	6,800

Share capital

The share capital amounted to Euro 395,000 thousand, divided into 395,000,000 shares with a nominal value of Euro 1 each.

During the 2019 and 2018 financial years, there were no changes in the amount.

Reserves and profits (losses) carried forward

The item Reserves and profits (losses) carried forward is as follows:

Amounts in Euro thousands	2019	2018
RESERVES AND PROFITS (LOSSES) CARRIED FORWARD	325,266	329,999
Legal reserve	49,382	46,630
Cash flow hedge reserve	(8,529)	17,607
IAS 19 reserves - Employee Benefits	(1,543)	(1,378)
Other reserves and profits (losses) carried forward	285,956	267,140

Legal reserve

The legal reserve amounted to Euro 49,382 thousand at 31 December 2019 (Euro 46,630 thousand at 31 December 2018). The Increase recorded is equal to the allocation of one-twentieth of the 2018 profit, as required by Article 2430 of the Italian Civil Code.

Cash flow hedge reserve (OCI)

This reserve includes the positive change in fair value, net of the tax effect, of the derivatives hedging the change in the price of energy classified in the accounts as cash flow hedge; it also includes the fair value of the derivative financial instruments hedging the interest flows paid on the underlying loans payable classified in the accounts as cash flow hedge. It is recognised under other components of comprehensive income.

Actuarial reserve IAS 19 (OCI)

The item includes actuarial losses relating to defined benefit plans for employees, negative for Euro 1,543 thousand (Euro 1,378 thousand at 31 December 2018) and reported among the other components of the comprehensive Income Statement.

Other reserves

The item mainly includes:

- accumulated retained earnings;
- the extraordinary reserve;
- the First Time Adoption (“FTA”) reserve, which represents the balancing entry in shareholders’ equity deriving from the first application of the IAS/IFRS accounting standards on the transition date of 01 January 2014;
- the reserve relating to the effects of interest rate hedges (carried out with IRS) accrued under national accounting standards, the value of which (net of the tax effect) was recognised for the first time in the financial statements on the first-time adoption of IAS/IFRS, to be released to the income statement in subsequent years in accordance with the financial amortisation plan.

Group net result

The net result was positive for Euro 75,103 thousand in 2019 (Euro 62,687 thousand at 31 December 2018). This item includes the profit pertaining to the Group recognised in the year under review.

Earnings per share

For the purposes of calculating earnings per share, it is noted that during the three-year period no changes occurred in the number of ordinary shares.

75.1
Mln
Group net result

	2018	2017
Net result of the period (Euro thousands)	75,103	62,687
Number of shares at 31 December	395,000,000	395,000,000
Number of shares adjusted at 31 December	395,000,000	395,000,000
Earnings per share (Euro)	0.19	0.16
Diluted earnings per share (Euro)	0.19	0.16

28. Employee benefits

Employee benefits amounted to Euro 8,182 thousand at 31 December 2019 (Euro 10,411 thousand at 31 December 2018).

Amounts in Euro thousands	Employee severance indemnity (TFR)	ISO pension	Loyalty bonus	Energy discount	Employee bonuses	Other employee benefits	Total
Current value of the obligation at 31/12/2017	3,652	2,573	1,315	4,155	-	525	12,221
Current cost	7	-	79	12	-	15	113
Financial expenses	55	-	20	60	-	8	143
Increases/(decreases) for acquisitions and transfers	(0)	-	(1)	-	-	-	(1)
Benefits provided	(97)	(1,538)	(12)	(114)	-	(8)	(1,769)
Revaluations (*)	(32)	13	(9)	(265)	-	(3)	(296)
Other changes	-	-	-	-	-	-	-
Current value of the obligation at 31/12/2018	3,584	1,048	1,392	3,848	-	537	10,411
Current cost	7	-	80	(2,109)	438	18	(1,566)
Financial expenses	55	-	22	59	-	8	145
Increases/(decreases) for acquisitions and transfers	-	-	(0)	-	-	3	3
Benefits provided	(47)	(767)	(27)	(145)	-	(8)	(994)
Revaluations (*)	85	(17)	32	65	-	49	213
Other changes	1	-	-	(31)	-	-	(30)
Current value of the obligation at 31/12/2019	3,685	264	1,499	1,688	438	608	8,182
<i>of which</i>							
<i>current portion</i>	328	264	42	936	438	86	2,095
<i>non-current portion</i>	3,357	-	1,457	752	-	522	6,083

The following components mainly fall into the category of defined benefit plans:

- plan pursuant to article 4 of the Law no. 92/2012 (“Fornero Law”) relating to the leaving incentive for employees of CVA close to reaching the retirement requirements pursuant to the aforementioned law (“isopensioni”), on the basis of the agreements reached. The value of the liabilities in question amounted to Euro 264 thousand at 31 December 2019 (Euro 1,048 thousand at 31 December 2018);
- severance indemnity (TFR) recognised in compliance with the provisions of current legislation. The value of the liabilities in question amounted to Euro 3,685 thousand at 31 December 2019 (Euro 3,584 thousand at 31 December 2018);
- the company loyalty bonus to be paid to employees, determined on the basis of the achievement of a certain length of service, equal to Euro 1,499 thousand at 31 December 2019 (Euro 1,392 at 31 December 2018);
- energy discount fund, shown in the table under the item “Other employee benefits” relating to tariff facilitations granted to former employees after retirement, reports a liability of Euro 1,688 thousand at 31 December 2019 (Euro 3,848 at 31 December 2018). The decrease is attributable for Euro 2,119 thousand to the extraordinary reversal of income resulting from the trade union agreement that sanctioned the elimination of tariff concessions for employees and former employees;
- the provision for employee bonuses is equal to the amounts set aside for incentives to be paid to department heads and executives upon achievement of specific objectives (according to an MBO plan) in the amount of Euro 438 thousand;
- other employee benefits totalled Euro 608 thousand at 31 December 2019 (Euro 525 thousand at 31 December 2018) and are represented by: (i) additional compensation for FOPEN contributions due to eligible employees; (ii) additional monthly payments due to eligible employees on the basis of the requisites envisaged by the National Collective Bargaining Agreement (“IMA”).



For the purpose of defining the amount of the current value of the obligations, an estimate was made of the future provisions which, on the basis of development assumptions related to both the numerical development of the community and the salary development, will be provided to each employee in the case of continuation of work, retirement, death, resignation or request for anticipation.

The only exception is the provision for employee bonuses, which, in view of its nature as a short-term benefit (bonuses are paid in the following year), has not been discounted. Since these premiums have a prevalent valuation component in their determination, they have been recorded under provisions and not under payables.

The main economic and financial assumptions adopted for the calculations are as follows:

	2019	2018
Discount rate	0.80%	1.60%
Discount rate – early retirement (isopensione) fund	0.00%	0.00%
Annual inflation rate	0.80%	1.50%
Annual increase in the price of electricity consumption	0.00%	1.50%
Annual salary increase rate	1.80%	2.50%
Annual TFR advance frequencies	3.00%	3.00%

In compliance with the provisions of IAS 19, a sensitivity analysis is provided for each significant actuarial assumption at the end of the year, showing the effects that there would be as a result of changes in actuarial assumptions reasonably possible at said date, in absolute terms.

Amounts in Euro thousands	2019		2018	
	Change in liabilities as the rate changes	One Year Cost	Change in liabilities as the rate changes	One Year Cost
	-0.50%		0.50%	
Employee severance indemnity (TFR)	293	-	(274)	-
Early retirement (isopensione)	-	-	-	-
Loyalty bonus	156	139	(143)	115
Other employee benefits	107	30	(116)	27

29. Provisions for risks and charges

At 31 December 2018, provisions for risks and charges amounted to Euro 29,909 thousand (Euro 30,579 thousand at 31 December 2017).

The breakdown of the provisions in the three-year period is shown in the following table:

Euro thousands	Provision for disputes	Provisions for charges	Provision for excise dispute	Provision for VAT dispute	Provision for additional excise dispute	Other provisions	Book value
Value at 31.12.2017	6,679	5,687	7,308	10,815	-	89	30,578
(Uses)	(501)	(77)	(1,251)	(1,839)	-	(78)	(3,746)
(Releases)	(34)	(414)	-	-	-	-	(448)
Allocations	412	980	-	319	-	78	1,789
Change in scope of consolidation	-	1,698	-	-	-	-	1,698
Other changes	-	37	-	-	-	-	37
Value at 31.12.2018	6,556	7,911	6,057	9,295	-	89	29,908
(Uses)	(505)	(525)	(1,313)	-	-	(43)	(2,386)
(Releases)	(1,054)	(1,931)	-	(9,295)	-	-	(12,280)
Allocations	1,245	1,332	-	-	10,237	24	12,838
Change in scope of consolidation	-	-	-	-	-	-	-
Other changes	-	(36)	-	-	-	-	(36)

Euro thousands	Provision for disputes	Provisions for charges	Provision for excise dispute	Provision for VAT dispute	Provision for additional excise dispute	Other provisions	Book value
Value at 31.12.2019	6,242	6,751	4,744	-	10,237	70	28,044
<i>of which</i>							
current portion	147	-	-	-	-	68	215
non-current portion	6,095	6,751	4,744	-	10,237	2	27,829

- Excise dispute provision:** the provision amounts to Euro 4,744 thousand. This is the provision for risks set aside for CVA ENERGIE's dispute with the Customs Agency for the failure to recognise the exemption from excise duty for the years 2008 to 2013. Movements during the year recorded utilisations for 1,313 attributable:
 - Euro 215 thousand to cover the write-down of receivables deriving from the payment of excise duties made in the year and envisaged in the allocation of the provision for risks;
 - Euro 916 thousand for excise duties paid following the negative judgements of the Court of Cassation in which the Company lost many disputes with individual Customs offices;
 - Euro 182 thousand to cover the costs of legal and tax consultancy services used to assist with disputes.
- Provision for additional excise dispute:** The provision was allocated by CVA ENERGIE during the course of the financial year for a total of Euro 10,236 thousand, of which Euro 4,072 thousand as an estimate of the cost of litigation and Euro 6,164 thousand as an evaluation of the amount of additional amounts to be reimbursed. As already described in the Report on Operations, the Group, following the ruling of the Court of Cassation no. 15198 of 04 June 2019, which established the incompatibility of the provisions establishing the additional excise duties on electricity with Directive 2008/118/EEC, is faced with the probable risk of having to reimburse customers, following a dispute in the civil courts, the additional taxes collected for the years from 2010 to 2012 (the year in which they were abolished). In fact, the Supreme Court has indicated in the seller of energy the person to whom to address the request for refund, not addressable by customers rightly to the Customs Agency. Given the probable impossibility of appealing to the Customs Agency, by virtue of the two-year statute of limitations in force with the latter, the Group faces not only the risk of the cost of litigation with customers, but also the cost of reimbursing the surcharge;
- VAT litigation provision:** the provision, acquired with the merger by incorporation in 2017 and having an amount of Euro 9,295 as at 31 December 2018, referred to the litigation in progress between CVA ENERGIE and the Aosta Revenue Agency for the VAT claim on excise duties requested by the Customs Agency for the failure to recognise the exemption as a self-producer for the years from 2008 to 2013 (see

previous point) and included the VAT claimed by the Agency and the related accrued interest. During the year, it was fully proceeds following the positive VAT ruling of the Supreme Court on 18 April 2019 (filed on 16 October 2019);

- **Provisions for disputes:** the provision for disputes amounted to Euro 6,242 thousand (Euro 6,556 thousand in 2018) and refers to outstanding disputes with third parties. The main items that make it up are described below:
 - **ETS dispute:** a provision of Euro 3,189 set aside to cover contingent liabilities arising from the arbitration proceedings Energy & Technical Services S.r.l. (hereinafter “ETS”) of which one of the defendants is the company PONTE ALBANITO S.r.l. a s.u. (now incorporated in CVA). This arbitration arises from the alleged violation of contractual commitments and/or guarantees with respect to the company ETS. The provisional sum was estimated based on the economic indemnity requests made by the company ETS. The provision was adjusted in 2016 against the outcome of the arbitration, unfavourable for the Group. It is specified that the arbitration award has been challenged. The provision was not adjusted in 2019.
 - **INPS litigation:** The provision of Euro 99 thousand was set aside for the liabilities that could potentially emerge from the ongoing litigation between CVA and INPS and concerning the contributions related to the economic treatment of sickness and maternity in relation to the staff already employed ENEL - social security position no. 0401840281. CVA claims the absence of its obligation to pay INPS contributions related to the economic treatment of sickness and maternity of its employees; consequently, it requested reimbursement of contributions unduly paid for the period from 01 June 2001 to 30 April 2012. The case was discussed on 4 April 2012 before the Court of Appeal of Turin, labour section, which sentenced, with sentences 403/12 and 952/12, the INPS to pay contributions unduly claimed by the Institute for a total amount of Euro 839 thousand including interest and legal fees. The INPS appealed the rulings of the Court of Appeal of Turin with appeal to cassation. At 31 December 2012, it was considered appropriate to reserve the sums obtained as reimbursement by INPS for Euro 839 thousand, as well as to proceed to the provision of the contributions not paid in the subsequent periods. By order no. 31867/18 of 10 December 2018, the Supreme Court partially upheld the appeal of INPS against judgements no. 403/2012 and no. 952/2012 of the Court of Appeal of Turin in terms of maternity contributions, referring the case back to the Court of Appeal of Turin. At 31 December 2018, the provision had a total balance of Euro 1,082 thousand.

In a judgement dated 30 October 2019, the Turin Court of Appeal declared that CVA was not required to pay illness contributions (for the period under dispute), while it is required to pay maternity contributions. In light of the outcome of the litigation, the portion of the fund relating to undue sickness

contributions and the portions of contributions that are now statute-barred was reversed into income for a total of Euro 658,634. The portion of maternity contributions recorded in the fund, amounting to Euro 333 thousand, has been recorded as a liability and will be paid in 2020. Provisions were made for Euro 8 thousand in relation to sickness contributions not paid during the financial year, the due date of which is still uncertain. In fact, the judgement of the Court of Appeal of Turin established that the failure to comply with the obligation to pay such contributions concerns only the period up to 30 April 2012, specifying nothing about subsequent periods. The total amount of contributions whose due date is still uncertain but considered probable is therefore Euro 99 thousand.

- **Piacenza Customs Office dispute:** the provision of Euro 787 thousand was set aside in 2015 for the ongoing dispute against the Piacenza Customs Office, following the non-recognition of the compensations made by CVA ENERGIE. The provision includes the value of the disputed compensation and the related penalties. It has been partially reduced to Euro 409 thousand following the positive judgement of the Supreme Court of Cassation no. 27290/19 and the absence of the penalty imposed by the Customs Office and the related excise duty with reference to deed no. 22/A10. As for the residual amount, equal to the amounts contained in a second deed that is the subject of litigation, it has been deemed appropriate not to proceed from them, as the outcome of the litigation remains uncertain. With regard to this litigation, in 2018 the Tax Commission of First Instance had ordered the suspension of the proceedings pending the decision of the Supreme Court regarding the previous litigation.
- **Proposal of commitments for the ARERA sanctioning procedure:** provision made during the year of Euro 656 thousand, against the proposed commitments for the closure of the sanctioning procedure initiated by ARERA against CVA ENERGIE in June 2019 with determination DSAI/23/2019/eel, for violations of Articles 9, paragraph 8 and 16, paragraph 12, of Legislative Decree 102/14 and Article 5, Annex A to Resolution 555/2017/R/com, on energy consumption billing (application to end customers of additional fees for receiving paper bills). In particular, the amounts allocated correspond to the valuation of two specific commitments: (i) Reimburse the amount unduly charged (ii) Offer a one-time rebate of a compensatory nature to all users affected by the irregularity and still in supply;
- **Assessment with concurrence for IRES and IRAP on derivatives:** provision of Euro 382 thousand made during the year to cover the applications for tax settlement made by CVA ENERGIE (for settlement purposes only) following the disputes raised by the Revenue Office on the tax treatment of hedge accounting derivatives. The liability includes the higher IRES and IRAP taxes,

related interest and estimated legal fees expressed net of possible tax recoveries taking into account the “timing” effect of the recovery resulting from the assessment with adhesion (as the related higher income components taxed in 2016 upon adhesion were in any case already subject to IRES and IRAP in the subsequent 2017 and 2018 periods, when they were charged to the income statement by the Company to cover the charges realised on the covered transactions).

It should be noted that on 19 February 2020, the applications were accepted by the Revenue Agency;

- **Booths dispute:** the provision of Euro 770 thousand refers to future charges related to disputes for future charges regarding disputes concerning leased buildings used as DEVAL distribution booths. The provision was used in 2019 for Euro 21 thousand.
- **RAVDA Administrative Penalties:** the provision of Euro 120 thousand underwent a minor change to adjust its amount to the risks of existing penalties regarding the exceeding of the average withdrawal flows provided for by the derivation concessions of 4 hydroelectric plants of CVA occurred in 2013 and in the following years contested by the Region. At the end of the procedure, the latter may impose administrative sanctions of up to Euro 30 thousand for each excess.

The “provision for charges” refers to various risks identified by the Group as probable. The main component is the accumulated liabilities for the dismantling of wind farms and photovoltaic plants at the end of their useful life, amounting to Euro 5,557 thousand at the end of the financial year. It should also be noted the allocation made in the year by the company WIND FARM MONTEVERDE that due to billing problems of the energy supplier for auxiliary services and in the absence, therefore, of certain calculations with reference to the cost of energy consumed in 2018 and in 11 months of 2019, has provided an estimate based on average rates. The necessary approximation deriving from the estimation method has prevented this amount, amounting to Euro 3,231 thousand, from being entered under payables. The provision for charges recorded income of Euro 1,931 thousand, the main component of which is the reversal into income of the provision for “charges for maintenance of large dams” of CVA.

This provision, which was released in full in the amount of Euro 1,637 thousand, reflects the costs incurred by hydroelectric concession-holders to maintain the safety of large-scale dams. As a result of the work carried out, the risk of these charges occurring is now considered remote.

30. Current and non-current financial liabilities

Non-current financial liabilities amounted to Euro 337,826 thousand at 31 December 2019 (Euro 364,819 thousand at 31 December 2018), and consisted mainly of the long-term portion of bank loans held by the Group valued at amortised cost, liabilities entered in respect of rights of use in accordance with IFRS 16 (as described in note 13) and to a lesser extent of the financial liabilities still outstanding for the acquisition of area rights on the land where the Valenza photovoltaic plant is located and the Tarifa wind power plant.

Amounts in Euro thousands	2019	2018
NON-CURRENT FINANCIAL LIABILITIES	337,826	364,819
Bank loans	326,920	362,075
Financial liabilities for leasing	8,347	-
Other financial payables	2,559	2,744

Similarly, other current financial liabilities of Euro 40,557 thousand at 31 December 2019 (Euro 39,768 thousand at 31 December 2018) have a similar breakdown and mainly refer to bank loans held by the Group valued according to the amortised cost criterion, but only for the short-term portion. The other financial payables refer mainly to DEVAL payables for factoring operations carried out to obtain liquidity (at the end of the financial year the payables amounted to Euro 4,297 thousand).

Amounts in Euro thousands	2019	2018
CURRENT FINANCIAL LIABILITIES	40,557	39,768
Bank loans	35,336	35,297
Financial liabilities for leasing	645	-
Other financial payables	4,576	4,471

The changes in bank loans payable for the year are shown below, with a breakdown between monetary and non-monetary changes:

Group Companies	Counterparty	31/12/2018	Monetary net change	Non-monetary net change	31/12/2019
C.V.A. S.p.A. a.s.u.	Intesa Sanpaolo	80,526	(17,835)	32	62,724
C.V.A. S.p.A. a.s.u.	Intesa Sanpaolo	99,610	(10)	56	99,656
C.V.A. S.p.A. a.s.u.	BNL	99,357	(7)	96	99,446
C.V.A. S.p.A. a.s.u.	BEI	23,996	(3,011)	()	20,985
C.V.A. S.p.A. a.s.u.	BEI	24,000	(3,012)	()	20,988
C.V.A. S.p.A. a.s.u.	BEI	23,998	(3,005)	(7)	20,986
C.V.A. S.p.A. a.s.u.	BEI	16,001	(2,002)	(7)	13,992
Valdigne Energie S.r.l. a.s.u.	Intesa Sanpaolo	20,425	(4,546)	12	15,891
DEVAL S.p.A a.s.u.	Cariparma	9,459	(1,871)	-	7,588
TOTAL	TOTAL	397,372	(35,297)	181	362,256

With reference to the maturity analysis required by IFRS 7 for financial liabilities, the table below shows the analysis by expiry of expected cash flows (non-discounted values) from bank loans recognised in the financial statements (distinguishing between interest and capital flows).

Maturity analysis at 31 December 2019

Amounts in Euro thousands	2019					
	1 year	1-2 years	2-5 years	> 5 years	Total	
Bank loans	Capital flows	35,311	35,365	70,607	222,000	363,283
	Interest flows	2,024	1,967	5,608	1,812	11,411

Maturity analysis at 31 December 2018

Amounts in Euro thousands	2018					
	1 year	1-2 years	2-5 years	> 5 years	Total	
Bank loans	Capital flows	35,252	35,307	94,975	233,000	398,534
	Interest flows	2,418	2,345	6,613	4,184	15,560

31. Other non-current liabilities

The item "other non-current liabilities" amounted to Euro 20,120 thousand at 31 December 2019 (Euro 19,394 thousand at 31 December 2018) and mainly consists of the portion beyond 12 months of deferred income recorded against contributions received from customers, third parties and local authorities for plant-related activities. Starting 01 January 2018, the Group has applied standard IFRS 15: this standard has led, for IFRS only, to the deferment of contributions received from customers on the basis of the nature of the obligation resulting from the contract with customers, with the recognition of the related deferred liability, released on the basis of the useful life of the asset to which the contribution refers.

33. Trade payables

The breakdown of trade payables is shown in the following table:

Amounts in Euro thousands	2019	2018
TRADE PAYABLES	109,275	119,199
Payables to suppliers	108,853	118,519
Trade payables	423	680

Payables to suppliers

These are trade payables to suppliers, related:

- for Euro 70,202 thousand to the sales company CVA ENERGIE for invoices received and to be received for the purchase of electricity and the related transmission and

distribution costs of the same and include the net position payable to Terna at the reporting date;

- for Euro 9,200 thousand to payables for the purchase of raw materials and services by DEVAL;
- for the remaining part mainly to invoices received and to be received relating to ordinary and extraordinary maintenance work on production plants.

Trade payables

These are debt positions with customers (mainly customers of CVA ENERGIE for the supply of electricity) that cannot be offset against receivables and are therefore shown separately.

