Consolidated and Separate Financial statements 2020

Graphic design by
Sustainability, Marketing & Public Relations Function

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 31/12/2020

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 no.	01013130073
Registered with the Office of the Register of Companies of Aosta	61357

Website: www.cvaspa.it

Contents

CORPORATE BODIES

Board of Directors

Chair of the Board of Directors.

Marco Cantamessa

Chief Executive Officer

Enrico De Girolamo

Directors

Monique Personnettaz

Marzia Grand Blanc

Fabio Marra

Board of Auditors

Chair of the Board of Auditors

Marco Termine Carmelo

Standing Statutory Auditors

Federica Paesani

Guido Bosonin

Independent Auditors

EY S.p.A.

Supervisory Body Legislative Decree 231/2001

Chair of the Supervisory Body

Francesco Scipioni

Member of the Supervisory Body

Nicola Distasi

Member of the Supervisory Body

Federico Massa

Letter to Shareholders

Dear Shareholders,

This letter is being drafted during the continuation of a complex and dramatic situation, due to the COVID-19 pandemic, and to the consequent economic and social repercussions, many of which have also affected with extreme severity the Autonomous Region of Valle d'Aosta (hereinafter "**RAVDA**" or "**Region**"), the reference territory for the CVA Group (hereinafter also "**Group**"). FY 2020, as well as the early months of 2021, were marked by such events on several levels, as will be detailed below.

In a nutshell, on an organisational level, the Group had to ensure the provision of its services by guaranteeing the safety of its employees and suppliers and bringing a very significant amount of its work on-line in a very short time. In terms of relations with local stakeholders affected by the pandemic, concessions were granted to customers and solidarity and support initiatives were launched in particular for health authorities. In terms of economic results, the sharp drop in consumption and prices led to a reduction in profitability, which was however strongly moderated by the careful hedging policies implemented at the time.

Now, despite the fact that the health emergency has not yet been completely resolved, the rapid arrival of effective vaccines against the infection and the consequent deployment of a major vaccination campaign mean that we can look forward, for the coming months and years, to a completely different scenario from the uncertain and gloomy one that characterised the same period last year.

In addition to the "restarting" of many initiatives and economic activities, which remained blocked or dormant during the long months of the health emergency, the countries of the European Union, and Italy first and foremost, will benefit from unprecedented measures, framed by the National Recovery and Resilience Plans ("**PNRR**"). These plans, and the Italian plan in particular, are characterised by certain issues that are particularly relevant for the Group.

The Italian PNRR can be effectively summed up in the phrase with which the President of the European Commission, Ursula von der Leyen, welcomed its reception ("*The Plan [...] includes reforms and investments for the digital and green transition, innovation, competitiveness, culture, education, cohesion and health*").

In the first place, the Plan presents "*reforms*" aimed at overcoming those brakes on development that have determined Italy's thirty-year inability to grow on a par with its European partners. These are brakes that, in their own small way, also directly affect the CVA Group: cumbersome and slow administrative procedures (e.g. in the permitting of investments in new plants); complexity and costs related to compliance with the various regulations to which the Group is subject (e.g. the Code of Tenders, regulations on transparency and anti-corruption, etc.); impediments to operating effectively in a market undergoing rapid and profound transformation [(e.g. the limitations imposed by Legislative Decree no. 175/2016 - Consolidated Law on Publicly Owned Companies (hereinafter the "**TUSP**")] on the purchase of company shares, or on activities not formally related to the production of electricity from RES).

The Group clearly views these reforms favourably, but also with some concern, should they further exacerbate the differences between companies operating freely in the market, and public subsidiaries. To this end, the Group will continue to take action within trade associations to make the legislature aware of these issues.

Also in the area of reforms, the Group is following very closely the issue of competition, which includes concessions for large-scale diversions of water for hydroelectric power plants. On this point, the Group views the approach of 2029 with confidence, knowing that it can leverage its significant industrial expertise and financial resources, but also with a certain degree of concern, should the allocation rules be inspired by a "simplistic" vision of the matter, such as not to guarantee a "level playing field" at European level, or such as not to ensure adequate attention to industrial aspects, including issues related to the protection of the territory and safety, or the planning of revamping and repowering of plants that are for the most part now obsolete.

In the "investments" area, the PNRR devotes no less than Euro 68.6 billion to the "Green Revolution and Ecological Transition", an area that is entirely consistent with the Group's distinctive competencies and strategy. As its advertising claim states, CVA is "renewable since always", with a business model that is unique on the national scene, combining 100% renewable production and complete supply chain integration, from production to sales. This "genetic" characteristic of the Group has been cultivated for some years now in a strategic key with diversification towards other "non-hydroelectric" RES. Also in line with the PNRR, this strategy will continue in the years to come, and will also see the Group committed to exploring new frontiers of decarbonisation strategies, from distributed production from RES within "energy communities", to the production and use of green hydrogen.

As usual, a brief history of the Group will be summarised below in this Letter to Shareholders, in the light of these background considerations. This will be followed by a prospective look at the future and, in particular, at the important 2021-2025 Strategic Plan recently launched: a Strategic Plan that leverages the extraordinary opportunities offered by this historical period, in order to give the Group an even more solid organisational and financial basis, and such as to lead it to successfully face the delicate transition to 2029.

History and data of the CVA Group

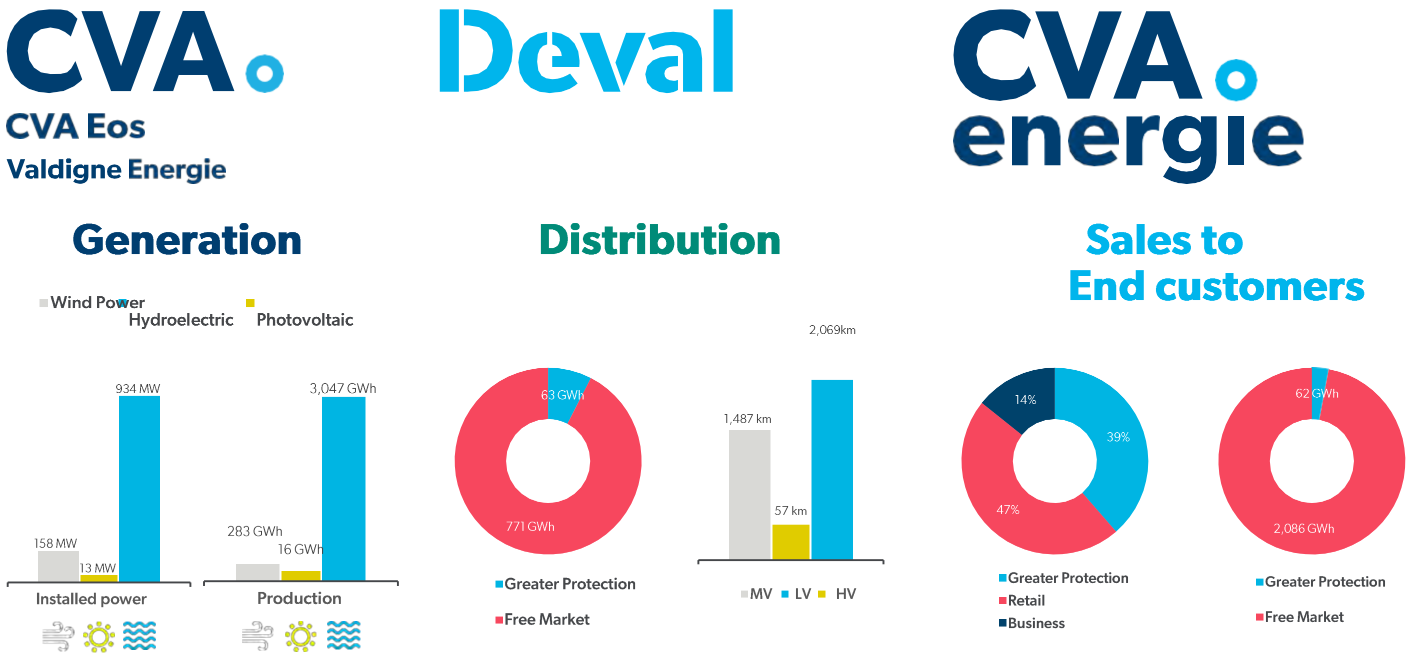
The history of the Company and the CVA Group, which on 1 June this year will celebrate its first twenty years this year, can be summarised in a few key stages.

The birth of C.V.A. S.p.A. a s.u. (hereinafter referred to as "**CVA**" or the "**Company**" or the "**Parent Company**") dates back to the liberalisation of the electricity market which took place thanks to Legislative Decree no. 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 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.

Over 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, the 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 followed by the one in Valenza: 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 wind levels - 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:



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 "**PNIEC**").

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 who introduced the TUSP with the dual purpose of having inactive or loss-making public companies liquidated 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 TUSP in order to prevent the sale of the shareholding.

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 TUSP, 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 TUSP.

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

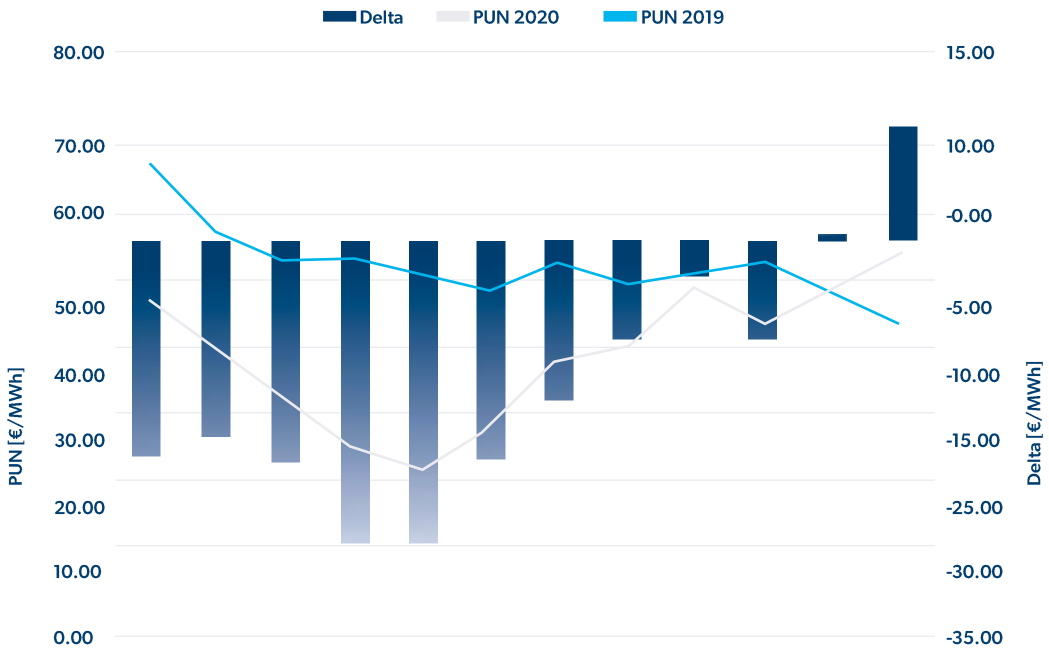
With regard to the electricity market in which the Company and the Group it controls operate, it should be noted that, in 2020, a year deeply marked by the health crisis and related restrictions brought about by COVID-19, the energy spot market expressed as the Single National Price (PUN TWA - Single National Price Time Weighted Average) a value of 38.92 Euro per MWh, down by approximately 25.6% from 52.32 Euro per MWh in 2019 and by approximately 36.5% compared with 2018 (61.31 Euro/MWh).

A comparison of the last two years of the monthly trend of the PUN (Single National Price) shows a situation that was already down sharply in the pre-lockdown period, emphasised by the restrictions in the March-June 2020 period. The summer period, characterised by an easing of the restrictive measures imposed by the health crisis, allowed a recovery in consumption and, consequently, in the price of energy commodities. There was another slight drop in October due to the worsening of the health situation and the uncertainty of possible new drastic restrictive measures. The final reversal of prices occurred in November, when restrictive measures of lesser impact than the previous ones were introduced due to the lack of supply of electric power in neighbouring countries, particularly in France.

The unavailability of a significant number of nuclear reactors, placed under maintenance in the face of expected weak demand due to the health crisis, as a result of market coupling, had a significant upward impact on the Italian electric power market. In terms of weather and climate, the year 2020 was characterised by a particularly warm spring with relatively early snow melt and water supply.

The anticipation of the so-called "Soft", coinciding with the lockdown period, generated an excess of energy fed into the National Transmission Grid against an extremely low demand. This condition forced Terna - Rete Elettrica Nazionale S.p.A. (hereinafter "**Terna**") - responsible for keeping the grid in balance - for the first time in the 21st century, to activate the reduction of inputs also for non-programmable hydroelectric power plants, requiring the release of most of the water input into the riverbed.

From a physical point of view, there was less import and more export of electricity with foreign countries in 2019, and compared with 2020, with preponderance of the former in absolute terms. Overall, approximately 32.2 TWh was imported from abroad in 2020 compared with approximately 38.1 TWh in the previous year.



	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Delta	-20.18	-18.36	-20.89	-28.55	-28.89	-20.57	-14.31	-9.23	-2.38	-9.25	0.59	10.70
PUN 2019	67.65	57.67	52.88	53.35	50.67	48.58	52.31	49.54	51.18	52.82	48.16	43.34
PUN 2020	47.47	39.30	31.99	24.81	21.79	28.01	38.01	40.32	48.80	43.57	48.75	54.04

From the point of view of energy consumption, it should be noted that the overall national change in demand for electricity, complicit in the health emergency, was a sharp contraction of 5.3% compared to 2019, making demand comparable to the early years of the new century, now a good twenty years ago. In terms of energy volumes, this meant around -16.9 TWh on 2019, with 2020 domestic demand standing at 302.8 TWh (319.6 in 2019). Demand was met primarily by thermoelectric power generation (including biomass), which accounted for 175.4 TWh (down significantly by 6.4%), and by hydroelectric generation, slightly up at a national level (+0.8% to 48.0 TWh). There was a slight increase in the trend for other renewable sources (+1.4% to 49.7 TWh) with a drop in wind power production, which was fully offset by the growth in photovoltaic production. Lastly, the net balance of imports from abroad was down (-15.6%), due in part to a sharp increase in exports (+30.0%), which rose from 5.8 TWh in 2019 to 7.6 TWh in 2020.

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 2020 national electricity system supplied by Terna, total production was 113,967 GWh, up by 1% on the final 2019 data of 112,871. This result benefited from the positive performance of production from photovoltaic and hydroelectric sources, which increased by 9.8% and 0.8%, respectively, compared to 2019, offsetting the reduction in production from wind sources of 7.4%.

3,347 GWh

produced from renewable sources

Production of electricity generation plants supplied by renewable sources (GWh)	2020	2019
National production	113,967	112,871
CVA Group production	3,347	3,067
C.V.A. S.p.A. production	3,102	2,826

With 3,347 GWh produced (3,067 GWh in 2019) the Group covered 2.9% of the national production of electricity from renewable sources in 2020 presenting a slight improvement compared to the contribution to national production presented in previous years, mainly due to the contribution of energy produced from hydroelectric sources which, in 2020 present for the Group compared to the year 2019 an increase of 9.1%. With reference to the Parent Company alone, this increase in production was 9.8% compared to the previous year.

Production of electricity generation plants powered by hydraulic power (GWh)	2020	2019
National production	47,990	47,590
CVA Group production	3,047	2,728
C.V.A. S.p.A. production	2,950	2,659

Production of electricity generation plants powered by Other RES (GWh)	2020	2019
National wind production	18,547	20,034
National photovoltaic production	25,549	23,320
CVA Group production	300	339
C.V.A. S.p.A. production	153	167

As for the production of plants powered by “Other RES”, which for the Group are represented only by wind and photovoltaic sources, the portion of national production realised in 2020 was 0.68% with 300 GWh produced of which, for 153 GWh, produced by the plants of the Company (0.35% of the national production by Other RES).

834 GWh

distributed

In 2019, the production portion was equal to 0.78% - with a production realised by the CVA Group plants of 339 GWh - and 0.38% - with a production realised by the plants of the Company of 167 GWh. The lower production realised in 2020 compared to 2019 is mainly due to unfavourable weather conditions as well as interruptions not attributable to causes dependent on the Group's plants but imposed by system operators.

With reference to the distribution Business Unit (hereinafter, also “**BU**”), in 2020 the CVA Group distributed, through the company DEVAL S.p.A. a s.u. (hereinafter “**DEVAL**”), 834 GWh, down 8.7% compared with 2019, serving 128,907 delivery points (as compared with 913 GWh of electricity and 129,156 delivery points in 2019).

Electricity distributed (GWh)	2020	2019	Absolute	
			Change	%
Free energy market	771	840	(70)	-8.3%
Greater Protection market	63	72	(9)	-12.9%
Total	834	913	(79)	-8.7%

2,148 GWh

supplied

There was a significant reduction in distributed energy due to lockdown measures adopted in order to contain the COVID-19 health emergency. The Sales BU in 2020 supplied, through the company CVA Energie S.r.l. (hereinafter "**CVA ENERGIE**"), to end customers 2,148 GWh (down 48% on 2019), of which 62 GWh to customers in the Greater Protection market and 2,086 GWh to customers in the Free market. With reference to the supply of electricity to end customers in 2020, there were outstanding supply contracts with CVA ENERGIE with 45,485 customers on the Free market (of which 799 referred to the Business segment and 44,686 to the Retail segment) and with 41,096 customers on the Greater Protection market (at the end of 2019, there were 1,174 customers in the Free market - Business segment, 42,992 customers in the Free market - Retail segment and 44,308 customers in the Greater Protection market). A total of 123,838 delivery points are referred to these customers, of which 17,680 referring to the Free market customers - business segment (34,923 at 31/12/2019), 58,317 referring to the Free market customers - Retail segment (56,093 at 31/12/2019) and 47,841 referring to the customers of the Greater Protection market (51,929 at the end of 2013).

Points of delivery (POD) contracted at 31 December (POD number)	2020	2019	Absolute	
			Change	%
POD Greater Protection market	47,841	51,929	(4,088)	-7.87%
POD Free Retail market	58,317	56,093	2,224	3.96%
POD Free Business market	17,680	34,923	(17,243)	-49.37%
Total	**123,838**	**142,945**	**(19,107)**	**-13.37%**

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

CVA Group Economic summary 2020-2019 (Euro thousand)	2020	2019
Net revenues	536,182	805,433
EBITDA	**138,933**	**152,458**
EBITDA in % on revenues	25.9%	18.9%
Amortisation, depreciation, provisions and write-downs	51,735	48,361
EBIT	**87,198**	**104,097**
EBIT in % on revenues	16.3%	12.9%
Financial income and expenses	(2,708)	(346)
EBT	**84,489**	**103,752**
EBT in % on revenues	15.8%	12.9%
Tax expenses	23,260	27,981
Tax rate in %	27.5%	27.0%
PERIOD NET RESULT	**61,230**	**75,771**
Net result of the period in % of revenues	11.4%	9.4%

In 2020, the Group, with an average workforce of 586 employees (574 employees in 2019) and revenues that marked a drastic decline on last year of more than Euro 269 million, in any case generated EBITDA of over Euro 138.9 million with a decrease of 8.9% compared with Euro 152 million in 2019.

The EBITDA margin on revenues improved clearly from 18.9% in 2019 to 25.9% in 2020. The above-mentioned trend of the main economic indicators is mainly due to the strategy adopted last year and continued in 2020 by CVA ENERGIE, to which the energy supply business is attributed, aimed at improving margins, even through a reduction in intermediated volumes.

Operating costs decreased by more than 39% compared to the previous year if read as a whole and, in particular, there was a decrease of approximately 45% in the item “costs for raw materials and services” compared to 2019, determined by the reduction in the volumes of energy purchased in light of the strategic choices described above, as well as the charges to be paid to the operators of the electricity system for the supply of energy.

In contrast to the trend described above, there was an increase in labour costs of 10.4%, mainly attributable to the distribution company as well as the Parent Company, mainly due to the increase in unit costs for the increases provided for by the national collective contract as well as the increase in the average number of employees due to the effect of new hirings mainly linked to the stabilisation of temporary positions held by temporary personnel. The 586 formed the Group's average workforce in 2020 provided a total of 951,959 hours of work, at a total cost of Euro 38.4 million.

Again with reference to operating costs, in 2020, costs for water diversion fees for hydroelectric use were incurred for Euro 36.2 million, compared to Euro 35.7 million in 2019.

The item “charges for amortisation, depreciation, provisions and write-downs” amounted to Euro 51 million in 2020, increasing by approximately 7% compared to the value of Euro 48.3 million in 2019. This change is due to both the increase in the item “depreciation and amortisation”, with particular reference to the item “plant and machinery” as well as distribution networks, and to the trend expressed by the item related to “provisions”, and the write-downs present an incremental value equal to Euro 677 thousand as in FY 2020 the provisions and write-downs exceeded the proceeds of funds, unlike FY 2019 where net provisions and write-downs were recorded for a negative value and equal to Euro 1,871 thousand.

EBIT of more than Euro 87 million (down 16% compared with 2019) generated, after absorbing financial expenses of Euro 2.7 million and tax expenses of Euro 23 million, a consolidated net profit of Euro 61 million (-19% compared with net profit of Euro 76 million in 2019) of which Euro 60 million attributable to the Group and Euro 1 million to third parties.

The Future

Despite the difficulties that emerged due to the emergency situation linked to the pandemic, 2020 confirmed the excellent state of health of your Group.

Specifically, the strategies implemented by the various Group companies, which helped strengthen the characteristics of resilience to 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, made it possible to address the issues that arose from the quite exceptional events that occurred during the year, generating value.

Although down on last year, the main balance sheet parameters remain easily positive; in the face of an increase in production coming in at 3,347 GWh in 2020 as compared with 3,067 GWh in 2019 (+9.1%) and a decrease in the average PUN in 2020 of approximately 25.6% on 2019, from 52.32 Euro per MWh to 38.92 Euro per MWh.

As mentioned at the start, the publication of the 2020 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 2021, the CVA Group will be twenty years old, an age that traditionally indicates maturity.

A maturity that, as shown by the numbers, your Group has amply achieved both in terms of market positioning and specific weight that sees it as a leading player at the national level among producers from renewable sources, distributors and sellers of electricity, and in terms of the skills acquired by its human resources that are the real added value to face the future challenges that await it with due optimism.

Indeed, if we look closely, we can consider this anniversary as a moment of transition between the past and the future in which your Group will have to know how to synthesise its own history, capitalising on the experience gained, in order to project itself towards a future where innovation and competence will allow it to seize the countless opportunities that lie ahead.

And it is precisely at the dawn of the decade of energy transition that the CVA Group wanted to launch its new strategic plan. An ambitious plan that is perfectly consistent with the European objectives of the green deal in terms of sustainable development and the fight against climate change.

A five-year plan from 2021 to 2025 with an outlook to 2029, which aims to prepare your Group for 2029, when the main hydroelectric concessions expire. The objective to be achieved is to ensure a sustainable competitive advantage in the medium term and then beyond 2029, while at the same time increasing employment and spin-offs in the area.

This plan is expected to invest more than Euro 600 million over the next five years to achieve six main objectives.

1 Revamping of hydroelectric assets

The plan calls for strengthening the Company's operating facilities in order to carry out major revamping of its hydroelectric infrastructures over a period of ten years.

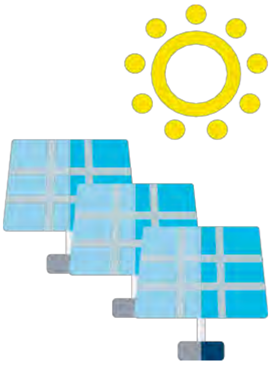
Specifically, it is planned to increase the renewal activities of plant automation systems with tailor-made systems completely made by the group's engineers (an activity that earned the recognition of the SMAU 2019 Award). Furthermore, an important design activity is foreseen in order to specifically define revamping interventions aimed at making the best use of the available water resources, increasing the overall efficiency of the plants and safeguarding, if not improving, the environmental impact.

2 Construction of new wind and photovoltaic plants

This priority is defined in line with the 2030 objectives of the PNIEC and the desire to diversify the CVA Group's overall production by source.

In particular, it is planned to build new photovoltaic and wind power plants throughout Italy, starting with co-development activities in partnership with specialised professionals in the sector.

As far as photovoltaic is concerned, it is foreseen the construction of plants for 383 MW of new power with an additional production in the five-year period equal to 2,241 GWh and an average annual saving of 340,000 tonnes of CO_2.



New target power

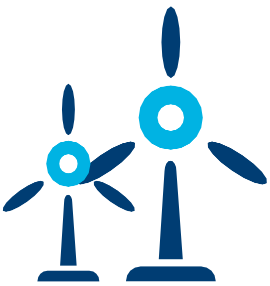
383 MW

Additional production

2,241 GWh over the five-year period

Average annual savings of 340,000 tonnes of CO_2

As far as wind is concerned, it is foreseen the construction of plants for 61 MW of new power with an additional production in the five-year period equal to 490 GWh and an average annual saving of 340,000 tonnes of CO_2.



New target power

61 MW

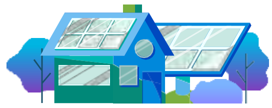
Additional production

490 GWh over the five-year period

Average annual savings of 54,000 tonnes of CO_2

3 Implementation of the new Energy Efficiency BU

CVA, on the occasion of the measures implemented by the Government relating to the so-called "110% Superbonus", has implemented a business unit dedicated to the energy efficiency sector. CVA firstly accredits operators in the sector that guarantee professionalism and capacity requirements; it then allows accredited operators to make proposals to their clients according to the standards it has defined. Finally, it manages energy efficiency interventions as a general contractor, acquiring the transfer of the tax credit.



It is estimated that energy efficiency measures will be carried out on 2,800 homes, corresponding to a saving of 1,183 TOE/year, equal to a reduction in CO_2 emissions into the atmosphere of more than 3,000 tonnes per year. It is also planned to carry out new energy and environmental requalification interventions of industrial plants or advanced tertiary buildings through the turnkey installation of cogeneration/trigeneration systems complete with absorber for the generation of cold water, steam production and hot process water.

4 Investments in the electricity distribution network

The objective is to adapt the Valle d'Aosta distribution network to the new needs related to the proliferation of distributed generation plants and the increase in electricity consumption.

The energy transition will imply in the next years the need of important investments at national level and therefore also in Valle d'Aosta, in order to adapt the distribution network to the new needs of the electric system, related to the proliferation of distributed generation plants, especially powered by non-programmable renewable sources, and to the increase of electric consumption related to the electrification objectives of the PNIEC, moreover with much higher contemporaneity coefficients, especially in function of the growth of electric mobility.

The interventions will concern the transformation and upgrading of the network in view of the progressive electrification of the users, the burying of lines with a high environmental impact and the construction of new transformation cabins, some interventions to increase the resilience of the lines and a process of digitalisation and remote control.

5 Commercial Development Plan

A new Commercial Plan has been approved, aimed at redefining the customer portfolio so as to focus more on margins than volumes.

CVA ENERGIE has launched a project for the development of the retail segment, aimed at expanding this customer base also outside the boundaries of Valle d'Aosta; it therefore intends to continue the activity of stabilising the economic performance of the portfolio of business customers. The aim is to transform CVA ENERGIE from a "seller of a commodity" to a "provider of innovative and more complex services", capable of combining a sustainable and green brand with technical and organisational skills, with the intention of developing a cross-selling of value-added services, such as energy efficiency or local energy communities, in addition to the sale of electricity.

The current health emergency situation linked to the COVID-19 pandemic has significantly accelerated the structuring and implementation of new contact actions aimed at customer acquisition, focusing on the development of the web, with the creation of more and more attractive products in the catalogue, such as to attract the attention of the end customer. Investments are planned so that the current service counters can be upgraded and transformed into "shopping points" in order to create an emotional and attractive experience for potential buyers, also taking advantage of the cross-selling opportunities offered by the current transformation of the energy market.

An indirect sales channel will also be launched at the national level, with specific targets in the domestic and micro-business markets. The positioning on these market segments, which show a higher marginality, aims at spreading the brand of CVA ENERGIE as a seller of renewable energy, also by promoting the Valle d'Aosta brand throughout the country.

6 Open Innovation

The CVA Group is committed to guaranteeing the presence of potential innovative activities, with possible significant employment effects on the regional territory; in particular, the Group will focus on 3 project initiatives.

First of all, it will continue the initiatives activated within the perimeter of the pilot projects started for the creation of collective self-consumption configurations of condominium and local energy communities, in collaboration with the Polytechnic of Milan and the Polytechnic of Turin; moreover, further initiatives to support and develop sustainable mobility in the Valle d'Aosta will accompany the collaboration already started for the installation of public charging stations for electric cars, with the aim of arriving at the installation of 250 charging stations.

Not only: CVA has signed a collaboration agreement with SNAM, one of the main energy infrastructure companies in the world, to create joint initiatives in green hydrogen and pilot projects aimed at pushing the energy transition in Valle d'Aosta.

This partnership will allow the two companies to integrate their respective expertise to identify initiatives aimed at facilitating the decarbonisation of industry and transport, through the use of green hydrogen, and in general of the entire energy sector in the region. In particular, SNAM and CVA will study projects to boost hydrogen mobility, including through the construction of related infrastructure (such as refuelling stations, compressors, electrolysers) and will be able to test innovative technological solutions related to the production, transport, compression and storage of hydrogen, also by participating in financing initiatives or public tenders. Joint initiatives may also concern solutions for the decarbonisation of heat-intensive industrial processes, for the power and heat supply of industrial facilities and districts and for dedicated storage for power generation plants.

The Plan figures

From 2021 to 2025, your Group has planned investments for a total of Euro 617 million; in particular, Euro 379 million are planned for the development of new production plants from wind and solar sources, which, together with the other investments, will lead to an expected increase in EBITDA of approximately Euro 39.3 million. This consolidation of CVA's role among Italy's leading producers of energy from renewable sources will also lead to a strengthening of the Group's financial position, which as early as 2024 will have the opportunity to free up resources useful for participating in tenders for the reassignment of large-scale hydroelectric concessions and for launching important revamping interventions on its hydroelectric infrastructure.

The plan envisages increasing the installed capacity of the CVA Group by 444 MW by 2025, reaching a total capacity of 1,548.5 MW (+40%); moreover, with the planned initiatives for energy efficiency in buildings and industrial buildings and trigeneration projects, it will make a substantial contribution to reducing CO_2 emissions into the environment, making a concrete contribution to national and European objectives of decarbonisation and reduction of climate-changing emissions: it is estimated that the CVA Group, with these new investments, will avoid atmospheric emissions of an additional 397,000 tonnes of CO_2 per year, equivalent to the amount absorbed by some 2,650,000 trees.

+40 %

on total power by 2025

With this Strategic Plan, your Group intends to give a new impetus to the economy of the Valle d'Aosta, both in terms of employment and in terms of involvement of the local production chain through a lively collaboration with the Region, both to be able to create a system and effectively carry out innovation projects in the territory, and to build a permanent training program on the new key professions related to the new energy paradigm.