34. Income tax payables and other tax payables

Income tax payables of Euro 1,200 thousand at 31 December 2019 (Euro 9,260 thousand at 31 December 2018) mainly refer to current tax payables accrued during the year (Euro 1,040 thousand for IRES and Euro 160 thousand for IRAP).

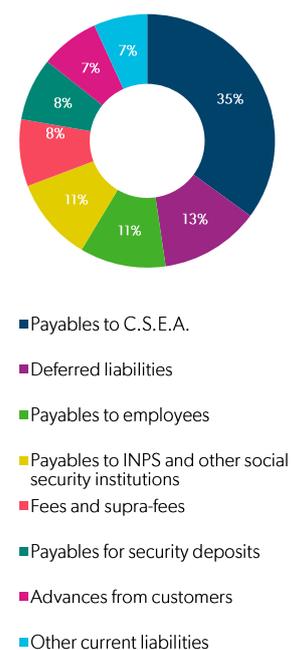
Other tax payables, on the other hand, amounted to Euro 3,358 thousand (Euro 5,213 thousand at 31 December 2018) mainly include the payables for the tax on electricity consumption (i.e. excise) accrued by CVA ENERGIE, relating to the excise taxes collected from end customers and not yet paid back to the State Treasury (Euro 741 thousand at 31 December 2019, Euro 3,681 thousand at 31 December 2018). With reference to these taxes, it is noted that CVA ENERGIE availed itself of the recourse institute as required by current legislation. The balance of the residual debt at 31 December 2019 is lower than in 2018 due to advance payments made during the year, which came in higher than the figures booked.

35. Other current liabilities

At 31 December 2019, other current liabilities amounted to Euro 26,210 thousand (Euro 25,852 thousand at 31 December 2018) and are mainly related to the following categories:

Amounts in Euro thousands	2019	2018
OTHER CURRENT LIABILITIES	26,210	25,852
Payables to C.S.E.A.	9,189	7,231
Deferred liabilities	3,310	3,475
Payables to employees	2,854	3,322
Payables to INPS and other social security institutions	2,788	2,524
Fees and supra-fees	2,235	2,235
Payables for security deposits	2,100	2,594
Advances from customers	1,956	2,363
Other current liabilities	1,779	2,108

Other current liabilities



A description of the main components is given below:

- payables to the “Energy and Environmental Services Fund”, relating to the payable deriving from the application of the equalisation mechanism for the purchase of electricity supplied to end customers in Greater Protection, by CVA ENERGIE, equal to Euro 1,042 thousand at 31 December 2019 (Euro 480 thousand at 31 December 2018), as well as the payables of DEVAL to CSEA for the payment of components A and UC collected by customers, and to be transferred to the CSEA. (Euro 8,147 thousand at 31 December 2019 and Euro 6,751 thousand at 31 December 2018);
- payables for security deposits and guarantees collected, equal to Euro 2,100 thousand at 31 December 2019 (Euro 2,594 thousand at 31 December 2018), deriving from the security deposits paid by customers at the time of activation of the user to guarantee the correct fulfilment of the obligations assumed;
- payables to employees, equal to Euro 2,854 thousand at 31 December 2019 (Euro 3,322 thousand at 31 December 2018), mainly relating to expenses for holidays and leave accrued by Group employees, and not taken at the reporting date;
- payables to INPS and other social security institutions, equal to Euro 2,788 thousand at 31 December 2019 (Euro 2,524 thousand at 31 December 2018), such as INPS, INAIL and other supplementary pension funds to be paid;
- payables for supra-fees for water derivation to be paid to the competent entities, as required by the relevant legislation, amounting to Euro 2,235 thousand at 31 December 2019, unchanged with respect to 31 December 2018);
- advances received from third parties for the sale of electricity, carried out by CVA ENERGIE for Euro 293 thousand at 31 December 2019, as well as advances received from third-party traders for the distribution activity carried out by DEVAL (for Euro 1,660 thousand at 31 December 2019);
- deferred liabilities, mainly consisting of a significant balance of deferred liabilities of CVA VENTO, for Euro 1,418 thousand at 31 December 2019, deriving almost exclusively from the deferral of the capital contribution received by the company regarding the production plants in Southern Italy; Deferrals on contributions received from customers, third parties and local authorities for plant-related activities are also recorded in accordance with IFRS 15 as described for non-current deferrals;
- other current liabilities, which mainly comprise the payables for environmental compensation indemnities due on the production of the wind farms (Euro 546 thousand), the payable for the fees due for exceeding the average withdrawal flows envisaged by the derivation concessions at the Valpelline and Maen plants (Euro 235 thousand) and payables for the repayment of the RAI licence fee invoiced in the bill by CVA ENERGIE (Euro 346 thousand).

36. Categories of financial instruments

The following table shows the values of the financial statements at 31 December 2018 of financial assets and liabilities, broken down into the categories of financial instruments defined by IFRS 9.

Financial assets

Amounts in Euro thousands	2019	2018
Financial assets measured at fair value	5,778	22,291
Assets for financial derivatives in Hedge Accounting	4,633	13,630
Assets for financial derivatives not in Hedge Accounting	1,145	8,661
Loans and Receivables	21,811	32,811
Certificates of deposit and repurchase agreements	13,018	23,029
Loans receivables from associates	8,794	9,781
Financial assets held to maturity	-	-
Financial assets available for sale	85,201	71,973
Securities	-	-
Insurance policies	85,201	71,973

Financial liabilities

Amounts in Euro thousands	2019	2018
Financial liabilities measured at fair value	19,481	18,354
Liabilities for financial derivatives in Hedge Accounting	16,115	9,207
Liabilities for financial derivatives not in Hedge Accounting	3,366	9,147
Financial liabilities measured at amortised cost	362,256	397,372

37. Fair value of financial instruments

The following table illustrates, for financial instruments recorded in the balance sheet, the fair value valuation at the end of the reference period and the related level in the fair value hierarchy previously shown, comparing it with the value recorded in the financial statements:

Fair value hierarchy at 31 December 2019

Amounts in Euro thousands	Book value	Total	Fair value		
			Level 1	Level 2	Level 3
Financial assets	112,791	143	-	143	-
Non-current financial receivables from associates and parent companies	8,148	8,148	-	8,148	-
Current financial receivables from associates and parent companies	645	645	-	645	-
Capitalised insurance policies	85,201	85,201	-	85,201	-
Assets for financial derivatives	5,778	5,778	5,778	-	-
Bank deposits	13,018	13,018	-	13,018	-

Amounts in Euro thousands	Book value	Total	Fair value		
			Level 1	Level 2	Level 3
Financial liabilities	381,737	381,737	5,748	375,989	-
Bank loans	362,256	362,256	-	362,256	-
Liabilities for financial derivatives	19,481	19,481	5,748	13,733	-

Fair value hierarchy at 31 December 2018

Amounts in Euro thousands	Book value	Total	Fair value		
			Level 1	Level 2	Level 3
Financial assets	142,770	142,770	-	142,770	-
Non-current financial receivables from associates and parent companies	23,243	23,243	-	23,243	-
Current financial receivables from associates and parent companies	2,414	2,414	-	2,414	-
Capitalised insurance policies	71,973	71,973	-	71,973	-
Assets for financial derivatives	22,291	22,291	-	22,291	-
Bonds	-	-	-	-	-
Repurchase agreements	-	-	-	-	-
Bank deposits	23,029	23,029	-	23,029	-

Amounts in Euro thousands	Book value	Total	Fair value		
			Level 1	Level 2	Level 3
Financial liabilities	415,725		-		-
Bank loans	397,372	397,372	-	397,372	-
Liabilities for financial derivatives	18,354	397,372	10,800	7,554	-

In general, the fair value of derivatives traded on regulated markets (such as future commodities) is determined using the official prices for financial instruments (Level 1). For financial instruments not listed on regulated markets, on the other hand, the relative fair value is determined using appropriate valuation models for each category, using the market data available at the reporting date and discounting expected cash flows based on the interest rate curves (Level 2 input data). With reference to cash and cash equivalents and other short-term financial assets or liabilities, the nominal value recognised in the financial statements represents a reasonable approximation of the relative fair value.

OTHER INFORMATION

Transactions with related parties

With regard to the identification of the economic-equity relations with related parties and for the definition of “related party”, reference is made to the international accounting standard IAS 24, approved by EC Regulation no. 1725/2003.

Transactions with the companies belonging to the CVA Group, as well as with the other related parties - mainly the Region and FINAOSTA, as well as the other subsidiaries and associates - are governed by specific contracts.

The following tables summarise the economic and financial relations between the Group and the other related parties during the financial years 2019 and 2018 (the values are shown in current Euro):



Receivables from related parties

Company	2019				2018		
	Financial receivables	Trade receivables	Other receivables	Rights of Use (IFRS 16)	Financial receivables	Trade receivables	Other receivables
Parent Company	-	7	-	-	15,875	-	-
Finaosta S.p.A.	-	7	-	-	15,875	-	-
Associated Companies	8,794	-	-	-	9,781	41	-
Téléchauffage Aoste S.r.l.	8,794	-	-	-	9,781	41	-
Other companies							
Finaosta Group Companies	-	1,228	-	-	-	1,130	-
Funivie Piccolo San Bernardo S.p.A.	-	-	-	-	-	288	-
Monterosa S.p.A.	-	300	-	-	-	339	-
Pila S.p.A.	-	372	-	-	-	-	-
Courmayeur Mont Blanc Funivie S.p.A.	-	134	-	-	-	154	-
Cervino S.p.A.	-	258	-	-	-	231	-
FUNIVIE MONTE BIANCO S.P.A.	-	114	-	-	-	45	-
ISECO S.P.A.	-	19	-	-	-	24	-
STRUTTURA VALLE D'AOSTA S.R.L.	-	25	-	-	-	20	-
AIRPORT VALLE D'AOSTA S.P.A.	-	6	-	-	-	16	-
TRUCK TERMINAL VALLE D'AOSTA S.P.A.	-	-	-	-	-	12	-
PROGETTO FORMAZIONE S.C.R.L.	-	-	-	-	-	1	-
Other Finaosta Group companies	-	-	-	-	-	-	-
Valle d'Aosta Region and its investees	-	666	665	6	-	764	-
Valle d'Aosta Region Council of the Valle d'Aosta Region	-	447	665	6	-	413	-
Casinò de la Vallée	-	28	-	-	-	-	-
Casinò de la Vallée	-	191	-	-	-	319	-
SITRASB S.P.A.	-	-	-	-	-	15	-
IN.VA S.P.A.	-	-	-	-	-	10	-
VALECO S.P.A.	-	-	-	-	-	7	-
Other companies controlled by the Valle d'Aosta Region	-	-	-	-	-	-	-
Directors, Executives with strategic responsibilities and Statutory Auditors	-	-	-	-	-	3	-
Other related parties	-	384	-	-	-	4	-
TOTAL	8,794	1,901	665	6	25,656	1,938	-

Payables to related parties

Company	2019			2018	
	Trade payables	Financial payables IFRS 16	Other payables	Trade payables	Other payables
Parent Company	-	-	-	-	-
Associated Companies	-	-	-	-	-
Other companies	-	-	-	-	-
Finaosta Group Companies	75	-	-	-	-
Progetto Formazione S.c.r.l.	75	-	15	-	40
Valle d'Aosta Region and its investees	-	6	15	45	40
Valle d'Aosta Region	-	6	15	-	40
Council of the Valle d'Aosta Region	-	-	-	-	-
Valeco S.p.A. Directors, Executives with strategic responsibilities and Statutory Auditors	-	-	-	45	-
Auditors	155	-	27	154	30
Directors	-	-	27	-	30
Executives	-	-	-	-	-
TOTAL	230	6	42	199	70

Revenues and other income with related parties

Company	2019			2018		
	Revenues from sales and services	Other revenues and income	Financial income	Revenues from sales and services	Other revenues and income	Financial income
Parent Company	90	-	2,519	-	-	516
Finaosta S.p.A.	90	-	2,519	-	-	516
Associated Companies	-	-	304	205	-	322
Téléchauffage Aoste S.r.l.	-	-	304	205	-	322
Other companies	-	-	-	-	-	-
Others	-	-	-	-	-	-
Finaosta Group Companies	8,189	102	-	5648	108	-
Cervino S.p.A.	1,770	38	-	1441	79	-
Monterosa S.p.A.	2,315	64	-	1586	29	-
Funivie Piccolo San Bernardo S.p.A.	934	-	-	775	-	-
Pila S.p.A.	1,093	-	-	-	-	-
Courmayeur Mont Blanc Funivie S.p.A.	938	-	-	740	-	-
Funivie Monte Bianco S.p.A.	457	-	-	411	-	-
STRUTTURA VALLE D'AOSTA S.R.L.	280	-	-	281	-	-
ISECO S.p.A.	232	-	-	240	-	-
TRUCK TERMINAL VALLE D'AOSTA S.P.A.	170	-	-	174	-	-
Other Finaosta Group companies	-	-	-	-	-	-
Valle d'Aosta Region and its investees	3,663	351	-	3,297	2,414	-
Valle d'Aosta Region	2,239	95	-	1852	93	-
Council of the Valle d'Aosta Region	35	256	-	-	2321	-
Casinò de la Vallée	1,104	-	-	1167	-	-
SITRASB S.p.A.	141	-	-	162	-	-
IN.VA S.P.A.	144	-	-	117	-	-
Other companies controlled by the Valle d'Aosta Region	-	-	-	-	-	-
Other related parties	474	-	-	562	1	-
Directors, Executives with strategic responsibilities and Statutory Auditors	-	-	-	-	10	-
TOTAL	12,416	453	2,823	9,712	2,533	838

Costs and other expenses with related parties

Amounts in Euro thousands	2019		2018	2017
Company	Operating costs	Amortisation, depreciation and interest IFRS 16	Operating costs	Operating costs
Parent Company	-	-	-	-
Associated Companies	39	-	39	61
Other companies	-	-	-	-
Other Finaosta Group companies	-	-	-	1
Valle d' Aosta Region and its investees	18,390	2	15,493	15,091
Valle d' Aosta Region	18,361	2	15,493	15,090
Other companies controlled by the Valle d' Aosta Region	29	-	-	1
Directors, Executives with strategic responsibilities and Statutory Auditors	701	-	915	574
Directors	205	-	223	94
Executives	323	-	519	394
Auditors	173	-	173	86
TOTAL	19,130	2	16,447	15,727

Relations with the parent company

The main relations with FINAOSTA concerns a loan granted by CVA to its parent company, for a total amount of Euro 20,000 thousand, on which interest income has accrued. The loan was paid off during FY 2019 as previously described in this note.

Relations with associates

The nature of relations with associated companies is related to the following aspects:

- financial relations: loans granted by CVA to associated companies, and related interest income accrued in the years;
- commercial relations: supply of electricity through CVA ENERGIE, according to the normal market conditions applied to the majority of customers.

Relations with other related parties

Pursuant to IAS 24, related parties also include the subsidiaries and associated companies of FINAOSTA, the Region and its subsidiaries, as well as the directors, executives with strategic responsibilities and statutory auditors of CVA, as Parent Company, and of FINAOSTA.

The relations with these parties are mainly of a commercial nature, related to the supply of electricity, as well as compensation for the services performed by the directors, by the executives with strategic responsibilities and auditors with respect to CVA.

Furthermore, as regards the members of the Board of Directors, there are no further relations in addition to the offices held in CVA and from which the related remuneration and economic benefits derive.

Independent auditors' fees

Pursuant to Article 2427 paragraph 1 point 16-bis of the Italian Civil Code, below is information concerning the fees paid to the independent auditors for the audit of these financial statements, the signing of the related tax returns and the certification of the Separate Annual Accounts for ARERA. These fees will flow into the 2020 financial statements:

Type of services	Service provider	Parent Company	Other Group companies
Statutory audit	EY S.p.A.	34,943	105,145
Other services other than auditing	EY S.p.A.	16,969	25,277
Total fees paid to the independent auditors		51,912	130,422

Commitments, guarantees and contingent liabilities

Below is a breakdown of the sureties and credit lines obtained and released by the Group on the date the note was prepared:

- the Parent Company has issued personal sureties for the benefit of suppliers to guarantee the correct fulfilment of all the contractual obligations of the subsidiaries, for a total amount of Euro 154,642 thousand at 31 December 2019 (Euro 192,192 thousand at 31 December 2018). More specifically, at 31 December 2019, the main ones refer to personal guarantees issued for:
 - CVA ENERGIE for Euro 121,186 thousand;
 - DEVAL, as distributor of the Group, for Euro 16,001 thousand;
 - VALDIGNE for Euro 16,828 thousand;
 - CVA VENTO for Euro 626 thousand;
- the Parent Company has issued personal sureties to guarantee the correct fulfilment of all the contractual obligations of the associated company TELCHA for Euro 2,112 thousand (unchanged compared to 31 December 2018);
- there were Euro 133,060 thousand (Euro 151,585 at 31 December 2018) for sureties issued by leading banking and insurance institutions to guarantee the correct fulfilment of all contractual obligations to suppliers and all tax obligations of Group companies.

Information pursuant to article 1, paragraph 125, of the law of 4 August 2017 no. 124

Law 124 of 4 August 2017, article 1, paragraphs 125-129 (Annual Law on the Market and Competition), introduced new disclosure requirements regarding the transparency of public funding received and granted. This discipline has recently been modified by art. 35 of the Decree Law no. 34/2019 ("Growth Decree"), which has limited the obligations of transparency, excluding from the perimeter the advantages received by the beneficiary on the basis of a general regime (tax facilitations, contributions that are given to all those who meet certain conditions). The transparency rules of Law no. 124/2017 are therefore focused on bilateral relations, in which a given entity in the public sphere attributes an advantage to a particular entity in the third sector or to a specific company. As a result of this new legislation, tax facilitations were not taken into account, as they were general and not individual measures. The reporting criterion to be followed is the "cash criterion". Contributions are expressed gross of any withholding and/or other compensation. In light of the above, the grants (contributions, paid tasks, economic benefits) received by public administrations are summarised below.

Beneficiary	Disbursing party	Amounts in Euro	Reason	Notes
C.V.A. S.p.A.	GSE S.p.A.	3,272,437.75	GRIN incentive - Convention 000023	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	4,437,743.02	GRIN incentive - Convention 000889	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	298,279.54	GRIN incentive - Convention 000893	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	38,289.31	GRIN incentive - Convention 000892	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	194,628.43	GRIN incentive - Convention 000894	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	1,266,908.80	GRIN incentive - Convention 000648	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	2,326,199.63	GRIN incentive - Convention 001579	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	1,266,038.43	GRIN incentive - Convention 000481	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	541,499.95	GRIN incentive - Convention 000624	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	10,223,632.90	GRIN incentive - Convention 001018	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	160,431.96	Feed-In Tariff - Convention S01L232266707	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	155,271.98	Feed-In Tariff - Convention H01L229497207	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	158,426.42	Feed-In Tariff - Convention S01L232264707	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	373,981.35	Feed-In Tariff - Convention H01F10829207	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	155,665.98	Feed-In Tariff - Convention S01L242645207	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	374,009.86	Feed-In Tariff - Convention H01F11146607	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	3,698.40	Feed-In Tariff - Convention S01B00319806	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	160,446.19	Feed-In Tariff - Convention S01L232264007	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	387,750.87	Feed-In Tariff - Convention H01F11430307	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	385,874.82	Feed-In Tariff - Convention H01F11146807	Incentive published on the GSE website

Beneficiary	Disbursing party	Amounts in Euro	Reason	Notes
C.V.A. S.p.A.	GSE S.p.A.	163,811.59	Feed-In Tariff - Convention S01L232259507	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	163,230.86	Feed-In Tariff - Convention S01L232261007	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	383,847.00	Feed-In Tariff - Convention H01F10827507	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	156,942.92	Feed-In Tariff - Convention S01L244972507	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	376,819.41	Feed-In Tariff - Convention H01F10828407	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	374,882.49	Feed-In Tariff - Convention H01F10828007	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	82,794.59	Feed-In Tariff - Convention S01F10764307	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	165,339.13	Feed-In Tariff - Convention S01L242987407	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	151,855.61	Feed-In Tariff - Convention S01L232277807	Incentive published on the GSE website
C.V.A. S.p.A.	GSE S.p.A.	2,967,953.07	Incentive tariff - Convention FER000672	Incentive published on the GSE website
CVA VENTO S.r.l.	GSE S.p.A.	2,486,321	GRIN incentive - Convention 001036	Incentive published on the GSE website
CVA VENTO S.r.l.	GSE S.p.A.	1,680,940	RES incentive tariffs pursuant to Ministerial Decree 06/07/2012 - Convention FER001115	Incentive published on the GSE website
CVA VENTO S.r.l.	GSE S.p.A.	2,806,167	RES incentive tariffs pursuant to Ministerial Decree 06/07/2012 - Convention FER002202	Incentive published on the GSE website
VALDIGNE ENERGIE S.r.l.	GSE S.p.A.	6,921,037	GRIN incentive pursuant to Ministerial Decree 06/07/2012 - Convention 000543	Incentive also published on the GSE website
VALDIGNE ENERGIE S.r.l.	GSE S.p.A.	2,736,953	GRIN incentive pursuant to Ministerial Decree 06/07/2012 - Convention 001048	Incentive also published on the GSE website
WIND FARM MONTEVERDE S.r.l.	GSE S.p.A.	3,211,698	RES incentive tariffs pursuant to Ministerial Decree 06/07/2012 - RES Convention 002027	Incentive also published on the GSE website
CVA ENERGIE S.r.l.	Valle d'Aosta Region	31,301.00	Smart Factory Tender - Regional interventions for research and development. HOME project Concession deed PD no. 1989 of 17/04/2018	Contribution present in the National Register of State Aid for a total granted of Euro 76,890
CVA ENERGIE S.r.l.	C.S.E.A.	32,631.63	Adjustment of ppe1, ppe2010, pcv and dispb2 tariff components for operators with greater protection - Notes 19 - 21 - 13	
CVA ENERGIE S.r.l.	C.S.E.A.	1,032,970.04	Mechanism for compensating delinquencies of end customers art. 16ter of TIV - PCV account - Note 8	
CVA ENERGIE S.r.l.	C.S.E.A.	73,907.01	Compensation mechanism for customers' exit art. 16quater of TIV - PCV account - Note 12	
CVA ENERGIE S.r.l.	C.S.E.A.	6,504.22	Adjustment of credit items deriving from the application of the components relating to greater protection - Note 24	
DEVAL S.p.A.	C.S.E.A.	799,957.40	Bimonthly payments of TIT equalisation - bim. 6 year 2017 (UC3 account)	
DEVAL S.p.A.	C.S.E.A.	17,003.61	Adjustment of credit items charged to the ARIM account	
DEVAL S.p.A.	C.S.E.A.	43,644.47	Adjustment of credit items charged to the ARIM04 account	
DEVAL S.p.A.	C.S.E.A.	7,347.31	Remuneration recognised for incentivised investments in the electricity sector made in the period 2012-2013	
DEVAL S.p.A.	C.S.E.A.	1,620,169.86	Equalisation advances TIT 2019	
DEVAL S.p.A.	C.S.E.A.	1,364,738.10	Contribution to the achievement of specific targets for primary energy savings	
DEVAL S.p.A.	C.S.E.A.	810,084.93	Equalisation advances TIT 2019	
DEVAL S.p.A.	C.S.E.A.	107,289.45	Disbursement of TIT equalisation balances related to the year 2018 and update of balances related to years prior to 2018 - UC3 account	
DEVAL S.p.A.	C.S.E.A.	348,207.00	Disbursement of TIV equalisation balances related to the year 2018 and update of balances related to years prior to 2018 - UC3 and EPP account	
DEVAL S.p.A.	C.S.E.A.	495,950.00	Contribution to the achievement of specific targets for primary energy savings	

Reports and Annexes

Report by the Board of Auditors

REPORT OF THE BOARD OF AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE C.V.A. GROUP

Shareholders,

The consolidated financial statements of the C.V.A. Group as at 31 December 2019 were prepared by the Board of Directors of the parent company C.V.A. s.p.a. and approved at the meeting held on 27 May 2020.