Châtillon, 14 May 2021

The Chief Executive Officer	*The Chairman*
Enrico De Girolamo	**Marco Cantamessa**

Report on Operations

138.9 Mln
EBITDA

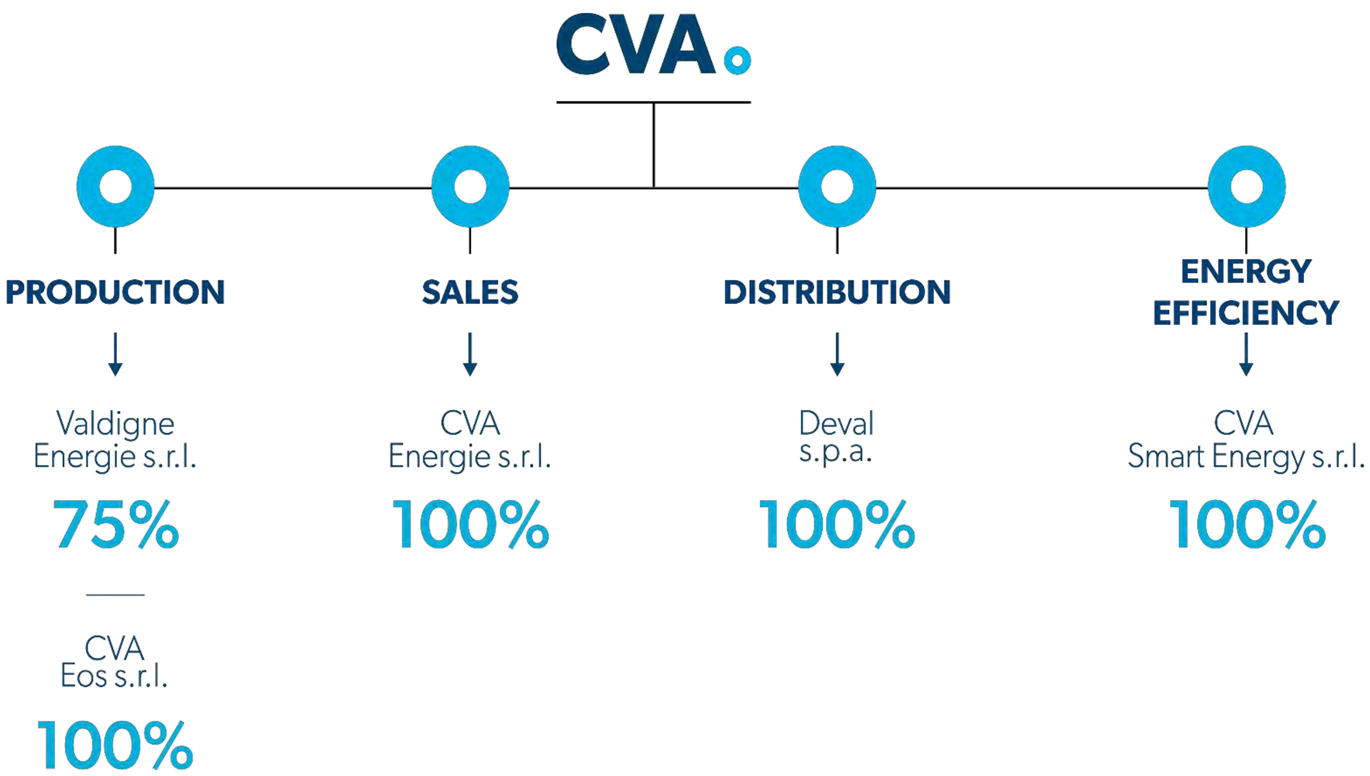
84.5 Mln
EBT

61.2 Mln
Period net result

The corporate structure of the CVA Group

This report, together with the financial statements of the CVA Group, illustrating the performance of the 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 Italian 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 also "**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; it should be noted that on 13 January 2021 the Extraordinary Shareholders' Meeting resolved to increase the share capital from Euro 12,667 thousand to a maximum of Euro 17,667 thousand, offering it to shareholders as an option for subscription, at par value, in proportion to the shares held and setting the deadline for exercising the option right at 20 February 2021. ENGIE Servizi S.p.a. paid its share, as well as the share not taken up by CVA; as of today, the share held by CVA is therefore equal to 10.98%;
- **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 2020, 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 3,347 GWh of electricity, distributed 834 GWh and supplied 2,148 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 EOS S.r.l. a s.u. (hereinafter, "**CVA EOS**"), 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, the Parent 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 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 (BU Other RES - Renewable Energy Sources)** - This activity is carried out through two companies:

  » 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;

  » by **CVA EOS** with the wind farms, located in Apulia, of Lamacarvotta, with an installed nominal capacity of 10 MW, situated in the municipality of Laterza, Lamia di Clemente, with an installed nominal capacity of 12 MW, situated in the municipalities of Laterza and Castellaneta, and Tarifa, with an installed nominal capacity of 22 MW, situated in the municipalities of Castrì di Lecce, Vernole and Martignano; as a result of the merger by incorporation which took place during the year under review, the Monteverde wind farm of the former **WIND FARM MONTEVERDE S.r.l. a s.u.** (hereinafter the "**WIND FARM MONTEVERDE**") with the Monteverde (AV) 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 2020, had 128,907 Delivery Points (408 Delivery Points in Medium, High and Very High Voltage, and 128,487 Low Voltage Delivery Points and 12 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)** - activity carried out by CVA ENERGIE operating (i) in the electricity supply sector to end customers, with a portfolio at 31 December 2020 of 799 business customers on the free market, 44,686 retail customers on the free market and 41,096 customers on the Greater Protection market which, in 2020, supplied a total of more than 2 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.

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 2020, are represented by:

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

The sole shareholder of CVA is FINAOSTA S.p.A. a s.u. (hereinafter, "**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.

To date, the Company is not subject to management and coordination by FINAOSTA or RAVDA.

Significant events during the period

FY 2020 was significantly characterised by all the activities put in place to cope with the consequences of the spread of the pandemic generated worldwide and caused by the COVID-19 virus, which is showing important and challenging repercussions at a social and economic level. For the CVA Group, too, it has been necessary to put in place all the instruments needed to protect the health of all personnel and collaborators, as well as at the same time putting in place strategies aimed at calming any impact on the Group's economic and financial indicators relating to the results for 2020 and future years.

With regard to other significant events during the financial year, it should be noted that in this period the dispute originating from the prescriptive procedure initiated by the Regulatory Authority for Energy, Networks and the Environment (hereinafter "**ARERA**" or "**Authority**") pursuant to Resolution 342/2016/E/eel of 24 June 2016, from which a complex and articulated dispute arose concerning the assessment of potential abuses in the wholesale electricity market, pursuant to Regulation (EU) 1227/2011 - REMIT, ended favourably for CVA ENERGIE; in view of the favourable closure, CVA ENERGIE recognised a contingent asset of more than Euro 11 mln and also deemed it prudent to set aside around Euro 2 mln, to deal with the potential risk of penalties that could arise from non-diligent scheduling strategies within the electricity dispatching service.

Finally, on 22 December 2020, CVA VENTO s.r.l. a s.u. changed its name to CVA EOS S.r.l. a s.u.; at the corporate and accounting level, WIND FARM MONTEVERDE was merged into CVA EOS with retroactive effect from 1 January 2020.

Related party transactions

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

Macroeconomic scenario of reference

In the year of the COVID-19 pandemic, prices of the main European energy commodities accentuate the declines seen in 2019, taking them to their lowest levels since at least 2005. In particular, crude oil falls below $42/bbl (-35%), diesel does not exceed $360/MT (-38%) and relatively weaker appears the reduction of coal, at just over $50/MT (-19%). Similar dynamics were also observed in the natural gas markets, where prices at the main hubs reached all-time lows, with the PSV at 10.55 €/MWh (-35%) and the TTF at 9.39 €/MWh (-31%), and in the electric power markets, where, as prices converged among exchanges, Italy fell to an all-time low of 38.92 €/MWh (-26%) and the other main platforms of Central and Mediterranean Europe to 30/34 €/MWh (-17/-29%)[1].

Fuel	UoM	FY	Change Y-1 (%)	Last price future Y-1	Calendar Y+1
Brent	**USD/bbl**	41.75	-35%	63.60	51.19
Fuel Oil	**USD/MT**	312.20	-7%		
Diesel	**USD/MT**	359.90	-38%	603.34	433.67
Coal	**USD/MT**	50.21	-19%	56.40	69.40

Fuel	UoM	FY	Change Y-1 (%)	Last price future Y-1	Calendar Y+1
Brent	**EUR/bbl**	36.52	-37%		41.58
Fuel Oil	**EUR/MT**	273.56	-9%		
Diesel	**EUR/MT**	315.68	-39%		352.28
Coal	**EUR/MT**	43.91	-21%		56.38
Exchange Rate	**USD/EUR**	1.14	2%	1.15	1.23

Figure 1 Crude oil and fuels, spot and forward annual and monthly prices. Arithmetic mean - Source GME "GME Newsletter Issue 144 January 21"

In the unusual international scenario that characterised 2020, the PUN reached its lowest level ever since the start of the Power Exchange, falling to 38.92 €/MWh, (-13.41 €/MWh, -25.6%) following a trend common to all major European electricity prices, from which Italy significantly reduced its differential, which fell on the French border to its lowest level since 2005 (5.6 €/MWh, -6.2 €/MWh). The bearish dynamics of the PUN, which already began in the second half of 2019 in correspondence with the start of the downward trend in gas prices at the PSV, became more acute in the contingent context of the health emergency that characterised 2020, with consumption and the cost of gas at historic lows, reaching its peak in April and May (-30 €/MWh) - when the effects of the restrictive measures imposed on most manufacturing activities weigh more heavily on demand.

[1] Source GME "GME Newsletter issue 144 January 21"

Also contributing to the reduction is a high availability of renewable supply, only lower than the 2014 maximum. Low levels for the PUN in the hourly groups as well, for a peak/baseload ratio that stands at 1.16 (+0.03). Lastly, it is worth mentioning that the hourly low of the PUN returned to 0 €/MWh in 5 hours in April, as occurred only twice in the past in June 2013.

Within this scenario first signs of recovery are observed in Italy in December, when the price returns to be higher than the previous year, in a context characterised by a strong contraction in renewable supply, demand at the first slight increase in over a year and gas prices at the highest since June 2019[2].

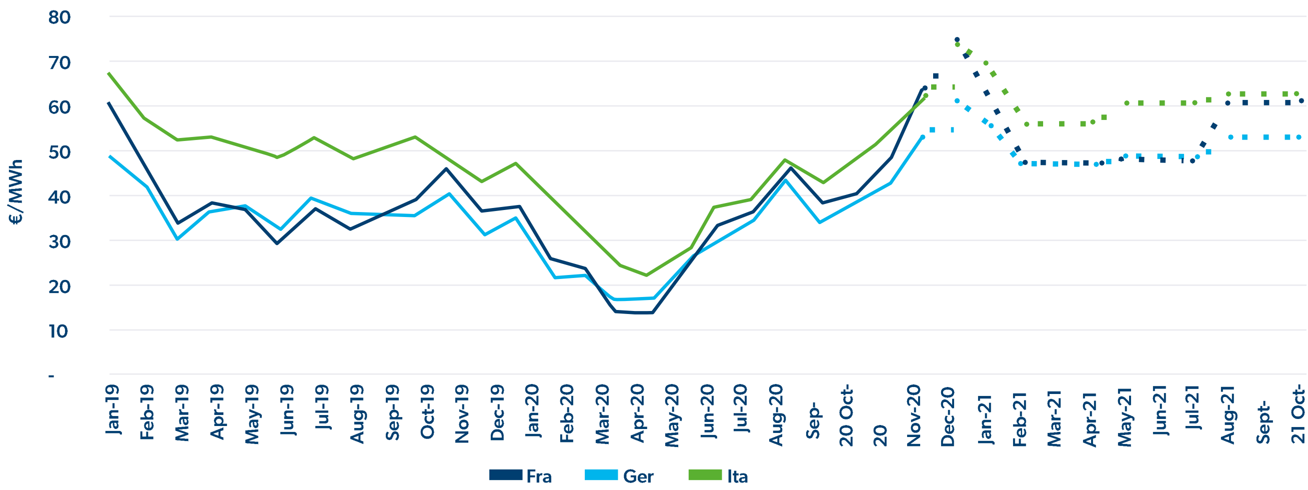


Figure 1 Trend of average electricity prices in Italy, Germany and France

Regarding the Italian market in greater detail, in 2020 the PUN on the Day-Ahead Market (MGP) falls to a record low of 38.92 €/MWh, down 25.6% on 2019. In the year of the COVID-19 health emergency, the PUN trend, similar to that reported by the prices on the main European power exchanges, reflects a gas price that has never been so low, demand at historic lows and a good level of renewable energy supply. Exchanges on the Italian market for natural gas also decreased, falling to 280.2 TWh (-5.5%), while market liquidity rose to an all-time high (74.9%), as volumes on the Power Exchange held up better than those generated by bilateral transactions[3].

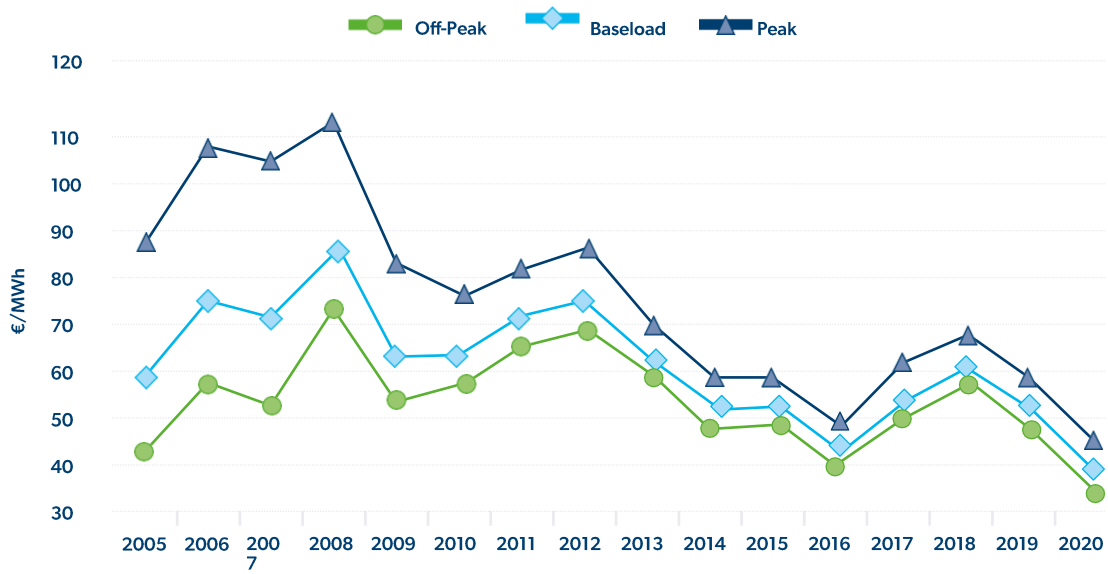


Figure 3 MGP Single National Price - Source GME "GME Newsletter Issue 144 January 21"

[2] Source GME "GME Newsletter issue 144 January 21"

[3] Source GME "GME Newsletter issue 144 January 21"

In terms of sources, the reduction in domestic sales is concentrated on traditional source plants (140.5 TWh, -8.8%), among which gas-fired plants, although declining (120.1 TWh, -6.2 TWh) keep their volumes lower in the last nine years only than in 2019 (-5.3%), while coal-fired plants, almost halved (7.1 TWh, -47.9%), fall to a new all-time low, even in correspondence with emission costs practically aligned with the 2019 maximum.

New negative record also for sales of other traditional plants (13.3 TWh, -14.2%). Lower only than the 2014 high, on the other hand, were sales of renewable source plants (95.9 TWh, +0.4%), among which a sharp reduction in wind farm output (-8.1%), which, however, was only slightly lower than last year's high, appears to be offset by growth in hydroelectric (+1.6%), concentrated in the North during the first five months of the year, and solar (+5.7%) facilities.

Thus, the market share of renewable energy sales exceeds 40% (40.1%, +2.2 p.p.), more than half of which remains related to hydroelectric plants (20.3%, +1.4 p.p.) and 10.3% to solar plants (+1.1 p.p.). The share of gas was virtually unchanged (over 50%), while the share of coal fell to a minimum of 3% (-2.4 p.p.)[4].

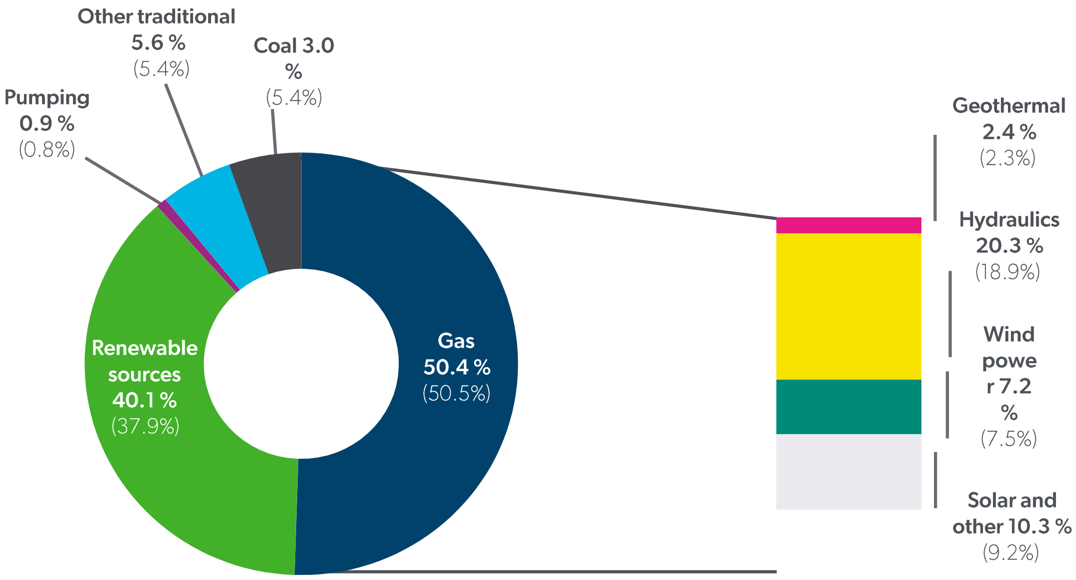


Figure 2 MGP Single National Price Italy System - Source GME "GME Newsletter Issue 144 January 21"

At the zone level, sales prices have never been so low, at 38/40 €/MWh in the peninsular areas and in Sardinia and just above 46 €/MWh in Sicily. The effects of the pandemic can also be observed in the price differentials between areas: the North-South spread, in the face of more intense economic impacts in the North (purchases -7.2%), is negative for the first time since 2009 (-1.2 €/MWh), while the Sicily-South is reduced to 6.5 €/MWh, a value that in the last thirteen years is slightly higher only than the minimum of 2016, due to an alignment between the two quotations that in the March-May quarter exceeds 90% of the hours, as never happened in the past[5].

[4] Source GME "GME Newsletter issue 144 January 21"

[5] Source GME "GME Newsletter issue 144 January 21"

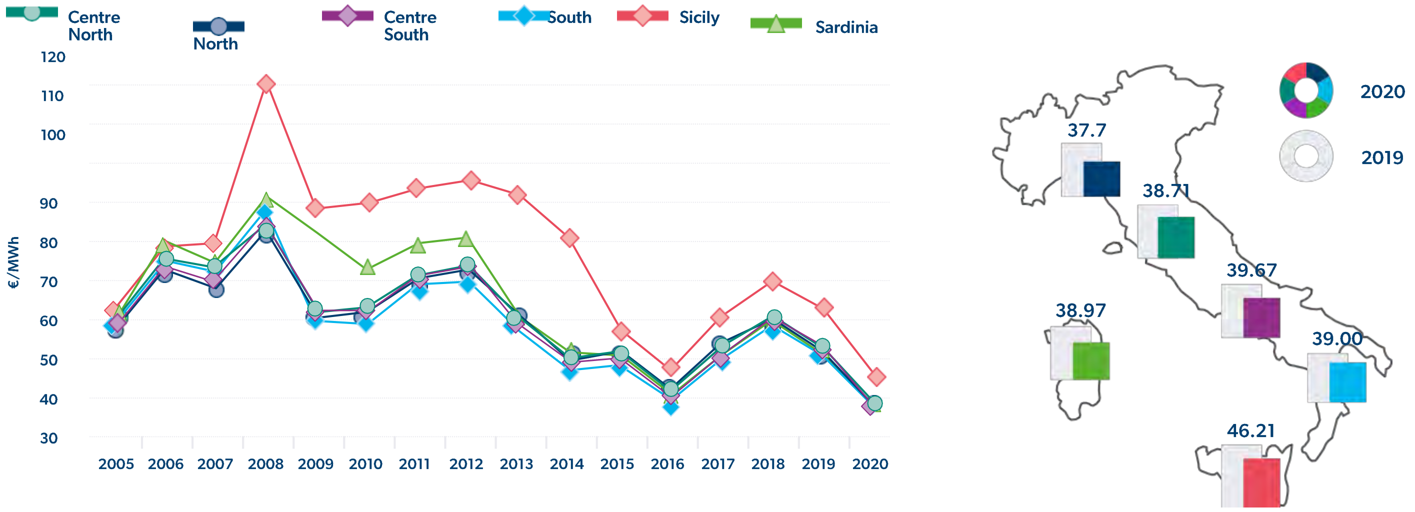


Figure 3 MGP, sales price - Source GME "GME Newsletter Issue 144 January 21"

On the lowest level ever, the average purchase price in the seven sessions of the Intraday Market (MI) also fell to 38.80 €/MWh (-13.40 €/MWh, -25.7% on 2019), being for the second time in a row practically aligned with the MGP price In the Electricity Futures Market, the Annual 2021 baseload closed the trading period at 51.90 €/MWh, showing for the current year expectations of a price rise to 2019 levels. Transactions recorded on the Forward Energy Accounts Platform (PCE) are confirmed at their lowest level since 2011 [6].

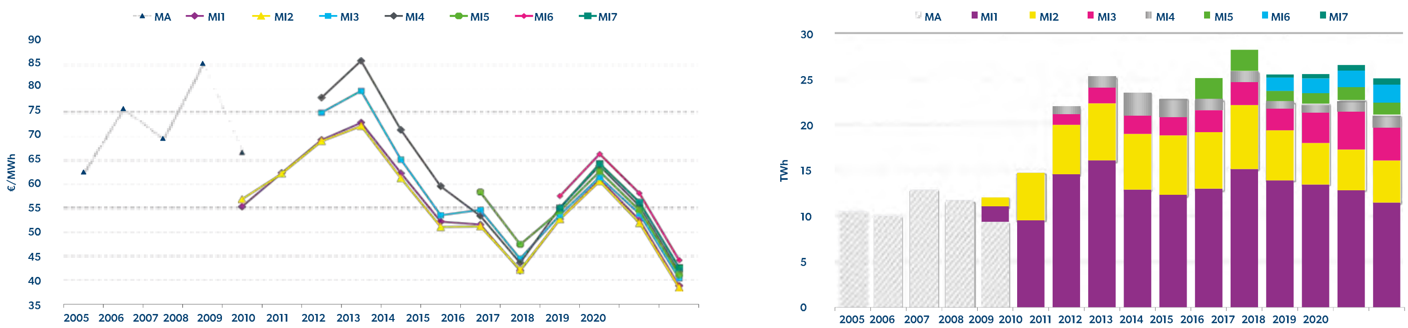


Figure 4 MA/ MI, prices and volumes traded - Source GME "GME Newsletter Issue 144 January 21"

With reference to the Dispatching Services Market (DSM), the uncertainty regarding the real time evolution of the injections and withdrawals on the grid, particularly in the March-May quarter characterised by lockdown, favoured Terna's greater use of the Dispatching Services Market. Terna's purchases in the upstream market thus rose to an all-time high of 14.8 TWh, (+7.1% compared with 2019), confirming, as in recent years, significantly higher than Terna's sales in the downstream market, which amounted to 9.7 TWh and the highest level since 2011 (+30.5%)[7].

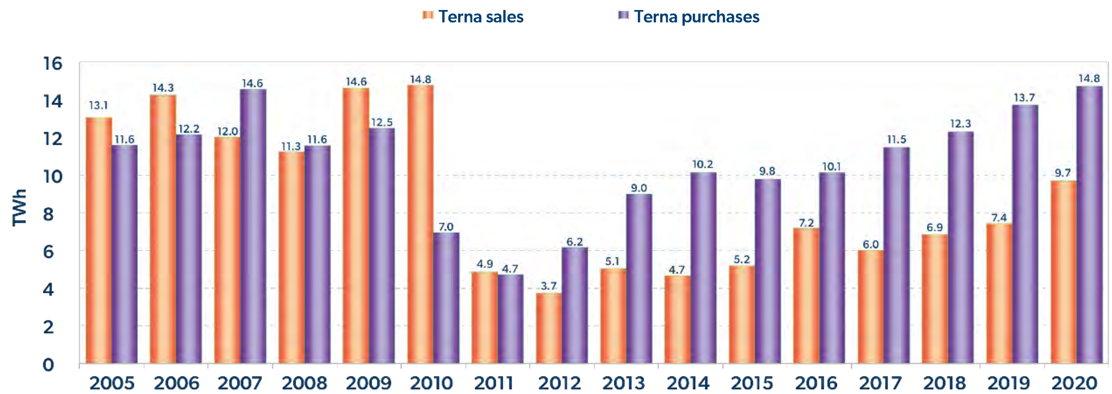


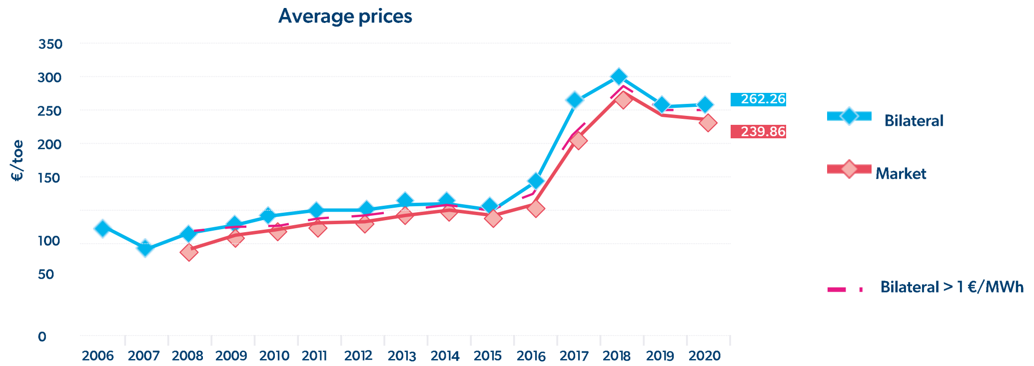
Figure 7 MSD volumes traded up and down - Source GME "GME Newsletter Issue 144 January 21"

6 Source GME "GME Newsletter issue 144 January 21"

7 Source GME "GME Newsletter issue 144 January 21"

On the environmental markets, the average price on the organised market for energy efficiency certificates (MTEE) increased slightly to 262 €/TOE (+1%) in 2020. On the other hand, the average price for bilateral transactions decreased to 240 €/TOE (-1%). The volumes traded on the market fell for the third time in a row and were at their lowest level since 2012 (-18%), with liquidity growing again to 56% (+6 p.p.), against a more intense reduction in trading on the bilateral platform (-35%). On the organised market for Guarantees of Origin (MGO) in 2020, the average price shows a sharp decline to 0.12 €/MWh (-74%), settling at the lowest since 2016 and widening the differential with bilateral negotiations which, on the other hand, rise to 0.74 €/MWh.

The average price of the allocations carried out through auctions by the Energy Services Manager (hereinafter "**GSE**") also fell, to 0.50 €/MWh. Volumes traded on the MGO were down on 2019 (-31%), as were allocations by auction (-10%). On the other hand, registrations on the bilateral platform increased for the third time in a row (+2%). 2020 marks the launch of the Market for certificates of release for consumption of biofuels (MCIC) on which, in the first months of operation, 421 securities were traded at an average price of 680 €/CIC[8].



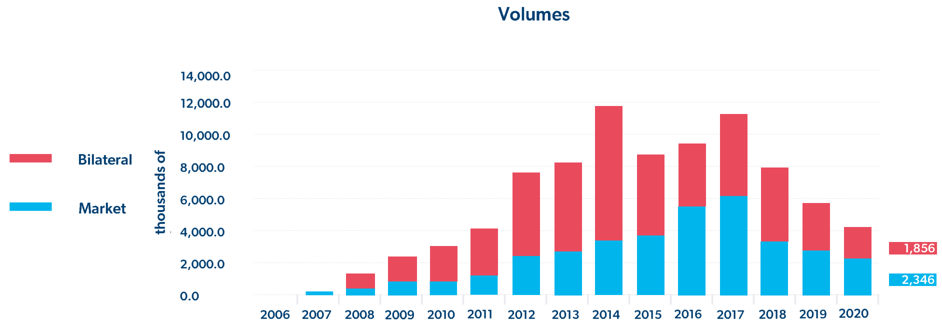


Figure 8 TEE, annual prices and volumes - Source GME "GME Newsletter Issue 144 January 21"

For the obligation year 2020, the GSE has published the breakdown of the national obligation to increase energy efficiency pursuant to the Interministerial Decree of 11 January 2017 with which each electricity and natural gas distributor must comply for its share, defined by the Authority in Determination DMRT/EFC/01/2020[9].

[8] Source GME "GME Newsletter issue 144 January 21"
[9] Source ARERA Determination DMRT/EFC/01/2020

	Quantitative obligation (number of white certificates)
AcegasApsAmga S.p.a.	11,455
Areti S.p.a.	135,570
ASM Terni S.p.a.	4,623
Deval S.p.a.	7,598
e-distribuzione S.p.a.	2,693,310
Edyna S.r.l.	27,233
INRETE Distribuzione Energia S.p.a.	31,082
IRETI S.p.a.	50,452
Megareti S.p.a.	16,826
Servizi a Rete S.r.l.	6,585
Set Distribuzione S.p.a.	27,950
Unareti S.p.a.	157,316

Figure 9 Electricity distributors subject to the national obligation to increase energy efficiency under the Interministerial Decree of 11 January 2017 for the year 2020 and the corresponding quantitative obligation - Source ARERA Determination DMRT/EFC/01/2020

In the Guarantees of Origin market (MGO), in 2020 the average price recorded saw an intensification of the bearish dynamic that had already affected it in 2019, reaching 0.12 €/MWh (-74%), the lowest value since 2016.

On the other hand, the upward trend of the average price of bilateral quotations continues, exceeding the market price of 0.61 €/MWh, updating the all-time high to 0.74 €/MWh (+3% on 2019); the spread between the two references increases to 65 €/MWh if we consider only the bilateral transactions recorded with a strictly positive price, which amount to 95% of the total traded on PBGO. The average price of the GSE auctions yields 0.34 €/MWh (-40%), settling at 0.50 €/MWh and no longer being the highest of the prices observed on the trading platforms, as has been the case since 2013[10].