The Consolidated Financial Statements for the year 2019 consist of the Consolidated Statement of Financial Position, the Consolidated Income Statement, the Statement of the other components of the Consolidated Comprehensive Income Statement, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related Notes to the Consolidated Financial Statements and show the following figures:

<i>Period profit</i>	€ 75,771,000
<i>Total assets</i>	€ 1,445,437,000
<i>Consolidated equity</i>	€ 802,286,000

The scope of consolidation includes companies that the Parent Company directly or indirectly controls, joint ventures and associated companies; specifically, it includes the following 7 group companies: C.V.A. spa a s.u., C.V.A. Energie srl a s.u., Deval spa a s.u., Valdigne Energie s.r.l., C.V.A. Vento srl a s.u., C.V.A. Windfarm Monteverde srl a s.u., C.V.A. Smart Energie srl a s.u.

According to the provisions of article 41, paragraph 1 of Legislative Decree 127/1991, the control that ascertains the regularity and correspondence of the consolidated financial statements with the accounting records of the parent company and the information sent by the companies included in the consolidation is delegated to the Company appointed for the Statutory Audit, EY spa, which, in the report issued on 11 June 2020, certified that *“the Consolidated Financial Statements of the C.V.A.*

Group at 31 December 2019 provide a true and correct representation of the assets and financial situation of the Group at 31 December 2019, of the economic result and of the cash flows for the year closed on the same date, in accordance with the International Financial Reporting Standards adopted by the European Union."

Within the scope of its tasks and duties, the Board of Auditors is therefore limited to acknowledging that it has reviewed the consolidated financial statements and the notes thereto, the report on operations and the report of the independent auditors; it believes that the scope of consolidation has been complied with and that the consolidation principles have been correctly applied and therefore has no observations, exceptions or proposals to submit to the Shareholders.

Chatillon, 11 June 2020

The Board of Auditors

Carmelo Marco Termine

Federica Paesani

Guido Bosonin



Independent Auditors' Report



Compagnia Valdostana delle Acque – Compagnie Valdôtaine des Eaux S.p.A.

Consolidated financial statements as at December 31, 2019

Independent auditor's report pursuant to article 14 of
Legislative Decree n. 39, dated 27 January 2010

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Sole Shareholder of
Compagnia Valdostana delle Acque - Compagnie Valdôtaine des Eaux S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Compagnia Valdostana delle Acque - Compagnie Valdôtaine des Eaux Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Company Compagnia Valdostana delle Acque - Compagnie Valdôtaine des Eaux S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the the Parent Company Compagnia Valdostana delle Acque - Compagnie Valdôtaine des Eaux S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism 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 error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we 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 achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements.



We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Compagnia Valdostana delle Acque – Compagnie Valdôtaine des Eaux S.p.A. are responsible for the preparation of the Report on Operations of of Group Compagnia Valdostana delle Acque – Compagnie Valdôtaine des Eaux as at December 31, 2019, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Compagnia Valdostana delle Acque – Compagnie Valdôtaine des Eaux Group as at December 31, 2019, and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of Compagnia Valdostana delle Acque – Compagnie Valdôtaine des Eaux Group as at December 31, 2019, and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Turin, June 11, 2020

EY S.p.A.
Signed by: Luigi Conti, Auditor

This report has been translated into the English language solely for the convenience of international readers.



ANNUAL FINANCIAL REPORT OF C.V.A. S.p.A. a s.u. AT 31/12/2019



Income Statement

Amounts in Euro	Notes	2019		2018	
		Total	Of which related parties	Total	Of which related parties
Revenues					
Revenues from sales and services	(1)	160,238,495	156,850,000	151,670,702	144,148,376
Other revenues and income	(2)	28,214,526	923,393	31,147,689	2,989,460
TOTAL REVENUES (A)		188,453,021		182,818,391	
of which: impact of non-recurring items	(4)	-		2,065,928	2,065,928
Operating costs					
Costs for raw materials and services	(3)	16,681,285	1,795,638	18,630,890	1,495,487
Personnel costs	(4)	23,181,047	331,587	25,190,217	528,238
Other operating costs	(5)	37,660,762	17,794,990	34,831,161	15,490,533
Capitalised days of work	(6)	(876,777)		(865,175)	
TOTAL OPERATING COSTS (B)		76,646,317		77,787,093	
of which: impact of non-recurring items	(4)	(1,540,403)		-	
GROSS OPERATING MARGIN (A-B)		111,806,704		105,031,299	
Amortisation, depreciation, provisions and write-downs					
Amortisation/depreciation	(7)-(14)	31,450,851	1,449	30,856,159	-
Provisions and write-downs	(8)	(2,331,937)		1,903,175	
TOTAL AMORTISATION, DEPRECIATION, PROVISIONS AND WRITE-DOWNS (C)		29,118,914		32,759,334	
of which: impact of non-recurring items	(8)	(1,636,586)		2,197,213	
OPERATING RESULT (A-B+/-C)		82,687,790		72,271,964	
of which: impact of non-recurring items	(8)	3,176,989		(131,285)	2,065,928
Financial management					
Financial income	(9)	10,360,503	8,280,941	6,773,203	5,358,940
Financial expenses	(10)	6,104,610	24,402	1,982,652	31,231
TOTAL FINANCIAL BALANCE (D)		4,255,893		4,790,551	
of which: impact of non-recurring items	(8)	2,033,752		-	
PRE-TAX RESULT (A-B+/-C+/-D)		86,943,682		77,062,516	
of which: impact of non-recurring items	(8)	5,210,741		(131,285)	2,065,928
Gains/(losses) for income taxes	(11)	23,336,483	(420)	22,024,621	-
Net result of continuing operations		63,607,200		55,037,895	
Net result of discontinued operations		-		-	
PERIOD NET RESULT		63,607,200		55,037,895	

Statement of other components of the Comprehensive Income Statement

Amounts in Euro	Notes	2019	2018
Result of the period (A)	(28)	63,607,200	55,037,895
Other components of the Comprehensive Income Statement that can be reclassified to the Income Statement in subsequent periods (net of the tax effect)			
Effective portion of changes in fair value of cash flow hedges	(28)	(4,546,538)	(4,158,518)
Total other components of the Comprehensive Income Statement that can be reclassified to the Income Statement in subsequent periods (net of the tax effect) (B)		(4,546,538)	(4,158,518)
Other components of the Comprehensive Income Statement that cannot be reclassified to the Income Statement in subsequent periods (net of taxes)			
Remeasurement of liabilities for defined benefit plans for employees	(28)	(73,752)	108,668
Total other components of the Comprehensive Income Statement that cannot be reclassified to the Income Statement in subsequent periods (net of taxes) (C)		(73,752)	108,668
Total profit/(loss) recognised directly in equity (B+C)		(4,620,290)	(4,049,850)
Total profit recognised in the year (A+B+C)		58,986,910	50,988,046

Statement of Financial Position: Assets

Amounts in Euro	Notes	2019		2018	
		Total	Of which related parties	Total	Of which related parties
Assets					
Non-current assets					
Tangible assets	(12)-(14)	405,633,124	-	419,446,382	-
Intangible assets	(13)-(14)	7,510,331	5,794	7,045,535	-
Goodwill	(15)	188,216,585		188,216,585	
Equity investments	(16)	129,522,634		129,286,795	
Deferred tax assets	(17)	13,458,093		13,669,462	
Non-current financial assets	(18)	182,588,620	106,159,236	94,294,340	38,276,650
Other non-current assets	(19)	1,822,222	553,498	1,866,781	551,126
Total non-current assets		928,751,609		853,825,880	
Current assets					
Inventories	(20)	997,957	-	960,677	-
Trade receivables	(21)	152,549,112	150,641,776	145,771,812	143,445,865
Receivables for income taxes	(22)	6,384,461	1,479,104	9,199,334	3,986,103
Other tax receivables	(23)	3,680,413	1,463,109	6,112,162	627,093
Other current financial assets	(25)	50,494,053	28,656,689	171,768,097	132,783,007
Other current assets	(26)	12,394,498	168,255	17,706,215	40,611
Cash and cash equivalents	(27)	211,583,810	-	183,085,473	-
Total current assets		438,084,306		534,603,771	
Assets classified as held for sale					
		-		-	
TOTAL ASSETS		1,366,835,915		1,388,429,650	

Statement of Financial Position: Liabilities

Amounts in Euro	Notes	2019		2018	
		Total	Of which related parties	Total	Of which related parties
Shareholders' equity					
Share capital		395,000,000		395,000,000	-
Other reserves		276,500,306		267,360,200	-
Accumulated Profits/(Losses)		35,814,527		35,814,527	-
Net result of the year		63,607,200		55,037,895	-
Total shareholders' equity	(28)	770,922,032		753,212,622	
Liabilities					
Non-current liabilities					
Employee benefits	(29)	3,376,023		6,666,190	-
Provisions for risks and charges	(30)	7,095,892		9,341,562	-
Deferred tax liabilities	(17)	43,062,091		36,351,781	-
Non-current financial liabilities	(14)-(31)	313,851,968	4,352	339,502,446	-
Total non-current liabilities		367,385,974		391,861,978	
Current liabilities					
Employee benefits	(29)	1,591,319		-	-
Trade payables	(34)	128,965,857	100,321,211	129,046,015	100,026,873
Payables for income taxes	(35)	1,807,361	767,186	9,279,010	150,043
Other tax payables	(36)	2,237,105	-	1,273,816	1,472
Derivatives	(24)	12,820,365	-	6,182,104	-
Other current financial liabilities	(14)-(31)	73,564,206	44,208,961	89,740,937	60,770,696
Other current liabilities	(37)	7,541,696	118,795	7,833,169	111,532
Total current liabilities		228,527,909		243,355,050	
Liabilities related to assets held for sale					
				-	-
TOTAL EQUITY AND LIABILITIES		1,366,835,915		1,388,429,650	

Statement of Changes in Shareholders' Equity

Euro	Share capital	Legal reserve	Other reserves	Reserve from remeasurement for employee benefit plans	Cash flow hedge reserve	Accumulated Profits/(Losses)	Net result of the year	Total
As at 1 January 2018	395,000,000	44,927,159	261,640,686	(255,854)	41,870	35,028,851	34,058,739	770,441,451
Allocation of 2017 profits/(losses)								
profits carried forward	-	1,702,937	18,755,952	-	-	-	(20,458,889)	-
dividends	-	-	(55,402,700)	-	-	-	(13,599,850)	(69,002,550)
Comprehensive profit/(loss) recognised in the year								
profits and losses recognised directly in equity	-	-	-	108,668	(4,158,518)	-	-	(4,049,850)
year profit	-	-	-	-	-	-	55,037,895	55,037,895
First-time adoption of new standards								
IFRS9	-	-	-	-	-	142,871	-	142,871
Other changes								
	-	-	-	-	-	642,804	-	642,804
At 31 December 2018	395,000,000	46,630,096	224,993,938	(147,186)	(4,116,648)	35,814,527	55,037,895	753,212,622
As at 01 January 2019	395,000,000	46,630,096	224,993,938	(147,186)	(4,116,648)	35,814,527	55,037,895	753,212,622
Allocation of 2018 profits/(losses)								
profits carried forward	-	2,751,895	11,008,500	-	-	-	(13,760,395)	-
distribution of dividends	-	-	-	-	-	-	(41,277,500)	(41,277,500)
Comprehensive profit/(loss) recognised in the year								
profits and losses recognised directly in equity	-	-	-	(73,752)	(4,546,538)	-	-	(4,620,290)
year profit	-	-	-	-	-	-	63,607,200	63,607,200
Other changes								
	-	-	-	-	-	-	-	-
At 31 December 2019	395,000,000	49,381,991	236,002,439	(220,938)	(8,663,186)	35,814,527	63,607,200	770,922,032

Cash Flow Statement

Amounts in Euro	2019	2018
A. Cash flows from operating activities (indirect method)		
Profit (loss) of the year	63,607,200	55,037,895
Income taxes	23,336,483	22,024,621
Net financial interest expenses	(4,279,529)	(4,836,711)
Allocations and income provisions for risks and charges	(2,170,569)	(178,018)
Allocations and income employee severance indemnity (TFR) and other benefits	(1,110,181)	67,940
Amortisation/Depreciation of fixed assets	31,450,851	30,856,159
Bad debts	(38,387)	69,646
Write-downs, revaluations and gains/losses	(146,964)	2,159,910
Result from shareholdings carried at equity	(217,593)	-
Financial flow after adjustments of non-monetary items	110,431,311	105,201,441
Changes in NWC		
Decrease/(increase) in trade receivables net of write-downs	(6,738,914)	(15,216,025)
Increase/(decrease) in payables to suppliers	(80,158)	3,943,378
Increase/(decrease) in other current assets/liabilities	(5,349,296)	(22,369,828)
<i>of which: net taxes (paid)/reimbursed</i>	<i>(19,612,542)</i>	<i>(9,837,130)</i>
Changes in NWC	(12,168,367)	(33,642,475)
Cash flow after changes in NWC	98,262,944	71,558,966
Other changes not included in changes in NWC		
Net change in provisions for risks and charges	(454,522)	348,549
Net change in Employee severance indemnity (TFR) and other employee benefits	(679,721)	(1,290,220)
Change in other assets and liabilities not included in NWC	(5,937,728)	(103,838)
Other changes not included in changes in NWC	(7,071,970)	(1,045,509)
Cash flow from operating activities (A)	91,190,974	70,513,458
B. Cash flows from investment activities		
(Investments)/divestments - Tangible assets	(16,685,591)	(18,526,602)
(Investments)/divestments - Intangible assets	(1,505,673)	(842,910)
(Investments)/divestments - Equity investments and goodwill	-	(17,105,809)
(Investments)/Divestments or repayments - Short-term and other financial assets	(76,592,641)	7,666,150
Cash flows from investment activities (B)	(94,783,906)	(28,809,171)
C. Cash flows from financing activities		
Interest collected/(paid)	5,659,808	14,220,493
Borrowed capital	67,708,960	(64,007,824)
Increase/(decrease) in financial assets/liabilities centralised treasury	93,166,000	(34,158,231)
New/(Repayment) of loans	(25,457,040)	(29,849,593)
Equity	(41,277,500)	(68,216,875)
Other capital increases (decreases)	-	785,675
Dividends (and interim dividends) paid	(41,277,500)	(69,002,550)
Cash flow from financing activities (C)	32,091,269	(118,004,206)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	28,498,337	(76,299,919)
<i>Of which net cash and cash equivalents from extraordinary transactions</i>	<i>-</i>	<i>(1,072,080)</i>
Cash and cash equivalents at 1 January	183,085,473	259,385,392
Cash and cash equivalents at 31 December	211,583,810	183,085,473

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Company Information

The publication of the CVA financial statements for the year ended on 31 December 2019 was authorised by the Board of Directors on 27 May 2020. The Company and the CVA Group, of which it is the Parent Company, operate in the electricity sector. The Company, which has the legal form of a Sole Shareholder Company, has its registered office in Via Stazione 31 in Châtillon (AO).



FORM AND CONTENT OF THE FINANCIAL STATEMENTS

The Financial Statements of CVA for the year ended 31 December 2019 have been prepared on the basis of the business operating as a going concern and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as the legislative and regulatory provisions in force in Italy. IFRS refers to all the revised international accounting standards (IAS/IFRS), all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously referred to as the Standing Interpretations Committee (SIC).

In this regard, it is noted that the accounting standards and criteria applied to these financial statements comply with those adopted in the previous year, except for the “Accounting standards, amendments and interpretations approved and applied from 01 January 2019”, to which reference is made.

The Company’s Annual Financial Report has been prepared on a general historical cost basis, with the exception of items that under IFRS must or can be measured at fair value.

The Annual Financial Statements for the year ended 31 December 2019 consist of the Statement of Financial Position, the Income Statement, the Statement of the other components of the Comprehensive Income Statement, the Statement of Changes in Equity, the Cash Flow Statement and the related Notes to the Financial Statements.

In accordance with IAS 1 (Presentation of Financial Statements) comparative information included in the consolidated financial statements refers, unless otherwise indicated, to the previous year. Where a better representation has required a different reclassification of the items in the financial statements, the comparative information has been adapted accordingly.

The statements of financial position, the separate income statements, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows are presented in euros (without cents) and the notes to these separate financial statements in thousands of euros, unless otherwise indicated.

It is specified that for the Statement of Financial Position the classification of assets and liabilities is carried out according to the “current/non-current” criterion with specific separation of assets and liabilities discontinued or destined to be sold.

An asset is considered current when:

- it is expected to be realised, or is held for sale or consumption, in the normal course of the operating cycle;
- it is held mainly for the purpose of negotiating it;
- it is expected to be realised within twelve months of the closing date of the year;
- it consists of cash or cash equivalents unless it is forbidden to exchange it or use it to settle a liability for at least twelve months from the closing date of the financial year.

All other assets are classified as non-current.

Similarly, a liability is considered current when:

- it is expected to be settled in its normal operating cycle;
- it is held mainly for the purpose of negotiating it;
- it must be settled within twelve months of the closing date of the year;
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months of the closing date of the year.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The Income Statement is classified according to the nature of costs, as this form of presentation is considered more appropriate for representing the Company's specific business, complies with internal reporting procedures and is in line with the practices of the reference industrial sector. In addition to the Operating Result, the Income Statement shows the Gross Operating Margin obtained by subtracting total operating costs from total revenues.

The Statements of Comprehensive Income include the profit or loss for the year as shown in the separate income statements and all other non-owner changes in equity;

The Cash Flow Statement has been prepared by presenting cash flows from operating activities according to the "indirect method", as permitted by IAS 7 (Statement of Cash Flows).

Furthermore, in the separate Income Statement, income and expenses relating to transactions, which by nature do not occur during normal operation (non-recurring transactions) have been specifically identified and their impact has been shown separately, when they are significant.

In the financial statements, the amounts relating to positions or transactions with related parties have been shown separately.

Summary of accounting standards adopted

The accounting standards and valuation criteria adopted in preparing the financial statements of CVA are consistent with those adopted for the preparation of the Consolidated Annual Financial Report of the CVA Group, to which reference is made, with the exception of the recognition and valuation of investments in subsidiaries and associates, which are valued in the separate financial statements according to the purchase cost method, possibly reduced in the case of distribution of capital, or in the presence of impairment losses determined by performing the impairment test. Should the portion of losses of the investee attributable to the Company exceed the carrying value of the investment, the value of the investment is set to zero, and the excess share of the loss is recognised among liabilities as a provision in the event the Company is responsible for said liability. The cost is restored in subsequent periods if the reasons for the impairment should cease to apply.

The companies in which CVA exercises control are controlled, as required by IFRS 10 - Consolidated Financial Statements, as it is exposed or entitled to variable returns deriving from its relation with the investee and at the same time has the ability to affect these returns by exercising its power over the entity itself.

The companies in which CVA exercises significant influence are associated; significant influence means the power to participate in determining the financial and operating policies of the investee without having control or joint control.

Use of estimates

With reference to the use of accounting estimates in preparation of the annual financial statements of CVA, reference is made to as illustrated in the specific section of the notes to the Consolidated Annual Financial Report of the CVA Group.

Recently issued accounting standards

With reference to the recently applied accounting standards, reference is made to as illustrated in the specific section of the notes to the Consolidated Annual Financial Report of the CVA Group. Specifically with regard to the first-time adoption of IFRS 16, the impact of first-time adoption on CVA's separate financial statements is discussed below, while information about the criteria for first-time adoption is provided in the disclosures provided in the Annual Consolidated Financial Report.

Impacts of the adoption of IFRS 16

Impacts on the statement of financial 01/01/2019 (transition date)

The adoption of IFRS 16 resulted in higher non-current assets for CVA, due to the recognition of rights to use leased assets as a balancing entry to higher financial liabilities. The impact of the transition on the main items in CVA's statement of financial position is summarised below.

Amounts in Euro	31/12/2018	IFRS 16 impacts	01/01/2019 Redefined
Assets			
Non-current assets			
Tangible assets	419,446,382	3,405,027	422,851,409
Intangible assets	7,045,535	431,164	7,476,699
Goodwill	129,286,795		129,286,795
Equity investments	129,286,795		129,286,795
Deferred tax assets	13,669,462		13,669,462
Non-current financial assets	94,294,340		94,294,340
Other non-current assets	1,866,781		1,866,781
Total non-current assets	853,825,880	3,836,191	857,662,071
Current assets			
Inventories	960,677		960,677
Trade receivables	145,771,812		145,771,812
Receivables for income taxes	9,199,334		9,199,334
Other tax receivables	6,112,162		6,112,162
Derivatives	-		-
Other current financial assets	171,768,097		171,768,097
Other current assets	17,706,215	(17,363)	17,688,852
Cash and cash equivalents	183,085,473		183,085,473
Total current assets	534,603,771	(17,363)	534,586,408
Assets classified as held for sale	-	-	-
TOTAL ASSETS	1,388,429,650	3,818,828	1,392,248,478
Shareholders' equity	753,212,622	-	753,212,622
Liabilities			
Non-current liabilities			
Employee benefits	6,666,190	-	6,666,190
Provisions for risks and charges	9,341,562	-	9,341,562
Deferred tax liabilities	36,351,781	-	36,351,781
Non-current financial liabilities	339,502,446	3,458,612	342,961,058
Total non-current liabilities	391,861,978	3,458,612	395,320,590
Current liabilities			
Employee benefits	-	-	-
Trade payables	129,046,015	-	129,046,015
Payables for income taxes	9,279,010	-	9,279,010
Other tax payables	1,273,816	-	1,273,816
Derivatives	6,182,104	-	6,182,104
Current financial liabilities	89,740,937	360,216	90,101,153
Other current liabilities	7,833,169	-	7,833,169
Total current liabilities	243,355,050	360,216	243,715,266
Liabilities related to assets held for sale	-	-	-
TOTAL EQUITY AND LIABILITIES	1,388,429,650	3,818,828	1,392,248,478

Impact on key items in the separate income statement and statement of financial position for FY 2019

The following is a breakdown of the impact of IFRS 16 on the key income statement figures for FY 2019 compared to the comparable 2019 financial year.