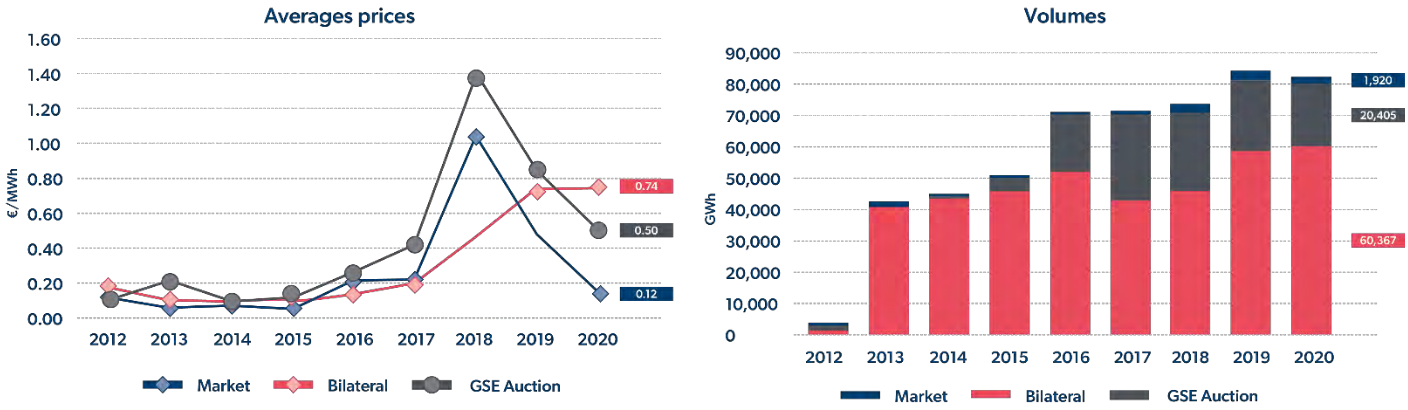


Figure 10 GO, annual prices and volumes - Source GME "GME Newsletter Issue 144 January 21"

[10] Source GME "GME Newsletter issue 144 January 21"

With reference to the incentive mechanisms for RES plants, the general trend of a gradual reduction in incentive mechanisms is confirmed, as renewable technologies mature, in favour of both contractual types that stabilise investments of various kinds, such as long-term contracts (power purchase agreements - PPAs), and the development of plants at market parity. 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 average cost of incentives is expected through to 2030 [11].

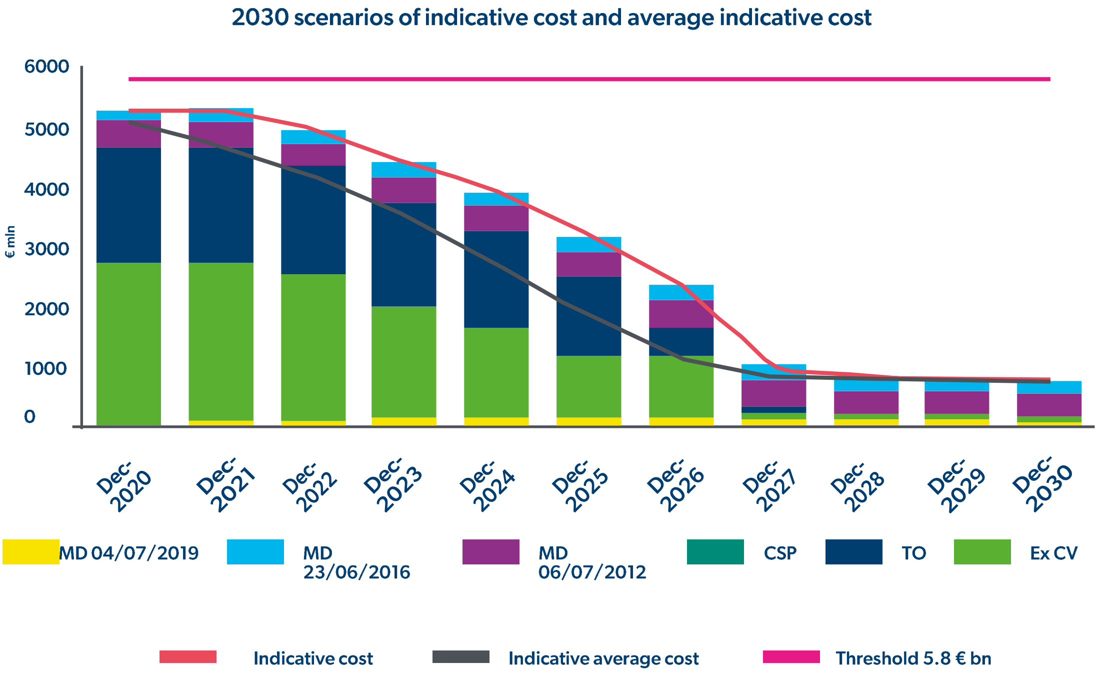


Figure 11 RES Electricity Meter. 2030 scenarios of the indicative cost and average indicative cost at 31 December 2020 - Source GSE https://www.gse.it/counter-fer-electricity

[11] Source GSE https://www.gse.it/counter-electric-ferms

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 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 5 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

	2020	2019	2020 vs 2019	
			Change	% change
Economic data				
EBIT	87,198	104,097	(16,899)	-16.23%
Adjusted EBIT	78,075	100,809	(22,734)	-22.55%
EBITDA	138,933	152,458	(13,525)	-8.87%
Equity and financial information				
Investments	32,599	33,104	(505)	-1.53%
Net Working Capital	19,426	5,778	13,648	236.21%
Net Invested Capital	830,257	859,262	(29,005)	-3.38%
Net Financial Debt ROE	(147,208)	(141,554)	(5,654)	3.99%
Economic-Equity indexes				
ROE	8.10%	10.40%	-2.30%	-22.12%
ROI	10.50%	12.10%	-1.60%	-13.22%
Financial Independence	69.04%	66.40%	2.64%	3.98%

Economic data

87.2 Mln

EBIT

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

	2020	2019	2020 vs 2019	
			Change	% change
PRE-TAX RESULT (A)	**84,489**	**103,752**	**(19,263)**	**-18.57%**
Financial management				
Financial income	3,115	5,447	(2,332)	-42.81%
Financial expenses	(5,824)	(5,793)	(31)	0.53%
Results from investments	-	-	-	-
TOTAL FINANCIAL BALANCE (B)	**(2,708)**	**(346)**	**(2,362)**	**682.79%**
EBIT or OPERATING RESULT (A-B)	**87,198**	**104,097**	**(16,899)**	**-16.23%**

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

	2020	2019	2020 VS 2019	
			Change	% change
EBIT	**87,198**	**104,097**	**(16,899)**	**-16.23%**
Prescriptive procedure initiated by the Authority pursuant to Resolution no. 342/2016/E/eel of 24 June 2016,	(11,201)	-	(11,201)	n.a
Sanction proceedings initiated with Determination DSAI/92/2017/EEL	2,078	-	2,078	n.a
Self-producer excise dispute	-	(9,770)	9,770	n.a
Provincial surtax litigation	-	10,237	(10,237)	n.a
Employee energy discount	-	(2,119)	2119	n.a
Large dam interventions	-	(1,637)	1,637	n.a
Adjusted EBIT	78,075	100,809	(22,734)	-22.55%

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.

138.9 Mln

EBITDA

Amounts in Euro thousands

	2020	2019	2020 vs 2019	
			Change	% change
EBIT or OPERATING RESULT (A)	**87,198**	**104,097**	**(16,899)**	**-16.23%**
Amortisation, depreciation, provisions and write-downs				
Amortisation/depreciation	51,059	50,231	828	1.65%
Provisions and write-downs	677	(1,871)	2,548	-136.18%
TOTAL AMORTISATION, DEPRECIATION, PROVISIONS AND WRITE-DOWNS (B)	**51,735**	**48,361**	**3,374**	**6.98%**
EBITDA or GROSS OPERATING MARGIN (A+B)	**138,933**	**152,458**	**(13,525)**	**-8.87%**

Equity/financial information

Net investments - Represents an equity indicator that makes it possible to assess the increase in the Group's fixed assets, determined by the sum of the 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 2020 they amounted to Euro 32,599 thousand.

32.6 Mln

net investments

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

	2020	2019	2020 vs 2019	
			Change	% change
Inventories	3,399	3,028	371	12.25%
Trade receivables	68,692	120,056	(51,364)	-42.78%
(Trade payables)	(60,210)	(109,275)	49,065	-44.90%
TRADE WORKING CAPITAL	**11,881**	**13,809**	**(1,928)**	**-13.96%**
Tax receivables/(payables)	25,280	12,210	13,070	107.04%
Other assets/(liabilities)	(17,735)	(20,241)	2,506	-12.38%
NET WORKING CAPITAL	**19,426**	**5,778**	**13,648**	**236.21%**

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

8.10%

ROE

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

	2020	2019
Net result of the period (A)	61,230	75,771
Total shareholders' equity (B)	817,344	802,286
Total shareholders' equity, adjusted of the result of the year (B-A)	756,114	726,515
ROE (Return on Equity) [A / (B-A)]	8.10%	10.40%

10.5%

ROI

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

Amounts in Euro thousands	2020	2019
EBIT (A)	87,198	104,097
Net Invested Capital (B)	830,257	859,262
ROI (Return on Investment) (A / B)	10.5%	12.1%

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

	2020	2019
Total shareholders' equity (A)	817,344	802,286
Total Assets (B)	1,379,637	1,445,437
Other current financial assets (C)	730	22,483
Cash and cash equivalents (D)	195,103	214,992
Total Assets Adjusted (B-C-D)	1,183,804	1,207,962
Financial Independence Index [A / (B-C-D)]	69.04%	66.42%

Economic, equity and financial position of the CVA Group

The Group's economic, equity and financial information for the years ended 31 December 2020 and 31 December 2019 is shown below.

Economic data selected of the Group for the years ended 31 December 2020 and 2019

Provided below is the consolidated economic data of the Group for the years ended 31 December 2020 and 2019:

Amounts in Euro thousands

	2020	2019	2020 vs 2019	
Revenues			**Change**	**% change**
Revenues from sales and services	480,662	755,438	(274,776)	-36.37%
Other revenues and income	55,520	49,994	5,526	11.05%
TOTAL REVENUES (A)	**536,182**	**805,433**	**(269,251)**	**-33%**
Operating costs				
Costs for raw materials and services	319,371	579,925	(260,554)	-44.93%
Personnel costs	38,469	34,839	3,630	10.42%
Other operating costs	43,963	42,414	1,549	3.65%
Capitalised days of work	(4,554)	(4,203)	(351)	8.35%
TOTAL OPERATING COSTS (B)	**397,249**	**652,975**	**(255,726)**	**-39%**
of which: impact of non-recurring items	*(9,123)*	*(2,119)*	*(7,004)*	*331%*
EBITDA (A-B)	**138,933**	**152,458**	**(13,525)**	**-9%**
of which: impact of non-recurring items	*9,123*	*2,119*	*7,004*	*331%*
Amortisation, depreciation, provisions and write-downs				
Amortisation/depreciation	51,059	50,231	828	1.65%
Provisions and write-downs	677	(1,871)	2,548	-136.18%
TOTAL AMORTIZATION, DEPRECIATION AND PROVISIONS	**51,735**	**48,361**	**3,374**	**7%**
of which: impact of non-recurring items	*-*	*(1,170)*	*-*	*n.a.*
EBIT (A-B+/-C)	**87,198**	**104,097**	**(16,899)**	**-16%**
of which: impact of non-recurring items	*9,123*	*3,289*	*5,834*	*177.38%*
Financial management				
Financial income	3115	5,447	(2,332)	-42.81%
Financial expenses	5,824	5,793	31	0.54%
TOTAL FINANCIAL BALANCE (D)	**(2,708)**	**(346)**	**(2,362)**	**683%**
of which: impact of non-recurring items	*-*	*3,397*	*-*	*-*
PRE-TAX RESULT (A-B+/-C+/-D)	**84,489**	**103,752**	**(19,263)**	**-19%**
of which: impact of non-recurring items	*9,123*	*6,686*	*2,437*	*36%*
Gains/(losses) for income taxes	23,260	27,981	(4,721)	-17%
Net result of continuing operations	**61,230**	**75,771**	**(14,541)**	**-19%**
Net result of discontinued operations	-	-	-	-
PERIOD NET RESULT	**61,230**	**75,771**	**(14,541)**	**-19%**
Profit/(loss) attributable to the Group	**59,977**	**75,103**	**(15,126)**	**-20%**
Profit/(loss) attributable to non-controlling interests	**1,253**	**668**	**585**	**87.57%**
Basic earnings per share (Euro)	**0.15**	**0.19**	**(0.04)**	**-21.05%**
Diluted earnings per share (Euro)	**0.15**	**0.19**	**(0.04)**	**-21.05%**

Revenues

536.2 Mln

revenue

For 2020 they amounted to Euro 536,182 thousand compared to Euro 805,433 thousand in 2019: the change between the two years is mainly due to a contraction in the volumes supplied to end customers by the sales company, which completed the review of its commercial strategy aimed, also to the detriment of volumes, at concentrating its efforts on customers with higher margins. It should also be noted that the volumes of energy produced, especially from wind power, contracted in 2020 if compared with the previous year, both due to less than favourable weather conditions and due to interruptions in the operation of the plants, not attributable to their maintenance, but imposed by Terna in order to intervene on high voltage transmission malfunctions.

With specific reference to "Other revenues and income", it must be noted that the item includes the contributions for the GRIN tariff (former Green Certificates) for Euro 33,051 thousand and incentives for the production of electricity from other renewable sources for Euro 16,551 thousand (both items up on 2019, when they were respectively, Euro 26,694 thousand and Euro 16,138 thousand). Overall, the incentives accrued on electricity production in 2020 amounted to Euro 49,602 thousand, contributing 35.7% to the gross operating margin (in 2019, they amounted to Euro 42,832 thousand, contributing 28.9% to the gross operating margin).

Operating costs

Operating costs amounted to Euro 397,249 thousand at the end of 2020, a major decrease of 39% compared with Euro 652,975 thousand in 2019. The change recorded refers in particular to the significant reduction in the item "costs for raw materials and services", which was directly proportional to the reduction in revenues from energy supply mentioned earlier and which, due to the structure of the sales company, are closely related to revenues. This concerns the reduction of costs relating to transmission charges as well as system charges related to the normal operation of energy sales to end customers.

397.2 Mln

operating costs (down 39% compared to 2019)

On the other hand, there was an increase of more than 10.4% in the item related to "personnel costs", which amounted to Euro 38,469 thousand at Group level in 2020 compared to Euro 34,839 thousand in 2019, mainly as a result of the average increase in the company's workforce that occurred with the stabilisation of fixed-term positions as well as due to the absorption of increases in contractual minimums.

Amortisation, depreciation, provisions and write-downs

At 31 December 2020, these amounted to Euro 51,735 thousand, up 7% compared with the Euro 48,361 thousand of the previous year. These include Euro 51,059 thousand for depreciation and amortisation and Euro 677 thousand for provisions and write-downs.

With regard to the item "amortisation and depreciation", the change recorded is mainly due to the normal process of depreciation of the assets owned as well as of the rights of use of the Group. With reference to the item "provisions and write-downs", the overall negative value recorded in 2020 refers almost entirely to the ordinary write-down of receivables.

Financial income and expenses

In 2020, the balance of financial management generated expenses for a total of Euro 2,708 thousand, of which financial income for Euro 3,115 thousand and financial expenses for Euro 5,824 thousand (in 2019, there were total expenses of Euro 346 thousand).

Income taxes

The tax burden for 2020 income taxes was Euro 23,260 thousand, compared with Euro 27,981 thousand in 2019. The tax rate was 27.5% in 2020, up on the 26.9% recorded in 2019.

Period net result

FY 2020 closed with a net profit of Euro 61,230 thousand, with a change of 19% as compared with the Euro 75,771 thousand for 2019. Net income includes Euro 1,253 thousand in minority profit (Euro 668 thousand in 2019). The consolidated net result pertaining to the Group was Euro 59,977 thousand.

61.2 Mln

2020 net result

Equity data selected and financial debt of the Group for the years ended 31 December 2020 and 2019

Provided below is the consolidated equity and financial data of the Group for the years ended 31 December 2020 and 2019:

Amounts in Euro thousands

	2020	2019	2020 vs 2019	
ASSETS			Change	% change
Non-current assets				
Tangible assets	641,374	672,695	(31,321)	-5%
Intangible assets	12,525	13,373	(848)	-6%
Goodwill	238,026	238,026	-	-%
Equity investments	2,048	1,968	80	4%
Deferred tax assets	26,364	25,939	425	2%
Derivatives	3,227	2,242	985	44%
Non-current financial assets	134,294	84,578	49,716	59%
Trade receivables	1,308	-	1,308	n.a.
Other non-current assets	4,604	5,072	(468)	-9%
Total non-current assets	**1,063,771**	**1,043,894**	**19,877**	**2%**
Current assets				
Inventories	3,399	3,028	371	12%
Trade receivables	67,384	120,056	(52,672)	-44%
Receivables for income taxes	7,285	5,130	2,155	42%
Other tax receivables	19,904	11,638	8,266	71%
Derivatives	2,480	3,536	(1,056)	-30%
Other current financial assets	730	22,483	(21,753)	-97%
Other current assets	19,581	20,679	(1,098)	-5%
Cash and cash equivalents	195,103	214,993	(19,890)	-9%
Total current assets	**315,866**	**401,543**	**(85,677)**	**-21%**
Assets classified as held for sale	-	-	-	-
TOTAL ASSETS	**1,379,637**	**1,445,437**	**(65,800)**	**-5%**

Amounts in Euro thousands

	2020	2019	2020 vs 2019	
SHAREHOLDERS' EQUITY			Change	% change
Share capital	395,000	395,000	-	-
Other reserves	309,265	283,887	25,378	9%
Accumulated Profits/(Losses)	45,451	41,379	4,072	10%
Net result of the year	59,977	75,103	(15,126)	-20%
Shareholders' equity attributable to the Group	809,694	795,369	14,325	2%
Shareholders' equity - Minority interests	7,650	6,917	733	11%
Total shareholders' equity	**817,344**	**802,286**	**15,058**	**2%**
LIABILITIES				
Non-current liabilities				
Employee benefits	5,893	6,083	(190)	-3%
Provisions for risks and charges	28,849	27,829	1,020	4%
Deferred tax liabilities	55,990	48,900	7,090	14%
Derivatives	1,464	1,234	230	19%
Non-current financial liabilities	302,496	337,826	(35,330)	-10%
Other non-current liabilities	22,190	20,120	2,070	10%
Total non-current liabilities	**416,882**	**441,992**	**(25,110)**	**-6%**
Current liabilities				
Employee benefits	976	2,095	(1,119)	-53%
Provisions for risks and charges	212	215	(3)	-1%
Trade payables	60,210	109,275	(49,065)	-45%
Payables for income taxes	989	1,200	(211)	-18%
Other tax payables	920	3,358	(2,438)	-73%
Derivatives	20,120	18,246	1,874	10%
Other current financial liabilities	40,545	40,557	(12)	-%
Other current liabilities	21,438	26,210	(4,772)	-18%
Total current liabilities	**145,411**	**201,158**	**(55,747)**	**-28%**
Liabilities related to assets held for sale	-	-	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,379,637**	**1,445,437**	**(65,800)**	**-5%**

The following table shows the main equity and financial data of the Group reclassified at 31 December 2020 and 2019:

Amounts in Euro thousands

	2020	2019	2020 vs 2019	
			Change	% change
Fixed capital	893,973	926,062	(32,089)	-3.47%
Net Working Capital (*)	19,426	5,778	13,648	236.21%
Deferred tax assets/(liabilities)	(29,626)	(22,961)	(6,665)	29.03%
Provisions for risks/charges and Employee benefits	(35,930)	(33,912)	(2,018)	5.95%
Other non-current assets/(liabilities)	(17,586)	(15,705)	(1,881)	11.98%
NET INVESTED CAPITAL (*)	**830,257**	**859,262**	**(29,005)**	**-3.38%**
Net financial debt	(147,208)	(141,554)	(5,654)	3.99%
Non-current financial assets	134,294	84,578	49,716	58.78%
Shareholders' equity	(817,343)	(802,286)	(15,057)	1.88%
EQUITY AND NET FINANCIAL DEBT	**(830,257)**	**(859,262)**	**29,005**	**-3.38%**

Fixed capital

The breakdown of fixed capital at 31 December 2020 and 2019 is shown below:

	2020	2019	2020 vs 2019	
			Change	% change
Tangible assets	641,374	672,695	(31,321)	-4.66%
Intangible assets	12,525	13,373	(848)	-6.34%
Goodwill	238,026	238,026	-	-
Equity investments	2,048	1,968	80	4.07%
Total fixed capital	**893,973**	**926,062**	**(32,089)**	**-3.47%**

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 893,973 thousand at 31 December 2020, with a negative change of 3.47% equal to Euro 32,089 thousand on the previous year. The decrease in this indicator is attributable to the negative change in tangible and intangible assets due to the combined effect of the ordinary depreciation process, investments during the year and the recovery of advances on investments, the details of which are described in the notes below.

Net Working Capital

Amounts in Euro thousands

	2020	2019		2020 vs 2019
			Change	% change
Inventories	3,399	3,028	371	12.25%
Trade receivables	68,692	120,056	(51,364)	-42.78%
(Trade payables)	(60,210)	(109,275)	49,065	-44.90%
TRADE WORKING CAPITAL	**11,881**	**13,809**	**(1,928)**	**-13.96%**
Tax receivables/(payables)	25,280	12,210	13,070	107.04%
Other assets/(liabilities)	(17,735)	(20,241)	2,506	-12.38%
NET WORKING CAPITAL	**19,426**	**5,778**	**13,648**	**236.21%**

(*) 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 reference 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.

The changes between the two periods of comparison were mainly due to the significant contraction in the item "trade receivables", which was not fully offset by the parallel decrease in the value of trade payables, thus generating an initial contraction in Trade Working Capital between the two periods; the worsening in "other assets and liabilities" was mainly due to the contraction in the item "other current financial assets", since there are no securities maturing within the year, as well as to the increase in payables for derivatives.

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 2020, they showed a negative balance of Euro 29,626 thousand, referring to prepaid tax assets of Euro 26,364 thousand and deferred tax liabilities of Euro 55,900 thousand, while at 31 December 2019, they showed a net liability of Euro 22,961 thousand. The main component refers to deferred taxes calculated, at the IRES rate of 24%, on the amortisation of goodwill calculated solely for tax purposes.

Provisions for risks and charges and Employee benefits

Provisions for risks and charges mainly include:

- the provision of Euro 2,078 thousand allocated against the assessment of the probability of losing the case for the part relating to any penalty charges, following the dispute, which ended favourably for CVA ENERGIE, originating from the prescriptive procedure initiated by the Authority pursuant to Resolution no. 342/2016/E/eel of 24 June 2016, from which a complex and articulated litigation arose, which was closed in FY 2020 with Council of State ruling no. 6488/2020. The sanctioning procedure was initiated with Determination DSAI/92/2017/EEL: "*Start of the sanctioning procedure against a user holding consumption units for non-diligent planning strategies in the context of the electricity dispatching service*". It should be noted that CVA ENERGIE, as it has already done for the charges referred to in Resolution no. 342/2016/E/eel of 24 June 2016 for which a positive outcome of the dispute was recorded in 2020, is determined to defend itself both within the framework of the preliminary investigation pending before the ARERA Offices, and possibly before the administrative justice if with the final measure of ARERA, at the end of the aforementioned procedure, an administrative fine is imposed on it;
- the provision for risks on additional excise duties, amounting to Euro 10,236 thousand, was set aside during the previous year and considered appropriate for FY 2020, 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. 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, is faced with the risk of having to incur 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 5,861 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 has

repeatedly postponed the hearing for the definition of the conclusions in the COVID-19 case until 26 January 2021 and at the time of writing this file is awaiting the judgement;

- the provision for severance indemnities and other employee benefits amounted to Euro 5,893 thousand, compared with Euro 6,083 thousand the previous year.

Other non-current assets/(liabilities)

At the end of 2020, the balance of other non-current assets and liabilities showed a payable of Euro 17,586 thousand against a payable of Euro 15,048 thousand at 31 December 2019. It refers to receivables for other non-current assets of Euro 4,604 thousand (Euro 5,072 thousand at 31 December 2019) that mainly refer to various long-term security deposits to third parties (Euro 3,188 thousand compared to Euro 3,596 thousand at 31 December 2019) and medium/long-term receivables from employees, relating to loans granted to employees and interest-bearing (Euro 1,405 thousand compared to Euro 1,465 thousand at 31 December 2019). Other non-current liabilities amounted to Euro 22,190 thousand (Euro 20,120 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

		2020	2019	2020 vs 2019	
				Change	% change
A	Cash	9	8	1	12.5%
B	Other cash and cash equivalents	195,094	214,984	(19,890)	-9.3%
C	Securities held for trading	70	21,837	(21,767)	-99.7%
D	**Cash and cash equivalents (A+B+C)**	**195,173**	**236,829**	**(41,656)**	**-17.6%**
E	Current financial receivables	660	645	15	2.3%
F	Current portion of non-current financial debt	40,545	40,557	(12)	0.0%
G	Current financial debt (F)	40,545	40,557	(12)	0.0%
H	**Net liquidity (D) + (E) - (G)**	**155,288**	**196,272**	**(40,984)**	**-20.9%**
I	Non-current bank payables	302,496	337,826	(35,330)	-10.5%
L	**Non-current financial debt (I)**	**302,496**	**337,826**	**(35,330)**	**-10.5%**
M	**Net financial debt (L) - (H)**	**147,208**	**141,554**	**5,654**	**3.99%**

At the end of 2020, the Group's net financial debt amounted to Euro 147,208 thousand, an increase of Euro 5,681 thousand compared to Euro 140,908 thousand in the previous year.

Non-current financial assets

Non-current financial assets recognised at the end of 2020 amounted to Euro 134,294 thousand, showing a significant increase between the two years of Euro 49,716 thousand, mainly due to the increase in the securities portfolio of Euro 41,316 thousand at 31 December 2020 consisting of government securities issued by the Italian Republic maturing between 2022 and 2024. We also note the increase in the item referring to capitalisation insurance policies held by the Parent Company, amounting to Euro 85,420 at 31 December 2020 (Euro 76,429 thousand at 31 December 2019), which refer to the fair value of liquidity investments through the underwriting of insurance policies, increased during the year.

Shareholders' equity

The table below shows the breakdown of shareholders' equity at 31 December 2020 and 2019:

Amounts in Euro thousands

	2020	2019	2020 vs 2019	
			Change	% change
Share capital	395,000	395,000	-	0.0%
Other reserves	309,265	283,887	25,378	8.9%
Reserves and profits (losses) carried forward	45,451	41,379	4,072	9.8%
Net result of the year	59,977	75,103	(15,126)	-20.1%
Shareholders' equity attributable to the Group	**809,693**	**795,369**	**14,324**	**1.8%**
Minorities Shareholders' Equity	7,650	6,917	733	10.6%
SHAREHOLDERS' EQUITY	**817,343**	**802,286**	**15,057**	**1.9%**

At 31 December 2020, 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 2020 compared with 2019 primarily relate, in addition to the recognition of net income for the period, to the movement in the extraordinary reserve which increased for the profits of CVA allocated to it.

Analysis of cash flows of the Group for the years ended 31 December 2020 and 2019

Below is a summary of the Group's cash flow statement for the years ended 31 December 2020 and 2019

Amounts in Euro thousands

CVA Group - Consolidated Statement of Cash Flows	For the year ended 31 December		2020 VS 2019	
	2020	2019	Change	% change
Cash flows generated/(absorbed) by operating activities operational	126,312	113,049	13,263	11.7%
Cash flows generated/(absorbed) by investing activities	(58,128)	(18,671)	(39,457)	211.3%
Cash flows generated/(absorbed) by financing activities .	(88,074)	(69,060)	(19,014)	27.5%
Final cash change	**(19,890)**	**25,318**	**(45,208)**	**-178.6%**
Cash and cash equivalents - opening balance	214,993	189,674	25,319	13.3%
Final cash change	(19,890)	25,318	(45,208)	-178.6%
Cash and cash equivalents - closing balance	**195,103**	**214,992**	**(19,889)**	**-9.3%**

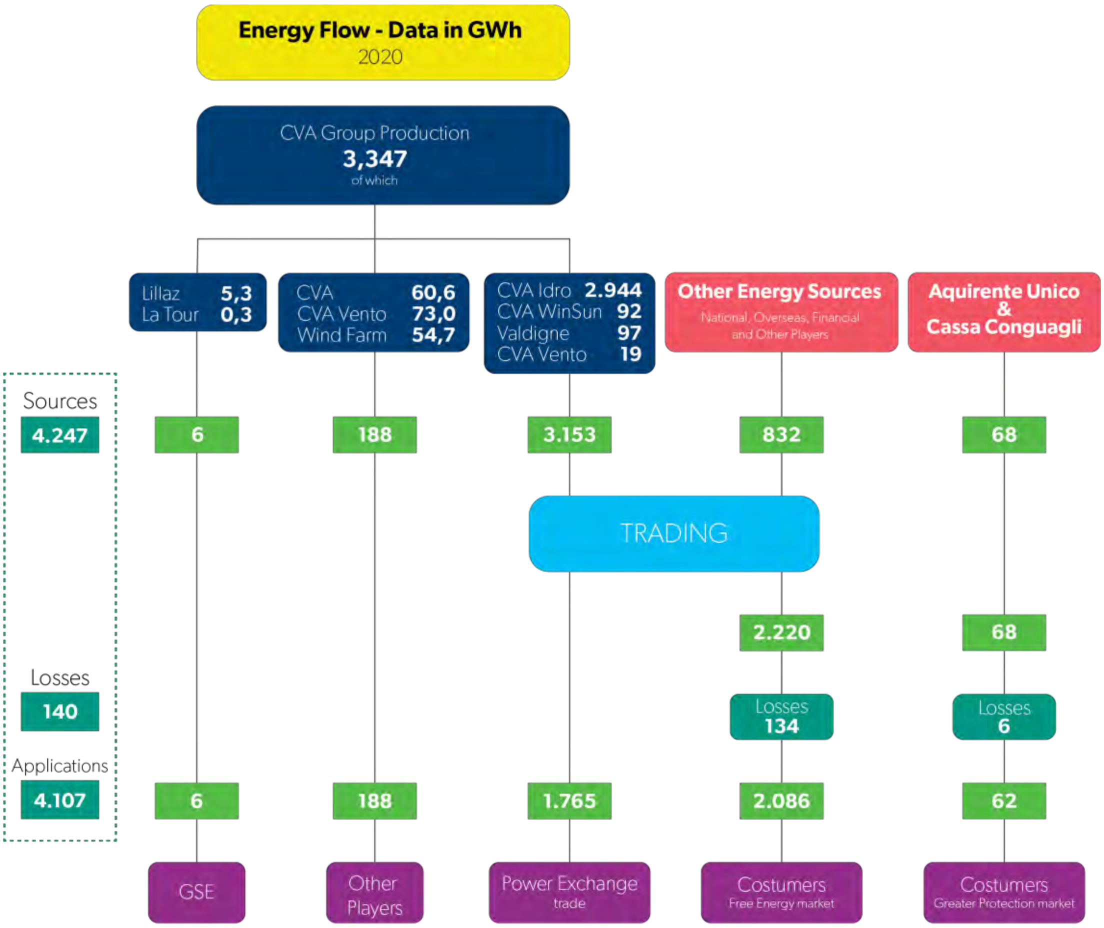
In 2020 there was a reduction in cash flows despite a positive trend in cash flows generated between the two years at operating activity level: the absorption of liquidity for investment activities increased by over Euro 39.4 thousand, while financing activities absorbed Euro 19.1 thousand, including Euro 47,795 thousand of dividends paid.

Non-financial performance indicators of the Group for the years ended 31 December 2020 and 2019

The following table summarises the key non-financial performance indicators of the Group for the years ended 31 December 2020 and 2019:

	For the year ended 31 December 2020 vs 2019			
	2020	2019	Change	% change
Hydroelectric production (GWh)	3,047	2,728	319	11.7%
Production from other renewable sources (GWh)	300	339	(39)	-11.5%
Electricity sold to wholesale customers (GWh)	193	223	(30)	-13.3%
Electricity sold on the Power Exchange (GWh)	1,765	664	1,101	165.8%
Electricity sold to end customers (GWh)	2,148	4,131	(1,983)	-48.0%
POD Electricity (#/1000)	124	143	(19)	-13.4%
Electricity distributed (GWh)	834	913	(79)	-8.7%
Average of the PUN (Single Nationwide Price) Baseload (Euro/MWh)	39	52	(13)	-25.2%

The following table shows the sources/uses of the electricity flows in 2020 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, 2019 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 2020, these plants produced 3,047 GWh. The companies of the Group operating in the production of hydroelectric energy are the Parent Company and VALDIGNE.