Amounts in Euro	Comparable year 2019	IFRS 16 impact	2019
Revenues	188,453,021	-	188,453,021
Operating costs	77,042,495	(396,178)	76,646,317
EBITDA	111,410,526	396,178	111,806,704
Amortisation, depreciation, provisions and write-downs	28,770,689	348,225	29,118,914
EBIT	82,639,837	47,953	82,687,790
Financial management	4,339,000	(83,107)	4,255,893
EBT	86,978,836	(35,154)	86,943,682
Income taxes	23,350,568	(14,085)	23,336,483
PERIOD NET RESULT	63,628,268	(21,069)	63,607,200

The different nature, qualification and classification of expenses, with the recognition of "Amortisation of rights of use of assets" and "Interest expense related to rights of use", instead of "Costs for use of third party assets", as per IAS 17, resulted in a consequent positive impact on EBITDA of Euro 396 thousand.

In particular, the application of IFRS 16 to lease contracts has resulted in:

- the reduction in Operating costs due to the different accounting treatment of lease payments for office buildings and motor vehicles;
- the increase in Amortisation as a result of the amortisation of the rights of use amortised over the duration of the contract;
- the increase in Financial charges for interest related to rights of use due to the recognition of higher financial liabilities;
- the change in Income Taxes which represents the tax effect of the changes illustrated above.

Details of the impact of the new accounting standards on the key figures in the Statement of Financial Position as at 31 December 2019 are set out below.

Amounts in Euro	Comparable year 2019	IFRS 16 impact	31/12/2019
Non-current assets	925,263,643	3,487,966	928,751,609
Current assets	438,101,669	(17,363)	438,084,306
TOTAL ASSETS	1,363,365,312	3,470,603	1,366,835,915
Shareholders' equity	770,943,101	(21,069)	770,922,032
Non-current liabilities	364,242,208	3,143,766	367,385,974
Current liabilities	228,180,003	347,906	228,527,909
TOTAL EQUITY AND LIABILITIES	1,363,365,312	3,470,603	1,366,835,915

It should be noted that the changes in the balance sheet also had an impact on the statement of cash flows. The following diagram shows the relevant effects.

Amounts in Euro	Comparable year 2019	IFRS 16 impact	31/12/2019
A. Cash flows from operating activities (indirect method)			
Financial flow after adjustments of non-monetary items	110,731,583	(300,272)	110,431,311
Changes in NWC	(12,185,730)	17,363	(12,168,367)
Cash flow after changes in NWC	98,545,853	(282,909)	98,262,944
Other changes not included in changes in NWC	(7,071,970)	-	(7,071,970)
Cash flow from operating activities (A)	91,473,883	(282,909)	91,190,974
B. Cash flows from investment activities	(91,644,165)	(3,139,741)	(94,783,906)
C. Cash flows from financing activities	28,668,619	3,422,650	32,091,269
Increase (decrease) in cash and cash equivalents (A ± B ± C)	28,498,337	-	28,498,337
Cash and cash equivalents at 1 January	183,085,473	-	183,085,473
Cash and cash equivalents at 31 December	211,583,810	-	211,583,810

Information on the Income Statement of the Company

The breakdown of the main items of the Income Statement is provided below. The following tables, unless otherwise indicated, show the figures in thousands of Euro.

1. Revenues from services

The breakdown of the item Revenues from services is shown in the following table:

	2019				2018			
	Hydroelectric production	Production Other RES	Other	Total	Hydroelectric production	Production Other RES	Other	Total
REVENUES FROM SALES AND SERVICES	143,862	8,014	8,363	160,238	134,183	9,016	8,472	151,671
Sale of electricity	141,041	7,966	-	149,007	131,059	8,926	-	139,985
Disposal of energy certificates/securities	2,518	48	-	2,566	2,819	89	-	2,908
Provisions of services	303	-	8,363	8,665	305	-	8,472	8,777

Revenues from sales and services totalled Euro 160,238 thousand in 2019 (Euro 151,671 thousand in 2018).

Revenues from the sale of electricity totalled Euro 149,007 thousand in the year 2019 (Euro 139,985 thousand in 2018) and are mainly composed of the sale of electricity to wholesalers, including CVA ENERGIE (Euro 145,619 thousand in 2019). Of this amount, Euro 141,053 thousand is the result of the sale of energy produced by hydroelectric plants (Euro 131,059 thousand in 2018) and Euro 8,070 thousand to that produced by photovoltaic and wind plants (Euro 8,926 thousand in 2018). The overall increase (Euro 9,022 thousand) is due to both the price dynamics and the change in the quantities of energy produced (mainly from hydroelectric sources) due to an overall less advantageous meteorology compared to the previous year, but at an increase in the average prices of sale obtained (albeit in the face of declining average market prices).

Services rendered amounted to Euro 8,665 thousand in 2019 (Euro 8,777 thousand in 2018) and are characterised by revenues for outsourced services to subsidiaries. The negative change seen between 2019 and 2018 (equal to Euro 111 thousand) is mainly due to the lower fees charged during the year to the companies.

The sale of energy certificates/securities (equal to Euro 2,566 thousand in 2019, Euro 2,908 thousand in 2018) includes the sale of guarantee of origin certificates ("GO" Certificates) to CVA ENERGIE; the negative change recorded at the end of the financial year is mainly due to the decrease in the number of GOs produced, as well as a drop in average sales prices. Revenues from the sale of "GO" Certificates are related to the production of hydroelectric plants for Euro 2,518 thousand compared to Euro 2,819 thousand in the previous year and to wind power and photovoltaic plants for Euro 48 thousand compared to Euro 89 thousand in FY 2018.

2. Other operating revenues and income

The breakdown of the item Other operating revenues and income is shown in the following table:

28
million
Total other operating
revenues and income

	2019				2018			
	Hydroelectric production	Production Other RES	Other	Total	Hydroelectric production	Production Other RES	Other	Total
OTHER OPERATING REVENUES AND INCOME	9,523	17,286	1,406	28,215	11,596	16,038	3,513	31,148
Operating contributions	8,946	17,105	-	26,052	11,064	16,005	15	27,084
Leases of properties	-	-	1,259	1,259	-	-	3,334	3,334
Others	577	180	147	904	533	34	163	730

The item Operating contributions for the year amounted to Euro 26,052 thousand in 2019 (Euro 27,084 thousand in 2018), and mainly includes the contribution paid by the GSE such as the Energy Account, the Incentive Tariff and GRIN incentive. The change seen between 2019 and 2018 (equal to Euro -1,032 thousand) is mainly due:

- **GRIN INCENTIVE:** total incentives decreased from Euro 20,236 thousand in 2018 to Euro 18,267 thousand in 2019 due to the decrease in the unit value of the GRIN incentive, which decreased from Euro 98.95/MWh in FY 2018 to Euro 92.11/MWh in FY 2019 (the value of the incentive is established annually by the GSE based on the provisions of Ministerial Decree 06 July 2012, as subsequently amended and supplemented), and for the lower production of the incentivised plants;
- **INCENTIVE RATES:** total incentive rates increased from Euro 2,526 thousand in the previous year to Euro 3,161 thousand in 2019. The incentive tariffs, guaranteeing a fixed value of the energy sold, move inversely proportional to the market prices of electricity. The increase in the average value of the tariff was partly mitigated by a reduction in the production of the incentivised plants;
- **ENERGY ACCOUNT:** the increase in the value of incentives on photovoltaic production from Euro 4,306 thousand in 2018 to Euro 4,623 thousand in 2019 is mainly due to an increase in production in the photovoltaic segment.

Operating contributions amounted to Euro 17,105 thousand for wind and photovoltaic energy production and Euro 8,946 thousand for hydroelectric production.

The item leases of properties amounted to Euro 1,259 thousand in 2019 (Euro 3,334 thousand in 2018). This item mainly refers to the lease income of the real estate units owned by CVA site in various Municipalities of Valle d'Aosta. Euro 749 thousand in lease payments received from related parties of CVA, also including Group companies. Pursuant to IFRS 16, the contracts have all been classified as operating leases. The accounting treatment of the relative revenues, therefore, has not changed compared to previous years, as the new IFRS 16 substantially follows the provisions of the previous IAS 17.

The item other revenues amounted to Euro 904 thousand in 2019 (Euro 730 thousand in 2018). Its composition sees as its main element the aggregate of insurance reimbursements,

penalties applied to suppliers and other forms of compensation received, amounting to a total of Euro 480 thousand, an increase compared to the Euro 279 thousand in 2018.

The remaining portion is mainly attributable to:

- the reimbursements obtained by the management companies of the ski lifts to draw the water needed for artificial snow (for Euro 102 thousand);
- the fees for the precarious concession for the use of central drainage works of Bard and the charge to the user of the related maintenance costs (for Euro 84 thousand);
- the maintenance fees of the optical fibre network charged to the Region for its share of competence (for Euro 70 thousand);
- the maintenance fees for the control units in the municipalities of Pontey, Gressoney-La-Trinité, Antey S. André, Cogne and Issogne (for Euro 29 thousand);
- gains accrued on the disposal of assets amounted to Euro 12 thousand;
- the disposal of scrap (for Euro 13 thousand);
- miscellaneous charge-backs.

3. Costs for raw materials and services

Costs for raw materials and services totalled Euro 16,681 thousand in 2019 (Euro 18,631 thousand in 2018).

Costs for raw materials

The breakdown of the item Costs for raw materials is shown in the following table:

	2019	2018
Costs for raw materials	2,169	2,157
Raw and ancillary materials and consumables	782	708
Electricity for auxiliary services	1,229	1,039
Others	159	409

Expenses for purchases of raw materials, ancillary materials, consumables and goods amounted to Euro 782 thousand in 2019 (Euro 708 thousand at the end of the previous year) and do not show significant changes. This item includes, in addition to expenses for raw, ancillary and consumable materials (typically plant components), the costs for the purchase of the energy necessary for the operation of production plants (so-called auxiliary uses). Expenses for other raw materials are made up of the costs for the purchase of fuels used by the company's fleet of vehicles and by the generators of hydroelectric plants (necessary to supply the auxiliary services of the plant in the event of the lack of other sources of power) and the costs for the imbalances between the energy fed into the network and that declared in the programs communicated to Terna.

Costs for services

The breakdown of the item Costs for services is shown in the following table:

	2019	2018
Costs for services	14,298	15,864
Maintenance	3,799	3,768
Costs for ICT services - IT services	1,621	1,616
Insurance	1,506	1,553
Regarding personnel	1,261	1,175
Professional services	1,191	1,222
Commercial, legal, administrative consultancy	1,150	3,076
Telephone and data transmission services	978	937
Representation	493	461
Utilities (water, gas, electricity)	393	325
Fees for Directors, Auditors, SB and Independent Auditors	332	291
Car park management expenses	284	287
Costs for bank and postal services	117	89
Business trips and transfers	95	76
Advertising	8	24
Other costs for services	1,072	964

The breakdown of the individual items mainly consists of:

- maintenance costs: these amount to Euro 3,799 thousand, substantially in balance compared to the previous year (Euro 3,768 thousand). They include the costs of maintaining machinery, plant and property. Their composition includes, on the one hand, the 26% increase in maintenance costs of the wind farms and photovoltaic plants (with a total value of Euro 2,311 thousand), partly due to extraordinary events and partly to the emergence of new ordinary costs. On the other hand, there was a 25% decrease in maintenance costs for the hydroelectric power plants, which totalled Euro 1,246 thousand. This decrease is due to the presence, in the previous year, of extraordinary interventions aimed at preserving the useful life of some water intake works;
- costs for Information & Communication Technology services: amounted to Euro 1,621 thousand (Euro 1,616 thousand in 2018). They refer to the assistance services of IT systems, hardware and software maintenance;
- costs for insurance services: amounted to Euro 1,506 thousand (Euro 1,553 thousand in 2018), mainly deriving from insurance coverage of "All Risk" and third party liability for plants for a total of Euro 1,421 thousand, effectively in line with the previous year;
- personnel-related costs: these include charges relating to personnel management and all costs for services provided to all employees. They amounted to Euro 1,261 thousand (Euro 1,175 thousand in the past year) referable for Euro 599 thousand to

catering services, for Euro 28 thousand to administrative consultancy regarding personnel, for Euro 117 thousand to expenses related to the participation and organisation of training activities for employees, for Euro 17 thousand to medical expenses, for Euro 293 thousand to commissions recognised to temporary employment agencies, for Euro 122 thousand to expenses relating to the organisation of company events with employee participation;

- professional services for a total of Euro 1,191 thousand (Euro 1,222 thousand in 2018), attributable, inter alia, to:
 - professional services and technical consultancy for Euro 890 thousand;
 - costs for laboratory research and analysis activities for Euro 175 thousand;
 - costs for studies-research and technical consultancy for Euro 39 thousand;
 - expenses for environment study services for Euro 27 thousand;
 - costs for miscellaneous technical services for Euro 11 thousand;
 - testing entrusted to third parties for Euro 9 thousand;
- commercial, legal and administrative consultancy: these amount to Euro 1,150 thousand (Euro 3,076 thousand in the previous financial year) and include all the costs for the purchase of external consultancy on legal, tax and commercial matters. The significant reduction recorded in the year, is mainly attributable to the extraordinary nature of the costs in FY 2018, impacted by the expenses for the stock market listing project, which is currently suspended;
- telephone expenses and data transmission services: amounted to Euro 978 thousand (Euro 937 thousand in 2018). These refer to fees and maintenance of fixed and mobile telephone networks;
- entertainment expenses: these amount to Euro 493 thousand, a slight increase compared to Euro 461 thousand in the previous year. These are costs incurred mainly for initiatives aimed at improving the company's image in the reference territory as well as all expenses incurred for the benefit of suppliers and customers and other stakeholders in general;
- utility expenses: these amounted to Euro 393 thousand (compared to Euro 325 thousand in 2018) and include the costs of all active utilities, such as electricity, water and gas, serving capital and non capital buildings;
- costs for fees paid to directors, statutory auditors and supervisory bodies totalled Euro 230 thousand (Euro 231 thousand in the previous year) and refer:
 - for Euro 131 thousand to the expense for the fees due to the members of the Board of Directors, of which Euro 118 thousand for fees, Euro 12 thousand for expenses and Euro 1 thousand for insurance policies;
 - for Euro 85 thousand to the expense for the fees due to the members of the Board of Auditors;
 - for Euro 14 thousand to the expense for emoluments due to the members of the Supervisory Body, of which Euro 3 thousand for expenses;

- costs for the activities performed by the independent auditors for a total of Euro 101 thousand;
- expenses for car park management: totalled Euro 284 thousand (Euro 287 thousand in 2018) and refer to repairs, maintenance, motorway tolls and the car park management service;
- expenses for banking and postal services for Euro 117 thousand;
- travel expenses of employees and temporary workers for Euro 95 thousand;
- expenses for Advertising: amounted to Euro 8 thousand (Euro 24 thousand in 2018). They refer to advertisements in the main sector, local and financial newspapers;
- costs for other services: amounted to Euro 1,072 thousand (Euro 964 thousand in the previous year) and refer to all other services used by the Company, including:
 - costs for services on internal and external areas related to snow removal, greening and other activities for Euro 398 thousand;
 - the fee to cover the management fees for the incentives due to GSE S.p.A., according to art. 21, paragraph 5 of Ministerial Decree 06/07/2012, for Euro 235 thousand;
 - expenses for waste disposal of Euro 159 thousand;
 - supervisory expenses amounting to Euro 104 thousand;
 - costs for the analysis activity aimed at the attribution of a financial reliability rating for Euro 88 thousand;
 - costs for services relating to purchase and sale transactions of Guarantee of Origin Certificates for Euro 8 thousand.

Costs for rents and leases

At 31 December 2019, costs for rents and leases amounted to Euro 214 thousand (Euro 610 thousand in 2018) and are detailed as follows:

	2019	2018
COSTS FOR RENTS AND LEASES	214	610
Software licence fees	40	7
Car park rental fees	10	163
Rents and leases	-	162
Others	164	278

The decrease compared to the previous year is mainly attributable to the application of the new IFRS 16 standard, which requires, for all leases, accounting using the so-called financial method, which is better described in the specific section of the note "Approved accounting standards, amendments and interpretations applied from 01 January 2019". The costs recorded in this item correspond to rentals on contracts excluded from the scope of application of IFRS 16 because they do not meet the requirements to be defined as leases or because, although classified as such, they have been excluded due to their duration of less than 12 months or their low unit value. Non-lease components (mainly non-deductible VAT) of lease contracts subject to IFRS 16 are also recorded in this item.

In addition to the costs for the use of software and for the rental of the car park, the item "other" includes the costs for the rental of aircraft and related personnel for the transport of materials in places not reached by road.

4. Personnel costs

The breakdown of personnel costs is shown in the following table:

	2019	2018
PERSONNEL COSTS	23,181	25,190
Wages and salaries	17,601	18,209
Social security contributions	5,433	5,275
Employee severance indemnity and other employee benefits	(451)	1,058
Other personnel costs	598	648

23
million
Personnel costs

The item Personnel costs totalled Euro 23,181 thousand in 2019 (Euro 25,190 thousand in 2018). The changes in the year are mainly attributable to the following aspects:

- wages and salaries: the decrease recorded is due to i) the reduction in the average number of executives; ii) the increase in the minimum integrated contractual amounts with effect from December 2019 and payment of a one-off payment for economic coverage of the June-October 2019 period provided for in the renewal of the National Collective Bargaining Agreement for Electrical Workers signed on 09/10/2019; iii) a reduction in the amounts related to bonuses compared with the previous year, which had been affected by the payment of an extraordinary one-off



to all employees; iv) the combined effect of an increase in the average number of employees due to the effect of new hires related to the stabilisation of fixed-term positions held by temporary staff, the cost of which, therefore, decreased, balancing the total change;

- social security contributions: the increase recorded is due to the increase in the average contribution rate for INPS purposes and the increase in the average number of employees due to the above-mentioned stabilisation of positions held by temporary staff. These increases were partly offset by the decrease in the average INAIL coefficients and, again with regard to INAIL, the review of the weighted tariff items. It should also be noted that new hires have benefited from the tax benefits provided by the law;
- employee severance indemnities and other employee benefits: this item was influenced by the extraordinary reversal to income, for Euro 1,540 thousand, of the energy discount fund following the trade union agreement that sanctioned its overrun.

It should be noted that category transitions had no significant impact during 2019.

The table below shows the average number of employees during the years under review, broken down by category:

	2019	2018
Executives	2	2
Managers	41	41
White collars	207	188
Blue collars	128	125
TOTAL	378	356

5. Other operating costs

At 31 December 2019, other operating costs amounted to Euro 37,661 thousand (Euro 34,831 thousand in 2018) and are detailed as follows:

	2019	2018
OTHER OPERATING COSTS	37,661	34,831
Fees for the derivation of water for hydroelectric use	34,837	32,071
Stamp duties, levies and various taxes	1,146	1,153
Other sundry expenses	1,678	1,608

The item Fees for the derivation of water for hydroelectric use, equal to Euro 34,837 thousand in 2019 (Euro 32,071 thousand in 2018), includes the fees for hydroelectric use of water (state, waterways and mountain catchment basins) due to the Region and other public bodies such as the Municipalities and the Province of Turin for the derivation of water based

on the relevant legislation. The increase recorded is the result of the general increase in tariffs decided by the competent authorities.

The item stamp duties, levies and various taxes amounted to Euro 1,146 thousand in 2019 (Euro 1,153 thousand in 2018) and includes municipal taxes and fees, primarily the IMU and COSAP, as well as registration tax, stamp duty and excises payable by the company.

The item other sundry expenses mainly includes environmental compensation indemnities of Euro 542 thousand, various contributions and fees of Euro 493 thousand (including the contribution for financing the activities of the Italian Dams Register of Euro 155 thousand), membership fees to institutes of interest of Euro 337 thousand, contributions paid to the Regional Consortium for the protection, increase and exercise of fishing for the re-population of fish of Euro 97 thousand.

6. Capitalised days of work

At 31 December 2019, capitalised days of work amounted to Euro 877 thousand (Euro 865 thousand in 2018). Capitalised costs refer to the materials used and hours of employees involved in the realisation of works and interventions on hydroelectric plants with long-term benefits.

7. Amortisation/depreciation

Depreciation of tangible assets amounted to Euro 30,410 thousand in 2019 (Euro 29,699 thousand in 2018) and refer to the depreciation of both instrumental and non-instrumental buildings for Euro 3,009 thousand, industrial and commercial equipment for Euro 150 thousand, plant and machinery for Euro 26,108 thousand, other assets for Euro 1,022 thousand and leasehold improvements for Euro 4 thousand. Amortisation of intangible assets amounted to Euro 1,041 thousand in 2019 (Euro 1,157 thousand in 2018). They refer to patent rights and use of intellectual property (software licenses) for Euro 636 thousand, licensing of trademarks and similar rights for Euro 64 thousand and other intangible assets for Euro 341 thousand. As mentioned above, the amortisation of rights of use recognised in accordance with IFRS 16 for a total of Euro 348 thousand, including Euro 321 thousand for rights of use of tangible assets and Euro 27 thousand for rights of use of intangible assets. A summary table of movements in user rights is available in Note 14.

8. Provisions and write-downs

Provisions and write-downs show a negative value of Euro 2,332 thousand as in FY 2019 the proceeds from provisions exceeded provisions and write-downs, unlike in FY 2018 where net provisions and write-downs of Euro 1,903 thousand were recorded.

Ordinary provisions and write-downs

This item includes items considered ordinary in relation to the Company's operations due to their nature or size.

Also in this case, the reversal to income exceeds the provisions and write-downs made. In particular, net reversals to income for the year amounted to Euro 695, as a result of the following factors

- partial reversal to income, for Euro 659 thousand, of the provision set aside in previous years for the dispute with INPS on the payment of sickness and maternity contributions for some categories of employees. The closure of the dispute, which took place with judgement 816/2019 of the Turin Court of Appeal, issued following the judgement of the Supreme Court of Cassation, changed the valuation of contingent risks and charges, leading to the release of the portions of the provision relating to contributions for which it has been established with certainty that they are not due or have expired;
- partial reversal to income, for Euro 48 thousand, of the provision recorded against the risks deriving from the guarantees given to the subsidiary LE BRASIER;
- accrual of Euro 9 thousand attributable to the portion of INPS health contributions not paid in the financial year, but probably due in the light of the above judgement, the interpretation of which, however, is still subject to evaluation;
- reversal to income of the provision for doubtful debt of Euro 39 thousand in light of the reduction in the risk of default on receivables recorded in the financial statements (measured in accordance with IFRS 9);
- write-down of fixed assets for Euro 41 thousand attributable to tangible assets still owned, but no longer useful for company activities.

Extraordinary provisions and write-downs

This item includes items considered extraordinary with respect to the Company's operations due to their nature and/or amount such as to have a significant impact on the economic result.

During the year, total reversal to income was applied of the fund allocated in 2012 for charges, to be borne by the concession-holders, related to the maintenance of safety conditions of the "large dams" for which the concrete risk of obstruction of the discharge bodies has been ascertained. Following the work carried out, the directors, in the light of the information available to them, considered the risk of occurrence of such charges to be remote and therefore the reserve was reversed to income for its residual value of Euro 1,637 thousand. The breakdown of the same provisions for risks and expenses is shown in the comment on the item Provisions for risks and charges in the Statement of Financial Position.

9. Financial income

The breakdown of financial income is shown in the following table:

	2019	2018
FINANCIAL INCOME	10,361	6,773
Financial income from Group companies and/or related parties	4,658	2,719
Dividends	3,623	2,640
Income from equity investments	400	
Other financial income	1,679	1,414

Financial income from Group companies and related parties amounted to Euro 4,658 thousand in 2019 (Euro 2,719 thousand in 2018). This income includes the interest income received for long and short-term loans (multi-year loans and credit openings on the centralised treasury current account) granted to Group companies (parent company, subsidiaries and associates). Their value, for 2019, was significantly affected by the early repayment of the loan granted to the parent company which resulted in an extraordinary income of Euro 2,033 thousand equal to the difference between the value of the loan at its amortised cost and the nominal value at which it was repaid.

With reference to dividends, on the other hand, details are provided:

	2019	2018
Dividends	3,623	2,640
Deval	1,850	1,661
Valdigne	1,773	979

Income from investments amounted to Euro 400 thousand. These consist of revaluations of investments measured at fair value or using the equity method (Euro 239 thousand) and price adjustments and indemnities received in accordance with the provisions of contracts for the acquisition of investments signed in previous years (Euro 161 thousand).

Other financial income amounted to Euro 1,679 thousand in 2019 (Euro 1,414 thousand in 2018) and include the interest income received on financial investments (bonds, capitalisation policies, repurchase agreements, loans to employees) for a total of Euro 1,493 thousand (Euro 1,157 thousand in the previous year), interest on deposits of bank current accounts for a total of Euro 167 thousand (Euro 196 thousand in the previous year) and other financial income including interest on tax receivables requested for reimbursement of Euro 20 thousand.

10. Financial expenses

The breakdown of financial expenses is shown in the following table:

	2019	2018
FINANCIAL EXPENSES	6,103	1,983
Interest expense on bank loans	5,501	1,671
Interest expense on leases	83	-
Financial expenses to Group companies and related parties	24	31
Gains on investments	3	183
Other financial expenses	493	98

Interest expense on bank loans accrued in 2019 amounted to Euro 5,501 thousand (Euro 1,671 thousand in 2018). The increase compared to the previous year is mainly due to the manifestation of the interest due on the loans payable of Euro 200,000 thousand obtained at the end of FY 2018 and the differentials paid on the IRS transactions linked to this to fix the rate. This item also includes charges related to the application of the amortised cost method to bank loans.

Interest expense on leases corresponds to the portion of interest recognised in accordance with IFRS 16 on lease payments and related financial liabilities recognised in the balance sheet.

Financial expense paid to Group companies and related parties consisted of interest paid to subsidiaries on balances deposited in their centralised treasury accounts.

Expenses on equity investments correspond to the write-down of the investment in CVA SMART ENERGY S.r.l. a s.u. (hereinafter "CVA SMART ENERGIE").

Other financial expenses mainly include charges deriving from the actuarial valuation of provisions for risks and charges (including those relating to employee benefits and severance indemnities), amounting to Euro 470 thousand.

11. Income taxes

Income taxes amounted to Euro 23,336 thousand in 2019 (Euro 22,025 thousand in 2018) and are composed as follows:

- current taxes for Euro 15,470 thousand in 2019 (Euro 10,686 thousand in 2018);
- net deferred tax assets and liabilities for Euro 8,381 thousand in 2019 (Euro 5,874 thousand in 2018);
- previous years' taxes for Euro 514 thousand in 2019 (Euro 8 thousand in 2018). These taxes correspond mainly to the changes recorded between the taxes estimated in the 2018 financial statements and those actually determined in the declaration (differences that are almost entirely offset by changes in deferred tax assets).

It should be noted that the Region has approved an ordinary IRAP rate reduced to 3.1% for the three-year period 2019-2021.

The following statement shows the reconciliation between the IRES ordinary rate and effective rate. The reconciliation between the IRAP ordinary rate and the effective rate is not significant. Only current and not deferred taxes are included in the scheme. Therefore, the changes made to the theoretical tax concern both temporary and definitive changes.

IRES - Reconciliation between theoretical and effective tax expense	Notes	2019	2018
Pre-tax result	[A]	86,944	77,063
Theoretical tax expense	[B]	20,866	18,495
Temporary differences taxable in subsequent years	[C]	(24,712)	(24,800)
Temporary differences deductible in subsequent years	[D]	4,297	8,266
Reversal of temporary differences taxable from previous years	[E]	456	679
Reversal of temporary differences deductible from previous years	[F]	(8,556)	(4,626)
Permanent differences	[G]	(1,522)	1,557
Taxable amount	[A+C+D+E+F+G]	56,907	58,140
Gross current taxes	[H]	13,658	13,954
Tax deductions	[I]	(8)	-
Net current taxes	[H+I]	13,650	13,954
Effective rate	[L]	15.70%	18.11%

Information on the Company's Statement of Financial Position

Below is a breakdown of the composition of the main items of the Company's equity and financial position. The following tables, unless otherwise indicated, show the figures in thousands of Euro.

12. Proprietary tangible assets

Tangible assets totalled Euro 405,633 thousand at 31 December 2019 (Euro 419,446 thousand at 31 December 2018).

Tangible assets are all the proprietary tangible assets and the rights of use on tangible assets. Their breakdown and changes are shown in the table below:

Euro thousands	Proprietary tangible assets	Rights of use on tangible assets	Total
Historical cost	776,664	-	776,664
Provisions for depreciation	(357,218)	-	(357,218)
Net value at 31.12.2018	419,446	-	419,446
Increases	13,329	3,405	16,734
Depreciation	(30,089)	(321)	(30,410)
Reclassifications	85	-	85
Disposals	(181)	-	(181)
Other changes	(41)	-	(41)
Total net changes 2019	(16,897)	3,084	(13,813)
Historical cost	789,632	3,405	793,037
Provisions for depreciation	(387,083)	(321)	(387,404)
Net value at 31.12.2019	402,549	3,084	405,633

The breakdown and change in proprietary tangible assets is shown in the following table:

Euro thousands	Land	Buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Leasehold improvements	Tangible assets in progress and advances	Total
Historical cost	7,064	87,122	630,678	2,514	10,509	199	20,485	758,571
Provisions for depreciation	(29)	(29,829)	(285,312)	(2,072)	(8,405)	(191)	-	(325,838)
Net value at 31.12.2017	7,035	57,293	345,367	442	2,104	7	20,485	432,733
Increases	-	-	-	-	-	-	19,362	19,362
Depreciation	-	(2,940)	(25,695)	(123)	(938)	(5)	-	(29,699)
Reclassifications	34	2,184	14,821	184	1,199	-	(18,519)	(97)
Disposals	(5)	(1)	(597)	(9)	(39)	-	(5)	(656)
Other changes	-	-	(2,197)	-	-	-	-	(2,197)
Total net changes 2018	29	(756)	(13,668)	53	222	(5)	837	(13,287)
Historical cost	7,093	89,305	644,782	2,660	11,302	199	21,323	776,664
Provisions for depreciation	(29)	(32,768)	(313,083)	(2,166)	(8,975)	(196)	-	(357,218)
Net value at 31.12.2018	7,064	56,537	331,699	494	2,327	2	21,323	419,446
Increases	-	-	-	-	-	-	13,329	13,329
Depreciation	-	(3,008)	(26,108)	(131)	(838)	(4)	-	(30,089)
Reclassifications	5	2,459	9,079	194	437	2	(12,091)	85
Disposals	(13)	0	(67)	(12)	(2)	-	(87)	(181)
Other changes	-	-	(33)	(8)	-	-	-	(41)
Total net changes 2019	(8)	(550)	(17,129)	43	(403)	(2)	1,152	(16,897)
Historical cost	7,085	91,764	653,706	2,837	11,727	39	22,474	789,632
Provisions for depreciation	(29)	(35,777)	(339,137)	(2,299)	(9,803)	(39)	-	(387,083)
Net value at 31.12.2019	7,056	55,987	314,570	538	1,924	-	22,474	402,549

In 2019, there was a net decrease in tangible assets due to the effect of the ordinary depreciation process (Euro 30,089 thousand), which is higher than the value of investments for the period of Euro 16,760 thousand.

The following table summarises the main investments made during the year:

Euro thousands	Assets under construction at the beginning of the year	Net new investments	Assets commissioned	Assets under construction at year end
Chavonne plant - extraordinary maintenance	567	1,776	1,320	1,023
Monjovet plant - extraordinary maintenance (main object: rebuilding of turbine and alternator unit)	566	1,525	38	2,052
Signayes plant - extraordinary maintenance	1,183	1,163	1,585	761
Perreres plant - extraordinary maintenance (main object: pipeline)	492	1,049	796	745
Hone 2 plant - extraordinary maintenance (main object: shunt channel)	1,896	875	2,639	132
Building Via Festaz - Aosta - extraordinary maintenance - renovation	361	811	1,171	-

Euro thousands	Assets under construction at the beginning of the year	Net new investments	Assets commissioned	Assets under construction at year end
Champagne 1 plant - extraordinary maintenance (main object: pipeline, spillway, intake works)	143	764	513	394
Avise plant - extraordinary maintenance	223	533	380	376
Valpelline plant - extraordinary maintenance (main subject: replacement of impellers)	24	420	154	290
Registered office building - Chatillon - extraordinary maintenance of windows and doors	-	388	371	18
Gressoney plant - extraordinary maintenance (main object: pipeline)	764	343	40	1,067
Other hydroelectric power plants - extraordinary incremental maintenance	732	2,522	2,201	1,053
Other RES plants - extraordinary incremental maintenance	34	11	39	5
Advances on investments	13,900	-	-	13,900
Other investments	437	1,062	842	657

13. Owned intangible assets

Intangible assets totalled Euro 7,510 thousand at 31 December 2019 (Euro 7,046 thousand at 31 December 2018).

Intangible assets are all the proprietary intangible assets and the rights of use on intangible assets. Their breakdown and changes are shown in the table below:

Euro thousands	Owned intangible assets	Rights of use for intangible assets	Total
Historical cost	24,633	-	24,633
Provisions for amortisation	(17,588)	-	(17,588)
Net value at 31.12.2018	7,046	-	7,046
Increases	1,260	431	1,691
Amortisation/depreciation	(1,014)	(27)	(1,041)
Reclassifications	(85)	-	(85)
Disposals	(100)	-	(100)
Other changes	-	-	-
Total net changes 2019	61	404	465
Historical cost	22,220	431	22,651
Provisions for amortisation	(15,114)	(27)	(15,141)
Net value at 31.12.2019	7,106	404	7,510

The breakdown and change in owned intangible assets is shown in the following table:

Euro thousands	Software	Concessions, licences, trademarks and similar rights	Intangible assets in progress and advances	Other intangible assets	Total
Historical cost	15,367	1,218	460	6,744	23,790
Provisions for amortisation	(14,041)	(274)	-	(2,116)	(16,431)
Net value at 31.12.2017	1,327	944	460	4,628	7,359
Increases	-	-	745	-	745
Amortisation	(776)	(64)	-	(317)	(1,157)
Reclassifications	1,194	-	(1,161)	64	97
Disposals	-	-	-	-	-
Other changes	-	-	-	-	-
Total net changes 2018	418	(64)	(415)	(253)	(314)
Historical cost	16,561	1,218	45	6,809	24,633
Provisions for amortisation	(14,817)	(338)	-	(2,433)	(17,588)
Net value at 31.12.2018	1,745	881	45	4,375	7,045
Increases	-	-	1,260	-	1,260
Amortisation	(636)	(64)	-	(314)	(1,014)
Reclassifications	566	-	(655)	4	(85)
Disposals	(2)	-	-	(99)	(100)
Other changes	-	-	-	-	-
Total net changes 2019	(72)	(64)	605	(409)	61
Historical cost	13,674	1,218	650	6,677	22,220
Provisions for amortisation	(12,002)	(401)	-	(2,711)	(15,114)
Net value at 31.12.2019	1,673	817	650	3,966	7,106

During 2019, there was a decrease in intangible assets of Euro 1,014 thousand attributable to the effect of the ordinary amortisation process, which, however, is lower than the value of investments for the period as charges totalling Euro 1,260 thousand were capitalised, mainly relating to software improvements and maintenance and the Group rebranding operation. The item Other intangible assets mainly includes the value of long-term expenses incurred for the acquisition of easement rights and the land area of the electrical, photovoltaic and wind plants.

14. Rights of use of tangible and intangible assets and related financial liabilities

At 31 December 2019, rights of use on tangible and intangible assets amounted to Euro 3,488 thousand. The following table summarises the breakdown and movements during the year, as well as the movements of the related financial liabilities recorded in the balance sheet liabilities:

	Intangible rights of use		Tangible rights of use		Total
	Building rights and easement fees	Rights of use on real estate	Rights of use on industrial and commercial equipment	Rights of use on other assets	
Opening value of right of use	-	-	-	-	-
Provisions for amortisation	-	-	-	-	-
Net value at 31.12.2018	-	-	-	-	-
Increases before adoption of standard	431	2,624	54	727	3,836
Increases for new contracts	-	-	-	-	-
Decreases for new contracts	-	-	-	-	-
Amortisation	(27)	(118)	(20)	(184)	(348)
Reclassifications	-	-	-	-	-
Other changes	-	-	-	-	-
Total net changes 2019	404	2,507	34	544	3,488
Closing value of right of use	431	2,624	54	727	3,836
Provisions for amortisation	(27)	(118)	(20)	(184)	(348)
Net value at 31.12.2019	404	2,507	34	544	3,488
Opening financial liability	-	-	-	-	-
Increases for first time adoption of standard	425	2,635	49	710	3,819
Increases for new contracts	-	-	-	-	-
Decreases due to contract termination	-	-	-	-	-
Changes in fees	-	-	-	-	-
Instalments paid	(38)	(192)	(20)	(192)	(443)
of which:					
principal share	(30)	(134)	(19)	(177)	(360)
interest	(9)	(58)	(1)	(15)	(83)
Closing financial liability	395	2,501	30	533	3,459
of which:					
CURRENT	23	91	20	181	315
NON CURRENT	372	2,410	10	352	3,144
Non lease component	-	-	-	(10)	(10)
Total costs on the income statement	(36)	(176)	(21)	(209)	(708)

Rights of use for building rights and easement fees correspond to the value of contracts for the granting of such rights for which a periodic fee is paid. A portion of the fees is due to the related party Region.

Rights of use of real estate assets primarily reflect the value of contracts concerning the lease of land on which wind farms are located.

Rights of use of other assets mainly represent the value of rental contracts for the fleet of company vehicles. The effects of the first-time adoption of the IFRS are described in detail in the relevant note. With reference to financial liabilities, the table below shows their maturity by bracket and the related expected financial outlay:

	Within 1 year	more than 1 year, but within 5 years	More than 5 years
Expected instalments	348,358.38	929,239.26	2,213,481.49
Financial liabilities	314,845.94	818,246.58	2,325,519.97

15. Goodwill

The following is the detail of changes of the item "goodwill":

Value at 31 December 2017	187,937
Changes in 2018	280
Value at 31 December 2018	188,217
Changes in 2019	-
Value at 31 December 2019	188,217

At 31 December 2019, goodwill amounted to Euro 188,217 thousand. For Euro 172,876 thousand, it emerged as a result of extraordinary transactions with third parties at the time of the acquisition of hydroelectric plants in 2001. Instead, for Euro 15,061 thousand it originated in 2015 due to the merger operations of the following companies: C.V.A. SOLE S.r.l. a s.u. (Euro 1,050 thousand); PIANSANO ENERGY S.r.l. a s.u. (Euro 8,104 thousand); PONTE ALBANITO S.r.l. a s.u. (Euro 5,881 thousand); PONTE ALBANITO S.r.l. a s.u. (Euro 26 thousand). In FY 2018, as a result of the acquisition of a business unit relating to an 8 MW wind farm located in Pontedera and the conditions being met, an increase of Euro 280 thousand was recorded deriving from the difference between the price paid and the book value of the business unit. There were no changes in the current year. With reference to the item Goodwill, it is noted that, as an intangible asset with indefinite useful life, IAS 36 provides that it is not amortised, but subject to an impairment test to be carried out at least annually. Considering that goodwill neither generates independent cash flow nor can it be sold separately, IAS 36 calls for a secondary audit of its recoverable amount, determining cash flows generated by a set of assets (Cash Generating Unit - CGU) that identify the groups to which it belongs. The verification of the recoverable value has been carried out within the broader Impairment Test activities of the various CGU carried out in terms of the Consolidated Financial Statements of the CVA Group, which includes the goodwill in question. With reference to the Company, based on the impairment test carried out, the recoverable value of the CGU revealed no need for write-downs. For a more detailed description of the parameters used for the purposes of the impairment test, reference is made to the Consolidated Annual Financial Report.

16. Equity investments

Below are the changes of investments:

	Subsidiaries						Associated Companies	Other companies		Total
	CVA Energie S.r.l.	Valdigne Energie S.r.l.	Deval S.p.A.	C.V.A Vento S.r.l.	CVA Smart Energy S.r.l.	Wind Farm Monteverde S.r.l.	Téléchauffage Aoste S.r.l.	Le Brasier S.r.l.	Fondazione ITS	
Net value at 31.12.2017	8,023	12,978	72,523	18,403	-	-	430	142	8	112,506
Capital increase	-	-	-	-	40	-	1,189	-	-	1,229
Increases	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	15,598	-	-	-	15,598
Write-downs	-	-	-	-	(7)	-	(39)	-	-	(46)
Others	-	-	-	-	-	-	-	-	-	-
Total net changes 2018	-	-	-	-	33	15,598	1,150	-	-	16,781
Net value at 31.12.2018	8,023	12,978	72,523	18,403	33	15,598	1,580	142	8	129,287
Capital increase	-	-	-	-	-	-	-	-	-	-
Increases	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-
Write-downs/write-backs	-	-	-	-	(3)	-	218	21	-	236
Others	-	-	-	-	-	-	-	-	-	-
Total net changes 2018	-	-	-	-	(3)	-	218	21	-	236
Net value at 31.12.2019	8,023	12,978	72,523	18,403	30	15,598	1,797	163	8	129,523

The item investments in subsidiaries totalled Euro 127,555 thousand at 31 December 2019 (Euro 127,558 thousand at 31 December 2018).

List of investments in subsidiaries

The following are the figures relating to investments in subsidiaries, pursuant to article 2427, point 5 of the Civil Code.

CVA Energie S.r.l. a s.u.

The value of the investment amounts to Euro 8,023 thousand and represents 100.00% of the share capital. At 31 December 2019, CVA ENERGIE showed a profit of Euro 4,739 thousand; shareholders' equity, at the same date, amounted to Euro 24,091 thousand.

VALDIGNE ENERGIE S.r.l.

The investment amounts to Euro 12,978 thousand and represents 75% of the share capital. At 31 December 2019, VALDIGNE showed a profit of Euro 2,325 thousand; shareholders' equity, at the same date, amounted to Euro 27,129 thousand.

DEVAL S.p.A. a s.u.

The investment amounts to Euro 72,523 thousand and represents 100% of the share capital. At 31 December 2019, DEVAL showed a profit of Euro 4,655 thousand; shareholders' equity, at the same date, amounted to Euro 65,340 thousand.

CVA VENTO S.r.l. a s.u.

The investment amounts to Euro 18,403 thousand and represents 100% of the share capital. At 31 December 2019, CVA VENTO showed a profit of Euro 2,448 thousand; shareholders' equity, at the same date, amounted to Euro 13,616 thousand.

CVA SMART ENERGY S.r.l. a s.u.

The investment amounts to Euro 30 thousand and represents 100% of the share capital. At 31 December 2019, CVA SMART ENERGY showed a loss of Euro 3 thousand; shareholders' equity, at the same date, amounted to Euro 30 thousand. During the year, the equity investment was written down by Euro 3 thousand.

WIND FARM MONTEVERDE S.r.l. a s.u.

The investment amounts to Euro 15,598 thousand and represents 100% of the share capital. At 31 December 2019, WIND FARM MONTEVERDE showed a profit of Euro 1,121 thousand; shareholders' equity, at the same date, amounted to Euro 7,925 thousand.

List of investments in associated and other companies

The following are the figures relating to investments in associates and other companies, pursuant to article 2427, point 5 of the Civil Code. The item investments in associates and other companies amounted to Euro 1,968 thousand at 31 December 2019, Euro 1,729 thousand at 31 December 2018.

Téléchauffage Aoste S.r.l. ,

The value of the investment amounts to Euro 1,797 and represents 15.31% of the share capital. At 31 December 2019, TELCHA showed a profit of Euro 258 thousand; shareholders' equity, at the same date, amounted to Euro 11,739 thousand. The shareholding decreased from 30.32% in 2018 as a result of the failure to subscribe to the capital increase approved by the Extraordinary Shareholders' Meeting on 21 November 2018 (option maturity on 28 February 2019). During the financial year, the shareholding, measured using the equity method, was revalued by Euro 218 thousand, equivalent to the share of profit for the financial year, in addition to the effect of dilution of the shareholding on losses carried forward by the company.

Le Brasier S.r.l.

The value of the investment amounts to Euro 163 thousand and represents 13.70% of the share capital. At 31 August 2019 (end of the corporate year), LE BRASIER showed a loss of Euro 23 thousand; shareholders' equity, at the same date, amounted to Euro 1,190 thousand. During the year, the equity investment was written back by Euro 21 thousand.

Fondazione I.T.S.