3,047 GWh

produced by the 32 hydroelectric plants

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 2020, these plants produced 300 GWh. The Group companies operating in this Business Unit are the Parent Company and CVA EOS.

300 GWh

produced by wind farms and photovoltaic plants

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 2020, DEVAL distributed 834 GWh for consumption for the current year, serving an average of 128,895 delivery points.

834 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.

2,148 GWh

supplied by CVA Energie

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 2020 supplied a total of 2,148 GWh of electricity distributed over approximately 123,838 delivery points.

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 2020 and 2019:

Data by Business Unit at 31 December 2020

Amounts in Euro thousands

For the year ended 31 December 2020							
	Hydro	Distribution	Sales	Other RES	Corporate	Eliminations	Total
Economic data by sector of activity							
Revenues	152,941	33,419	461,416	38,854	3,653	(154,101)	536,182
Personnel cost	(13,845)	(6,826)	(4,114)	(301)	(13,384)	1	(38,469)
Other operating costs	(43,211)	(10,518)	(440,744)	(7,721)	(10,211)	153,625	(358,780)
Gross Operating Margin (EBITDA)	**95,884**	**16,076**	**16,558**	**30,831**	**(19,942)**	**(475)**	**138,933**
% of revenues	62.7%	48.1%	3.6%	79.4%	-545.9%	-	25.9%
Amortisation, depreciation, provisions and write-downs	(22,667)	(7,904)	(768)	(17,783)	(3,046)	434	(51,735)
Operating Result (EBIT)	**73,217**	**8,171**	**15,791**	**13,048**	**(22,988)**	**(41)**	**87,198**
% of revenues	47.9%	24.5%	3.4%	33.6%	-629.3%	-	16.3%
Result from non-recurring transactions	-	-	9,123	-	-	-	9,123
Adjusted Operating Result (Adjusted EBIT)	**73,217**	**8,171**	**6,667**	**13,048**	**(22,988)**	**(41)**	**78,075**
% of revenues	47.9%	24.5%	1.4%	33.6%	-629.3%	-	14.6%
Financial balance	-	-	-	-	(2,708)	-	(2,708)
PRE-TAX RESULT	**73,217**	**8,171**	**15,791**	**13,048**	**(25,696)**	**(41)**	**84,489**
Expenses for income taxes	-	-	-	-	(23,250)	(9)	(23,260)
PERIOD NET RESULT	**73,217**	**8,171**	**15,791**	**13,048**	**(48,947)**	**(50)**	**61,230**
Equity data by sector of activity							
Investments	(16,064)	(12,584)	(17)	(823)	(3,111)	-	(32,599)
Tangible assets	320,062	106,183	616	183,017	34,669	(3,172)	641,374
Intangible assets	174,766	21,918	-	51,168	2,699	-	250,552
Trade receivables	13,412	8,028	62,180	3,474	539	(20,250)	67,384
Trade payables	(10,591)	(9,793)	(53,807)	(2,416)	(6,476)	22,874	(60,210)

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)

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

Amounts in Euro thousands

	For the year ended 31 December 2020 vs 2019			
	2020	2019	Change	%
Economic data				
Revenues	152,941	162,752	(9,811)	-6.03%
Personnel cost	(13,845)	(13,296)	(549)	4.13%
Gross Operating Margin (EBITDA)	**95,884**	**107,125**	**(11,241)**	**-10.49%**
% of revenues	62.69%	65.80%	-	-
Amortisation, depreciation, provisions and write-downs	(22,667)	(20,669)	(1,998)	9.67%
Operating Result (EBIT)	**73,217**	**86,456**	**(13,239)**	**-15.31%**
% of revenues	47.87%	53.10%	-	-
Result from non-recurring transactions	-	1,637	-	-
Adjusted Operating Result (Adjusted EBIT)	**73,217**	**84,819**	**(11,602)**	**-13.68%**
% of revenues	47.87%	52.10%	-	-
Investments	16,067	11,855	4,212	35.5%

Revenues

2020 vs 2019

The negative change in the item “revenues” between 2020 and 2019 is due to the dynamics of sales prices, which plummeted in 2020 due to the emergency pandemic situation, a dynamic that was not sufficiently offset by generally good weather conditions, which enabled the Group's hydroelectric power plants to achieve a slightly higher production than in the previous year.

Gross Operating Margin (EBITDA)

2020 vs 2019

The gross operating margin shows a significant decrease of Euro 11,241 thousand (10.5%).

Given the operating structure of this Business Unit, the aforementioned change derives directly from the trend in revenues which impacted margins; personnel costs also increased contributing to the decrease in the indicator compared to 2019, furthermore, during the year under review there was also an increase in the tariffs imposed by the concessionaire for the water derivation agreements. Gross margins totalled 62.7%, compared to 65.8 % in 2019.

Operating Result (EBIT)

2020 vs 2019

The operating result for 2020, amounting to Euro 73,217 thousand, was negatively affected by the performance of the gross operating margin and was further worsened by the increase in the item “Amortisation, depreciation, provisions and write-downs”, which does not benefit in 2020 from any considerable proceeds.

Adjusted Operating Result (Adjusted EBIT)

2020 vs 2019

The adjusted operating result is equal to Euro 73,217 thousand and does not differ from the indicator described above, since in 2020 there are no issues to be ascribed to adjusted values for the Hydro BU, unlike the previous year, when evidence was provided of the reversal to income of the so-called "large dams" fund, which it was deemed appropriate to release due to the lack of need.

Investments

2020 vs 2019

Capital expenditure by the Hydro Business Unit increased by Euro 4,212 thousand and relates to investments in the BU's own plant and machinery.

Distribution Business Unit

The following table shows the main data relating to the Distribution Business Unit for the years ended 31 December 2020 and 2019:

Revenues

2020 vs 2019

The trend in revenues year on year shows a decrease of Euro 462 thousand (-1.36%).

Amounts in Euro thousands

	For the year ended 31 December			
	2020	2019	2020 vs 2019	
Economic data			Change	% change
Revenues	33,419	33,881	(462)	-1.36%
Personnel cost	(6,826)	(6,590)	(236)	3.58%
Gross Operating Margin (EBITDA)	**16,076**	**16,990**	**(914)**	**-5.38%**
% of revenues	48.10%	50.15%	-	-
Amortisation, depreciation, provisions and write-downs	(7,904)	(7,095)	(809)	11.40%
Operating Result (EBIT)	**8,171**	**9,895**	**(1,724)**	**-17.42%**
% of revenues	24.45%	29.21%	-	-
Result from non-recurring transactions	-	-	-	-
Adjusted Operating Result (Adjusted EBIT)	**8,171**	**9,895**	**(1,724)**	**-17.42%**
% of revenues	24.45%	29.21%	-	-
Investments	12,584	8,732	3,852	44.1%

This decrease is mainly due to the reduction of Euro 208 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 99 thousand or 0.3%. Other revenues and connection contributions decreased by Euro 155 thousand due to a reduction in connection requests and insurance settlements.

Gross Operating Margin (EBITDA)

2020 vs 2019

The gross operating margin shows a decrease of 5.38% (equal to Euro 914 thousand). Against a negative trend in revenues (-1.36%), the change in EBITDA was determined by the trend in operating costs, which showed an increase in both the personnel cost component, due to increases provided for in the collective labour agreement and also to lower capitalisation, and charges for the purchase of PPE and sanitisation of premises to combat the COVID-19 epidemic; services increased due to higher contracts for breakdown maintenance and higher costs for telephone services. EBITDA margin on revenues totalled 48.10% compared to 50.15% at 31 December 2019.

Operating Result (EBIT)

2020 vs 2019

The operating result for 2020 was 17.42% 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 2020. Operating margins totalled 24.45%, compared to 29.21% in 2019.

Adjusted Operating Result (Adjusted EBIT)

2020 vs 2019

The adjusted operating result for the year 2020 coincides with the operating result for 2019 and shows no change compared to the previous year.

Investments

2020 vs 2019

Investments relating to the Distribution Business Unit in 2020 show an increase of Euro 3,852 thousand compared to 2019 (44.11%). The main investments made in 2020 concerned investments in distribution networks on customer request (Euro 3,615 thousand) and in service quality (Euro 6,160 thousand), in remote control and telecommunication systems (Euro 1,846 thousand) and intangible assets and right-of-use assets leased for Euro 963 thousand.

Sales Business Unit

The following table shows the main data relating to the Sales Business Unit for the years ended 31 December 2020 and 2019:

Amounts in Euro thousands

	For the year ended 31 December		2020 vs 2019	
	2020	2019	Change	% change
Economic data				
Revenues	**461,416**	**736,075**	**(274,659)**	**-37.31%**
Personnel cost	(4,114)	(4,142)	28	-0.68%
Gross Operating Margin (EBITDA)	**16,558**	**10,181**	**6,377**	**62.64%**
% of revenues	3.59%	1.40%	-	-
Amortisation, depreciation, provisions and write-downs	(768)	(323)	(445)	137.77%
Operating Result (EBIT)	**15,791**	**9,858**	**5,933**	**60.18%**
% of revenues	3.42%	1.30%	-	-
Result from non-recurring transactions	9123	(467)	9,590	-
Adjusted Operating Result (Adjusted EBIT)	**6,667**	**10,324**	**(3,657)**	**-35.42%**
% of revenues	1.44%	1.40%	-	-
Investments	17	227	210	-92.51%

Revenues

2020 vs 2019

The trend in revenues year on year shows a marked decrease of Euro 274,659 thousand (37.3%), mainly due to the strategic choice made by the energy sales and supply company, represented in this view by BU, in terms of focusing on customer margins, also to the detriment of the volumes handled.

Gross Operating Margin (EBITDA)

2020 vs 2019

The gross operating margin shows a significant increase between the two consecutive years, equal to Euro 6,377 thousand in absolute terms (62.6%), mainly due to the decrease in costs directly related to revenues, typically incurred by the BU as well as related to its operations, for the transport of energy on the distribution networks and against the system charges incurred for the dispatching of electricity and the use of transmission networks, all strictly proportional to the volumes supplied.

As far as the trend in labour costs is concerned, there is substantial stability, as can also be said for the other operating costs.

Operating Result (EBIT)

2020 vs 2019

The operating result for FY 2020 in line with the gross operating margin recorded a significant increase of Euro 5,933 thousand (+ 60 % on last year). It should be noted that the increase in EBITDA is, at this level of interpretation of the figure, slightly affected by the need to set aside for 2020 about Euro 660 thousand to deal with the assessment of credit risk, in particular in the sector of supply to customers in the free market.

Adjusted Operating Result (Adjusted EBIT)

2020 vs 2019

Adjusted operating profit 2020 is Euro 6,667 thousand and internalises the dual combined and opposite effect referred to two main accounting events both originating from the dispute that originates from the prescriptive procedure initiated by the Authority pursuant to Resolution 342/2016/E/eel of 24 June 2016, from which a complex and articulated dispute arose that ended positively for CVA ENERGIE in FY 2020, with the ruling of the Council of State no. 6488/2020, which made it possible to record a contingent asset of over Euro 11,200 thousand but for which the directors deemed it prudent to allocate at the same time a provision of Euro 2,078 thousand against potential charges arising from the sanctioning procedure initiated with Determination DSAI/92/2017/EEL "*Initiation of sanctioning procedure against a user who owns consumption units for non-diligent scheduling strategies within the electricity dispatching service*"; the values described above are shown as an adjustment to give a correct representation.

Investments

2020 vs 2019

In 2020, investments in the Sales Business Unit amounted to Euro 17 thousand and were entirely attributable to rights of use on tangible assets related to leased vehicles.

Business Unit Other Renewable Energy Sources ("RES")

The table below shows the main data for the Other Energy Sources Business Unit:

Renewable ("RES") for the years ended 31 December 2020 vs 2019

Amounts in Euro thousands

For the year ended 31 December 2020 vs 2019				
Economic data	2020	2019	Change	% change
Revenues	**38,854**	**44,394**	**(5,540)**	**-12.48%**
Personnel cost	(301)	(289)	(12)	4.15%
Gross Operating Margin (EBITDA)	**30,831**	**35,712**	**(4,881)**	**-13.67%**
% of revenues	79.35%	80.40%	-	-
Amortisation, depreciation, provisions and write-downs	(17,783)	(17,875)	92	-0.51%
Operating Result (EBIT)	**13,048**	**17,838**	**(4,790)**	**-26.85%**
% of revenues	33.58%	40.20%	-	-
Result from non-recurring transactions	-	-	-	-
Adjusted Operating Result (Adjusted EBIT)	**13,048**	**17,838**	**(4,790)**	**-26.85%**
% of revenues	33.58%	40.20%	-	-
Investments	823	7,649	(6,826)	-89.24%

Revenues

2020 vs 2019

The decrease in the item "revenues" is mainly due to the trend in production, which in 2020 was not particularly favourable, especially if reference is made to production from wind sources.

It should be noted that, in particular, the drop in production is due, in addition to the weather conditions that were

unfavourable, also to damage not directly attributable to the Group's wind farms but caused by Terna, which imposed a plant stoppage of around two months due to a fault in the high voltage cables at the Monteverde plant.

Gross Operating Margin (EBITDA)

2020 vs 2019

EBITDA decreased by 13.7%, due mainly to the trends discussed in the section of this Report that describes the performance of revenues, which had an impact on EBITDA due to the relatively rigid structure of the costs incurred to operate the wind farms and photovoltaic facilities included in this view by Business Unit. There was a slight increase in absolute terms in the share of labour costs attributed in 2020 to the BU in question, due to the allocation of personnel to the Parent Company and dedicated to wind and photovoltaic plants. Margins totalled, as a whole, 79.4%, compared to 80.4% reported in 2019.

Operating Result (EBIT)

2020 vs 2019

The operating result is affected by the marginality described in the previous points since the item "amortisation, depreciation and write-downs" is substantially stable compared to the comparison year.

Adjusted Operating Result (Adjusted EBIT)

2020 vs 2019

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

2020 vs 2019

The investments relating to the "Other RES" Business Unit made in 2020 amounted to Euro 823 thousand, a net fall on the Euro 7,649 thousand in 2019. They mainly contain investments relating to a series of photovoltaic plants in the authorisation phase.

Corporate Business Unit

The following table shows the main data relating to the "Corporate" Business Unit for the years ended 31 December 2020 and 2019:

Amounts in Euro thousands

	For the year ended 31 December 2020 vs 2019			
	2020	2019	2020 vs 2019	
Economic data			Var.	Var%
Revenues	33,419	33,881	(462)	-1.36%
Personel cost	(6,826)	(6,590)	(236)	3.58%
Gross Operating Margin (EBITDA)	**16,076**	**16,990**	**(914)**	**-5.38%**
% of revenues	48.10%	50.15%	-	-
Amortisation, depreciation, provisions and write-downs	(7,904)	(7,095)	(809)	11.40%
Risultato Operativo (EBIT)	**8,171**	**9,895**	**(1.724)**	**-17.42%**
% of revenues	24.45%	29.21%	-	-
Result from non-recurring transactions	-	-	-	-
Adjusted Operating Result(*Adjusted* EBIT)	**8,171**	**9,895**	**(1.724)**	**-17.42%**
% of revenues	24.45%	29.21%	-	-
Investments	12,584	8,732	3.852	44.1%

Revenues

2020 vs 2019

Year-on-year revenues are substantially in line with the previous year.

Gross Operating Margin (EBITDA)

2020 vs 2019

The gross operating margin shows a decrease of Euro 2,890 thousand (16.9%) due to the increase in other operating costs, more precisely attributed to the BUs through the implementation of new analysis tools to support segment reporting.

Operating Result (EBIT)

2020 vs 2019

In 2020, the Operating Result amounted to Euro 22,988 thousand (15.6%), worsening compared to the previous year for the reasons already described in the previous paragraphs.

Adjusted Operating Result (Adjusted EBIT)

2020 vs 2019

In 2020, differently to last year, there were no non-recurring transactions such as to justify a misalignment between the operating result and the adjusted operating result.

Investments

2020 vs 2019

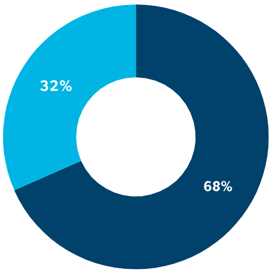
In 2020, the Corporate Business Unit decreased its investments by Euro 1,530 thousand compared with 2019.

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 thousands

	Year 2020	Year 2019	2020 vs 2019	
			Change	% change
Revenues				
Revenues from sales and services	141,272	160,238	(18,967)	-11.8%
Other revenues and income	32,512	28,215	4,298	15.2%
TOTAL REVENUES (A)	**173,784**	**188,453**	**(14,669)**	**-**
Operating costs				
Costs for raw materials and services	16,756	16,681	75	-,4%
Personnel costs	25,908	23,181	2,727	11.8%
Other operating costs	38,863	37,661	1,202	3.2%
Capitalised days of work	(1,218)	(877)	(341)	38.9%
TOTAL OPERATING COSTS (B)	**80,309**	**76,646**	**3,663**	**-**
of which: impact of non-recurring items	-	*(1,540)*	*1540.403*	-
GROSS OPERATING MARGIN (A-B)	**93,475**	**111,807**	**(18,332)**	**-**
Amortisation, depreciation, provisions and write-downs				
Amortisation/depreciation	31,920	31,451	469	1.5%
Provisions and write-downs	(6)	(2,332)	2,326	-99.8%
TOTAL AMORTISATION, DEPRECIATION, PROVISIONS AND WRITE-DOWNS (C)	**31,914**	**29,119**	**2,795**	**9.6%**
of which: impact of non-recurring items	-	*(1,637)*	-	-.-%
OPERATING RESULT (A-B+/-C)	**61,561**	**82,688**	**(21,127)**	**-25.6%**
of which: impact of non-recurring items	-	*3,177*	-	-.-%
Financial management				
Financial income	10,107	10,361	(253)	-2.4%
Financial expenses	5,350	6,105	(754)	-12.4%
TOTAL FINANCIAL BALANCE (D)	**4,757**	**4,256**	**501**	**11.8%**
of which: impact of	-	*2,034*	-	-.-%
PRE-TAX RESULT (A-B+/-C+/-D)	**66,318**	**86,944**	**(20,626)**	**-23.7%**
of which: impact of non-	-	*5,211*	-	-.-%
Gains/(losses) for income taxes	17,561	23,336	(5,776)	-24.7%
Net result of continuing operations	**48,757**	**63,607**	**(14,851)**	**-23.3%**
Net result of discontinued operations	**-**	**-**	**-**	**-**
PERIOD NET RESULT	**48,757**	**63,607**	**(14,851)**	**-23.3%**



Revenues and other revenues

In 2020, the Parent Company generated revenues of Euro 173,784 thousand, a decrease of Euro 14,669 thousand on the Euro 183,453 thousand of 2019.

Revenues from the sale of electricity produced amounted to Euro 130,389 thousand in 2020 (Euro 149,007 thousand in 2019), among these, the sale of electricity to the subsidiary CVA ENERGIE is predominant (Euro 128,084 thousand in 2020 compared with Euro 145,656 thousand in 2019). The main reason for the decrease is a reduction in sales prices and a decrease in the output of other renewable sources attributable to the Group's photovoltaic and wind farms, while the output of hydroelectric power plants increased compared with the previous year, even though it was not sufficient to absorb the negative changes described above. Revenues from the sale of energy certificates/titles to CVA ENERGIE (amounting to Euro 1,417 thousand in FY 2020, Euro 2,566 thousand in FY 2019) show a negative change mainly attributable to the decrease in the number of certificates (the GO) produced, combined with a decrease in the average selling price; revenues from services amounting to Euro 9,466 thousand in 2020 (Euro 8,665 thousand in 2019) were slightly up mainly as a result of the revision of the charging model for outsourcing services provided by the Parent Company to Group companies.

"Other revenues and income" increased almost entirely as a result of the increase in operating grants (by more than 13%) amounting to a total of Euro 29,458 thousand in 2020 (Euro 26,052 thousand in FY 2019) and include grants provided by the GSE such as the Energy Account, the Incentive Tariff and GRIN incentive. The most significant change seen between FY 2020 and FY 2019 is almost entirely attributable to GRIN Incentives, the total of which increased to Euro 21,512 thousand from Euro 18,267 thousand in 2019 due to the effect of the increase in the unit value of the GRIN incentive, which increased to Euro 99.05/MWh in 2020 from the value of Euro 92.11/MWh in FY 2019, as well as to the higher production of the incentivised plants; in FY 2020 there was also a positive trend in the incentive tariffs and the energy account on photovoltaic production, of which a detailed explanation is given in the explanatory note of CVA at the foot.

Operating costs

Operating costs increased by approximately 4.7%, from Euro 76,646 thousand in 2019 to Euro 80,309 thousand at 31 December 2020. The change was mainly affected by the trend in personnel costs, which increased by more than Euro 2.7 million, mainly due to the increase in the average number of personnel following the stabilisation of fixed-term positions previously covered by temporary contracts, as well as the increase in the minimum contractual levels envisaged; in addition to the above, operating costs also absorbed the increase in tariffs for the fees recognised by the Company for the derivation of water for hydroelectric use, which increased between the two years by more than Euro 500 thousand, from Euro 34,836 thousand in 2019 to Euro 35,369 thousand at the end of 2020.

Amortisation, depreciation, provisions and write-downs

The item amortisation, depreciation, provisions and write-downs at 31 December 2020 amounted to Euro 31,914 thousand, an increase of Euro 2,795 thousand on the Euro 29,119 thousand in 2019.

The change that occurred is mainly a result of the performance of the item "provisions and write-downs", which in 2020 includes the effect of the reversal to income of provisions against the extinguishment or restatement of existing risks and the provision for bad debts of an almost equivalent value, while in 2019 the reversal to income had largely exceeded the provisions made necessary.

Total depreciation and amortisation amounted to Euro 31,920 thousand, an increase of Euro 469 thousand compared with the previous financial year. In detail, depreciation of tangible assets amounted to Euro 30,845 thousand in FY 2020 (Euro 30,410 thousand in FY 2019) and refers mainly to the depreciation of plant and machinery for Euro 26,461 thousand as well as both operating and non-operating buildings, industrial and commercial equipment and other assets in addition to leasehold improvements.

31.9 Mln

of total depreciation/ amortisation

Amortisation of intangible assets amounted to Euro 1,075 thousand in 2020 (Euro 1,041 thousand in 2019) and refers for the most part to patents and intellectual property rights, concessions, licences and trademarks.

Note also that in 2020, continuing on from the first-time application of the international accounting standard IFRS 16 in 2019, resulted in the emergence of amortisation of the rights of use recorded for a total amount of Euro 354 thousand, of which full details are given in the Notes to the financial statements.

Financial management

In 2020, the Company recorded dividends distributed by the subsidiaries for a total of Euro 3,967 thousand, of which Euro 2,317 thousand related to dividends approved by DEVAL and Euro 1,650 thousand to dividends approved by VALDIGNE. Financial income from Group companies and related parties, amounting to Euro 3,554 thousand, decreased in 2020 compared to Euro 4,657 thousand in 2019: this decrease was mainly due to the elimination of the item related to interest income previously paid until 2019 by the parent company FINAOSTA and which ceased following the early repayment, on 24 December 2019, of the loan granted by the Company to its parent company.

Other financial income amounted to Euro 2,502 thousand in FY 2020, showing an increase of almost 49% compared to the previous year: it mainly internalises the returns of the securities portfolio of Euro 539 thousand not present in FY 2019, as well as an increase in the returns of insurance and capitalisation policies held by the Company.

Financial expenses incurred in 2020 by the Company amounted to Euro 5,350 thousand, showing a decrease compared to the previous year (when the balance amounted to Euro 6,105 thousand), mainly as a result of the reduction in interest payable on the outstanding principal of the debt.

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 79 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 provisions for risks and charges.

Income taxes

The tax expense for 2020 amounted to Euro 17,561 thousand (Euro 23,336 thousand in 2019) with a tax rate of 26.5% (in 2019, the tax rate was 26.8%).

Current taxes show a decrease of around 21% compared with the previous year (Euro 12,145 thousand in 2020 versus Euro 15,470 thousand in 2019), accounting for more than 18% on the pre-tax result. Net deferred tax assets/deferred tax liabilities showed an opposite trend, which increased compared to the previous year (from Euro 8,381 thousand in FY 2019 to Euro 5,441 thousand in FY 2020).

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

Amounts in Euro thousands

	2020	2019	2020 vs 2019	
			Change	% change
ASSETS				
Non-current assets				
Tangible assets	379,141	405,633	(26,492)	-6.5%
Intangible assets	7,433	7,510	(77)	-1.0%
Goodwill	188,217	188,217	-	0.0%
Equity investments	129,595	129,523	73	0.1%
Deferred tax assets	13,990	13,458	532	3.9%
Non-current financial assets	229,195	182,589	46,606	25.5%
Other non-current assets	1,839	1,822	17	0.9%
Total non-current assets	**949,410**	**928,752**	**20,658**	**2.2%**
Current assets				
Inventories	1,284	998	286	28.7%
Trade receivables	15,460	152,549	(137,089)	-89.9%
Receivables for income taxes	9,276	6,384	2,891	45.3%
Other tax receivables	5,972	3,680	2,292	62.3%
Other current financial assets	28,634	50,494	(21,860)	-43.3%
Other current assets	11,594	12,394	(800)	-6.5%
Cash and cash equivalents	188,523	211,584	(23,061)	-10.9%
Total current assets	**260,744**	**438,084**	**(177,341)**	**-40.5%**
Assets classified as held for sale	-	-	-	-
TOTAL ASSETS	**1,210,153**	**1,366,836**	**(156,683)**	**-11.5%**

Amounts in Euro thousands

	2020	2019	2020 vs 2019	
			Change	% change
SHAREHOLDERS' EQUITY				
Share capital	395,000	395,000	-	0.0%
Other reserves	290,119	276,500	13,619	4.9%
Accumulated Profits/(Losses)	35,815	35,815	-	0.0%
Net result of the year	48,757	63,607	(14,851)	-23.3%
Total shareholders' equity	**769,691**	**770,922**	**(1,231)**	**-0.2%**
LIABILITIES				
Non-current liabilities				
Employee benefits	3,358	3,376	(18)	-0.53%
Provisions for risks and charges	7,523	7,096	427	6.02%
Deferred tax liabilities	48,342	43,062	5,280	12.26%
Non-current financial liabilities	248,781	313,852	(65,071)	-20.73%
Other non-current liabilities	359	-	359	-
Total non-current liabilities	**308,363**	**367,386**	**(59,023)**	**-16.07%**
Current liabilities				
Employee benefits	527	1,591	(1,065)	-66.9%
Trade payables	18,008	128,966	(110,958)	-86.0%
Payables for income taxes	908	1,807	(900)	-49.8%
Other tax payables	613	2,237	(1,624)	-72.6%
Derivatives	16,577	12,820	3,757	29.3%
Other current financial liabilities	54,045	73,564	(19,520)	-26.5%
Other current liabilities	5,422	7,542	(2,119)	-28.1%
Total current liabilities	**96,099**	**228,528**	**(132,429)**	**-57.9%**
Liabilities related to assets held for sale	-	-	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,210,153**	**1,366,836**	**(156,683)**	**-11.5%**

Non-current assets

Non-current assets amounted to Euro 949,410 thousand at 31 December 2020, an increase compared to Euro 928,752 thousand recognised at 31 December 2019; the increase was mainly due to the effect of the increase in non-current financial assets which amounted to Euro 229,195 thousand compared to Euro 182,589 thousand in 2019, mainly as a result of the increase in the portfolio which consists of government bonds issued by the Italian Republic maturing between 2022 and 2024. Tangible assets are all the proprietary tangible assets and the rights of use on tangible assets. Tangible assets amounted to a total of Euro 379,141 thousand (Euro 405,633 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 148,456 thousand at 31 December 2020) whose amortisation process is related to the duration of the concession since, pursuant to art. 12, paragraph 1 of Italian Legislative Decree no. 79 of 16 March 1999, 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 7,433 thousand at 31 December 2020, in line with the normal amortisation process and consisted of all owned intangible assets and rights of use on intangible assets. The item “investments” shows substantial stability, standing at Euro 129,595 thousand in 2020 compared with Euro 129,522 thousand at 31 December 2019.

Current assets

The balance of Euro 260,744 thousand recognised at 31 December 2020 for Current Assets shows a sharp increase of Euro 177,341 thousand compared to Euro 438,084 thousand in 2019, mainly attributable to the reduction in receivables from subsidiaries, in particular following the change in the invoicing mechanism for the energy sold to CVA ENERGIE, which in 2019 provided for the collection of advances during the year and the determination of the balance only at the end of the financial year, while the contract signed for 2020 provided for a monthly adjustment on balance determining, therefore, a reduction in existing payables and receivables on the balance sheet due to the absence of advances.

Cash and cash equivalents mainly include the balance receivable of current bank accounts at the reporting date, down on last year and equal to Euro 188,523 thousand (Euro 211,584 thousand at 31 December 2019).

Shareholders’ equity

The table below shows the breakdown of shareholders' equity at 31 December 2020 and 2019:

Amounts in Euro

	2020	2019	2020 vs 2019	
			Change	% change
Shareholders’ equity				
Share capital	395,000	395,000	-	0.00%
Other reserves and profits (losses) accumulated	325,934	312,315	13,619	4.36%
Net result of the year	48,757	63,607	(14,850)	-25.35%
Total shareholders’ equity	**769,691**	**770,922**	**(1,231)**	**-0.16%**

At 31 December 2020, 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.

Non-current liabilities

Non-current liabilities amounted to Euro 344,364 a decrease of 6.3% compared to the previous year, particularly due to the decrease in "other financial liabilities" compared to the previous year which decreased from Euro 313,852 thousand at the end of 2019 to Euro 284,781 thousand at the end of the year under review mainly as a result of the revision of bank loans.

The item "provision for risks and charges" increased by 6% compared to the previous year, with particular reference to the item "other provisions for future charges", details of which are provided in the notes below.

As regards the trend of the item "deferred tax liabilities", they amounted to Euro 48,343 thousand at 31 December 2020 (Euro 43,062 thousand at 31 December 2019): the increase witnessed in the last two years is mainly due to deferred taxes recognised on amortisation (of goodwill) performed exclusively for tax purposes.

Current liabilities

At the end of 2020, current liabilities amounted to Euro 96,098 thousand, a significant change of Euro 132,429 thousand (-58 %) compared with Euro 228,528 thousand at the end of the previous year.

To explain the trend, it should be noted that the main decrease relates to trade payables, in particular to subsidiaries, which decreased by more than 99%, following the decrease in trade payables to CVA ENERGIE related to the contractual change, explained above, with respect to the method of billing and regulation of the energy sold to this company, which in 2019 provided for the payment of advances not provided for 2020.