The value of the investment amounted to Euro 8 thousand.

17. Deferred tax assets and deferred tax liabilities.

The changes relating to "deferred tax assets" and "deferred tax liabilities" by type of time differences are detailed below:

Deferred tax assets and liabilities	31.12.2019	31.12.2018
<i>Deferred tax assets for:</i>		
Differences in value on tangible and intangible assets	8,554	8,201
Charges, bonuses and other employee benefits	749	1,716
Provisions for risks and charges	1,352	1,727
Valuation of financial instruments	2,745	1,875
Other items	58	150
Total deferred tax assets	13,458	13,669
<i>Deferred tax liabilities for:</i>		
Differences in value on tangible and intangible assets	-42,934	-36,031
Valuation of financial instruments	-31	-31
Other items	-96	-290
Total deferred tax liabilities	-43,062	-36,352
Total net deferred tax assets/(liabilities)	-29,604	-22,683
Net change	-6,922	-3,998
<i>of which:</i>		
<i>In Income Statement</i>	-8,381	-5,874
<i>In Shareholders' Equity</i>	1,459	1,876

The "deferred tax assets" recognised in the financial statements, as there is a reasonable certainty of their recoverability, amounted to Euro 13,458 thousand at 31 December 2019 (Euro 13,669 at 31 December 2018), of which Euro 13,070 thousand (Euro 13,205 in December 2018) for IRES.

The increase in the value of deferred tax assets recognised in the course of 2019, is mainly due to the combined effect of:

- the increase in value differences on tangible assets due to the difference between statutory and tax depreciation (in particular on assets relating to wind farms and photovoltaic plants);
- the increase in differences in the value of financial instruments due to the change in the fair value of interest rate hedging derivatives on loans. Since almost all of these transactions are accounted for in accordance with the hedge accounting principles of IFRS 9, the impact of these increases was reflected almost in full in the appropriate equity reserves.
- the decrease in differences on provisions for risks and charges due to the reversal into income of some of them;
- the decrease in differences on provisions for employee benefits mainly due to the reversal to income of the provision for energy discount following the trade union agreement that sanctioned its elimination.

At 31 December 2019, deferred tax liabilities amounted to Euro 43,062 thousand (Euro 36,352 thousand at 31 December 2018), of which Euro 37,271 thousand (Euro 31,506 thousand at December 2018) for IRES. The increase recorded in the years 2019 and 2018 is mainly due to the deferred taxes recorded on amortisation (goodwill) made exclusively for tax purposes.

Among the effects recorded during the year, although not significant, is the adjustment of the rate on IRAP differences, which are expected to be recovered by 2021. In fact, the Region has granted a concessional ordinary rate of 3.1% for the three-year period 2019-2020-2021. Deferred taxation has therefore been adjusted for differences with expected recovery by 2021 and left unchanged at 3.9% for the others.

For IRES purposes, deferred taxation has been calculated at the ordinary rate of 24%.

18. Non-current financial assets

The breakdown of non-current financial assets is as follows:

	2019	2018
OTHER NON-CURRENT FINANCIAL ASSETS	182,589	94,294
Financial receivables from subsidiaries	98,011	15,033
Financial receivables from associated companies	8,148	8,719
Financial receivables from parent companies		14,524
Portfolio of securities/funds with expiry		8,002
Capitalised insurance policies	76,429	48,016

Non-current financial receivables from subsidiaries include the long-term portion (due beyond 12 months) of the loans, valued at amortised cost, granted to these companies. The change recorded in the year, in addition to the normal repayment cycle of loans, is

influenced by the provision of loans to WIND FARM MONTEVERDE and CVA VENTO (respectively for Euro 50,000 thousand and Euro 45,000 thousand) whose portions with maturities beyond 12 months amount to Euro 45,592 thousand and Euro 41,033 thousand. At the end of the financial year there were also receivables from VALDIGNE (for Euro 5,881 thousand) and DEVAL (for Euro 5,505 thousand).

Financial receivables from associated companies in 2019 amounted to Euro 8,148 thousand and refer to the long-term portion relating to the loan receivable granted to the associated company TELCHA. In 2018, this item amounted to Euro 8,719 thousand. The difference recognised is equal to the repayments received, as per the amortisation schedule.

Financial receivables from parent companies were fully collected during FY 2019 as a result of the early repayment (24 December 2019) of the loan receivable granted to the parent company FINAOSTA. In 2018, this item amounted to Euro 14,524 thousand.

The securities/funds portfolio, which was Euro 8,002 thousand at 31 December 2019, has been reclassified to current financial assets as it represented the fair value of savings bonds held with maturity during 2020.

Capitalisation insurance policies, which amounted to Euro 76,429 as at 31 December 2019 (Euro 48,016 thousand as at 31 December 2018), refer to the fair value of cash investments through the underwriting of insurance policies, which increased during the year as a result of the reinvestment of policies that expired during the year and the investment of cash generated by corporate operations.

19. Other non-current assets

The item in question, equal to Euro 1,822 thousand at 31 December 2019 (Euro 1,867 thousand at 31 December 2018), mainly includes medium/long-term receivables from employees, relating to interest-bearing loans granted to employees (Euro 1,066 thousand at 31 December 2019) and long-term various security deposits paid to third parties (Euro 203 thousand at 31 December 2019).

20. Inventories

The value of inventories recognised in the financial statements amounted to Euro 998 thousand at 31 December 2019 (Euro 961 thousand at 31 December 2018).

Inventories of ancillary and consumable materials derive from the accounting of the stocks of these materials mainly at the Bard warehouse. Their value amounted to Euro 775 thousand. Inventories of fuels for heating and the functioning of generators have been valued at the real purchase value for a total of Euro 143 thousand.

Remaining inventories for a value of Euro 80 thousand consist mostly of advertising material, gadgets and stationery valued at purchase cost.

21. Trade receivables

The breakdown of trade receivables is shown in the following table:

	2019	2018
TRADE RECEIVABLES	152,549	145,772
Customers	1,732	2,320
Subsidiaries	150,562	143,386
Associated companies	1	6
Related parties	79	54
Suppliers (Credit notes)	207	76
(Bad debts provision)	(31)	(70)

Receivables from customers

Receivables from customers, equal to Euro 1,732 thousand at 31 December 2019 (Euro 2,320 thousand at 31 December 2018) are recognised net of the related bad debts provision (Euro 31 thousand at 31 December 2019 and Euro 70 thousand at 31 December 2018).

Receivables from subsidiaries

These are mainly receivables due from CVA ENERGIE, following the sale of electricity during the year (equal to Euro 148,079 thousand at 31 December 2019, Euro 139,990 thousand at 31 December 2018). In addition to this item, for the remaining amount, there are receivables from other subsidiaries for staff services outsourced and other minor miscellaneous business relations. Below is a brief summary of their composition and of the parties from which they are due:

- CVA ENERGIE: receivables amounted to Euro 148,079 thousand, of which Euro 6,202 thousand refer to receivables for invoices issued and Euro 141,877 thousand for invoices to be issued. These receivables derive from the services rendered to the subsidiary during the year, as well as the sale to the same of energy produced by the plants in 2019. It is emphasised that in the face of these commercial operations the subsidiary paid advances for Euro 100,000 thousand recognised as liabilities in these financial statements;
- CVA VENTO: receivables totalled Euro 476 thousand. These mainly refer to the provision of services to the subsidiary during the year;
- VALDIGNE: receivables totalled Euro 834 thousand and refer to trade receivables for services offered to the subsidiary during the year;
- DEVAL: receivables totalled Euro 1,110 thousand and refer to trade receivables for services offered to the subsidiary during the year;
- WIND FARM MONTEVERDE: receivables totalled Euro 1 thousand and refer to trade receivables for services offered to the subsidiary during the year;

- CVA SMART ENERGY: receivables totalled Euro 1 thousand and refer to trade receivables for services offered to the subsidiary during the year.

Receivables due from other related parties

These are mainly receivables from the Region for commercial transactions of various kinds, including leases and the charge-back of costs for the management of the optical fibre network built in cooperation.

Trade receivables

These are receivables for credit notes received or to be received for which compensation with debit items is not possible.

22. Receivables for income taxes

The breakdown of receivables for income taxes is shown in the following table:

	2019	2018
RECEIVABLES FOR INCOME TAXES	6,384	9,199
IRES	4,509	5,213
IRAP	396	
Receivables for adhesion to the Group tax consolidation	1,479	3,986

The item in question includes tax receivables relating to direct tax (IRES and IRAP) payments made during the year (Euro 4,509 thousand at 31 December 2019, Euro 5,213 thousand at 31 December 2018), as well as receivables due from Group companies as a result of adhering to the IRES tax consolidation regime (Euro 1,479 thousand at 31 December 2019, Euro 3,986 thousands at 31 December 2018).

23. Other tax receivables

The breakdown of other tax receivables is shown in the following table:

	2019	2018
OTHER TAX RECEIVABLES	3,680	6,112
VAT receivables	2,090	5,353
Receivables deriving from Group VAT regime	1,463	627
Other receivables	128	132

The item amounted to Euro 3,680 thousand at 31 December 2019 (Euro 6,112 thousand at 31 December 2018). This item mainly consists of:

- VAT receivables of Euro 2,090 thousand at 31 December 2019 (Euro 5,353 thousand at 31 December 2018), deriving from the credit position accrued at the end of the year with the tax authorities, as well as VAT requested to be reimbursed. These are credits that cannot be included in the Group VAT settlement, as they do not meet the requirements;

- Group VAT receivables amounting to Euro 1,463 thousand at 31 December 2019 (Euro 627 at 31 December 2018), deriving from receivables accrued in the December VAT liquidation, due from Group companies as a result of adhering to the Group VAT regime.

24. Derivatives

Current derivative instruments (assets and liabilities) refer to the measurement at fair value of derivatives on interest rates at the reporting date.

The following is a breakdown of the carrying amounts at the reporting date and the related comparative information:

	2019	2018
Non-current derivative assets	-	-
Current derivative assets	-	-
TOTAL DERIVATIVE ASSETS	-	-
Non-current derivative liabilities	-	-
Current derivative liabilities	12,820	6,182
TOTAL DERIVATIVE LIABILITIES	12,820	6,182

It is noted that at 31 December 2019 and for the comparative period, there are no positions offset among assets and liabilities for derivative financial instruments.

Hedge Accounting

Derivative contracts are initially recognised at fair value, on the trading date of the contract, and subsequently measured at their fair value. During 2016, the Company defined its model for the application of Hedge Accounting and provided the operating tools necessary for formal documentation of the hedging relationships, the verification of the effectiveness and the accounting measurement of the hedging effects. In the absence of such instruments, the Company was not previously able to satisfy the formal and substantive requirements required by the principle for the application of Hedge Accounting and consequently, starting from the date of first application of the IFRS standards and up to the year 2015, the derivative instruments stipulated by the Company, even if they were traded for hedging purposes, were reported in the financial statements as trading instruments (i.e. valued at fair value with a balancing entry entirely in the Income Statement). The model of application of Hedge Accounting envisages the classification of derivatives traded by the Company as Cash Flow Hedges; specifically, the hedging instruments used (Interest Rate Swaps) are designated to cover the interest flows paid on underlying loans payable. The objective that the Company intends to pursue through the designated hedging transactions is therefore to mitigate its risk exposure deriving from the volatility of the market rates by fixing or limiting the onerousness of its variable rate loans. As a result of the Cash Flow Hedge accounting, the economic effects generated by the fair value measurement of hedging derivatives are recognised in a specific equity reserve (and represented in the statement of comprehensive income) and then transferred to the Income Statement in the following financial years, i.e.

concurrently with the recognition of the underlying interest expense flows. It therefore follows that at the end of the financial year, the hedging effects recognised in the Cash Flow Hedge reserve are entirely generated by positions stipulated from 2016 onwards and in place at the reporting date and recognised in the balance sheet at fair value.

Effects of derivatives accounted in Cash Flow Hedge

The following table shows the impact on the shareholders' equity of the Company of the Cash Flow Hedge reserve recognised with reference to derivatives to hedge the risk of interest rate accounted for in Hedge Accounting at 31 December 2019, gross of the tax effect:

	Book value
Opening balances at 1.1.2018	55
Changes in fair value with impact in equity	(5,195)
Effects to Income Statement	(277)
Closing balances at 31.12.2018	(5,417)
Changes in fair value with impact in equity	(5,681)
Effects to Income Statement	(301)
Closing balances at 31.12.2019	(11,399)

The effectiveness of hedging derivatives recognised at 31 December 2019 in the Cash Flow Hedge reserve (negative for approximately Euro 11,399 thousand, in terms of their tax effect) is relative to the fair value of derivative financial instruments, net of interest rate differentials accrued at the reporting date; this amount suspended in the accounts in equity refers to future interest expense that will be recognised (with the consequent release of the economic effects suspended in equity) partly in 2020 (net payments estimated as approximately Euro 2,648 thousand) and partly in subsequent financial years (net payments estimated as Euro 9,520 thousand).

Sensitivity analysis of interest rate risk

As stated in the specific "risk management" section included in the Report on Operations which accompanies these financial statements, the Company is exposed to the risk of fluctuating interest rates, the volatility of which could have negative effects on the Company's cash flows.

The following is a sensitivity analysis to reasonably possible changes in interest rates at the reference date, keeping all the other variables underlying the valuation model constant. In particular, the range of changes assumed on the interest rate curve for the purposes of this analysis is ± 50 bps (basis points).

Sensitivity analysis of interest rate risk at 31 December 2019

At 31 December 2019					
Description	Change in the rate	Impact on Income Statement (before taxes)		Impact on Shareholders' Equity (before taxes)	
		Increase	Decrease	Increase	Decrease
Changes in fair value of rate derivatives designated in hedge accounting	±50 bps	184	-826	6,234	-5,841
Changes in fair value of rate derivatives not designated in hedge accounting	±50 bps	681	-704	-	-

Sensitivity analysis of interest rate risk at 31 December 2018

At 31 December 2018					
Description	Change in the rate	Impact on Income Statement (before taxes)		Impact on Shareholders' Equity (before taxes)	
		Increase	Decrease	Increase	Decrease
Changes in fair value of rate derivatives designated in hedge accounting	±50 bps	612	-1,186	7,268	-7,061
Changes in fair value of rate derivatives not designated in hedge accounting	±50 bps	865	-897	-	-

On the basis of the sensitivity analysis described above, it is noted that changes in the fair value of the derivatives portfolio deriving from the assumed rate changes would impact the Income Statement in all the financial years, as:

- some hedging instruments have not been accounted for in Hedge Accounting;
- the hedging instruments have a share of ineffectiveness, therefore a part of the changes in their fair value is recognised in the Income Statement and not suspended in equity according to the provisions of IFRS 9 for Cash Flow Hedges.

25. Other current financial assets

The breakdown of other current financial assets is as follows:

	2019	2018
OTHER FINANCIAL ASSETS	50,494	171,768
Receivables from Group companies for centralised treasury	16,080	125,806
Portfolio of securities/funds	13,018	15,027
Financial receivables from subsidiaries	11,931	4,563
Capitalised insurance policies	8,772	23,957
Financial receivables from associated companies	645	1,062
Financial receivables from parent companies	-	1,352
Others	48	1

Receivables from Group companies for centralised treasury, equal to Euro 16,080 thousand at 31 December 2019 (Euro 125,806 thousand at 31 December 2018) refer to the credit balances of the intercompany current accounts held with the various subsidiaries. In particular, in 2019, there are receivables from DEVAL, VALDIGNE, CVA VENTO and WIND FARM MONTEVERDE. The securities/funds portfolio amounted to Euro 13,018 thousand at 31 December 2019 and includes savings certificates issued by the bank Intesa San Paolo S.p.A. maturing on 23 November 2020 and savings certificates issued by Société Générale maturing on 08 January 2020. The value of the vouchers is equal to their nominal value plus accrued interest. Financial receivables from subsidiaries almost exclusively include the receivables relating to the short-term portion (due within 12 months) of loans granted to subsidiaries.

In particular, we highlight the receivables:

- from VALDIGNE for Euro 2,586 thousand at 31 December 2019 (Euro 2,477 thousand at 31 December 2018);
- from DEVAL, for Euro 721 thousand at 31 December 2019 (Euro 782 thousand at 31 December 2018);
- from WIND FARM MONTEVERDE, for Euro 4,408 thousand;
- from CVA VENTO for Euro 3,967 thousand.

Capitalisation insurance policies expiring within 12 months amount to Euro 8,772 thousand. Financial receivables from associated companies amounted to Euro 645 thousand (Euro 1,062 thousand at 31 December 2018) refer to the short-term portion relating to the loan receivable granted to the related company TELCHA. Financial receivables from parent companies have been collected in full (Euro 1,352 thousand at 31 December 2018) and refer to the short-term portion relating to the loan receivable granted to the parent company FINAOSTA, which, as already specified, was extinguished on 24 December 2019.

26. Other current assets

The breakdown of the item Other current assets is as follows:

	2019	2018
OTHER CURRENT ASSETS	12,394	17,706
Deferred assets	7,336	7,524
Receivables from the G.S.E. for incentives	3,802	9,027
Advances to suppliers	877	927
Receivables from employees	89	92
Receivables from social security institutions	23	5
Other assets - related parties	33	37
Other assets - subsidiaries	136	4
Other assets	100	92

The item "other current assets" amounted to Euro 12,394 thousand at 31 December 2019 (Euro 17,706 thousand at 31 December 2018) and mainly includes the following items:

- accrued and deferred assets, for Euro 7,336 thousand at 31 December 2019 (Euro 7,524 thousand at 31 December 2018), deriving from the deferred asset of water diversion supra-fees for Euro 5,089 thousand at 31 December 2019, as well as from deferred assets of various kinds including: insurance premiums, rents payable and long-term expenses;
- receivables from the GSE, for Euro 3,802 thousand at 31 December 2019 (Euro 9,027 thousand at 31 December 2018), deriving from contributions accrued during the year but not yet received;
- advances to suppliers, for Euro 877 thousand at 31 December 2019 (Euro 927 thousand at 31 December 2018), mainly consisting of advances paid on indemnities for environmental compensation provided for by the authorisations for the operation of wind plants to the Municipalities concerned and of advances paid to third-party suppliers on the basis of specific commercial agreements.

27. Cash and cash equivalents

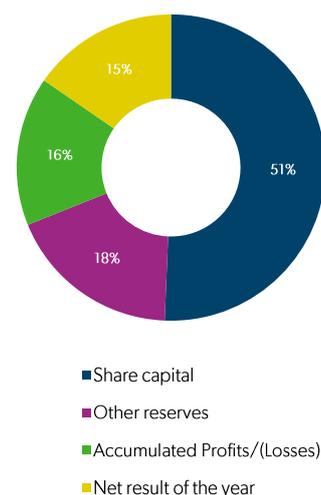
The item mainly includes the balance receivable of current bank accounts at the reporting date, equal to Euro 211,584 thousand (Euro 183,085 thousand at 31 December 2018). Cash and cash equivalents amounted to Euro 2 thousand at 31 December 2019 (Euro 3 thousand at 31 December 2018). Bank deposits amounted to Euro 211,581 thousand at 31 December 2019 (Euro 183,083 thousand at 31 December 2018). All balances are stated at nominal value and also include interest accrued but not yet credited at the end of the year. They are not burdened by constraints of any kind that limit their availability.

28. Shareholders' equity

The breakdown of the shareholders' equity of the Company is as follows:

	2019	2018
SHAREHOLDERS' EQUITY	770,922	753,213
Share capital	395,000	395,000
Other reserves	276,500	267,360
Accumulated Profits/(Losses)	35,815	35,815
Net result of the year	63,607	55,038

Shareholders' equity



Share capital

The share capital amounted to Euro 395,000 thousand, divided into 395,000 thousand ordinary shares with a nominal value of Euro 1.00 each. During the 2019 and 2018 financial years, there were no changes in the amount of share capital.

Other reserves

The breakdown of other reserves is shown in the following table:

	2019	2018
OTHER RESERVES	276,500	267,360
Extraordinary reserve	223,235	212,227
Legal reserve	49,382	46,630
IAS transition FTA reserve	12,289	12,289
Merger reserves	476	476
Hedging reserves	2	2
IAS 19 Employee benefits reserves	(221)	(147)
Cash Flow Hedge reserve	(8,663)	(4,117)

Extraordinary reserve

This reserve amounts to Euro 223,235 thousand (Euro 212,227 thousand at 31 December 2018) and includes the allocation made in the previous years, as approved by the shareholders' meeting. During the year, it increased by Euro 11,009 thousand due to the allocation of the 2018 profit.

Legal reserve

The legal reserve amounted to Euro 49,382 thousand (Euro 46,630 thousand at 31 December 2018). The increase recognised in the year is due to the allocation to this reserve of the twentieth part of the profit for the year 2018, as required by art. 2430 of the Civil Code.

First Time Adoption (FTA) Reserve

This reserve represents the balancing entry in shareholders' equity of the adjustments of equity balances deriving from the first application of the IAS/IFRS accounting standards at the transition date of 1 January 2014 and amounts to Euro 12,289 thousand.

Merger reserves

The item includes for Euro 476 thousand the net merger capital resulting from the 2001 merger operation.

Cash Flow Hedge reserve (OCI)

This reserve includes the effective portion of the change in the fair value of derivative financial instruments classified as Cash Flow Hedges and designated as hedges of the interest flows generated by the hedged loans payable. The change in fair value is expressed net of accrued interest and the tax effect. The reserve was negative and amounted to Euro 8,663 thousand

at 31 December 2019. Its changes are recognised under other components of comprehensive income.

Actuarial reserve IAS 19 (OCI)

The item includes actuarial losses relating to defined benefit plans for employees, negative for Euro 221 thousand at 31 December 2019 (Euro 147 thousand at 31 December 2018). It is reported, for its change in the year, amongst other items on the statement of comprehensive income.

Accumulated profits/(losses)

The item was positive for Euro 35,815 thousand at 31 December 2019 (unchanged on 31 December 2018). This item includes differences arising from the restatement of prior-year results due to changes in accounting standards or corrections of accounting errors. In particular, the main component consists of the differences on the 2014 and 2015 results for the first-time adoption of IAS/IFRS.

Net result of the year

The net result was positive for Euro 63,607 thousand in 2019 (Euro 55,038 thousand at 31 December 2018).