Financial management and rating

The liquidity of the Group was thus invested or deposited respectively on 31 December 2020 and 31 December 2019:

Type of investment	Invested capital at 31/12/20	% of total liquidity	Invested capital at 31/12/19	% of total liquidity
Capitalisation policies	85,420.1	26.41%	76,429.4	23.74%
Government Bonds	41,316.5	12.77%	-	0.00%
Loans to investee companies	8,217.9	2.54%	8,719.4	2.71%
Stable component of the Portfolio	**134,954.5**	**41.72%**	**85,148.8**	**26.45%**
Capitalisation policies	-	-	8,772.1	2.72%
Repurchase transactions or Time Deposits	-	-	13,017.8	4.04%
Temporary component of the Portfolio	**-**	**-**	**21,789.9**	**6.77%**
Free amounts on bank current accounts and other availability	188,510.2	58.28%	214,992.2	66.78%
Treasury component	**188,510.2**	**58.28%**	**214,992.2**	**66.78%**
TOTAL INVESTMENTS and LIQUID FUNDS	**323,464.8**	**100.00%**	**321,930.9**	**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.

Rating "BBB+" with stable outlook by FitchRatings and Rating: "Baa2" with stable Outlook by Moody's

The 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-). It must be pointed out that the tensions regarding the sovereign rating of the Italian Republic, the dividends policy requested of the 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 no. 79 of 16 March 1999, by Art. 11-quater, paragraph 1, letter a) of Decree Law no. 135 of 14 December 2018, 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 2020, 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 2020.

COVID-19 measures

2020 was characterised by a complex regulatory framework developed and enacted by the Parliament and the Government to enable it to cope with the epidemiological emergency from COVID-19. In particular, restrictive measures have been introduced to limit, and in some cases completely prohibit, travel not only within Italy but also to and from abroad, as well as measures to suspend production, industrial and commercial activities, with the exception of essential services.

In order to help mitigate the distressing situation and any critical issues arising from the COVID-19 epidemiological emergency, the national legislature adopted measures to support families, workers and businesses to counter the effects of the emergency on the economy. ARERA, in the exercise of its regulatory functions and in the areas under its jurisdiction, adopted urgent measures aimed, as a matter of priority, at strengthening the protection of end customers, with reference to both credit management and the guarantee of service provision.

Suspension of credit protection regulations

The Authority, in the immediate aftermath of the issuance of the Prime Minister's Decrees of 9 March 2020 and 11 March 2020, ordered, for the period between 10 March and 3 April 2020, the suspension of the procedures for managing delinquency and the consequent interruptions to the supply of electricity, at the same time ordering the reactivation of any supplies suspended (or limited/deactivated) from 10 March 2020 (Resolution 60/2020/R/com).

The deadline of 3 April 2020 for the duration of the aforementioned measures adopted by the Authority was subsequently postponed to 13 April 2020 (Resolution 117/2020/R/com) and then further to 3 May 2020 (Resolution 124/2020/R/com), in accordance with the extension of the measures to contain the epidemic ordered by the government. Once this deadline had passed, suppliers were able to restart the procedures for putting end customers in default, complying with the notice periods defined in the TIMOE and offering them the possibility of paying the related amounts in instalments without the payment of interest. In addition, the suspension of the delinquency management procedures was extended from 4 May 2020 until 17 May 2020 for domestic end customers holding low voltage withdrawal points only (Resolution 148/2020/R/com).

Finally, in implementation of Decree Law no. 9/2020, the Authority ordered, for users located in the municipalities in the Red Zone (and specifically in the municipalities of Bertonico, Casalpusterlengo, Castelgerundo, Castiglione D'Adda, Codogno, Fombio, Maleo, San Fiorano, Somaglia, Terranova dei Passerini, Vò), the suspension from 2 March 2020 until 30 April 2020 of the payment terms for invoices and payment notices - issued or to be issued - for the supply of electricity, with the obligation to automatically install the amounts for subsequent payment (Resolution 75/2020/R/com).

Social bonuses

Also in order to contain the need for physical travel to fulfil specific obligations, ARERA has temporarily suspended, from 1 March 2020 to 30 April 2020, the deadline for applications for renewal of social bonuses for the supply of electricity incurred by customers in severe economic and social hardship.

A request for relief submitted within 60 days of the expiry of the suspension gives rise to the benefit without interruption with respect to the originally envisaged deadline (Resolution 76/2020/R/com).

Transport service

With regard to the management of possible defaults by end customers connected with the urgent measures referred to in Resolution 60/2020/R/com and subsequent amendments and additions, ARERA intervened by suspending the application of the default procedures provided for users of electricity transmission services with respect to any non-payment of invoices issued by the distributor due in April 2020 (Resolution 116/2020/R/com).

Given the continuation and spread of the emergency situation, this measure was extended to May 2020 (Resolution 149/2020/R/com) and June 2020 (Resolution 192/2020/R/com).

Reduction of electricity bill charges

Article 30 of Decree Law no. 34 of 19 May 2020, converted with amendments by Law no. 77 of 17 July 2020, the so-called Relaunch Decree, delegated to ARERA the power to reduce, for the months of May, June and July 2020, the expense incurred by electric users connected to low-voltage networks other than households, with reference to the bill items identified as “meter transmission and management” and “general system charges”, up to the maximum authorised expense of Euro 600 million for 2020.

By way of Resolution 190/2020/R/com, ARERA regulated an urgent reduction in expenses for low-voltage users other than domestic users or users for public lighting or users for the exclusive supply of electric vehicle charging points in places accessible to the public. Specifically, for each month of the reference period between 1 May and 31 July 2020, for small businesses, artisans, bars, restaurants, laboratories, professionals and services (non-domestic low-voltage customers) with power greater than 3 kW, the power-related fee was set at zero and only a fixed fee of a reduced amount was applied (conventionally set at that corresponding to the committed power of 3 kW), without reducing in any way the actual service in terms of available power.

Imbalances

With Resolution 121/2020/R/eel, the Authority deemed it appropriate to modify, on a transitional basis, from 10 March 2020 to
30 June 2020, the regulation of imbalances, introducing elements that would make it possible to limit the variability of the imbalance price, including with respect to the prices at which sales offers accepted on the Day-Ahead Market (MGP) are valued, applied to all units that are not required to be admitted to the Dispatching Services Market (MSD).

Excise duties

In order to mitigate the impact of the COVID-19 emergency on the activities of businesses, decreelaw no. 34 of 19 May 2020, converted with amendments by Law no. 77 of 17 July 2020, the so-called Relaunch Decree, adopted provisions regarding excise duties. In particular, this measure provided for a rescheduling of the tax payments due between May and September 2020 and introduced a mechanism for rescheduling the related instalments to be paid in that period, providing that they be paid to the extent of 90% of those calculated on the basis of consumption in the previous year. In addition, any adjustment payment may be made in a single instalment by 16 March 2021 for electric power; alternatively, the same adjustment may be made in ten equal monthly instalments, without interest, payable by the last day of each month during the period from March to December 2021.

Electricity market

New zone market configuration

During 2020, ARERA completed the revision of the market zone configuration, which provides for the shift of Umbria from the Central North zone to the Central South zone and the introduction of the Calabria zone, with the simultaneous elimination of the Rossano limited production hub and the consequent elimination of the virtual zones.

The changes to the structure of the market zones dictated by Resolution 103/2019/R/eel took effect on 1 January 2021.

Market Coupling

Start of market coupling on the Italy-Greece border

On 15 December 2020, the system of implicit allocation of transmission capacity for daily energy exchanges on the Greece-Italy border (day ahead market coupling) was launched.

Following the implementation of the Italian Borders Working Table (IBWT) project with Multi- Regional Coupling (MRC) carried out in February 2015 and its successful operation for more than five years - now within the Single Day-

Ahead Coupling (SDAC) - the start of coupling operations of the Greek bidding zone in the IBWT regional framework is a crucial step towards achieving a single European-wide day-ahead electricity market, which is expected to reach its completion in 2021 with the integration of the MRC and 4MMC projects (project to integrate the Czech, Slovak, Hungarian and Romanian day-ahead markets).

Market coupling Italy-Montenegro

Following Resolution 464/2019/R/eel by which ARERA approved the allocation rules for long-term transmission rights and daily transmission rights prepared by Terna and the Montenegrin TSO CGES for the Italy-Montenegro capacity with effect from 2020, with Resolution 516/2020/R/eel ARERA approved the new version of the capacity allocation rules on the Italy-Montenegro border with effect from 2021.

The current assignment of the auctions to the SEE CAO is a transitional solution, aimed at allowing a broad participation of operators in the Balkan area and which should end at the end of 2021 with the transfer of the management of the auctions to JAO as a single allocation platform at European level.

Even if the implementation of market coupling on the Italy-Montenegro border represents the solution to which to aspire when fully operational, at present it is not yet feasible because it presupposes both the implementation of the provisions of the CACM Regulation by Montenegro, in order to create a harmonised regulatory framework that facilitates the participation of European and non-European market operators, and the start-up of the day-ahead electric power market in Montenegro, with the full operation of a market operator that can be designated as NEMO and, as such, can access the European single-day ahead coupling developed in accordance with the provisions of the CACM Regulation.

Retail sales

Short prescription

Article 1, paragraph 295 of Law no. 160 of 27 December 2019 (2020 Budget Law) amended the rules on the two-year statute of limitations provided by Article 1, paragraph 5 of Law no. 205 of 27 December 2017 (2018 Budget Law). Therefore, from 1 January 2020, energy customers belonging to the types indicated by the law and by the regulations in force, may object to the statute of limitations for amounts invoiced relating to consumption older than two years, even if the failure to collect or the erroneous collection of the relative data derives from an ascertained responsibility of the user.

By way of Resolution no. 184/2020/R/com, the Authority consequently amended the sector regulations, modifying the information that the commercial counterparty must provide to the end customer in the invoices, including in the case of related default procedures, as well as in the case of responses to written complaints about them. In addition, the Authority clarified that these provisions take effect from invoices issued in the first useful billing cycle after 28 May 2020.

Default

Pursuant to Article 1, paragraph 291, of the 2020 Budget Law, as of 1 January 2020 the managers of public utilities are obliged to send to users notices contesting, in a clear and detailed manner, any non-payment of invoices and communicating the suspension of supplies in case of failure to remedy, with adequate notice, not less than forty days, by registered letter with return receipt. Consequently, by way of Resolution no. 219/2020/R/com, the Authority made changes and additions to the Integrated Text for Non-Payment of Electricity (TIMOE).

In particular, as from 19 June 2020, trading counterparties may freely define the payment period granted to end customers within the notice of default, clearly specifying the day on which this period begins to run. In addition, on the same occasion, the commercial counterparty must indicate the term after which, in case of default, the request for suspension of supply will be sent to the distributor, making a distinction by power (not less than 25 days for low voltage, not less than 40 days for all other voltage levels).

Greater Protection Service - Gradual Protection Service

With the publication in the Official Journal of Decree Law no. 162/2019 (so-called "Milleproroghe") the postponement to 1 January 2022 of the end of the service of greater protection has become definitive.

For customers belonging to the category of small businesses, however, the effective date for the abolition of the service has been set at 1 January 2021. As a result, in 2020 ARERA first consulted and then resolved on the methods and criteria for assigning these end customers to a new service of last resort, called "Gradual Protection", provided in an initial transitional phase by the operators of greater protection for a period of six months, during which ARERA and Single Buyer will carry out the competitive procedures for identifying the operator on the free market who will have to provide this service for the next three years.

The Gradual Protection Service will be available to end customers with 50 or more employees and 10 or more employees and/or annual revenues of Euro 10 million or more but not less than Euro 2 million (small businesses), who own only low-voltage power plants, and to micro-businesses (fewer than 10 employees and annual revenues of Euro 2 million or less) who own at least one power plant with a contractual capacity of more than 15 kW. On the other hand, the procedures that will apply to the removal of the remaining end customers who are currently supplied with greater protection services have not yet been defined.

Code of Business Conduct

At the end of the consultation procedure launched in 2019, with Resolution 426/2020/R/com ARERA published the new Code of Business Conduct that will come into force from 1 July 2021.

In the new text, the information obligations of sellers are strengthened for the benefit of end customers both in the pre-contractual and contractual phases, also in view of the complete overcoming of price protection provided by Law 124/17. As far as the pre-contractual phase is concerned, the new Code will introduce a Summary Sheet, replacing the Information Note, which will include the pre-contractual information obligations already provided for by Article 9 of the Code of Business Conduct, the estimate of the annual expenditure and some summary price indicators. The current Comparability Schedules will remain in place and will have to be delivered only for those offers for which, pursuant to Resolution 51/2018/R/com, the calculation of the estimated annual expenditure on the Offer Portal is envisaged.

On the other hand, as far as the contractual phase is concerned, the supply contract must mandatorily contain information on instalments and indications regarding express termination clauses. The obligations of communication on the part of the seller in the event of unilateral modifications with changes to the economic conditions or automatic evolutions of the same, with the relative automatic indemnities to be paid to the customer in the event of non-compliance with the provisions of the Code, are also increased.

Social bonus

In implementation of the provisions of Decree Law no. 124 of 26 October 2019, converted into Law no. 157 of 19 December 2019, ARERA has placed in consultation, by document 204/202/R/ com, its final guidelines regarding the possible modalities of operation of the system of automatic recognition of national social bonuses from 1 January 2021. In particular, for the social bonus for economic hardship, ARERA proposes to introduce a method of disbursement to all eligible persons without the need to submit a special application for admission and based on the exchange of information flows between INPS and the Manager of the SII. Households in vulnerable conditions would be identified through the information that citizens transmit to INPS through the Single Declarations In Lieu (DSU) and that INPS, in turn, transmits to the Manager of the SII.

On the contrary, as far as social bonuses for physical discomfort are concerned, the Authority is oriented towards maintaining the current mechanism of access to the facility on presentation to the Municipalities/ CAF, by the citizen concerned, of a specific application with correlated ASL certification containing the information necessary for the verification of eligibility for the facility and for its subsequent quantification and disbursement.

General system charges

With document 445/2020/R/Eel, the Authority put out for consultation its guidelines aimed at defining the mechanism for recognising adequate compensation to transport users for any failure to collect tariff components covering general system charges (Mechanism). Indeed, in compliance with the administrative justice rulings, the Authority intends to introduce a protection system for sellers in the free market similar to that already provided for distributors with Resolution 50/2018. The Mechanism is, in fact, aimed at guaranteeing to the seller who has paid the total amount of the OGdS, but who has not been able to collect from its customers the OGdS invoiced, appropriatecoverage of the shortfall (provided that it has managed its claim efficiently). The first session of the Mechanism, under a simplified regime (i.e. with calculation of the amount through a parametric procedure) is scheduled for 2021.

Measures in favour of the populations affected by the 2016-2017 seismic events

In 2020, the Authority repeatedly intervened on the regulation concerning the facilities recognised in favour of the populations affected by the seismic events of 2016 and 2017 (Resolutions 810/2016/R/com, 252/2017/R/com and 587/2018/R/com).
In particular, with Resolution 54/2020/R/com of 3 March 2020, ARERA extended to 31 December 2020 the deadline for the suspension of payments for the supply of electricity to uninhabitable users located in Central Italy and in the municipalities of Casamicciola Terme, Lacco Ameno and Forio (Ischia), in implementation of the Decree Law no. 123/2019, converted with amendments by Law no. 156/2019. In order to ensure the greatest possible protection for all end customers affected by the earthquake, without excessive burden on the system, the Authority has also provided that the regulatory reference to the red zone “established by special trade union ordinance” issued in the period between 24 August 2016 and 25 July 2018, should be interpreted as the moment in which the right to the benefit emerges, with the result that supplies located in a red zone should continue to benefit from the “exemptions” recognised until 31 December 2020, regardless of subsequent changes to the perimeter of the zone. Updates of previous resolutions on the subject were also approved, referring to delinquencies and default interest applied by the Cassa per i Servizi Energetici e Ambientali (CSEA) in the event of non-payment or partial payment of general charges and equalisation amounts. Subsequently, by way of resolution 429/2020/R/ com of 3 November, the tariff concessions for the populations affected by the earthquakes in Central Italy and for the municipalities of Casamicciola Terme, Lacco Ameno and Forio were also extended until 31 December 2020.

It should be noted that the benefits consist of the non-application of tariff components to cover network costs and general charges, as well as fees for services and contributions to distributors and sellers for new connections, deactivations, reactivations and/or switching of users. As regards the methods of payment for invoices subject to suspension of the payment terms, not only the amounts relating to the supply of electricity recorded in the invoices whose payment terms have been suspended or whose issue has been suspended may be paid in instalments, but also the amounts relating to consumption after the suspension of payments and until the issue of the adjustment invoices; in this regard, the seller who has not suspended the issuance of invoices and the related payment terms and/or has already issued the adjustment invoice shall, by 30 June 2021, issue a further adjustment invoice that takes into account the envisaged facilities, without prejudice to the payments already made by the end customer on 15 August 2020.

Hydroelectric concessions

Upon conversion of decree law
no. 18 of 17 March 2020, the so-called "Cura Italia" Decree, which took place on 29 April 2020, introduced article 125 *bis* concerning concessions for large water derivations for hydroelectric purposes: this provision extends to 31 October 2020 the deadline for the Regions to regulate the methods and procedures for assigning concessions for large water derivations for hydroelectric purposes and with it the effects of the approved laws. In addition, for Regions affected by regional elections in 2020, this deadline is further extended by seven months from the date of installation of the new Regional Council.

Hydrogen

On 24 November 2020, the Ministry of Economic Development (MED) put out for consultation the Guidelines for the National Hydrogen Strategy, prepared by the MED itself, which aim to identify the sectors in which it is believed that this energy vector can become competitive in a short space of time but also verify the areas of intervention that are best suited to develop and implement the use of hydrogen. In particular, the National Hydrogen Strategy aims to allow Italy to accelerate the achievement of the objectives set by the PNIEC, favouring the energy transition towards a green, sustainable and technologically advanced economy. A first phase of the strategy, with a target of 2030, will focus on sectors where it is possible to produce and use hydrogen locally, starting from existing plants, and facilitate the use of the vector in new applications such as, for example, in rail transport through the replacement of diesel trains in non-electrifiable routes. Towards 2050, renewable hydrogen is expected to reach a maturity where it can be used more vigorously in other areas of industry and transport. The implementation of the strategy aims at the realisation of benefits in terms of supply chain in new industrial and technological sectors (in particular electrolysers, fuel cells and components) leading to important positive effects on the growth of the economy, with positive impacts also in terms of employment in the different phases of design, construction and operation of the plants.

European legislation

Capacity market

During the summer months, the European Commission launched a consultation process concerning the Italian implementation plan for the capacity market mechanism. The Commission's analysis of the Italian situation shows a general assessment of the usefulness of the mechanism beyond 2023, in particular in view of the coal phase-out programmes provided for in the PNIEC. It emerges, in fact, that in Italy an electricity market based only on spot prices would not yet be able to guarantee adequate price signals for investments in new capacity. Therefore, the capacity market appears to be an instrument that will continue to be necessary in the short to medium term to ensure the security of the system, reducing the investment risk of producers, which is increasingly accentuated by the growing penetration of renewable sources and the consequent increase in price volatility.

Green deal

In spite of the serious health emergency that has affected 2020, the European Commission has confirmed its commitment to continue the path started towards the decarbonisation of the European Union, confirming and making even more challenging the objectives of the Clean Energy Package. The funding that will be provided to lift the European economy out of the current severe crisis has an important focus on the European Green Deal, which is part of the Commission's strategy to implement the 2030 Agenda and the UN Sustainable Development Goals. On 17 September 2020, during the presentation of the 2030 Climate Objectives Plan, the European Commission proposed an increase in the European target for reducing greenhouse gas emissions compared with 1990 values to at least 55% by 2030.

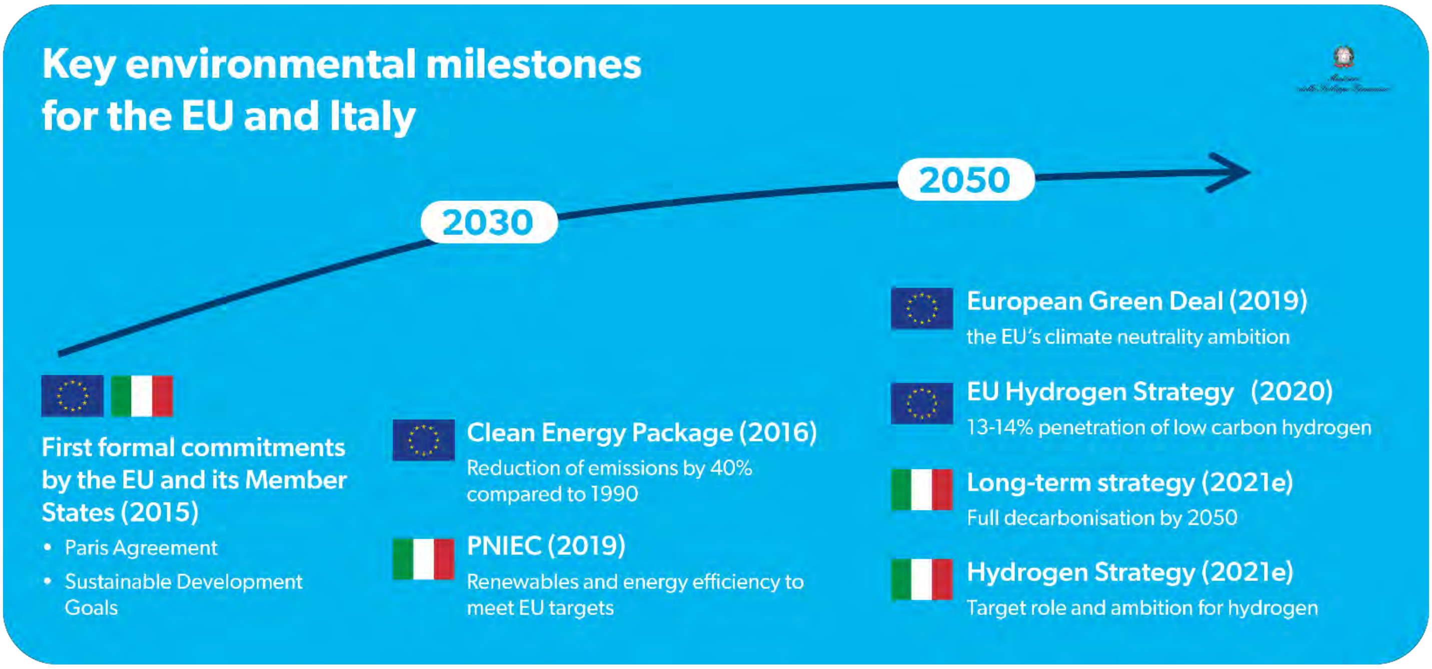
This threshold should make it possible for Europe to achieve climate neutrality by 2050, in line with the Paris Agreement's goal of keeping global temperature increase well below 2°C and continuing efforts to keep it at 1.5°C.

In order to achieve this additional reduction in greenhouse gas emissions, the Commission has committed to review (by June 2021) all relevant climate policy instruments, and will propose a revision if necessary. These include the Emissions Trading Scheme (ETS), including the possible extension of the scheme to new sectors, Member State targets for emission reductions in sectors outside the ETS and the Land Use Regulation.

Energy production and use in the different economic sectors accounts for more than 75% of the EU's greenhouse gas emissions: the priority must, therefore, be to increase energy efficiency and the use of renewables, while rapidly phasing out coal and decarbonising gas. In order to ensure that in this new context energy supply continues to be secure and affordable for consumers and businesses, it will be essential to ensure that the European energy market is fully integrated, interconnected and digitised, while respecting technological neutrality.

Furthermore, in this context, a primary role for hydrogen was established in July 2020, forecasting its growth in the energy mix from the current <2% to 13-14% by 2050, with an underlying electrolysis capacity of 500 GW. As a result, Member States are adopting the EU's strategic vision: some of them (such as France, Germany, Portugal, Spain and the Netherlands) have already set targets for 2030 or 2050 (even above the EU's direction) and have identified key use cases within the most relevant sectors, such as industry and transport.

Following the Green Deal, Italy will have to integrate the objectives set in its PNIEC: during 2021 the Long Term Strategy will be published, which will outline Italy's environmental and energy strategy to achieve full decarbonisation by 2050.



Energy communities and self-consumption

Anticipating the deadline for the full transposition of Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (RED II), on 28 February 2020, with Law no. 8 converting Decree Law no. 162 of 30 December 2019 (so-called "Milleproroghe" Decree), a first transitional discipline was introduced in Italy for the implementation of Collective Self-Consumption and Renewable Energy Community schemes.

With respect to the content of RED II and Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal energy market (IEM), Law 8/2020 allows the start of experiments aimed at achieving self-consumption configurations associated with new plants powered by renewable sources with modest power but strongly integrated at the urban or territorial level, placing some limitations not provided for in the European Directives but justified by the need to quickly start useful experiments to better guide the future final regulatory framework.

As a result of Law 8/2020, ARERA has governed, with Resolution 318/2020/R/eel of 4 August 2020, the regulation of economic items relating to electricity subject to collective self-consumption or sharing within renewable energy communities. The Authority has provided for this experimental phase a virtual regulatory model, which does not require the implementation of technical solutions (such as electricity grids other than grids with the obligation to connect third parties) or corporate solutions (such as those required to be classified among the Simple Production and Consumption Systems), maintaining separate evidence of the benefits associated with self-consumption and explicit incentives.

This model envisages that the GSE, by providing the service of optimising and offering incentive to the electricity shared for self-consumption, returns certain lump sum unitary amounts at the same time as the incentives defined by the Ministry of Economic Development are disbursed.

The experimental phase, which applies to plants that commenced operations after the date of entry into force of the law converting Decree Law 162/19 (i.e. from 1 March 2020), will end within sixty days following the date of entry into force of the final measure transposing RED II, which must be adopted by June 2021.

Distribution activities

Among the provisions issued in 2020 by the Authority, the following are the most important for the electricity distribution service and metering activity:

- Resolution 37/2020/R/eel - Functional provisions for the modification of the process of termination of dispatching and transportation contracts and activation of services of last resort in the electricity sector. This measure introduces changes to the procedure for terminating dispatching and transmission contracts, with the aim of reducing the system's financial exposure to traders. In particular, starting on 1 January 2021, the activation of the service of last resort (Safeguard or Greater Protection) will take place the day after the communication of the contractual termination to the IIS, thus resetting the termination time to zero;
- Resolution 59/2020/R/com - Postponement of regulatory deadlines for environmental and energy services and initial provisions on quality in light of the COVID-19 emergency. The resolution, in order to ensure maximum security for all parties called upon to participate in the reconnaissance of data, as well as the processing and approval of the acts required by the Authority's regulations, postpones some of the deadlines set in order to ensure, in light of the measures adopted at national level to combat the COVID-19 virus, a regular process of transposition of the regulations. The measure also contains initial provisions on service quality in the light of the health emergency;
- Resolution 60/2020/R/com - First urgent measures and establishment of an extraordinary management account for the COVID-19 epidemiological emergency. ARERA provides that the procedures for suspending the supply of electricity, natural gas and water due to customer/end user arrears do not apply with reference to the entire period of effectiveness of the Prime Ministerial Decree of 9 March 2020. In addition, a special management account will be set up at the Cassa per i Servizi Energetici e Ambientali (Energy and Environmental Services Fund) to meet the extraordinary need for immediate availability of financial resources to ensure the sustainability of interventions in favour of end users in the electricity and gas sectors and end users in the water sector during the emergency phase;
- Resolution 116/2020/R/com - Urgent measures related to the COVID-19 epidemiological emergency, concerning the provision of electricity transmission and natural gas distribution services. The measure provides for exceptions to the regulations contained in the Network Codes regarding the management of possible payment defaults by transmission users connected with the urgent measures referred to in Resolution 60/2020/R/com; in addition, given the particular emergency context, the measure provides for exceptions to the regulation of the guarantees that traders are required to provide. Lastly, provisions have been introduced for distributors concerning the payment of general system charges to CSEA and the GSE;
- Resolution 123/2020/R/eel - Suspension of some timelines of the Integrated Text for Active Connections due to the epidemiological emergency from COVID-19 virus. The resolution establishes that for connection practices, as per the Integrated Text for Active Connections, pending as at 23/02/2020 or started after that date, for the purposes of calculating the time-frame for acceptance of the estimate, the start of the authorisation process and the start of construction work on the production plant, grid operators shall not take into account the time period for which, pursuant to legislative measures connected with the epidemiological emergency, the suspension of deadlines for administrative procedures is ordered;
- Resolution 144/2020/R/eel - Determination of the definitive reference tariffs for electricity distribution and metering services, for 2019. The resolution provides for the final determination of the Reference Tariffs for electricity distribution and metering services for 2019 for companies serving more than 100,000 withdrawal points, replacing the provisional tariffs previously determined;

- Resolution 162/2020/R/eel - Determination of the definitive reference tariffs for electricity distribution and metering services, for 2020. The resolution provides for the provisional determination of the Reference Tariffs for electricity distribution and metering services for 2020 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 final balances for 2019;
- Resolution 190/2020/R/eel - Urgent provisions on electricity tariffs in implementation of Article 30 of Decree Law no. 34 of 19 May 2020. This measure provides for urgent measures needed to implement the provisions of the "Relaunch" Decree Law concerning a reduction in the costs incurred by electric power users connected to low-voltage grids other than households for the months of May, June and July 2020. In particular, for BTAU users, the fees for distribution and metering services and general system charges are reduced;
- Resolution 219/2020/R/com - Modification of the discipline of default following the provisions of Law no. 160 of 27 December 2019 and adjustment of the discipline of the Indemnification System. In compliance with the 2020 Budget Law, the methods for communicating the notice of default are updated by extending the notice periods before the suspension of the end customer's supply can be carried out. The period taken into account for the calculation of the C_{MOR} fee, applying it also to MV customers;
- Resolution 248/2020/R/com - Provisions on urgent measures related to the epidemiological emergency COVID-19: modalities for the reinstatement of the amounts not paid by users of electricity transmission and distribution of natural gas to distributors and general system charges not already paid to CSEA and GSE. With the measure ARERA provides the procedures for the reinstatement of economic items not fully paid by traders to distributors, pursuant to Resolution 116/2020/R/com, and general charges not paid to CSEA and GSE. In addition, measures are provided for the management of the rating guarantee in cases of downgrades due to the emergency situation below the classes allowed by the respective network codes;
- Resolution 261/2020/R/eel - Update of the Standard Network Code for the Electricity Transmission Service. The resolution makes changes to the rules of the "Standard Network Code for the Electricity Transmission Service";
- Interventions aimed at reducing the exposure of distribution companies, reducing the time required to terminate contracts and at the same time the onerousness of the system of guarantees for transport users. In addition, the rules governing guarantees have been strengthened, 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;
- Resolution 270/2020/R/efr - Revision of the tariff contribution to be recognised to distributors under the mechanism of energy efficiency certificates in execution of Lombardy Regional Administrative Court ruling no. 2538/2019. This measure approves the revision of the tariff contribution to be recognised to companies that meet their energy saving obligations under the White Certificates (or TEE) mechanism. In particular, a maximum threshold of € 250 and an additional contribution (of a maximum value of €10/TEE) are confirmed in order to limit economic losses due to the scarce availability of Securities on the market;
- Resolution 311/2020/R/eel - Provisions of Cassa per i servizi energetici ambientali following the reduction in the expenditure incurred by electricity users connected to low voltage grids other than households as provided for by article 30 of decree law no. 34 of 19 May

2020, converted by Law no. 77 of 17 July 2020 and implemented by Authority Resolution 190/2020/R/eel. The resolution provides instructions to CSEA in relation to the management of the resources paid into the COVID-19 Emergency Account pursuant to the "Relaunch" Decree Law and the activation of compensation to distribution companies for the lower collections resulting from the zeroing/reduction of components pursuant to Resolution 190/2020/R/eel. Deval was therefore awarded Euro 775,913.98;

- Resolution 315/2020/R/eel - Simplified procedural and economic conditions for the connection of electricity production plants of less than 800 W power. Update of the Integrated Text for Active Connections ("TICA"). The measure amends the Integrated Text for Active Connections in order to simplify connection procedures for small-scale production plants, including "small-scale" plants called "Plug & Play". For this type of plant it will be sufficient to send the new Form prepared by the Authority to the competent distributor without the payment of any fee;
- Resolution 318/2020/R/eel - Regulation of economic items relating to electricity shared by a group of self-consumers of renewable energy acting collectively in buildings and condominiums or shared in a renewable energy community. The resolution, in implementation of the provisions of Article 42bis of Law Decree no. 162 of 30 December 2019, reports the Authority's transitional provisions on the regulation of economic items related to electricity subject to "collective self-consumption" (within the same building or condominium) or sharing within "renewable energy communities" (all points underlying the same secondary cabin);
- Resolution 449/2020/R/eel - Refinement of the regulation of network losses for the three-year period 2019-2021 and revision of the conventional loss percentage factors to be applied to low-voltage withdrawals, as set out in Table 4 of the Settlement Integrated Text. With the measure, the Authority revises the regulation of electricity losses on transmission and distribution networks, establishing:
  - » the conventional percentage factors for commercial losses to be applied to distribution companies for equalization purposes for the three-year period 2019-2021, resulting in a revision of the standard loss factors to be applied to end customers as of 1 January 2021;
  - » some changes to be made to the methods of calculating the annual equalisation amount in order to overcome the critical points highlighted by the operators;
  - » the cancellation of a further trajectory of efficiency of commercial losses, also considering the timing of the intervention and the critical issues related to the COVID-19 emergency;
  - » the possibility for distribution companies operating in a territory where fraudulent "non-recoverable" withdrawals are significantly higher than the average amount of the phenomenon recorded in the macro zone or set of macro zones of competence to request compensation for the aforementioned withdrawals;
- Resolution 541/2020/R/eel - Recharging of electric vehicles in places not accessible to the public: launch of an experiment to facilitate recharging at night and on holidays. This resolution launches an experimental initiative aimed at exploiting the potential offered by electronic meters installed at low voltage customers in order to offer, at the same cost and only in cases where it can be demonstrated that they are used to recharge electric vehicles, a greater availability of withdrawable power in the F3 night/holiday period;
- Resolution 550/2020/R/efr - Determination of the tariff contribution to be recognised to distributors under the mechanism of energy efficiency certificates for the 2019 obligation year and approval of the update of the regulation of bilateral transactions.

As part of the Energy Efficiency Certificates mechanism, ARERA determined the tariff contribution for the 2019 mandatory year pursuant to Resolution no. 270/2020/R/efr and approved the update to the Regulation for bilateral transactions prepared by the Manager of the Energy Markets. Considering market conditions, the contribution was € 250/TEE, to which an additional fee of € 4.49/TEE was added.

In 2020, the Authority also approved the recognition of contributions/economic bonuses in the favour of DEVAL pursuant to the following provisions:

- *Resolution 394/2020/R/eel* - Provisions on the remuneration paid to the incentive investments, realised in the years 2014 - 2015 by DEVAL, for the tariff years from 2016 to 2018: Euro 13,811.22;
- *Resolution 462/2020/R/eel* - Determination of the premiums and penalties related to the output-based regulation of the electricity distribution service, for 2019: Euro 582,411.00 (of which 9,000 referred to the incentive for the reduction of the number of MV users with delivery on pole and with power available in withdrawal less than or equal to 100 kW).

Business outlook

The amount of snowfall in the winter that has just ended and the weather pattern recorded in the first part of this year lead us to predict a year 2021 with some hydraulic problems. Compared to the production budget forecasts, there could be a variation that could remain limited in absolute values at the end of the year if the snow melts regularly in the coming months. The economic effects of the lower production have been, for the moment, offset by the positive trend of the energy price recorded on the markets, which leads to the hypothesis of an average 2021 price higher than budgeted. In 2021, a strong boost will be given to increasing the capacity to produce electricity from renewable sources by making expenditures and investments to develop the pipeline, which to date amounts to approximately 400 MW of new power. It is assumed that it will be possible to obtain the necessary permits and start construction activities for at least one plant by spring 2022.

The Company and the Group it controls are carefully monitoring the effects of the situation arising from COVID-19 and, in addition to maintaining the utmost attention to take all useful actions to protect the health of all the Group's employees and collaborators, will implement, as far as possible, initiatives to mitigate any impact on the Group's economic and financial indicators relating to the 2021 results.

Thanks to the Group's excellent positioning, both in terms of skills and in terms of economic and financial resources, and its ability to react, there are all the internal conditions to meet future challenges.

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 2,000 instruments whose indications are analysed by specialised personnel.

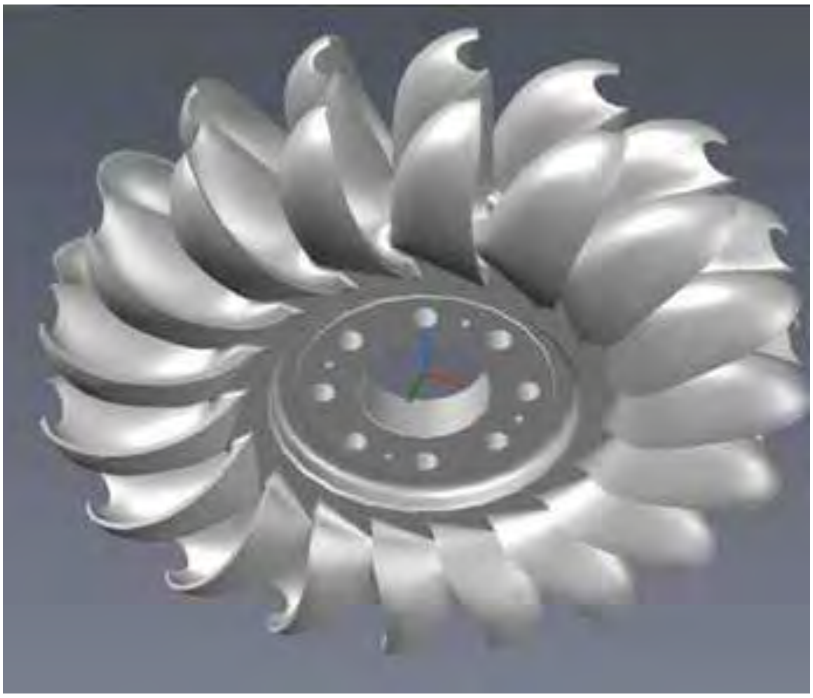
Inspections are carried out both by Operating personnel, who are continuously present at the plants, and by more specialised personnel from the Engineering departments. The Engineers in 2019 carried out over 300 targeted surveys.

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 personnel 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

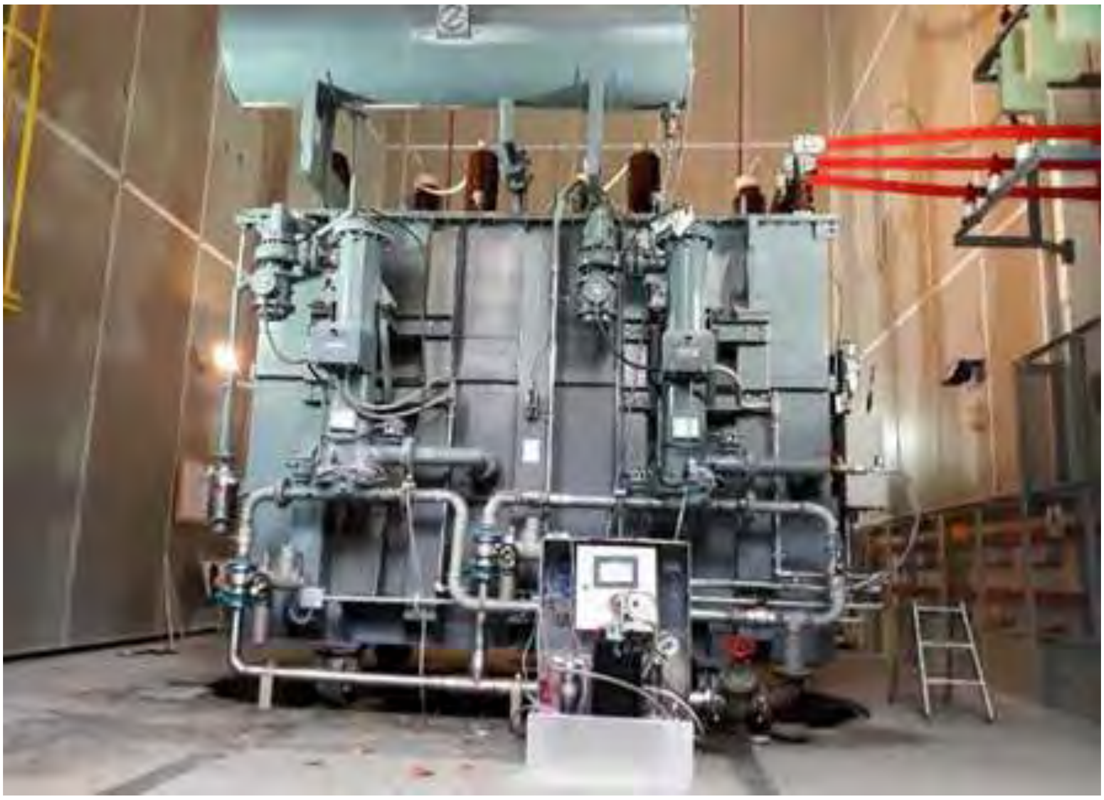
- Power transformer oil treatment of at the Champdepraz power plant which allowed to obtain:
  » Humidity 15 times lower
  » Restoration of Buchholz protection functionality
  » Minimisation of thermal stress to insulating papers during treatment

- Hône 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

Excitation Transformer (TE)

- Installation on the power transformer at the Hône 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 Hône 1, Sendren, Isollaz, Avise, Pont Saint Martin, Maën.

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 metres).

Survey in the loading tank area.

Hône 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.

Interventions on the shunt channels

During 2020, in continuation of the activities of previous years, work was carried out on the renovation and restoration of the plastering of the plant's shunt channels for a total of € 3,000,000..

In particular, work was carried out on the canals of the plants of Chavonne (€ 850,000), Hône II (€ 800,000), Pont-Saint-Martin (€ 380,000), Champagne II (€ 225,000), Isollaz (€ 220,000), Issime (€ 125,000), Verrès (€80,000), and Quart (€80,000).

Work on the Hône II and Chavonne plants

Installation of supply channel monitoring system

In 2020, a series of piezometric sensors were installed in the bypass channel of the Hône II plant, which will make it possible to monitor the levels inside the structure in the same way as the bypass channel of the Chavonne plant. There are a total of 11 sensors distributed along the 13 km length of the channel.

In addition to the sensors, a WI-FI network has been installed that allows, even in the absence of a physical connection, the sending and processing of data collected by the sensors.

Considering the age of the work, the type of construction and the criticality of the slopes crossed, the intervention aims to make available a system capable of issuing warnings in case of sudden drops in level that could be attributable to a break or significant damage to the channel. The installation of the system cost €215,000.

Studies and surveys for plant rebuilding

Geognostic surveys

In 2020, geognostic survey campaigns were completed to determine the correct location of the works with respect to the geological and geotechnical context. A total of approximately €700,000 was spent on the surveys of these two plants.

The technical documentation necessary for the preliminary investigation of the application for the concession has also been prepared. The environmental impact study for Hône II has also been completed. During the period 2018-2020, € 965,000 was spent on studies and investigations to refurbish the two plants.

Reconstruction work on the Lillaz plant intake

In 2020, work began on the reconstruction of the intake structure of the Lillaz plant, which was necessary due to the poor state of conservation of the structure, which dates back to 1920.

The intervention has been authorised with single authorisation pursuant to art. 52 of Regional Law 13/2015; the executive design for the call for tenders was handled entirely by CVA's engineers. The progress of the works is in line with the project schedule: the first one has been completed with half of the weir completed. Work is scheduled to resume in 2021 and be completed by the autumn. In 2021, spending came to approximately
€ 400,000.

Champagne I plant - Structural repair of the bridge supporting the pipelines on the Dora di Rhêmes river

The Champagne I plant comprises two forced pipes running approximately 2,250 metres. At a distance of about 690 m, in order to cross the gorge of the Dora di Rhêmes, the pipelines rest on a reinforced concrete arch bridge built in the 1920s with a span of 54 m.

Investigations carried out on the state of preservation of the bridge structure revealed some critical issues. Structural reinforcement of the structure was therefore necessary. The restoration work was particularly delicate also in consideration of the fact that the structure is bound by the Superintendence, due to the age of construction and its characteristics. For this reason, the interventions were designed with a view to not altering the appearance of the building.

Given the age of the building, which has exceeded what the current regulations would consider useful life, some needs have arisen that the intervention wanted to meet, which are:

- structural restoration of the building to extend its useful life;
- static adaptation and improvement of the dynamic behaviour of the structure;
- increased safety for operators;
- the resolution of some geological criticalities on the two slopes.

The following activities were carried out for structural restoration:

- surface cleaning of the concrete by hydroscarifying the loose and deteriorated parts;
- passivating of the reinforcement rods;
- surface restoration of concrete;
- protection of the reinforcement rods against corrosion by applying sacrificial zinc foils;
- reinforcements with high strength carbon fibre fabrics;
- surface protection and waterproofing by applying two-component cement mortar.

The construction of the intervention, given the location of the artefact, was one of the most complex parts of the job. Some of the planned activities were carried out with specialised personnel working at height, while a mobile bridge was used for work on the structure, which made it possible to meet the requirements and complete the work.

The activities completed in 2020 involved an expenditure of approximately € 450,000.




Seismic upgrading of the guardhouse and valve room of the Lake Gabiet dam

The purpose of the works is to adapt the "Guardhouse" building to current seismic regulations. The guardhouse actually consists of two structurally disjointed buildings. The intervention provided for their connection by means of angular plates connected and fixed to the walls. On the building subject to expansion in the recent past, the foundation slab was reinforced with the construction of a pillar and the reinforcement of an existing beam. The roof of the building was then redone by inserting laminated wood beams with an adequate section and the perimeter canopies were rebuilt with the construction of adequate foundations. Finally, the rock face to the rear of the building was secured.

The valve chamber at the foot of the dam was also subject to an intervention for seismic upgrading; the intervention involved the demolition of the external roof slab of the cavity room and its reconstruction with adequate structural reinforcement measures as well as its disconnection. The building has been emptied of its old floors and partitions, which have been replaced by a single floor in reinforced concrete and a structure of steel uprights and trusses to reinforce the wooden walls of the building that supports the roof rebuilt with beams of a suitable section. Lastly, the rock wall to the rear of the building, overlooking the cavity floor, was made safe.

The total amount of the works amounts to about € 600,000; in 2020 they were booked for approximately € 500,000. Work began in June 2020 and will be completed in summer 2021.

Interventions for the safety of sites considered on the DVR for geological risk

In order to reduce the risk of rockfalls on some of the sites included in the geological risk DVR (risk assessment document), studies and safety measures have been implemented.

On the Aymavilles plant, following a rock fall in 2017, a safety intervention was carried out on the wall upstream of the intake structure. The activities, which were completed in 2020, included the laying of nets in adherence on over 1,600 square metres of rocky outcrop as well as the installation of a rockfall barrier in the middle of the wall. The works involved an expenditure of € 295,000.

On the Artanavaz intake, Signayes plant, a project was drawn up in 2020 to secure the site and its access. Cortical reinforcement works with adhering nets are planned. Along the access track, in addition to actively intervening in individual sectors, a rockfall barrier was installed. The interventions are planned for 2021.

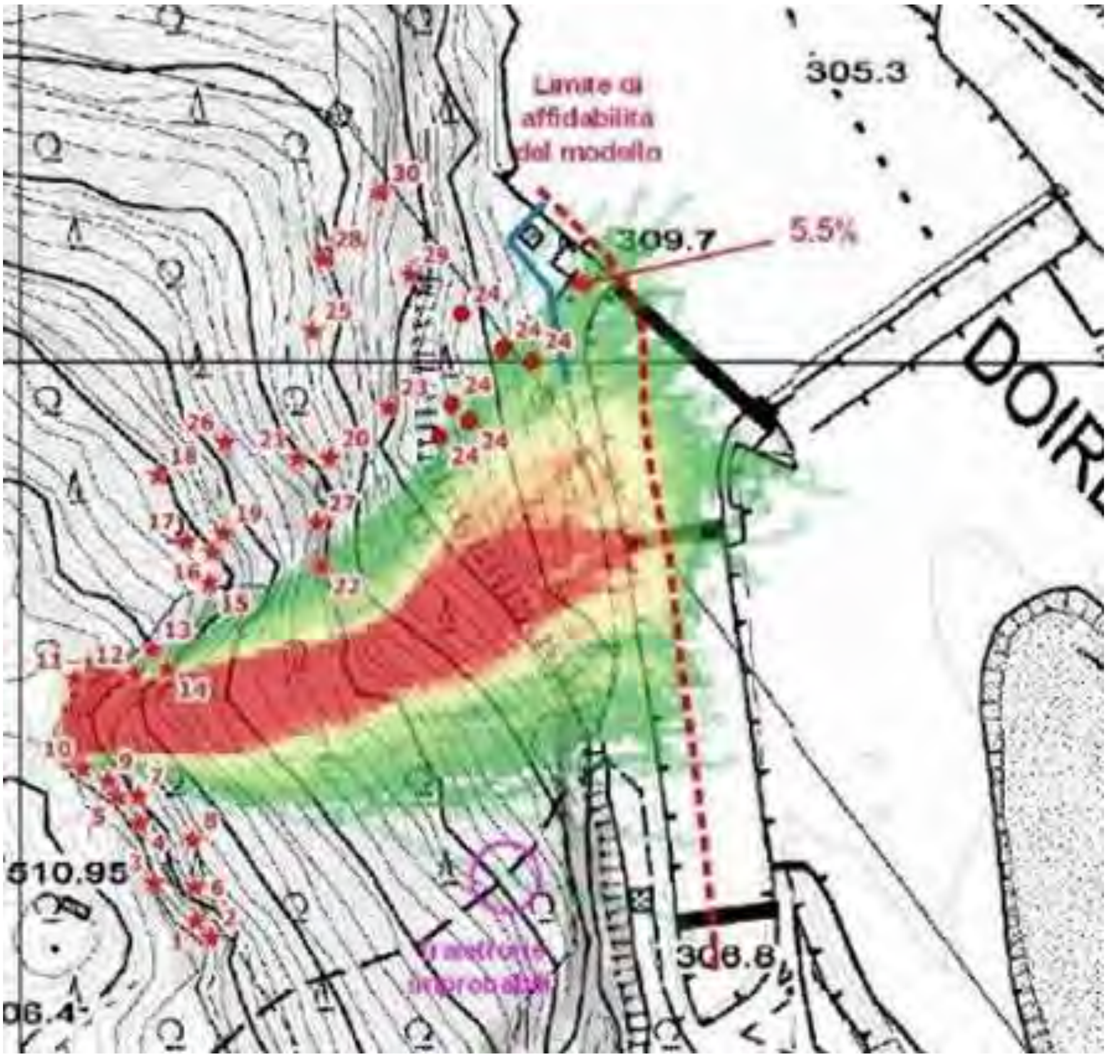
On the Mecosse intake, Grand Eyvia's plant, in 2020 the project for the mitigation of the risk of rock falls was drawn up.

The intervention includes the consolidation of the existing dry-stone walls, the detachment of the elements isolated from the rock mass in a situation of precarious equilibrium and the installation of a rockfall barrier. The interventions will be carried out during 2021.

At the Nus plant, risk mitigation measures were carried out along the access road to the loading tank by laying 650 sq.m. of adherence netting with steel cable reinforcement on the rocky outcrop.

A feasibility study was carried out on the loading basin of the Montjovet plant in order to define the interventions to mitigate the risk of rock falls. The final design of the interventions is expected during 2021. Also at the Montjovet plant, near the intake structure, an intervention to implement the existing mitigation works was studied. In the course of 2021, it is planned to install steel cable reinforcement over the entire length of the current works.

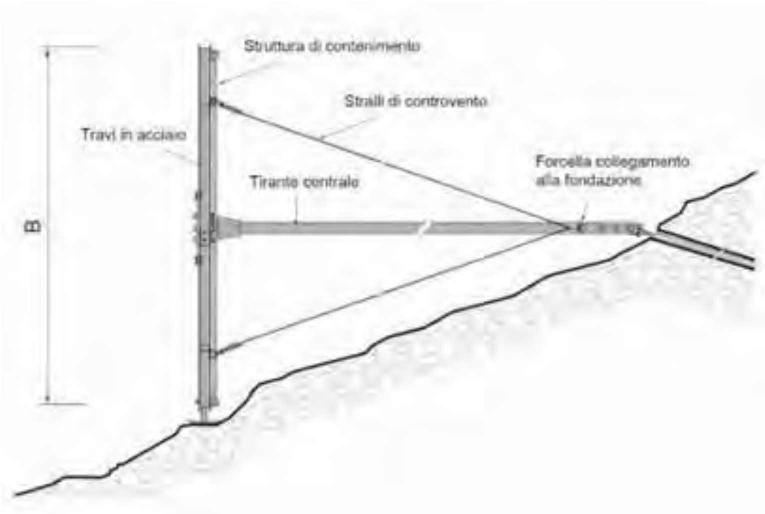
The design of safety measures for the Pont-Saint-Martin power plant and the forecourt in front of it has been completed. In the course of 2021 it is planned to carry out interventions consisting in the implementation of the existing rockfall barrier and the laying of nets in adherence to the present rocky outcrop.



At the intake of the Quincinetto II plant, after completing the final design of the interventions that provide for the installation of a rockfall barrier and some active interventions of limited extension to be carried out directly on the wall, activities began for the works that will be completed during 2021 for an estimated amount of approximately € 150,000.

Avalanche safety work at the Place Moulin dam guardhouse.

The procedure for the management of operator safety with regard to avalanche risk already applied during the 2018-2019 winter season was replicated for the 2019-2020 season functioning correctly without highlighting significant criticalities. At the same time, in 2020, the definitive and executive design was developed for the safety of the guardhouse, the forecourt and the path up to the face of the dam with respect to the risk of avalanches. In the course of 2021 it is expected that the interventions will be carried out for an estimated amount of about € 1,600,000.



Asbestos reclamation interventions

Work on asbestos abatement at two separate industrial sites was completed in 2020: reconstruction of the roof of the control room at the Brusson dam and reconstruction of the roofs of the service buildings at the Covalou power plant.

Renovation of the Brusson weir roofing

The roof of the control room is made entirely of concrete. The roofing was made of corrugated asbestos cement sheets fixed to the slab. The ridge cone and displacements were made of asbestos cement. The asbestos cement sheets and the ridge elements were found to be in a poor state of preservation, with deterioration of the external surface. The reclamation activity included the replacement of the asbestos cement roofing with a ventilated and insulated covering in corrugated sheet metal. The reclamation work was carried out between August and September 2020 and involved an expenditure of approximately € 60,000.

Re-roofing of the buildings serving the Covalou hydroelectric power plant

The buildings were located at the Covalou hydroelectric plant. Some buildings contain the control parts of the plant gates, others cover the hot air discharge ducts of the power station. There is also a small building containing measuring instruments and a building used as a changing room, mechanical workshop and materials deposit.

The roofs of the buildings were of different construction types, but all of them were covered with materials containing asbestos. The roof coverings were compact, but showed some signs of deterioration. The gutters and downpipes, where present, were also in a poor state of repair.

In addition, there was a large-diameter asbestos pipe on the Covalou power station building which, although still in good condition, it was considered appropriate to replace.

The project was designed to replace all asbestos-cement roofing with ventilated and insulated asbestos-covered corrugated metal sheets in order to ensure adequate waterproofing of the roofs and at the same time carry out the reclamation. The remediation work, which involved an area of about 700 sq.m. and 350 metres of gutters and downpipes, was carried out between October and December 2020 and involved an expenditure of about € 175,000.

Reclamation of the false ceiling at the Quart power station

In 2020, the executive project for the reclamation and replacement of the encapsulated asbestos ceiling in the Quart plant was drafted. Before issuing the call for tenders and starting the authorisation process, given the delicacy of the subject, it was decided to carry out an in-depth analysis of some detailed aspects of the project. This in-depth study will be carried out in early 2021. Work is scheduled to start at the end of 2021.

Cleaning the basins

The presence of an artificial dam alters the natural balance of the watercourses, creating an area characterised by low water velocities and, consequently, by a high sedimentation capacity of the solid material transported by the current. Artificial lakes, with the passage of time, lose part of their accumulation capacity due to the sedimentation of solid material carried by the water flowing into the reservoir.

As far as the modulation basins are concerned, the mechanical bleeding operations are programmed cyclically, taking into account the historical supply of material.

The management of the waste material resulting from mechanical excavation is considered waste management and falls into the category of special non-hazardous waste. As such, they can be delivered and treated in a plant that allows reuse and re-introduction into another production cycle, or they can acquire product status through the end-of-waste process. For this purpose it is necessary the correct characterisation of the material, the identification of areas compatible with the recovery (agricultural reclamation) and the specific authorisation from the regional authorities.

CVA's civil engineering performs the following activities:

- sampling and characterisation of the sediment material;
- determination of the total off-service time period of the plant based on the quantity of material and the difficulties in extraction and removal from the basin;
- drafting of technical documents for tenders;
- delivery of the works and plano-altimetric survey to determine the initial volumes;
- assistance and monitoring during the execution of the work;
- plano-altimetric survey to determine the volumes at the end of the works;
- development of the surveys carried out and determination of the quantity of material extracted;
- accounting and closing of the contract.

In 2020, the following cleaning activities were carried out:

Verrès plant - Cleaning of the Monconge loading tank. The basin and the tank are cleaned every seven years. A total of 490 m_3 was extracted and recovered in a plant allowing for reuse.

Saint Clair plant - Dora Baltea riverbed in correspondence of the power plant outlet. The stretch of riverbed on the orographic left of the Dora Baltea between the mouth of the Marmore stream and the Saint Clair power station outlet is cleaned every five years. A total of 850 m^3 was extracted and recovered in a plant allowing for reuse.

Pont St. Martin plant - Guillemore reservoir spillway. The activity took place following heavy rainfall that deposited a significant amount of material within the basin between late September and early October 2020. A total of 10,200 m^3 was extracted and recovered in a plant allowing for reuse.

Valpelline-Dam of Place Moulin - Arbierès outlet cleaning. The activity was carried out following heavy rainfall that between the end of September and the beginning of October 2020 deposited a considerable amount of material of various sizes on the grates and inside the intake, compromising the functionality of the work. The construction zone is only accessible on foot. The entire construction site, vehicles and equipment were mobilised with the help of the helicopter. 160 m^3 of material was removed from the intake and deposited downstream along the bank of the stream bed.

Maën Plant - Cleaning and civil maintenance of the Perrères dam. The reservoir is cleaned every two years. In this case, cleaning was combined with the maintenance of the hydraulic works, which essentially consisted in the reconstruction of the plasterwork and the replacement of the catchment grids with their anchorages, for a total cost of approximately € 370,000. A total of 9,600 m^3 was extracted and recovered in a plant allowing for reuse.



Works for obtaining the CPI

In recent years, CVA has launched a programme to bring fixed electrical machines with combustible insulating liquids located inside the power plants up to fire prevention standards.

In this context, work on the Isollaz and Perrères power plants was completed in 2020.

Work on the Hône 1, Covalou and Verrès power plants is scheduled for 2021, while work on the Avise and Issime power plants has been scheduled for the two-year period 2021-2022, given their complexity in terms of both construction and authorisation.

Risks and uncertainties

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

The Group, through the company CVA ENERGIE, operates in the energy sales sector, which is characterised by high levels of competition, determined by the presence of a vast number of operators, including international ones, who are offering increasingly competitive prices, in addition to the increasingly large number of resellers. To this must be added the risk deriving from the need to deal also with the issue related to the abolition of the Service for Greater Protection (currently set for January 2022). In order to deal with these risks, CVA ENERGIE started the work aimed at creating a structure to participate in tenders for the assignment of gradual protections, as well as greater support for commercial activities for the migration of supplies from the service of greater protection to the free market. The Sales Company has also intensified its commercial proposal on the retail and micro-business market on a national scale.

In order to mitigate the risk deriving from fluctuations in energy purchase prices, risk hedging policies have been implemented through the stipulation of energy derivative contacts, described below.

It should also be considered that the risks and uncertainties associated with commercial activities are significantly mitigated by the fact that CVA ENERGIE is part of the CVA Group, which enjoys a recognised solidity and has always been committed to promoting the renewable nature of the electricity produced by the Group's plants.

Market risks on commodity prices

CVA ENERGIE, as mentioned above, is exposed to market risks on electricity prices. In 2020, to manage this risk, in continuity with the previous years, the Sales Company deemed it appropriate, after a careful analysis of the instruments present on the market, to proceed also with the stipulation of financial derivative contracts aimed at covering this risk.

The policy of the CVA Group, to which CVA ENERGIE refers, 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 2020, 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; 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.

In 2020, 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 2020, CVA ENERGIE 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, it holds in the portfolio some physical and financial positions traded for purely short-term brokerage and/or arbitrage purposes.

As in previous years, CVA ENERGIE 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 2020 in CCC auctions with value in 2021.

The CVA Group, after analysing during FY 2019 the new contractual arrangements called Power Purchase Agreement (PPA), entered into a five-year agreement with Cogne Acciai Speciali S.p.A. 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 to potential losses arising from the non-fulfilment of the obligations assumed by the counterparty.

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.

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, CVA ENERGIE, 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:

- 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;
- 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;
- 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.

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.

The Group's liquidity risk management policy can be defined as prudent, adopting an appropriate strategy to avoid critical issues and aiming at the minimum objective of providing Group companies with the necessary financial resources at all times. This objective is pursued through the intervention of the Parent Company, with which a current account and centralised treasury agreement was signed on 2 January 2013, updated in subsequent years with regard to the financial conditions, as a result of which the liquidity risk can continue to be managed over the years without recourse to bank borrowing, resorting instead to the use of the credit line made available by the Parent Company and amounting to Euro 100,000 thousand.

Tax risks

At the date of these financial statements, CVA ENERGIE has identified tax risks for which it is not possible to exclude the payment of further taxes, penalties or interest; these are described below.

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. CVA Energie, 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 thousand). On the other hand, the provision for risks relating to the second dispute (Euro 409 thousand) 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, which two years on, at this report date, is waiting for a ruling as of the date of these financial statements;

Risks Related to Self-Generation from Renewable Energy Sources: the Charges Filed by the Customs Agency Against Idroelettrica S.c.r.l. (later merged into Idroenergia 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 CVA ENERGIE: 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 the Sales Company 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 taxes paid over the years that were conclusively deemed to be owed to the Customs Agency as of the date of these financial statements amounted to Euro 14.7 million, which was then voided through the utilisation of a special provision for doubtful debt 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 ECHR against the Italian State following the aforementioned Supreme Court rulings.

Corporate Governance

Organisational and management model

Legislative decree no. 231 of 8 June 2001, entitled "*Discipline of the administrative responsibility of legal entities, companies and associations also without legal personality, in accordance with Article 11 of Italian Law no. 300 of 29 September 2000*", 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 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.

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 those operating for and on behalf of the Group.

Anti-bribery and transparency regulations

Law no. 190 of 6 November 2012 and Legislative Decree no. 33 of 14 March 2013 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.