63.6
Mln
2019 net result

Statement of Equity with additional information

The details of the individual shareholders' equity items are shown below, with a breakdown by their origin and possibility of use:

	Origin	Possibility of use	2019	2018	2017
Share capital			395,000	395,000	395,000
Legal reserve	Profit reserve	B	49,382	46,630	44,927
Extraordinary reserve	Profit reserve	A,B,C	223,235	212,227	248,874
Merger reserves	Other reserves	A,B	476	476	476
IAS transition FTA reserve	Other reserves	B	12,289	12,289	12,289
Loss coverage reserve	Other reserves	B	2	2	2
Cash Flow Hedge reserve	Other reserves	-	(8,663)	(4,117)	42
IAS 19 reserves - Employee Benefits	Other reserves	-	(221)	(147)	(256)
Profits/(accumulated losses)	Profit reserve	A,B,C	35,815	35,815	35,029
Total			707,315	698,175	736,383
<i>Of which:</i>					
<i>Non-distributable portion:</i>			448,265	450,133	452,480
<i>Residual distributable portion:</i>			259,050	248,041	283,902
Key: A) for capital increase; B) for loss coverage; C) for distribution to shareholders.					

29. Current and non-current employee benefits

Employee benefits amounted to Euro 4,967 thousand in the year (Euro 6,666 thousand in 2018). The table below shows the changes in the years:

	Employee severance indemnity (TFR)	ISO pension	Loyalty bonus	Discount	Employee bonuses	Other employee benefits	Total
Current value of the obligation at 31/12/2017	2,180	1,712	731	2,873	-	303	7,799
Current cost	-	-	48	11	-	10	69
Financial expenses	32	-	11	42	-	4	89
Increases/(decreases) for acquisitions and transfers	(2)	-	1	-	-	-	(1)
Benefits provided	(72)	(959)	(12)	(95)	-	(8)	(1,146)
Revaluations (*)	(15)	6	(7)	(126)	-	(2)	(144)
Other changes	-	-	-	-	-	-	-
Current value of the obligation at 31/12/2018	2,122	759	773	2,706	-	303	6,663
Current cost	-	-	48	(1,531)	358	9	(1,116)
Financial expenses	32	-	12	42	-	4	91
Increases/(decreases) for acquisitions and transfers	(49)	-	(20)	-	-	(12)	(81)
Benefits provided	(33)	(547)	(15)	(89)	-	(8)	(692)
Revaluations (*)	45	(20)	26	27	-	26	103
Other changes	-	-	-	-	-	-	-
Current value of the obligation at 31/12/2019	2,117	192	823	1,155	358	322	4,967
<i>of which</i>							
<i>current portion</i>	248	192	18	718	358	57	1,591
<i>non-current portion</i>	1,869	-	805	437	-	266	3,376

(*) The item "revaluations" includes the following components:
1. actuarial (gains)/losses resulting from changes in demographic assumptions;
2. actuarial (gains)/losses resulting from changes in financial assumptions
3. (gains)/losses resulting from the effect of past experience

Liabilities for employee benefits are mainly represented by the following components:

- plan pursuant to article 4 of the Law no. 92/2012 ("Fornero Law") relating to the leaving incentive for employees of the Company close to reaching the retirement requirements ("isopensione") on the basis of specific company agreements. The value of the liabilities in question amounted to Euro 192 thousand at 31 December 2019 (Euro 759 thousand at 31 December 2018). The plan will end during 2020;
- severance indemnity (TFR) recognised in compliance with the provisions of current legislation. The value of the liabilities in question amounted to Euro 2,117 thousand at 31 December 2019 (Euro 2,122 thousand at 31 December 2018);
- the company loyalty bonus to be paid to employees upon reaching a specified length of service. Liabilities accrued amounted to Euro 823 thousand at 31 December 2019 (Euro 773 thousand at 31 December 2018);
- energy discount fund, relating to tariff concessions granted to employees after retirement. The liability accrued amounted to Euro 1,213 thousand (Euro 2,817 thousand at 31 December 2018). The item was influenced by the reversal to income

of Euro 1,540 thousand following the trade union agreement that sanctioned its cancellation;

- the provision for employee bonuses is equal to the amounts set aside for incentives to be paid to department heads and executives upon achievement of specific objectives (according to an MBO plan) in the amount of Euro 358 thousand;
- other employee benefits totalled Euro 322 thousand at 31 December 2019 (Euro 306 thousand at 31 December 2018) and are represented by: (i) additional compensation for FOPEN contributions due to eligible employees; (ii) additional monthly payments due to eligible employees on the basis of the requisites envisaged by the National Collective Bargaining Agreement (“IMA”).

For the purpose of defining the amount of the current value of the obligations, an estimate was made of the future provisions which, on the basis of development assumptions related to both the numerical development of the community and the salary development, will be provided to each employee in the case of continuation of work, retirement, death, resignation or request for anticipation. The only exception is the provision for employee bonuses, which, in view of its nature as a short-term benefit (bonuses are paid in the following year), has not been discounted. Since these premiums have a prevalent valuation component in their determination, they have been recorded under provisions and not under payables. The main economic and financial assumptions adopted for the calculations are as follows:

	2019	2018
Discount rate	0.80%	1.60%
Discount rate – early retirement (isopensione) fund	0.00%	0.00%
Annual inflation rate	0.80%	1.50%
Annual increase in the price of electricity consumption	0.00%	1.50%
Annual salary increase rate	1.80%	2.50%
Annual TFR advance frequencies	3.00%	3.00%

In compliance with the provisions of IAS 19, a sensitivity analysis is provided for each significant actuarial assumption at the end of the year, showing the effects that there would be as a result of changes in actuarial assumptions reasonably possible at said date, in absolute terms.

	2019		2018	
	Change in liabilities as the rate changes	One Year Cost	Change in liabilities as the rate changes	One Year Cost
	-0.50%		0.50%	
Employee severance indemnity (TFR)	113	-	(106)	-
Early retirement (isopensione)	-	-	()	-
Loyalty bonus	63	56	(57)	46
Other employee benefits	43	11	(40)	10

30. Provisions for risks and charges

The breakdown of provisions for risks and charges is as follows:

	Provision for disputes	Provisions for charges	Total
Closing balance - 31 December 2017	4,448	4,727	9,175
Allocations in costs	39	214	252
Allocation in financial expenses	-	(4)	(4)
Adjustment of dismantling provisions	-	475	475
Uses	(32)	(77)	(109)
Earnings	(34)	(414)	(448)
Closing balance - 31 December 2018	4,420	4,921	9,342
Allocations in costs	9	164	173
Allocation in financial expenses	-	379	379
Adjustment of dismantling provisions	-	-	-
Uses	(349)	(106)	(455)
Earnings	(659)	(1,685)	(2,344)
Closing balance - 31 December 2019	3,422	3,674	7,096

The provision for disputes refers to disputes in progress with third parties.

INPS litigation: provision of Euro 99 thousand for the liabilities that could potentially emerge from the ongoing litigation with INPS and concerning the contributions related to the economic treatment of sickness and maternity in relation to the staff already employed ENEL - social security position no. 0401840281. CVA claims the absence of its obligation to pay INPS contributions related to the economic treatment of sickness and maternity of its employees; consequently, it requested reimbursement of contributions unduly paid for the period from 1 June 2001 to 30 April 2012. The case was discussed on 4 April 2012 before the Court of Appeal of Turin, labour section, which sentenced, with sentences 403/12 and 952/12, the INPS to pay contributions unduly claimed by the Institute for a total amount of Euro 839 thousand including interest and legal fees. The INPS appealed the rulings of the Court of Appeal of Turin with appeal to cassation. At 31 December 2012, it was considered appropriate to reserve the sums obtained as reimbursement by INPS for Euro 839 thousand, as well as to proceed to the provision of the contributions not paid in the subsequent periods. By order no. 31867/18 of 10 December 2018, the Supreme Court partially upheld the appeal of INPS against judgements no. 403/2012 and no. 952/2012 of the Court of

Appeal of Turin in terms of maternity contributions, referring the case back to the Court of Appeal of Turin. At 31 December 2018, the provision had a total balance of Euro 1,082 thousand. In a judgement dated 30 October 2019, the Turin Court of Appeal declared that CVA was not required to pay illness contributions (for the period under dispute), while it is required to pay maternity contributions. In light of the outcome of the litigation, the portion of the fund relating to undue sickness contributions and the portions of contributions that are now statute-barred was reversed into income for a total of Euro 658,634. The portion of maternity contributions recorded in the fund, amounting to Euro 333 thousand, has been recorded as a liability and will be paid in 2020. Provisions were made for Euro 8 thousand in relation to sickness contributions not paid during the financial year, the due date of which is still uncertain. In fact, the judgement of the Court of Appeal of Turin established that the failure to comply with the obligation to pay such contributions concerns only the period up to 30 April 2012, specifying nothing about subsequent periods. The total amount of contributions whose due date is still uncertain but considered probable is therefore Euro 99 thousand.

Litigation for civil cases: provision of Euro 13 thousand against liabilities that could probably emerge from the civil action brought against the Company by the employee of a subcontractor for obtaining unpaid remuneration. The litigation, which has already passed two levels of judgement, during the year saw the Court of Appeal of Turin issue a negative ruling for the company that was also ordered to pay litigation costs. The estimate of the liability also includes the amounts due to the consultant in charge of following the litigation. As there were no developments in the dispute, the provision did not change during the year.

RAVDA Administrative Penalties: the provision of Euro 120 thousand underwent a minor change to adjust its amount to the risks of existing penalties regarding the exceeding of the average withdrawal flows provided for by the derivation concessions of 4 hydroelectric plants occurred in 2013 and in the following years contested by the Region. At the end of the procedure, the latter may impose administrative sanctions of up to Euro 30 thousand for each excess.

ETS Arbitration dispute: amounting to a total of Euro 3,189 thousand (it did not undergo any changes during the year), it refers to the risk deriving from the Arbitration Procedure Energy & Technical Services S.r.l. (hereinafter "ETS") for liabilities that could potentially emerge from the outcome of the arbitration proceedings, one of the parties of which was the company Ponte Albanito S.r.l. a s.u. This arbitration arises from the alleged violation of contractual commitments and/or guarantees with respect to the company ETS. The sum set aside was estimated according to the outcome of the arbitration that was the subject of a subsequent appeal to the Court of Appeal of L'Aquila. The Court adjourned the hearing for closing arguments first to 14 January 2020 and then to 26 May 2020.

It is also worth mentioning the full use of the provision of Euro 15 thousand present in FY 2018 against risks arising from the litigation in progress for the dismissal for just cause of a terminated employee, a litigation that was closed in 2019. The provision for charges refers to liabilities of various kinds that are probable or certain, but of an estimated amount.

It mainly consists of:

- bonus on the maintenance of the photovoltaic plants of Valencia and Alessandria to be paid to the supplier Stern Energy S.p.A. for Euro 2; the provision corresponds to the amount set aside during the year. The portions set aside in previous years have been used and provisioned for the surplus;
- expenses for guarantees provided: compared to the previous year, the provision of Euro 51 thousand was provisioned for Euro 48 thousand following a reduction in guarantees provided to guarantee the obligations of the investee LE BRASIER. The purpose of the provision is to cover the risks associated with the enforcement of guarantees issued in favour of the financial institutions FINAOSTA, Banca Intesa Sanpaolo S.p.A. and Banca di Credito Cooperativa Valdostana S.c.r.l., which granted unsecured loans to the investee LE BRASIER;
- expenses for maintenance of large dams: this provision, which was released in full in the amount of Euro 1,637 thousand, reflects the costs incurred by concession-holders to maintain the safety of large-scale dams. As a result of the work carried out, the risk of these charges occurring is now considered remote;
- reclamation of public lighting systems Municipality of Aosta: the provision of Euro 106 thousand made corresponds to the commitment assumed by CVA regarding the reclamation of the lighting systems located in the Municipality of Aosta prior to their sale to the Municipality itself;
- exceeding of the quotas of withdrawal allowed to CVA: the provision covers the charges for the State fees and supra-fees due in case of exceeding the quantities of derived water for the hydroelectric plants with respect to what is established by the concessions. The provision at 31 December 2019 amounted to Euro 112 thousand and refers to the excesses recorded in 2014 and 2015 by the Maen-Cignana plant and those recorded in 2018 by the Avise plant. The provision, during the year, was used for Euro 62 thousand for fees and overcharges paid.
- plant restoration provision: this corresponds to the discounted value of the dismantling works that will have to be carried out (as envisaged by the relative authorisations) on the photovoltaic plants of Valenza and Alessandria and on the wind plants of Ponte Albanito, Piansano and Saint Denis and Pontedera at the end of their operation. In 2019, the provision increased by Euro 379 thousand due to the discounting of liabilities at a lower rate (0.8%) than in the previous year (1.6%).

31. Current and non-current financial liabilities

Non-current financial liabilities amounted to Euro 313,852 thousand at 31 December 2019 (Euro 339,502 thousand at 31 December 2018), and consisted mainly of the long-term portion of bank loans held by the Company valued at amortised cost, liabilities entered in respect of rights of use in accordance with IFRS 16 (as described in note 14) and to a lesser extent of the financial liabilities still outstanding for the acquisition of area rights on the land where the Valenza photovoltaic plant is located.

	2019	2018
NON-CURRENT FINANCIAL LIABILITIES	313,852	339,502
Bank loans	309,874	338,608
Financial liabilities for leasing	3,144	-
Other financial payables	834	894

Other current financial liabilities amounted to Euro 73,564 thousand at 31 December 2019 (Euro 89,741 thousand at 31 December 2018) and the breakdown is as follows:

	2019	2018
OTHER CURRENT FINANCIAL LIABILITIES	73,564	89,741
Payables to Group companies for centralised treasury	44,201	60,761
Bank loans	28,904	28,880
Financial liabilities for leasing	362	-
Financial payables to subsidiaries	6	10
Other financial payables	91	91

Payables to Group companies for centralised treasury, equal to Euro 44,201 thousand at 31 December 2019 (Euro 60,761 thousand at 31 December 2018), refer to the debit balances of centralised treasury current account transactions held with the various subsidiaries. In particular, payables are recorded to CVA ENERGIE and WIND FARM MONTEVERDE.

Bank loans, amounting to Euro 28,904 thousand at 31 December 2019 (Euro 28,880 thousand at 31 December 2018), represent the short-term portion of bank loans held by the Company valued according to the amortised cost criterion.

The financial liabilities for leases have been described in note 14 on Rights of Use. We note only the presence of liabilities towards related parties for Euro 2 thousand.

Payables to subsidiaries are recorded for interest accrued in the fourth quarter on the centralised treasury account.

Other financial payables amounted to Euro 91 thousand and consist mainly of the short-term portion of financial payables for the acquisition of area rights.

The changes in bank loans payable for the year are shown below, with a breakdown between monetary and non-monetary changes:

Counterparty	31/12/2018	Monetary net change	Non-monetary net change	31/12/2019
Intesa Sanpaolo	80,526	(17,835)	32	62,724
Intesa Sanpaolo	99,610	(10)	56	99,656
BNL	99,357	(7)	96	99,446
BEI	23,996	(3,011)	()	20,985
BEI	24,000	(3,012)	()	20,988
BEI	23,998	(3,005)	(7)	20,986
BEI	16,001	(2,002)	(7)	13,992
TOTAL	367,488	(28,880)	169	338,777

With reference to the maturity analysis required by the standard IFRS 7 for financial liabilities, the table below shows the analysis by expiry of expected cash flows (non-discounted values) from bank loans recognised in the financial statements (distinguishing between interest and capital flows).

Maturity analysis at 31 December 2019

		2019				
		1 year	1-2 years	2-5 years	> 5 years	Total
Bank loans	Capital flows	28,879	28,925	59,973	222,000	339,777
	Interest flows	1,979	1,934	5,581	1,812	11,306

Maturity analysis at 31 December 2018

		2019				
		1 year	1-2 years	2-5 years	> 5 years	Total
Bank loans	Capital flows	28,835	28,879	77,898	233,000	368,612
	Interest flows	2,348	2,290	6,540	4,184	15,363

32. Categories of financial instruments

The following table shows the values of the financial statements at 31 December 2019 and for comparative periods of financial assets and liabilities, broken down into the categories of financial instruments defined by IFRS 9.

Financial assets

	2019	2018
Loans and Receivables	131,505	66,642
Certificates of deposit and repurchase agreements	13,018	23,029
Loans receivables with associates, subsidiaries and parent companies	118,487	43,612
Financial assets available for sale	85,201	71,973
Insurance policies	85,201	71,973

Financial liabilities

	2019	2018
Financial liabilities measured at fair value	12,820	6,182
Liabilities for financial derivatives in Hedge Accounting	11,819	5,535
Liabilities for financial derivatives not in Hedge Accounting	1,002	647
Financial liabilities measured at amortised cost	338,777	367,488

33. Fair value of financial instruments

The following table illustrates, for financial instruments recorded in the balance sheet, the fair value valuation at the end of the reference period and the related level in the fair value hierarchy previously shown, comparing it with the value recorded in the financial statements:

Fair value hierarchy at 31 December 2019

	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
Financial assets	12,781,067	-	-	12,781,067	-
Non-current financial receivables from associates and parent companies	106,159	-	-	106,159	-
Current financial receivables from associates and parent companies	12,576,689	-	-	12,576,689	-
Capitalised insurance policies	85,201	-	-	85,201	-
Bank deposits	13,018	-	-	13,018	-

	Book value	Total	Fair value		
			Level 1	Level 2	Level 3
Financial liabilities	351,597	0	0	351,597	0
Bank loans	338,777	-	-	338,777	-
Liabilities for financial derivatives	12,820	-	-	12,820	-

Fair value hierarchy at 31 December 2018

	Book value	Total	Fair value		
			Level 1	Level 2	Level 3
Financial assets	138,615	-	-	138,615	-
Non-current financial receivables from associates, subsidiaries and parent companies	38,277	-	-	38,277	-
Current financial receivables from associates, subsidiaries and parent companies	5,336	-	-	5,336	-
Capitalised insurance policies	71,973	-	-	71,973	-
Assets for financial derivatives	-	-	-	-	-
Portfolio of securities/funds	-	-	-	-	-
Repurchase agreements	-	-	-	-	-
Bank deposits	23,029	-	-	23,029	-

Amounts in Euro thousands	Book value	Total	Fair value		
			Level 1	Level 2	Level 3
Financial liabilities	373,670	-	-	373,670	-
Bank loans	367,488	-	-	367,488	-
Liabilities for financial derivatives	6,182	-	-	6,182	-

In general, the fair value of financial instruments traded on regulated markets (such as bonds in the portfolio) is determined using the official prices for financial instruments (Level 1). For financial instruments not listed on regulated markets (derivative instruments and loans), the relative fair value is instead determined using appropriate valuation models for each category, using the market data available at the reporting date and discounting expected cash flows based on the interest rate curves (Level 2 input data). With reference to cash and cash equivalents and other short-term financial assets or liabilities, the nominal value recognised in the financial statements represents a reasonable approximation of the relative fair value.

34. Trade payables

The breakdown of trade payables is shown in the following table:

	2019	2018
TRADE PAYABLES	128,966	129,046
Suppliers	28,645	29,019
Subsidiaries	100,243	99,957
Associated companies	3	5
Related parties	75	65

Payables to suppliers

Payables to suppliers, equal to Euro 28,645 thousand at 31 December 2019 (Euro 29,019 thousand at 31 December 2018) refer to invoices received and to be received mainly relating to routine and non-routine maintenance of hydroelectric plants.

Other liabilities to subsidiaries

Liabilities to subsidiaries amounted to Euro 100,243 thousand (Euro 99,957 thousand at 31 December 2018). They mainly refer to the advances received from CVA ENERGIE for the monthly sale of electricity produced (Euro 100,000 thousand). Other trade payables to subsidiaries refer almost entirely to invoices receivable by the subsidiary CVA ENERGIE for the energy it supplies.

Other liabilities to associated companies

Liabilities to related companies refer to payables of Euro 3 thousand to the associated company TELCHA for gas supplied by it.

Other liabilities to related parties

Other liabilities refer to payables for invoices relating to suppliers classified as related parties for Euro 75 thousand (Euro 65 thousand at 31 December 2018).

35. Payables for income taxes

Income tax payables Euro 1,807 thousand at 31 December 2019 (Euro 9,279 thousand at 31 December 2018), mainly refer to payables for current taxes accrued during the year (Euro 1,040 thousand for IRES). This item also includes payables to subsidiaries participating in the national IRES tax consolidation scheme (Euro 767 thousand).

36. Other tax payables

The breakdown of the item “other tax payables” is shown in the following table:

	2019	2018
TOTAL OTHER TAX PAYABLES	2,237	1,274
Payables to the tax authorities for VAT	1,621	405
Withholding tax for employees	455	442
Payables deriving from Group VAT regime	-	1
Other tax payables	161	425

VAT payables correspond to the Company’s VAT payable position at the end of the year. In 2019, there was a VAT payable of Euro 1,621 (Euro 405 at 31 December 2018).

Other tax payables are mainly represented by payables to the tax authorities for withholdings towards employees and self-employed workers, made by the Company as a substitute tax. In addition, there are accrued liabilities for stamp duty on cash investments.

37. Other current liabilities

Other current liabilities amounted to Euro 7,542 thousand at 31 December 2019 (Euro 7,833 thousand at 31 December 2018) and the breakdown is as follows:

	2019	2018
OTHER CURRENT LIABILITIES	7,542	7,833
Payables for fees and supra-fees	2,235	2,235
Payables to social security institutions	1,983	1,705
Payables to employees	1,925	2,313
Deferred liabilities	303	323
Other liabilities other related parties	97	82
Other liabilities to subsidiaries	40	38
Payables to Directors	22	30
Payables for deposits and guarantees received	10	5
Advances from customers	3	3
Other payables	924	1,099

Payables for fees and supra-fees, equal to Euro 2,235 thousand at 31 December 2019 (Euro 2,235 thousand at 31 December 2018), refer to the water derivation fees due, but not yet paid at the end of the year.

The item also includes payables to social security institutions, equal to Euro 1,983 thousand (Euro 1,705 thousand in 2018), such as INPS and other supplementary pension funds.

Payables to employees, amounting to Euro 1,925 thousand at 31 December 2019 (Euro 2,313 thousand at 31 December 2018) mainly refer to accrued vacation and ROL that were not paid to employees.

Deferred liabilities amounted to Euro 303 thousand (Euro 323 thousand at 31 December 2018) and refer mainly to capital contributions deferred over the useful life of the assets to which the facilitation refers.

Other liabilities to related parties consist mainly of amounts owed to the Board of Auditors for fees paid during the year, while those to subsidiaries refer to deferred income on various types of consideration.

Payables to members of the Board of Directors amounted to Euro 22 thousand. Other payables mainly include the environmental compensation indemnities due to the Municipality of Piansano, the Province of Viterbo and the Municipality of Gello di Pontedera and to the relative Province for Euro 454 thousand, the payable for the building rights of the wind power plant of Ponte Albanito for Euro 40 thousand, the payable for the fees due for exceeding the average withdrawal capacities provided for by the derivation concessions at the Valpelline and Maen plants for Euro 235 thousand.