In view of the desire to comply with the aforementioned requirements, the companies of the CVA Group have appointed a Manager for the prevention of corruption and transparency or, alternatively, an internal Contact Person, in compliance with the provisions of the 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 invested in by public administrations and public economic bodies*", which came into force on 5 December 2017, the date of publication of the notice in the Official Journal.

In the recent past, the companies of the CVA Group have finalised the processes for the integration of the anti-corruption and transparency measures within their respective Models 231 and, in the course of 2020, the entire system was supervised, cyclically verified and - if necessary - perfected; furthermore, the "Transparent Company" section on the institutional website of the Parent Company was constantly populated and monitored, within which the publications made pursuant to Legislative Decree no. 33/2013. 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 no. 22 of 23 July 2010 (the "*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 section called "Other Contents" - subsection "Additional data" of the website, updating them according to the scheduled frequency.

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 Controllers of the companies of the CVA Group with their own employees have appointed a DPO and several Privacy Reference Persons.

The main tasks of the DPO - with the collaboration of the privacy reference persons - 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 personnel 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.

Personnel

The CVA Group consisted of 583 employees at 31 December 2020 (574 employees at 31 December 2019, 536 employees at 31 December 2018), of whom 2 executives, 62 managers, 347 white collars and 172 blue collars.

583

Collaborators of the CVA Group

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 2020:

- 386 at CVA (378 in 2019 and 356 in 2018);
- 61 at CVA ENERGIE (61 in 2019 and 57 in 2018);
- 136 at DEVAL (135 in 2019 and 123 in 2018).

Below is a breakdown of the changes occurred in the number of Group employees between 31 December 2018 and 31 December 2020:

	Balance at 31 December 2020	Balance at 31 December 2019	Balance at 31 December 2018
Executives	2	2	2
Managers	62	58	54
White collars	347	338	307
Blue collars	172	176	173
Total	**583**	**574**	**536**

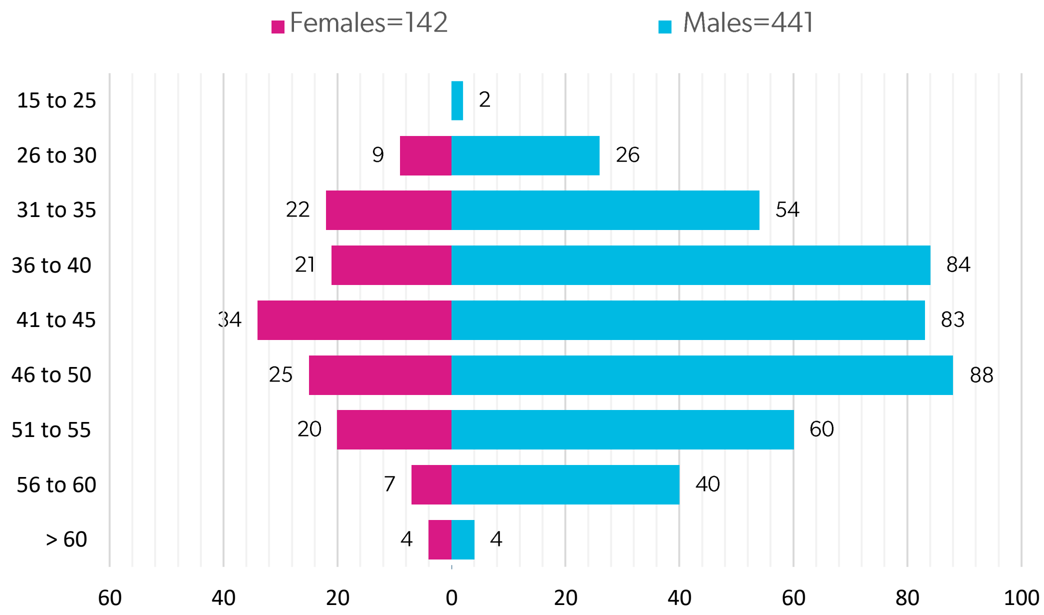
The increase in personnel in 2019 is due to the difference between 47 hires and 9 terminations in 2020 is due to the difference between 18 hires and 9 terminations.

During 2019, within the companies of the CVA Group, there were 47 hires, 7 intra-group contract transfers and 9 job terminations. During 2020, within the companies of the CVA Group, there were 18 hires, 0 intra-group contract transfers and 9 job terminations.

Between 2019 and 2020, the increase was 9 units, from 574 employees at 31 December 2019 to 583 employees at 31 December 2020.

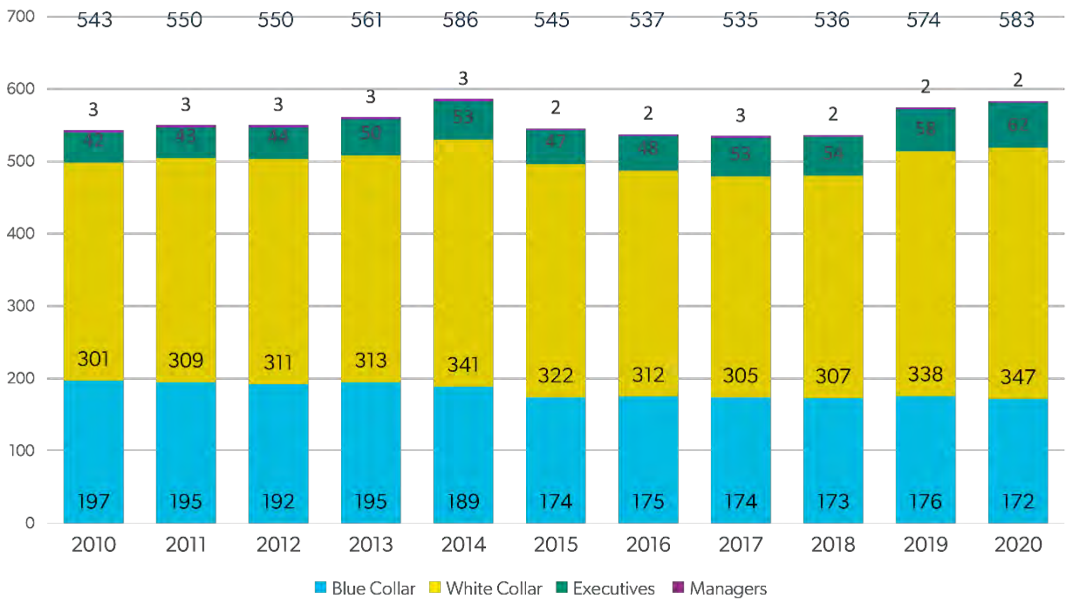
The breakdown by age and gender at 31 December 2020 is as follows:

CVA Group - Breakdown of balance at 31/12/2020 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 Group - Personnel Data



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 2018-2020 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 the CVA Group level: economic agreements, integration of the minutes of the result bonus for the years 2017-2018, result bonus for the years 2019-2021, welfare-work-life balance, overcoming electricity tariff facilitation, organisational operating model and regulation of career progressions and professional awards, minutes and integration COVID-19 - Non-remote workers and solidarity of the CVA Group;
- minutes at the individual company level: 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, teamwork training and conflict management, safety at work training 2020-2021, agreement on recording, storing and making available for re-listening recorded conversations in the Retail Libero customer office, JARVIS warning system, effective communication training in customer relations, safety training plan 2020, result bonus year 2018 cash 2019, result bonus year 2019 cash 2020, result bonus year 2020 cash 2021.

In addition, in order to provide operational indications aimed at increasing, in non-healthcare workplaces, the effectiveness of the precautionary containment measures adopted to combat the COVID-19 epidemic, during 2020 the Protocols for the regulation of measures to combat and contain the spread of the COVID-19 virus in workplaces were signed for the companies of the CVA Group.

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

During 2020, the average number of CVA personnel was 389 people (363 people in 2019 and 354 people in 2018).

At 31 December 2020, the CVA workforce was of 386 people (378 at 31 December 2019 and 356 at 31 December 2018).

386

CVA Collaborators

Below is a breakdown of the changes occurred in the number of CVA employees between 31 December 2018 and 31 December 2020:

	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**

	Balance at 31 December 2019	Hires	Terminations	Intra-group mobility	Incomin g category changes	Outgoin g category changes	Balance at 31 December 2020
Executives	2	-	-	-	-	-	2
Managers	41	1	(1)	-	4	-	45
White collars	207	16	(4)	-	-	(4)	215
Blue collars	128	-	(4)	-	-	-	124
Total	**378**	**17**	**(9)**	**-**	**4**	**(4)**	**386**

In 2019, there were 30 hires, 2 positive contract terminations by the Group, 5 negative terminations to the Group and 5 work terminations. In 2020, there were 17 hires, 0 positive contract terminations by the Group, 0 negative terminations to the Group and 9 work terminations.

The 17 permanent hires (1 executive and 16 blue collar) were carried out:

- to comply with the provisions of Law 68/1999 on compulsory placement (protected categories) for 2 employees;
- for the stabilisation of contract personnel for 5 employees;
- for the replacement of urgent positions for 8 employees;
- for new needs for 1 employee;
- for a replacement for 1 employee.

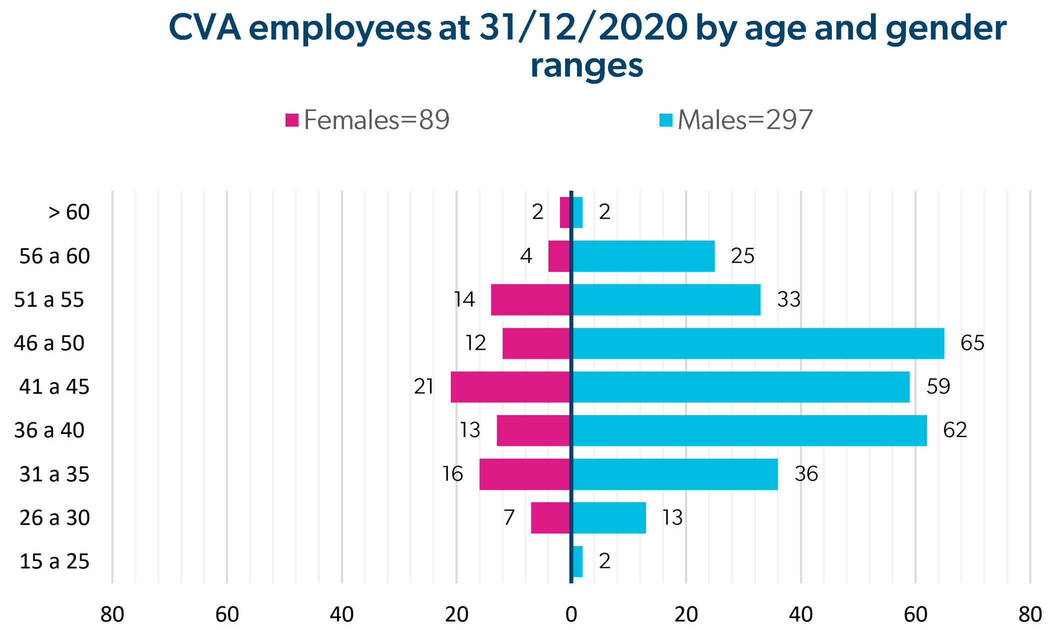
Recruitment took place at the following Operating Units:

Description of Operating Unit	Protected category	Stabilisation	Urgent	New needs	Replacement	Gener al total
AD-CEO/AALS-LCA/Procurement and Tenders Department			2			2
AD-CEO/AALS-LCA/Business Regulatory and Development Function			2			2
CEO/AALS-LCA/Compliance Risk Management Function				1		1
CEO/AALS-LCA/Risk Management Function			1			1
CEO/Information Technology Services Function			2			2
DAFRU-FHR/Administration Department and Finance	1					1
DAFRU-FHR/General Services Department						1
DO-OP/Operations Function		1				1
DO-OP/Operations Function - RO High Valley			1		1	2
DO-OP/Civil Engineering Function		2				2
DO-OP/Electromechanical Engineering Function		2				2
Total	**2**	**5**	**8**	**1**	**1**	**17**

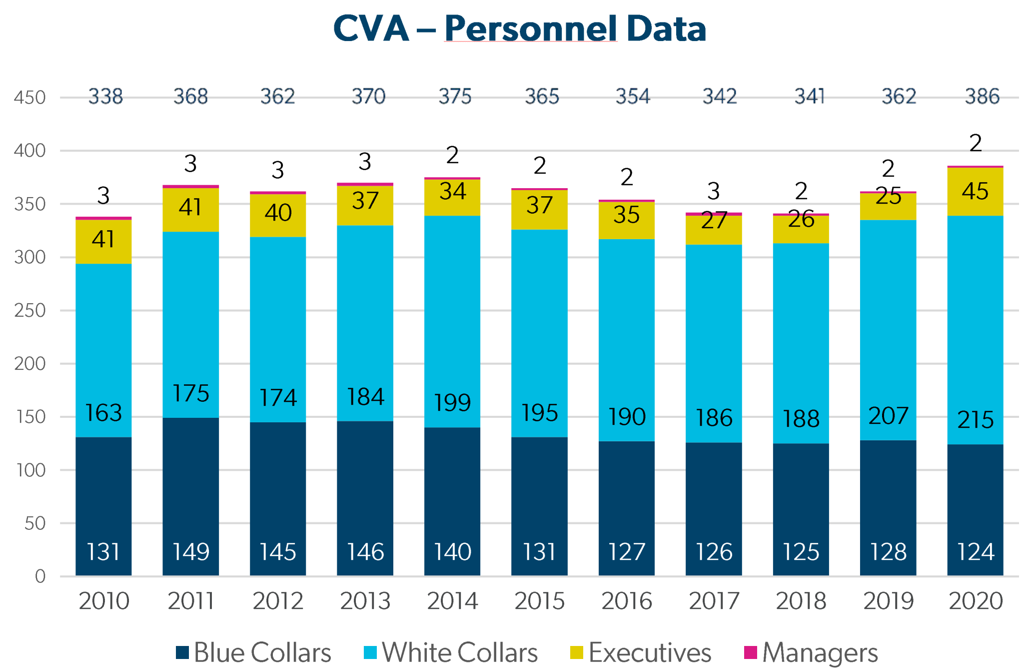
Between 2018 and 2019, the increase in workforce was 9 employees, while the actual increase was of 22 units, resulting in a shift from 356 employees at 31 December 2018 to 378 employees at 31 December 2019, of whom 2 have a managerial qualification and are governed by the National Collective Labour Contract 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.

Between 2019 and 2020, the increase in workforce was 26 employees, while the actual increase was of 8 units, resulting in a shift from 378 employees at 31 December 2019 to 386 employees at 31 December 2020, 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 384 (as follows: 45 managers, 215 employees and 124 blue collars) are regulated by the National Collective Labour Contract for workers in the electricity sector.

The breakdown of CVA employees at 31 December 2020 by age and gender ranges is as follows:



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



In 2020, hours worked totalled 627,342 hours (606,773 ordinary and 20,569 overtime) corresponding to 1,620 hours (1,560 ordinary and 60 overtime) average worked by each employee in force at CVA. 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.

Of the 386 employees in service at 31 December 2020, 322 (305 at the end of 2019 and 299 at the end of 2018) opted for a full contribution to a complementary pension fund, 29 (29 at the end of 2019 and 29 at the end of 2018) for the partial transfer to a complementary pension fund and 33 (30 at the end of 2019 and 28 at the end of 2018) for the maintenance of employee severance indemnity (TFR) at the company and 2 new hires (14 at end 2019 and 0 at end 2018), having 6 months to express their intentions, have not yet made their choice.

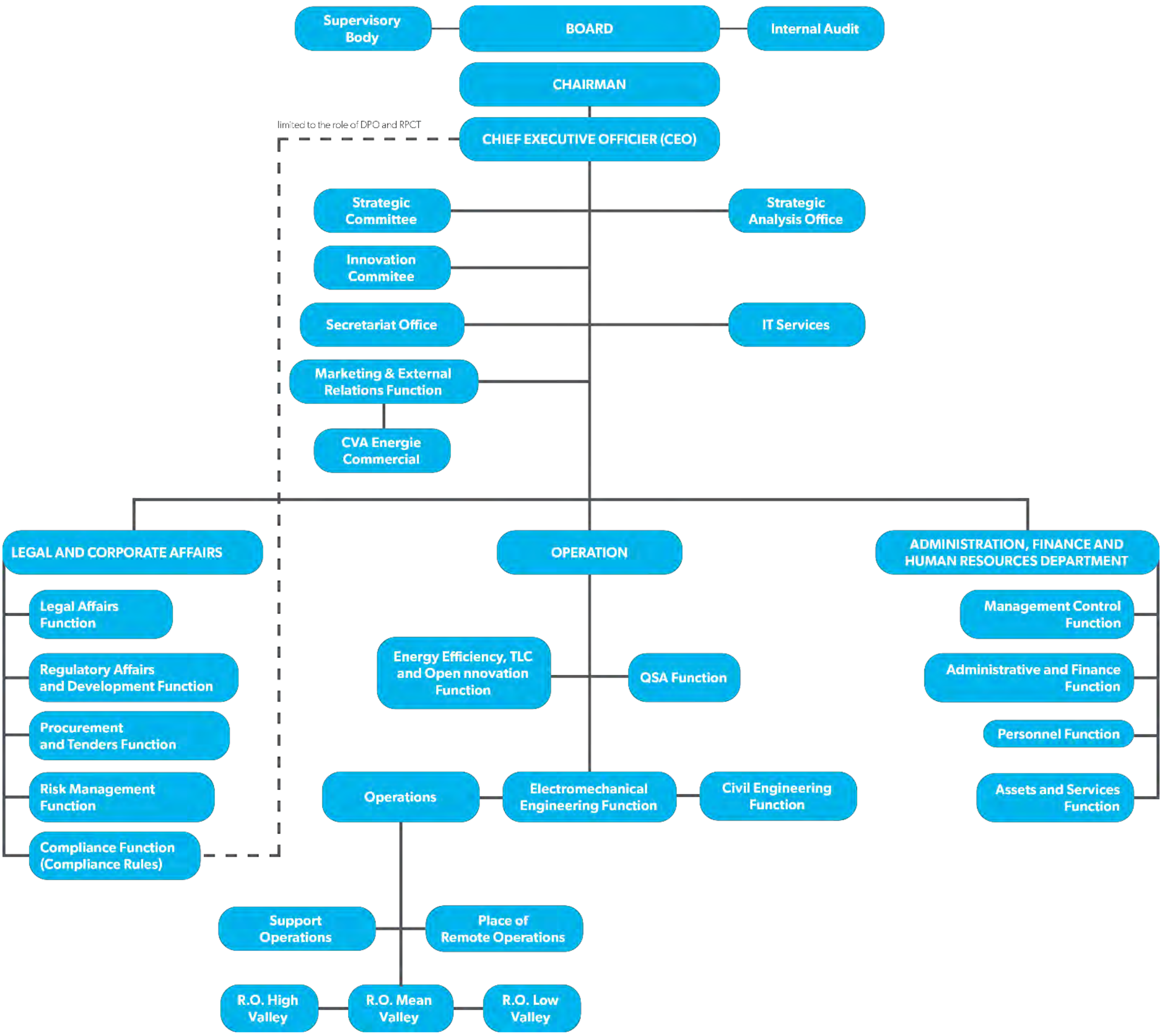
In the three-year period 2018-2020, in addition to the normal entry training activity that involved the newly hired staff, training courses were offered to employees, both at company headquarters and outside.

The number of people trained in the year 2020 is indicated below:

- health and safety training - 374 employees;
- periodic department training - 94 employees;
- environmental training - 2 employees;
- professional training - 73 employees;
- meetings, conferences, workshops - 12 employees.

Organisation

At 31 December 2020, the organisation chart of the Company was as follows:



With effect from 1 January 2021, the company reorganisation was launched, driven by the reasons and elements briefly set out below, which together constitute a decisive response to change and a stimulus to seek greater organisational and functional compliance with the changes in the external world in order to prepare CVA to deal with some future issues that will have a significant impact on the main players in the electricity market, such as:

- volatility of energy prices;
- climate change;
- expiry of hydroelectric concessions;
- plant automation;
- operation and maintenance of energy production plants;
- energy efficiency.

Moreover, the continuous evolution of the social, territorial and regulatory context in which CVA operates shows an increasing awareness and attention to the principles of sustainability and respect for the environment. In this agreement, an organisational reorganisation plan was drawn up based on five lines of action:

- production of electricity through the redesign of the organisational units - responsible for the industrial management of the Hydro and Other RES BUs;
- energy efficiency;
- facility and asset management;
- human resources development;
- change strategy.

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

- change of name of the Assets, Telecommunications and Open Innovation Function to the Energy Efficiency, Telecommunications and Open Innovation Function;
- transfer of the Property Office to the General Services Function, which takes the name of Property and Services Function;
- change of name of the Personnel Department to Human Resources Department and creation within the Human Resources Department of the Organisational Development, Training and Environmental Education Office;
- creation of the Strategic Analysis Office.

During 2021, the new organisational model will become fully operational through the creation, within the Operations Department, of three new Divisions relating to Operations, Electromechanical Engineering and Civil Engineering.

At 1 January 2021, the organisation chart of the Company was as follows:

Recruitment plan

At its meetings on 4 March 2020, 29 July 2020, 18 September 2020 and 17 November 2020, the CVA Board of Directors confirmed the 13 remaining positions in the 2018/2019 personnel budget (10 for stabilisation of positions covered by administered personnel and 3 for filling urgent positions) and approved the 2020 recruitment budget for the inclusion of a further 22 resources, of whom 2 for the retail business plan, 6 for the project to resize the operating departments, 9 to replace personnel who have been assigned/transferred/sold, 3 for upgrading and 2 for new needs, in addition to any recruitment resulting from the application of Law 68/1999 on compulsory employment (protected categories).

During 2020, in addition to the 12 recruitments already planned, 5 recruitments were made for the above positions, of which 1 for new needs, 1 for an urgent position, 1 for replacement and 2 pursuant to the provisions of Law 68/1999 on compulsory employment (protected categories). In 2020, recruitment activities were severely limited due to the COVID-19 health emergency.

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 2018-2020 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 the CVA Group level: economic agreements, integration of the minutes of the result bonus for the years 2017-2018, result bonus for the years 2019-2021, welfare-work-life balance, overcoming electricity tariff facilitation, organisational operating model and regulation of career progressions and professional awards, minutes and integration COVID-19 - Non-remote workers and solidarity of the CVA Group;
- individual company minutes: training for safety in the workplace 2018 and supplements, training for safety in the company 2019 and integration, training for safety in the company 2019-2020, training for safety in the company 2020-2021, JARVIS warning system, performance bonus year 2018 cash 2019, performance bonus year 2019 cash 2020, performance bonus 2020 cash 2021.

In addition, in order to provide operational indications aimed at increasing, in non-healthcare workplaces, the effectiveness of the precautionary containment measures adopted to combat the COVID-19 epidemic, on 17 March, 5 May, 17 June and 19 November 2020, the Protocols for the regulation of measures to combat and contain the spread of the COVID-19 virus in workplaces for CVA and CVA ENERGIE were signed.

CVA Energie S.r.l. a s.u.

During 2020, the average number of CVA ENERGIE personnel was 61 people (59 people in 2019 and 58 people in 2018).

At 31 December 2020, the CVA ENERGIE workforce was of 61 people (61 at 31 December 2019 and 57 at 31 December 2018). Below is a breakdown of the changes occurred in the number of CVA ENERGIE employees between 31 December 2018 and 31 December 2020:

	Balance at 31 December 2018	Hires	Terminations	Intra-group mobility	Incoming category changes	Outgoing category changes	Balance at 31 December 2019
Executives	-	-	-	-	-	-	-
Managers	5	-	(1)	1	1	-	6
White collars	52	3	-	1	-	(1)	55
Blue collars	-	-	-	-	-	-	-
Total	**57**	**3**	**(1)**	**2**	**1**	**(1)**	**61**

	Balance at 31 December 2019	Hires	Terminations	Intra-group mobility	Incoming category changes	Outgoing category changes	Balance at 31 December 2020
Executives	-	-	-	-	-	-	-
Managers	6	-	-	-	-	-	6
White collars	55	-	-	-	-	-	55
Blue collars	-	-	-	-	-	-	-
Total	**61**	-	-	-	-	-	**61**

In 2019, there were 3 hires, 4 positive contract terminations by the Group, 2 negative terminations to the Group and 1 work termination.

In 2020, there were 0 hires, 0 positive contract terminations by the Group, 0 negative terminations to the Group and 0 work terminations.

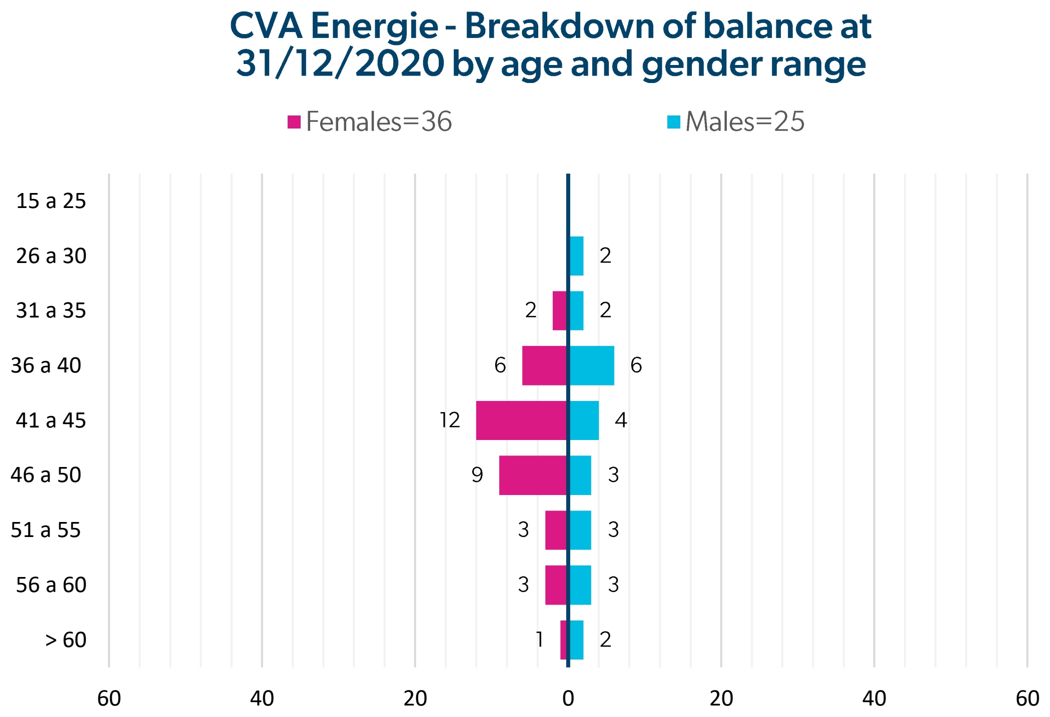
Between 2018 and 2019, the average increase in the workforce was 1 employee, while the actual was an increase of 4 units, resulting in a shift from 57 employees at 31 December 2018 to 61 employees at 31 December 2019 (as follows: 6 managers, 55 employees) regulated by the National Collective Labour Contract for workers in the electricity sector.

Between 2019 and 2020, the increase of the average workforce was 2 units, while the effective number remained constant, going from 61 employees at 31 December 2019 to 61 employees at 31 December 2020 (as follows: 6 managers, 55 employees) regulated by the National Collective Labour Contract for workers in the electricity sector.

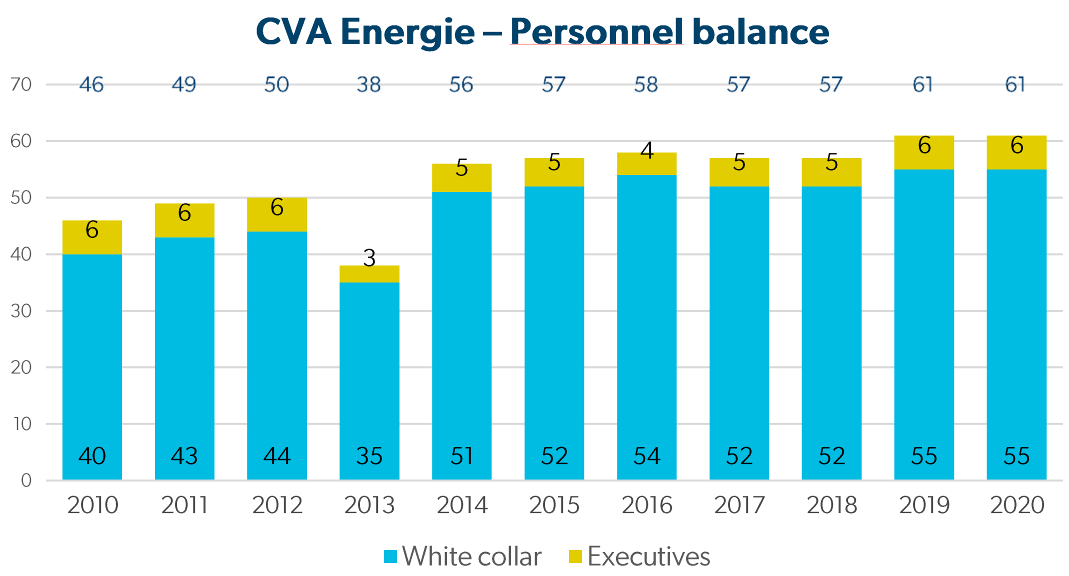
61

Collaborators of CVA ENERGIE

The breakdown of CVA ENERGIE employees at 31 December 2020 by age and gender ranges is as follows:



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



In 2020, hours worked tot alled 98,582 hours (97,629 ordinary and 953 overtime) corresponding to 1,618 hours (1,601 ordinary and 17 overtime) average worked by each employee in force at CVA ENERGIE.

In 2019, hours worked totalled 94,312 hours (92,144 ordinary and 2,168 overtime) corresponding to 1,599 hours (1,557 ordinary and 42 overtime) average worked by each employee in force at CVA ENERGIE.