Commitments, guarantees and contingent liabilities

Below is a breakdown of the sureties and credit lines obtained and released by the Company on the date the note was prepared:

- the Company has issued personal sureties for the benefit of suppliers to guarantee the correct fulfilment of all the contractual obligations of the subsidiaries, for a total amount of Euro 154,642 thousand at 31 December 2019 (Euro 192,192 thousand at 31 December 2018). More specifically, at 31 December 2019, the main ones refer to personal guarantees issued for:
 - CVA ENERGIE for Euro 121,186 thousand;
 - DEVAL, as distributor of the Group, for Euro 16,001 thousand;
 - VALDIGNE for Euro 16,828 thousand;
 - CVA VENTO for Euro 626 thousand;
- the Company has issued personal sureties to guarantee the correct fulfilment of all the contractual obligations of the associated company TELCHA for Euro 2,112 thousand (unchanged compared to 31 December 2018);
- guarantees issued by third parties in favour of third parties for Euro 5,470 thousand (Euro 6,893 thousand at 31 December 2019) of which Euro 1,057 thousand referring to the mechanism referred to in art. 4 of the Law no. 92/2012 on the subject of early retirement plan (isopensione).

Guarantees received

The Company received guarantees from customers and suppliers for the correct fulfilment of contractual obligations for a total of Euro 9,090 thousand.

Information pursuant to article 1, paragraph 125, of the law of 4 August 2017 no. 124

Law 124 of 4 August 2017, article 1, paragraphs 125-129 (Annual Law on the Market and Competition), introduced new disclosure requirements regarding the transparency of public funding received and granted. This discipline has recently been modified by art. 35 of the Decree Law no. 34/2019 ("Growth Decree"), which has limited the obligations of transparency, excluding from the perimeter the advantages received by the beneficiary on the basis of a general regime (tax facilitations, contributions that are given to all those who meet certain conditions). The transparency rules of Law no. 124/2017 are therefore focused on bilateral relations, in which a given entity in the public sphere attributes an advantage to a particular entity in the third sector or to a specific company. As a result of this new legislation, tax facilitations were not taken into account, as they were general and not individual measures. The reporting criterion to be followed is the "cash criterion". Contributions are expressed gross of any withholding and/or other compensation. In light of the above, the grants (contributions, paid tasks, economic benefits) received by public administrations are summarised below.

Disbursing party	Amounts in Euro	Reason	Notes
GSE S.p.A.	3,272,437.75	GRIN incentive - Convention 000023	Incentive published on the GSE website
GSE S.p.A.	4,437,743.02	GRIN incentive - Convention 000889	Incentive published on the GSE website
GSE S.p.A.	298,279.54	GRIN incentive - Convention 000893	Incentive published on the GSE website
GSE S.p.A.	38,289.31	GRIN incentive - Convention 000892	Incentive published on the GSE website
GSE S.p.A.	194,628.43	GRIN incentive - Convention 000894	Incentive published on the GSE website
GSE S.p.A.	1,266,908.80	GRIN incentive - Convention 000648	Incentive published on the GSE website
GSE S.p.A.	2,326,199.63	GRIN incentive - Convention 001579	Incentive published on the GSE website
GSE S.p.A.	1,266,038.43	GRIN incentive - Convention 000481	Incentive published on the GSE website
GSE S.p.A.	541,499.95	GRIN incentive - Convention 000624	Incentive published on the GSE website
GSE S.p.A.	10,223,632.90	GRIN incentive - Convention 001018	Incentive published on the GSE website
GSE S.p.A.	160,431.96	Feed-In Tariff - Convention S01L232266707	Incentive published on the GSE website
GSE S.p.A.	155,271.98	Feed-In Tariff - Convention H01L229497207	Incentive published on the GSE website
GSE S.p.A.	158,426.42	Feed-In Tariff - Convention S01L232264707	Incentive published on the GSE website
GSE S.p.A.	373,981.35	Feed-In Tariff - Convention H01F10829207	Incentive published on the GSE website
GSE S.p.A.	155,665.98	Feed-In Tariff - Convention S01L242645207	Incentive published on the GSE website
GSE S.p.A.	374,009.86	Feed-In Tariff - Convention H01F11146607	Incentive published on the GSE website
GSE S.p.A.	3,698.40	Feed-In Tariff - Convention S01B00319806	Incentive published on the GSE website
GSE S.p.A.	160,446.19	Feed-In Tariff - Convention S01L232264007	Incentive published on the GSE website
GSE S.p.A.	387,750.87	Feed-In Tariff - Convention H01F11430307	Incentive published on the GSE website
GSE S.p.A.	385,874.82	Feed-In Tariff - Convention H01F11146807	Incentive published on the GSE website
GSE S.p.A.	163,811.59	Feed-In Tariff - Convention S01L232259507	Incentive published on the GSE website
GSE S.p.A.	163,230.86	Feed-In Tariff - Convention S01L232261007	Incentive published on the GSE website
GSE S.p.A.	383,847.00	Feed-In Tariff - Convention H01F10827507	Incentive published on the GSE website
GSE S.p.A.	156,942.92	Feed-In Tariff - Convention S01L244972507	Incentive published on the GSE website

Disbursing party	Amounts in Euro	Reason	Notes
GSE S.p.A.	376,819.41	Feed-In Tariff - Convention H01F10828407	Incentive published on the GSE website
GSE S.p.A.	374,882.49	Feed-In Tariff - Convention H01F10828007	Incentive published on the GSE website
GSE S.p.A.	82,794.59	Feed-In Tariff - Convention S01F10764307	Incentive published on the GSE website
GSE S.p.A.	165,339.13	Feed-In Tariff - Convention S01L242987407	Incentive published on the GSE website
GSE S.p.A.	151,855.61	Feed-In Tariff - Convention S01L232277807	Incentive published on the GSE website
GSE S.p.A.	2,967,953.07	Incentive tariff - Convention FER000672	Incentive published on the GSE website

Management and coordination activities

For as required pursuant to Art. 2497 and following of the Civil Code, reference is made to the Report on Operations.

Related Parties

With regard to the identification of the economic-equity relations with related parties and for the definition of "related party", reference is made to the international accounting standard IAS 24, approved by EC Regulation no. 1725/2003. Transactions with the companies belonging to CVA, as well as with the other related parties - mainly the Region and FINAOSTA, as well as the other subsidiaries and associates - are governed by specific contracts. The following tables summarise the economic and financial relations between the Company and the other related parties in 2019:

Receivables from related parties

Euro thousands	Rights of Use (IFRS 16)	2019				2018			
		Company	Financial receivables	Trade receivables	Tax receivables	Other receivables	Financial receivables	Trade receivables	Tax receivables
<i>Parent Company</i>									
	-	-	-	-	-	15,875	-	-	-
<i>Finaosta S.p.A.</i>									
	-	-	-	-	-	15,875	-	-	-
<i>Subsidiaries</i>									
	-	126,022	150,562	2,942	136	145,403	143,386	4,613	4
<i>CVA Energie S.r.l. a s.u.</i>									
	-	-	148,079	2,293	-	-	139,990	3,814	4
<i>Deval S.p.A. a s.u.</i>									
	-	15,017	1,110	284	-	17,345	2,091	-	-
<i>CVA Vento S.r.l.</i>									
	-	45,210	476	25	136	53,156	487	-	-
<i>Valdigne Energie S.r.l.</i>									
	-	15,685	834	1	-	15,269	786	799	-
<i>Monteverde S.r.l.</i>									
	-	50,110	61	338	-	59,633	31	-	-
<i>CVA Smart Energy S.r.l.</i>									
	-	-	1	1	-	-	1	-	-
<i>Associated Companies</i>									
	-	8,794	1	-	-	9,781	6	-	-
<i>Téléchauffage Aoste S.r.l.</i>									
	-	8,794	1	-	-	9,781	6	-	-
<i>Le Brasier S.r.l.</i>									
	-	-	-	-	-	-	-	-	-
<i>Other Finaosta Group companies</i>									
	-	-	-	-	-	-	4	-	-
<i>Other related parties</i>									
	6	-	79	-	586	-	50	-	588
TOTAL									
	6	134,816	150,642	2,942	722	171,060	143,446	4,613	592

Payables to related parties

Euro thousands	2019				2018				
	Company	Financial payables	Trade payables	Tax payables	Other payables	Financial payables	Trade payables	Tax payables	Other payables
<i>Parent Company</i>									
	-	-	-	-	-	-	-	-	-
<i>Finaosta S.p.A.</i>									
	-	-	-	-	-	-	-	-	-
<i>Subsidiaries</i>									
	44,207	100,243	767	-	60,771	99,957	152	-	-
<i>CVA Energie S.r.l. a s.u.</i>									
	43,602	100,233	22	-	60,771	99,950	22	-	-
<i>Deval S.p.A. a s.u.</i>									
	-	10	-	-	-	7	64	-	-
<i>CVA Vento S.r.l.</i>									
	-	-	-	-	-	-	64	-	-
<i>Valdigne Energie S.r.l.</i>									
	-	-	745	-	-	-	1	-	-
<i>Monteverde S.r.l.</i>									
	605	-	-	-	-	-	-	-	-
<i>CVA Smart Energy S.r.l.</i>									
	-	-	-	-	-	-	-	-	-
<i>Associated Companies</i>									
	2	3	-	-	-	5	-	-	-
<i>Téléchauffage Aoste S.r.l.</i>									
	-	3	-	-	-	5	-	-	-
<i>Le Brasier S.r.l.</i>									
	2	-	-	-	-	-	-	-	-
<i>Other Finaosta Group companies</i>									
	-	-	-	-	-	-	-	-	-
<i>Other related parties</i>									
	2	75	-	119	-	65	-	-	112
TOTAL									
	44,210	100,321	767	119	60,771	100,027	152	-	112

Revenues and other income with related parties

Euro thousands	2019			2018		
	Revenues from sales and services	Other revenues and income	Financial income	Revenues from sales and services	Other revenues and income	Financial income
Company						
<i>Parent Company</i>	-	-	2,519	-	-	516
<i>Finaosta S.p.A.</i>	-	-	2,519	-	-	516
Subsidiaries	156,845	461	5,458	144,143	458	4,521
<i>CVA Energie S.r.l. a.s.u.</i>	153,615	58	-	140,844	57	-
<i>Deval S.p.A. a.s.u.</i>	1,966	403	2,112	2,001	400	2,129
<i>CVA Vento S.r.l.</i>	473	-	511	473	-	570
<i>Valdigne Energie S.r.l.</i>	730	-	2,254	793	-	1,556
<i>Monteverde S.r.l.</i>	60	-	580	31	-	266
<i>CVA Smart Energy S.r.l.</i>	1	-	-	1	-	-
Associated Companies	6	-	304	6	-	322
<i>Téléchauffage Aoste S.r.l.</i>	6	-	304	6	-	322
<i>Le Brasier S.r.l.</i>	-	-	-	-	-	-
<i>Other Finaosta Group companies</i>	-	-	-	-	-	-
<i>Other related parties</i>	-	462	-	-	2,532	-
TOTAL	156,850	923	8,281	144,148	2,989	5,359

Costs and expenses with related parties

Euro thousands	2019			2018	
	Operating costs	Amortisation/depreciation	Financial expenses	Operating costs	Financial expenses
Company					
<i>Parent Company</i>	-	-	-	-	-
<i>Finaosta S.p.A.</i>	-	-	-	-	-
Subsidiaries	1,504	-	24	1,250	31
<i>CVA Energie S.r.l. a.s.u.</i>	1,498	-	24	1,249	31
<i>Deval S.p.A. a.s.u.</i>	5	-	-	2	-
<i>CVA Vento S.r.l.</i>	-	-	-	-	-
<i>Valdigne Energie S.r.l.</i>	-	-	-	-	-
<i>Monteverde S.r.l.</i>	-	-	-	-	-
<i>CVA Smart Energy S.r.l.</i>	-	-	-	-	-
Associated Companies	-	-	-	-	-
<i>Téléchauffage Aoste S.r.l.</i>	-	-	-	-	-
<i>Le Brasier S.r.l.</i>	-	-	-	-	-
<i>Other Finaosta Group companies</i>	-	-	-	-	-
<i>Other related parties</i>	18,419	1	-	16,264	-
TOTAL	19,922	1	24	17,514	31

Relations with the parent company

The main relation with FINAOSTA concerns a loan granted by the Company to its parent company for an amount of Euro 16,702 thousand (expressed according to the amortised cost criterion), on which interest income has accrued. The loan was extinguished early by FINAOSTA on 24 December 2019.

Relations with subsidiaries and other CVA Group companies

The main relations with related parties involve subsidiaries and other CVA Group companies. More specifically, the nature of these infra-group relations is related to the following aspects:

- Tax consolidation: the company, as regards the IRES tax, opted for the taxation regime pursuant to art. 117 of the TUIR Tax Code, Presidential Decree 917/86 the "National Tax Consolidation" with its subsidiaries. In particular, the agreement provides for the determination of a taxable income for the purposes of unitary IRES for the consolidating company CVA, resulting from the algebraic sum of the positive and negative taxable income of the companies adhering to the agreement. With respect to the transfer to the parent company of tax losses, exceeding of Gross Operating Income or non-deductible interest rates, the Subsidiaries is paid a fee that takes into account their concrete possibility of fully exploiting the resulting tax advantage. Otherwise, a compensation calculated based on 100% of the ordinary IRES rate is recognised;
- Group VAT settlement: the Company has adhered to the Group VAT settlement regime, including CVA ENERGIE, VALDIGNE, CVA VENTO and CVA SMART ENERGY within the scope;
- Centralised treasury: current account contracts are in place between the parent company and its subsidiaries, in order to guarantee centralised treasury to better manage the availability and provision of infra-group liquid resources;
- Loans: the Company has granted long-term interest-bearing loans to its subsidiaries at market rates (at the time of signing);
- Outsourcing services: these are accounting and tax services (accounting, tax consultancy, cash management, UTF management, accounting unbundling for ARERA and other administrative services of various kinds), financial and treasury management services, technical services (services regarding the environment and safety at work and services related to real estate), auditing and supervisory services pursuant to Legislative Decree 231/2001, budgeting and management control services, fixed asset management services, legal services, communication and information technology services, personnel and human resources management services, purchasing and procurement management services, staff services;
- Business relations: the parent company and the companies belonging to the Group have commercial relations of various kinds, regulated at market conditions. The main relations are held with CVA ENERGIE and have concerned the following aspects:

- supply of electricity by CVA ENERGIE;
 - CVA has benefited from the service offered by the subsidiary regarding the management and determination of tariff concessions due to some employees as users of the Greater Protection service;
 - the Company sold to its subsidiary the energy generated with the plants it owns;
 - the Company sold to the subsidiary the Guarantees of Origin on the production of energy from a renewable source;
- Dividends: the Company has acquired the right to obtain dividends approved by its subsidiaries;
 - Other services: in addition to the above, the parent company and the companies belonging to the Group hold further relations, of which the main ones include support services for the management of plants, the leasing of instrumental properties and the recharging of services purchased from third parties.

Relations with other related parties

The subsidiaries of FINAOSTA, the Region and its direct subsidiaries have been qualified as related parties; relations with these parties are mainly of a commercial nature and pertain to services provided to all customers. It should be noted that the accounting treatment as required by IFRS 16 has led to the emergence of fixed assets and financial liabilities attributable to lease contracts with related parties. Specifically, these are fees for crossings due to the Region. Instead, as regards the members of the Board of Directors, there are no further relations in addition to the offices held at the Company and from which the related remuneration and economic benefits derive.

Fees of the Corporate Bodies

Below is the information concerning the fees paid to directors and statutory auditors, as well as to members of the Supervisory Body pursuant to art. 2427, point 16 of the Civil Code:

Type of services	2019 fees	2018 fees
Directors' fees	118,490	117,100
Auditors' fees	85,401	86,639
Supervisory Body fees	10,816	9,803



Independent auditors' fees

For the information required pursuant to article 2427 point 16-*bis* of the Civil Code, reference is made to the relative note of the Consolidated Financial Statements.

Significant events after year-end

With reference to the recently applied accounting standards, reference is made to as illustrated in the specific section of the notes to the Consolidated Annual Financial Report of the CVA Group.

Proposal for the allocation of the profit of the year

To the Sole Shareholder

We submit herewith for your approval the financial statements of the Company as at 31 December 2019, recording a profit of Euro 63,607,200, which we propose to allocate Euro 3,180,360 - equal to 5% of said profit - to the "Legal Reserve", and as for the remainder of Euro 60,426,840 to suggest that the Shareholders' Meeting distribute 75% of the net profit in the amount of Euro 47,795,000, in line with the dividend policy approved in the 2019-2021 strategic guidelines, and as for the remaining Euro 12,631,840 (to be rounded off) to allocate it according to the determinations of the Shareholders' Meeting.

Châtillon, 27 May 2020

³ The Chief Executive Officer

Enrico De Girolamo

⁴ The Chairman

Marco Cantamessa

Reports and Annexes

Report by the Board of Auditors

REPORT OF THE BOARD OF AUDITORS TO THE SHAREHOLDERS' MEETING IN ACCORDANCE WITH ART. 2429, PARAGRAPH 2, OF THE CIVIL CODE.

To the Shareholders' Meeting of C.V.A. s.p.a. a s.u.

The Board of Auditors of the company C.V.A. s.p.a. a s.u. - appointed by the Shareholders' Meeting of 28 June 2019 for the three-year period 2019-2021 - examined the draft financial statements as at 31 December 2019, submitted for your approval. In this period characterised by the emergency caused by the spread of COVID-19, the Board of Auditors continued to carry out its supervisory activities, operating in smart working mode and interfacing with the Board of Directors and the Company's department heads by means of remote communication and the use of electronic documents.

Summary and results of supervisory activities

During the year ended as at 31 December 2019, our activity adhered to the provisions of the law and the rules of conduct of the Board of Auditors as issued by Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili [the Italian National Board of Registered and Chartered Accountants]; specifically, the board:

- has monitored compliance with law and the articles of association and respect for principles of correct administration;
- has attended the Shareholders' Meetings and Board of Directors' Meetings in relation to which, on the basis of information available, we did not become aware of any violations of the law or the Articles of Association, nor of any transactions that were manifestly imprudent or risky, in potential conflict of interest or such to put the company's equity at risk;
- has acquired, during the meetings held, from the Chief Executive Officer, information on the general performance of the company and its business outlook and the most significant transactions for their size or nature, carried out by the company and its subsidiaries and, based on the information acquired, we have no particular observations to report;
- has regularly met with the independent auditor of the accounts and no significant data or information emerged worthy of note in this report;

- has met the auditors of subsidiaries and no significant data and information emerged that require highlighting in this report;

- has met with the Supervisory Body and no critical issues emerged with respect to the correct implementation of the organisational model that require highlighting in this report;

- has examined and monitored, to the extent of its competence, the adequacy and functioning of the company's organisational structure, also by collecting information from the heads of the functions and in this regard the board has no particular observations to report;

- has gained awareness and monitored the suitability and function of the administrative and accounting system as well as its reliability in terms of correctly representing operative events. We did so by obtaining information from the department managers and through our examination of the company documents; we have no particular comments to make in this regard;

- has acquired information and monitored, insofar as competent to do so, the adequacy and functioning of the internal control system and can attest that all the directives, procedures and operating practices adopted by the company are suitable for achieving the strategic, operating, reporting and compliance objectives;

- no reports were received pursuant to Article 2408 of the Civil Code and, during the course of our supervisory activities, no other significant facts emerged that would require mention in this report.

Observations regarding the Financial Statements

We have reviewed the draft financial statements for the year ended 31 December 2019, which have been made available to us within the terms of Art. 2429 of the Civil Code, in which regard, we would report as follows.

As we have not been appointed to perform the statutory audit of the financial statements, we have inspected the general structures, their general compliance with the law in terms of preparation and structure; we have no particular comments to make in this regard.

The financial statements for the year ended 31 December 2019 comprise the statement of financial position, the income statement, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows and the related notes to the financial statements. The financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, and with the laws and regulations in force in Italy.

The explanatory note contains the information required by art. 2427 of the Civil Code and the information required by art. 2427-bis of the Civil Code, relating to derivative financial instruments and for financial fixed assets recorded at a value higher than their fair value; the note provides full information on commitments, guarantees and potential liabilities not shown in the balance sheet. The explanatory

note shall contain the information required by art. 1 paragraph 125 of Law No. 124/2017 on the obligation of transparency and communication of public grants received/collected during FY 2019.

The report on operations contains the information required by art. 2428 of the Civil Code and also reports the information required by the resolution of the Regional Council of the Autonomous Region of Valle d'Aosta no. 234/XV of 19 December 2018, which set the objectives on the general complex of operating expenses, including personnel costs, for subsidiaries; the ratio of operating costs to revenues for FY 2019 of C.V.A. spa a s.u. complies with the limit set by the aforementioned resolution.

As far as we are aware, in preparing the financial statements, the Directors made no exception to provisions of law in accordance with art. 2423, paragraph 4 of the Civil Code.

Conclusions

In consideration of the results of the activity carried out by EY s.p.a. - the company in charge of the statutory audit - contained in the audit report on the financial statements, from which no irregularities emerge and which contains a positive and unqualified opinion on the financial statements, this Board proposes that the Shareholders' Meeting approve the financial statements for the year ended 31 December 2019, as prepared by the Directors, together with the proposed allocation of the result for the year of Euro 63,607,200.

Chatillon, 11 June 2020

The Board of Auditors

Carmelo Marco Termine

Federica Paesani

Guido Bosonin



Independent Auditors' Report



Compagnia Valdostana delle Acque – Compagnie Valdôtaine des Eaux S.p.A

Financial statements as at December 31, 2019

Independent auditor's report pursuant to article 14 of
Legislative Decree n. 39, dated 27 January 2010

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Sole Shareholder of
Compagnia Valdostana delle Acque - Compagnie Valdôtaine des Eaux S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Compagnia Valdostana delle Acque - Compagnie Valdôtaine des Eaux S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of income, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

EY S.p.A.
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The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism 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, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we 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 achieves fair presentation.

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



Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Compagnia Valdostana delle Acque – Compagnie Valdôtaine des Eaux S.p.A. are responsible for the preparation of the Report on Operations of Compagnia Valdostana delle Acque – Compagnie Valdôtaine des Eaux S.p.A. as at December 31, 2019, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the financial statements of Compagnia Valdostana delle Acque – Compagnie Valdôtaine des Eaux S.p.A. as at December 31, 2019, and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the financial statements of Compagnia Valdostana delle Acque – Compagnie Valdôtaine des Eaux S.p.A. as at December 31, 2019, and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Turin, June 11, 2020

EY S.p.A.
Signed by: Luigi Conti, Auditor

This report has been translated into the English language solely for the convenience of international readers.