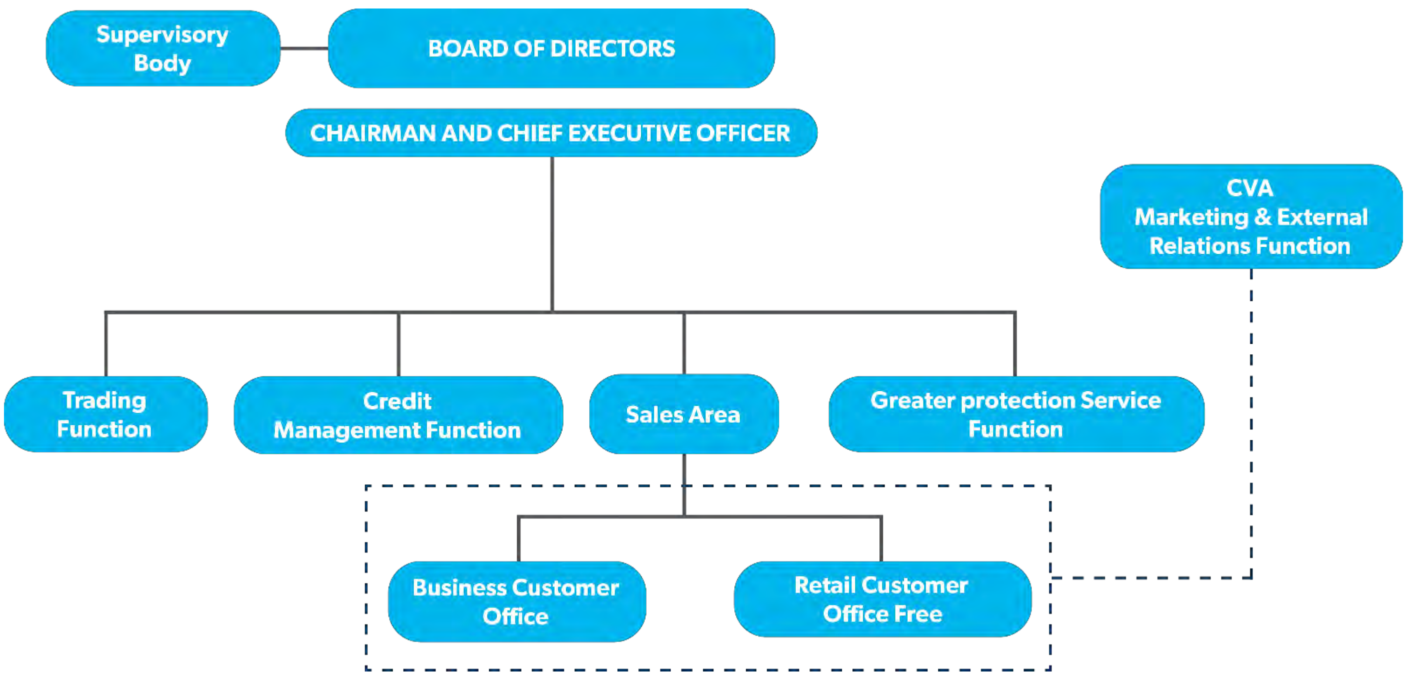
In 2018, hours worked totalled 90,818 hours (89,043 ordinary and 1,775 overtime) corresponding to 1,578 hours (1,544 ordinary and 34 overtime) average worked by each employee in force at CVA ENERGIE. Of the 61 employees in service at 31 December 2020, 49 (45 at the end of 2019 and 43 at the end of 2018) opted for a full contribution to a complementary pension fund, 7 (7 at the end of 2019 and 7 at the end of 2018) for the partial transfer to a complementary pension fund and 5 (7 at the end of 2019 and 7 at the end of 2018) for the maintenance of employee severance indemnity (TFR) at the company.

In the three-year period 2018-2020, 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 2020 is indicated below:

- health and safety training - 56 employees:
- professional training - 23 employees;
- meetings, conferences, workshops - 3 employees.

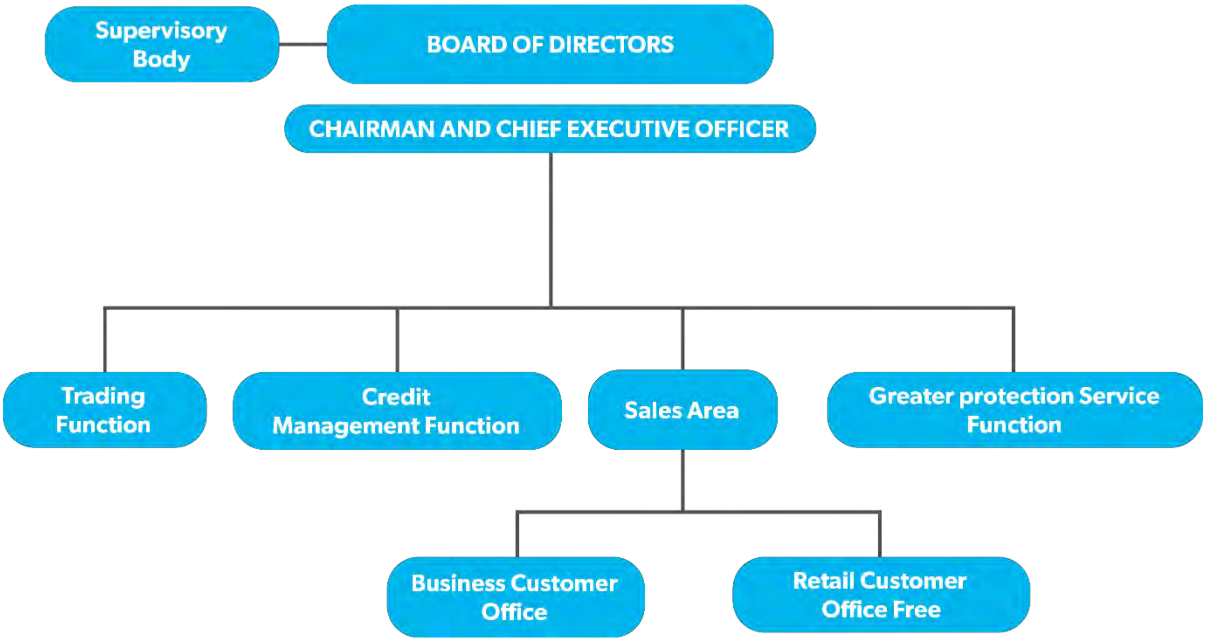
Organisation

At 31 December 2020, the organisation chart of CVA ENERGIE was as follows:



With effect from 1 January 2021, the new organisational structure of the CVA Group became operational and, as far as CVA ENERGIE is concerned, the functional reporting of the Business Customer Function and the Free Retail Customer Office to the Marketing and External Relations Function of the Parent Company was eliminated.

At 1 January 2021, the organisation chart of CVA ENERGIE was as follows:



Recruitment plan

In the meeting of 25 June 2020, the Board of Directors of CVA ENERGIE confirmed the 5 remaining positions in the 2018/2019 personnel budget (3 for stabilisation of positions covered by temporary personnel and 2 for the coverage of urgent positions) and approved the 2020 recruitment budget for the insertion of a further 4 resources, 3 of which for the retail business plan and 1 for the first phase of the big data and data analysis project, in addition to any hires resulting from the application of Law 68/1999 on mandatory employment (protected categories). No hires were made during 2020 as recruitment activities were severely limited due to the COVID-19 health emergency.

Industrial relations

CVA ENERGIE 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 2018-2020 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:

- minutes at the CVA Group level: economic agreements, integration of the minutes of the result bonus for the years 2017-2018, result bonus for the years 2019-2021, welfare-work-life balance, overcoming electricity tariff facilitation, organisational operating model and regulation of career progressions and professional awards, minutes and integration COVID-19 - Non-remote workers and solidarity of the CVA Group;
- minutes at individual company level: P.E.R.F.O.R.M.2 training, 2020 aggression risk training, teamwork and conflict management training, agreement on recording, storing and making available for re-listening conversations recorded in the free retail customer office, result bonus year 2018 cash 2019, result bonus year 2019 cash 2020, result bonus year 2020 cash 2021.

In addition, in order to provide operational indications aimed at increasing, in non-healthcare workplaces, the effectiveness of the precautionary containment measures adopted to combat the COVID-19 epidemic, on 17 March, 5 May, 17 June and 19 November 2020, the Protocols for the regulation of measures to combat and contain the spread of the COVID-19 virus in workplaces for the companies CVA and CVA ENERGIE were signed.

DEVAL S.p.A. a s.u.

At 31 December 2020, the DEVAL workforce was of 136 (135 at 31 December 2019).

Below is a breakdown of the changes occurred in the number of DEVAL employees between 31 December 2019 and 31 December 2020:

	Balance at 31 December 2019	Hires	Terminations	Intra-group mobility	Incoming category changes	Outgoing category changes	Balance at 31 December 2020
Executives	-	-	-	-	-	-	-
Managers	11	-	-	-	-	-	11
White collars	76	1	-	-	-	-	77
Blue collars	48	-	-	-	-	-	48
Total	**135**	**1**	**-**	**-**	**-**	**-**	**136**

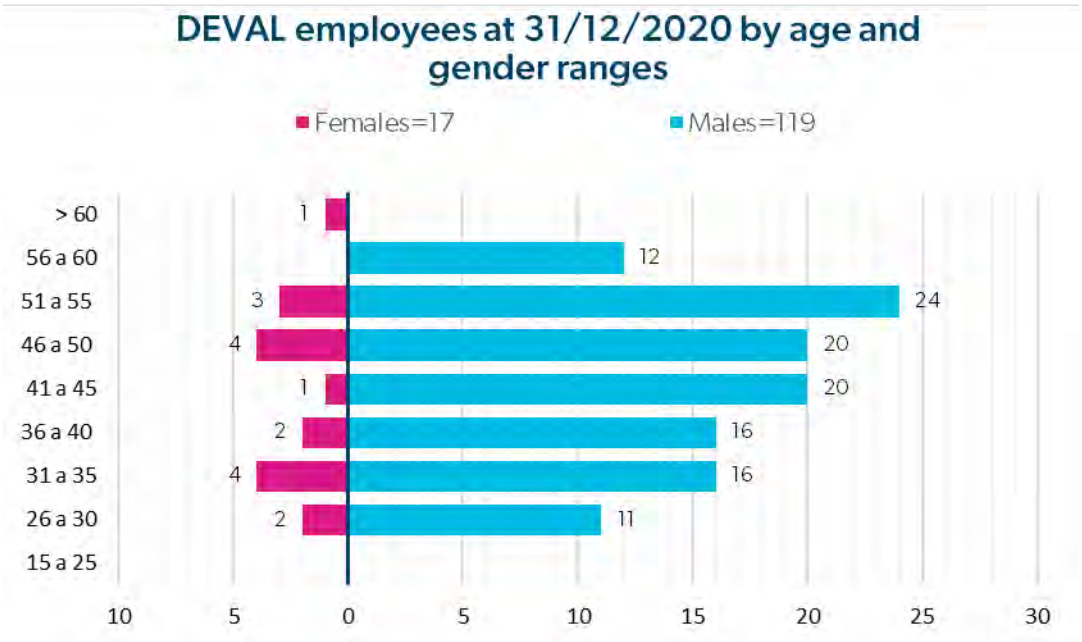
136

Deval Collaborators

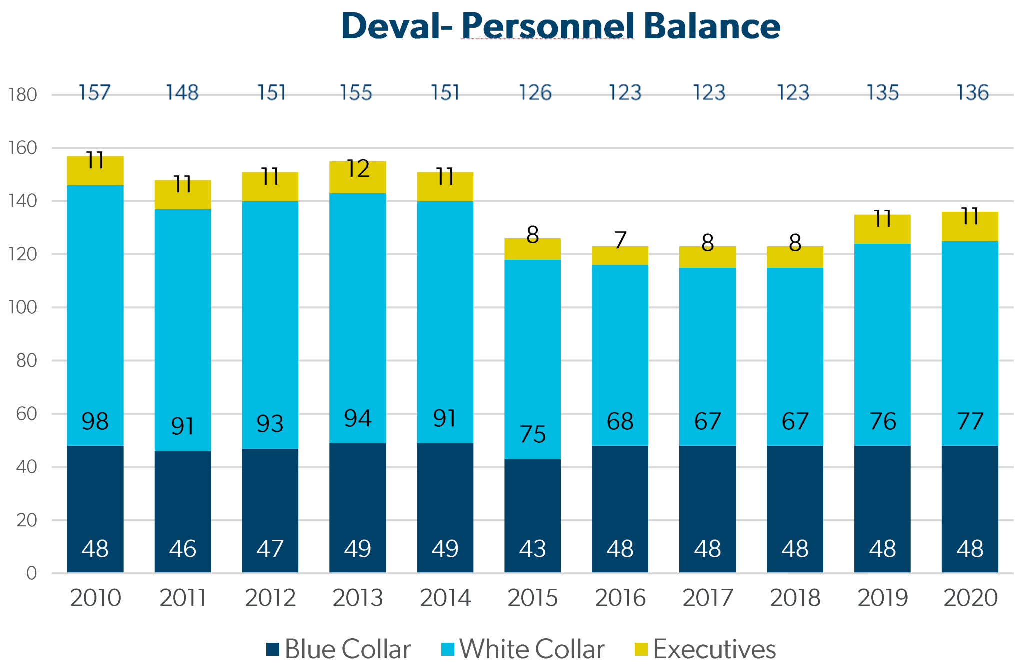
In 2020, there were 1 hires, 0 positive contract terminations by the Group, 0 negative terminations to the Group and 0 work terminations.

The recruitment of 1 permanent employee within the Operating Unit AD/FAFCSC/ Administration and Finance Office was carried out to comply with the provisions of Law 68/1999 on compulsory employment (protected categories).

The breakdown by age and gender is as follows:



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

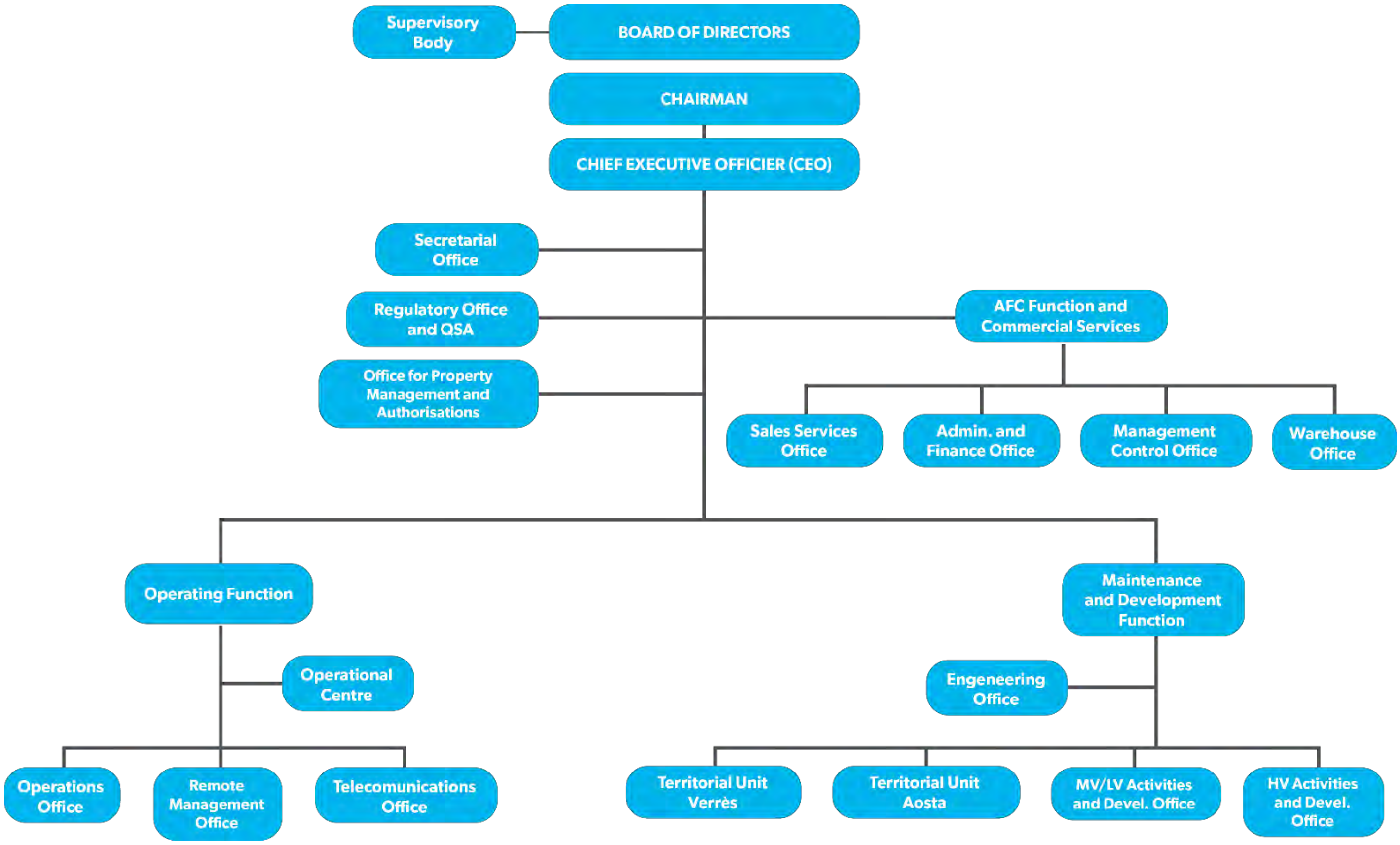


In 2020, hours worked totalled 226,035.46 hours (220,626.26 ordinary and 5,409.20 overtime) corresponding to 1,665.53 hours (1,622.25 ordinary and 43.28 overtime) average worked by each employee in force at DEVAL.

Of the 136 employees in service at 31 December 2020, 111 opted for a full contribution to a complementary pension fund, 18 for the partial transfer to a complementary pension fund and 7 for the maintenance of employee severance indemnity (TFR) at the company.

Organisation

At 31 December 2020, the organisation chart of the Company was as follows:



With effect from 1 January 2021 the new organisational model came into effect, with the aim of making more efficient the management of the company and at the same time to better organise and structure DEVAL in order to meet future challenges that will significantly impact on electricity distributors; think by way of example, the issues related to:

- mass replacement of all electronic meters and their integration with the systems;
- the implementation of the new remote control and remote management systems;
- the implementation of a permanent cybersecurity watchdog;
- the digitisation of the low-voltage grid;
- the remote control of the low voltage network;
- extensive automation of the medium voltage network;
- automation of the low voltage network;
- sustainable mobility;
- the energy transition.

DEVAL has highlighted the need to reorganise internal processes and some profiles through the creation of an organisational structure, reporting directly to the CEO, capable of:

- satisfying the need for coordination and monitoring of the company's technical processes through the establishment of a Technical Area;
- by means of this Area, succeeding in pursuing and maintaining an increasingly coherent connection between the technical processes and the other corporate Functions;

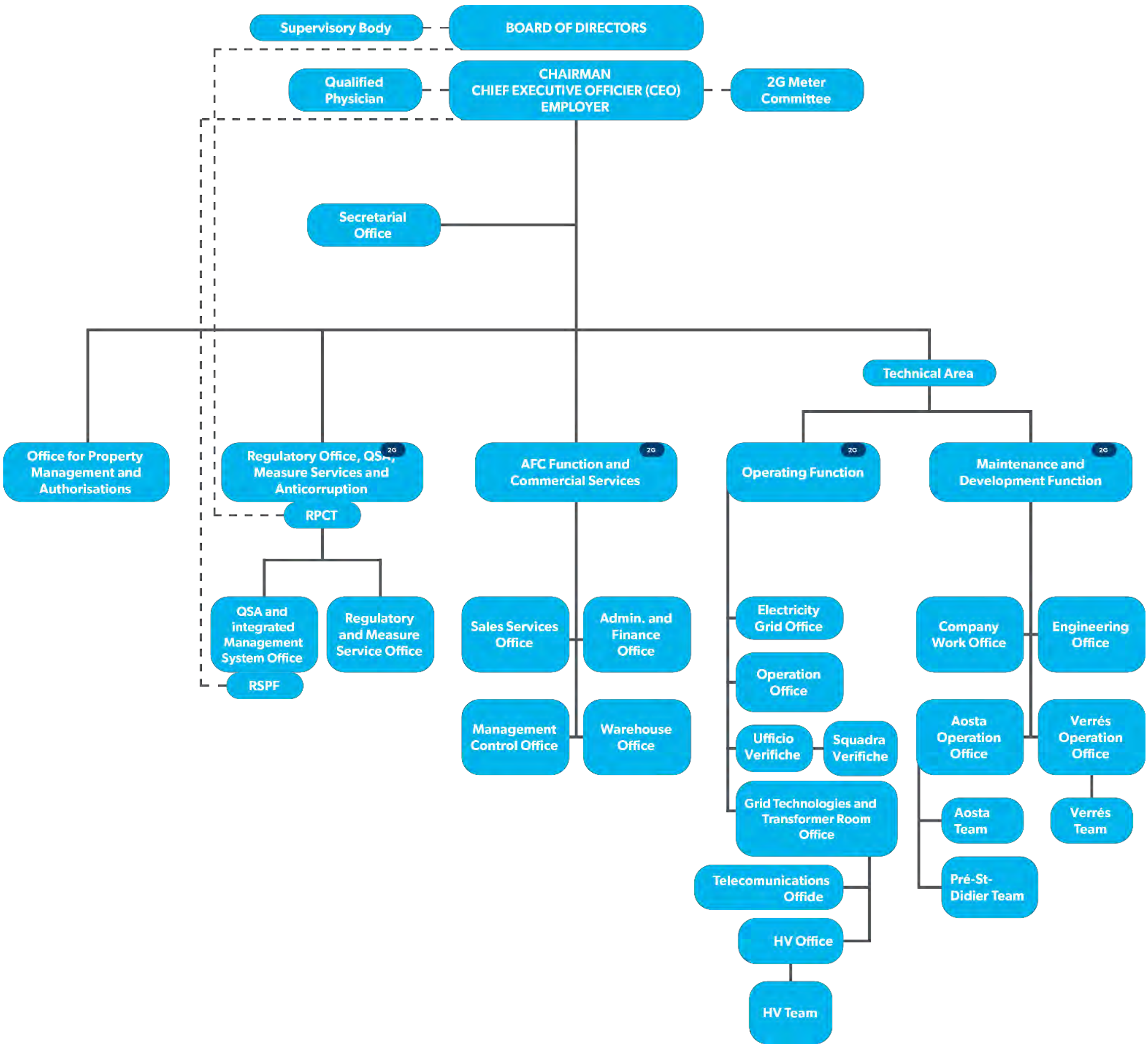
- consolidating corporate efficiency by setting up the Regulatory Affairs, QSA, Measurement and Anti-Corruption Function, in view of the degree of specialisation achieved and for uniformity with respect to similar organisational structures in the CVA Group;
- monitoring regulatory developments, including those related to the introduction of second-generation meters, which will be installed soon and will entail a radical change in the management of the metering service (time curves for all meters), increasingly challenging performance levels and new reporting obligations toward the AEEG.

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

- creation of the 2G Counter Committee;
- creation of the Technical Area to coordinate the Operations Function and the Maintenance and Development Function;
- within the Operations Function:
- creation of the Network Technologies and Primary Cabins Office to coordinate the Telecommunications Office and the High Voltage Office migrated from the Maintenance and Development Function to the Operations Function;
- creation of the Operations Centre Office;
- change the name of the Operations Office to the Electricity Grid Office;
- change the name of the Remote Management Office to Verification Office and of the Workers' Remote Management Office to Verification Team;
- within the Maintenance and Development Function:
- change of the name of the MV and LV Activities and Development Office to the Office for Enterprise Works;
- change the name of the Territorial Units Aosta and Verrès to Operational Offices Aosta and Verrès;
- creation of the Regulatory Affairs, QSA, Measurement Service and Anti-Corruption Function structured as the QSA and Integrated Management System Office and the Regulatory Affairs and Measurement Service Office.

In 2021, the new organisational model will be fully operational, with the establishment of the Design Office, which will bring all design work relating to the MV and LV networks within the scope of the current Engineering Office.

At 01 January 2021, the organisation chart of the Company was as follows:



Recruitment plan

In the meetings of 19 December 2019 (2020 budget) and 6 August 2020 (review of the organisational model), the Board of Directors approved the inclusion of 10 resources, of which 4 to replace terminated/expiring personnel, of which 5 to strengthen the structure related to the challenges that the company will face in the future and of which 1 resulting from the application of Law 68/1999 on compulsory employment (protected categories).

During 2020, 1 recruitment was made to comply with the provisions of Law 68/1999 on compulsory employment (protected categories). The Board of Directors' meeting of 22 December 2020, recalling what was decided on the subject of the 2020 budget, points out that, for the filling of one of the two positions authorised for the AFC Function and Commercial Services against forecasts of terminations, a transfer of contract from CVA will be carried out during 2021 and that for the second position at the moment there will be no recruitment as the activities will be redistributed among the personnel currently available.

Industrial relations

DEVAL 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 2020, 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: economic agreements, COVID-19 - Non-remote workers and solidarity of the CVA Group. At the company level, the following minutes were signed for DEVAL: safety training plan 2020, result bonus year 2020 cash 2021.

In addition, in order to provide operational indications aimed at increasing, in non-healthcare workplaces, the effectiveness of the precautionary containment measures adopted to combat the COVID-19 epidemic, on 17 March, 5 May, 17 June and 23 November 2020, the Protocols for the regulation of measures to combat and contain the spread of the COVID-19 virus in workplaces for DEVAL were signed. In addition, fruitful meetings were held in the autumn of 2020 with the trade unions regarding company organisation.

Quality, Safety and Environment

The CVA Group, which has always been attentive to environmental protection and personnel safety, also during FY 2020 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 14001:2015 Environment, OSHAS 18001:2007 Safety and ISO 9001:2015 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 2020.

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 EC/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

Disclosure required by Article 19 of the TUSP and the resolution of the Regional Council of Valle d'Aosta no. 184/xvi of 16 December 2020

The resolution of the Regional Council of Valle d'Aosta no. 184/XVI of 16 December 2020 established to set, pursuant to Article 19 paragraph 5 of the TUSP, 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 (2017-2018-2019), giving account of this in the disclosure of the financial statements for the year ended 31 December 2020.

Regional Council Resolution no. 184/XVI of 16 December 2020 requires CVA to maintain a level of operating expenses, including personnel expenses, of the companies that ensures compliance with the economic balance of the budget in all cases.

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 2017-2018-2019, as well as a comparison between the average of the same and the value of operating costs for FY 2020:

Euro thousands

Item description	2017	2018	2019	Three-year average	2020
Materials and supplies	1,524	538	1,959	1,340	2,106
Costs for services and leased assets	14,027	15,864	14,298	14,730	14,650
Gross personnel	23,318	25,190	23,181	23,896	25,908
Capitalised personnel	-1,135	-865	-877	-959	-1,218
Other operating costs	35,920	36,889	37,885	36,898	38,863
Total operating costs	73,654	77,616	76,446	75,905	80,309
of which derivation fees	*31,499*	*32,071*	*34,837*	*32,802*	*35,369*
Total operating costs net of diversion fees	**42,155**	**45,545**	**41,609**	**43,103**	**44,940**
Revenues	161,610	182,818	188,453	177,627	173,784
Ratio of operating costs and revenues	**26.1%**	**24.9%**	**22.1%**	**24.3%**	**25.9%**

In order to allow for 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 the average operating costs over the three-year reference period is affected by FY 2019 where a decrease in the same was observed, in contrast to the growth presented by the item in the two previous years. The downward trend in 2019 was not confirmed in 2020, a year in which we see an increase in operating costs due mainly to the increase in the item that includes personnel costs.

Revenues show an upward trend over the three-year period, but contracted in 2020, due mainly to the dynamics of the energy sales price, which decreased sharply due to the health emergency; despite favourable weather conditions in 2020, especially for production from hydroelectric sources, the higher production was not able to offset the price slump that occurred during the year.

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 substantial stability in 2020 compared to the average of the previous three years; it should be noted that the item is characterised by a fluctuating trend mainly due to the need to carry out maintenance services on plants
- labour costs - as mentioned in the introduction to this paragraph, this item shows a significant increase compared to the average of the previous three years, even more evident if referred to the previous year, which was affected by the extraordinary effect of the reversal into income of the provision set aside, in previous years, for the energy discount granted to employees, following its overrun as a result of different union agreements.

It should be noted that, during 2020, 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. Evidence is given in the table below of the final amounts of employees in the three-year period 2017 - 2019 and in 2020:

	Balance at 31 December			
	2017	2018	2019	2020
Executives	2	2	2	2
Managers	41	41	41	45
White collars	186	188	207	215
Blue collars	126	125	128	124
Total	**355**	**356**	**378**	**386**

- other operating costs - this item mainly includes the derivation fees (described below) and neutralised in the calculation of the index, as well as costs relating to various taxes and duties; it should be noted that the increase in the item, in addition to the trend of derivation fees, includes in 2020 an additional sum to the state concession fee of Euro 341 thousand paid to the Regional Fisheries Consortium to compensate for the higher charges falling on fisheries management caused by the derivation of water Finally, given the exceptional nature of the problems generated by the COVID-19 pandemic, in 2020 the item also includes costs related to donations to the U. S. Children's Hospital. Parini di Aosta for Euro 225 thousand;
- 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 art. 2427, paragraph 1, number 22-quater of the Civil Code, it should be noted that on 25 January 2021 the Company approved the 2021 - 2025 Strategic Plan of the Group it controls, an instrument of fundamental importance for outlining and planning in the medium-long term the very identity of the Group, its underlying objectives and the tools to achieve them. The lines of development outlined in the Plan are:

- Operations and Hydro;
- New wind and photovoltaic plants;
- Energy efficiency;
- Electrical distribution;
- Business Development Plan;
- Open innovation.

As well as being particularly ambitious from an economic point of view, the Plan is also ambitious in terms of the organisational aspect which, in addition to providing for the reintroduction of the position of General Manager in the Company (whose selection notice was published on 19 March 2021), envisages:

- strengthening of the Operations Department, with the goal of strengthening the organisation that will be most directly involved in bidding for the renewal of hydroelectric concessions or revamping projects;
- the internalisation of the know-how necessary to carry out the activities currently outsourced, thus avoiding recourse to external suppliers and increasing the value of the knowledge and skills of company personnel;
- the strengthening of the business unit dedicated to energy efficiency, for the advancement of projects in this area of development.

Treasury shares

CVA does 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;
- Hône (AO) - Centrale snc area;
- Hône (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;
- Verrès (AO) - Via Degli Artifizi snc;
- Villeneuve (AO) - Champagne snc area;
- Villeneuve (AO) - Champagne snc area;
- 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 "*notwithstanding the provisions of Articles 2364, paragraph two, and 2478-bis, of the 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 2021 financial statements.

Châtillon, 14 May 2021

The Chief Executive Officer

Enrico De Girolamo

The Chairman

Marco Cantamessa

Consolidated Annual Financial Report of the CVA Group at 31/12/2020

536.2 Mln
Net revenues for the period

397.2 Mln
Operating costs

84.5 Mln
Result before tax

Consolidated Income Statement

Amounts in Euro thousands

		2020	2019
Revenues			
Revenues from sales and services	(1)	480,662	755,438
Other revenues and income	(2)	55,520	49,994
TOTAL REVENUES (A)		**536,182**	**805,433**
Operating costs			
Costs for raw materials and services	(3)	319,371	579,925
Personnel costs	(4)	38,469	34,839
Other operating costs	(5)	43,963	42,414
Capitalised days of work	(6)	(4,554)	(4,203)
TOTAL OPERATING COSTS (B)		**397,249**	**652,975**
of which: impact of non-recurring items	*(4)*	*(9,123)*	*(2,119)*
EBITDA (A-B)		**138,933**	**152,458**
of which: impact of non-recurring items	*(4)*	*9,123*	*2,119*
Amortisation, depreciation, provisions and write-downs			
Amortisation/depreciation	(7)-(13)	51,059	50,231
Provisions and write-downs	(8)	677	(1,871)
TOTAL AMORTISATION, DEPRECIATION, PROVISIONS AND WRITE-DOWNS (C)		**51,735**	**48,361**
of which: impact of non-recurring items		*-*	*(1,170)*
EBIT (A-B+/-C)		**87,198**	**104,097**
of which: impact of non-recurring items	*(4)-(8)*	*9,123*	*3,289*
Financial management			
Financial income	(9)	3115	5,447
Financial expenses	(9)	5,824	5,793
TOTAL FINANCIAL BALANCE (D)		**(2,708)**	**(346)**
of which: impact of non-recurring items	*(9)*	*-*	*3,397*
PRE-TAX RESULT (A-B+/-C+/-D)		**84,489**	**103,752**
of which: impact of non-recurring items	*(4)-(8)-(9)*	*9,123*	*6,686*
Income/(expenses) income taxes	(10)	23,260	27,981
Net result of continuing operations		61,230	75,771
Net result of discontinued operations		-	-
PERIOD NET RESULT		**61,230**	**75,771**
Profit/(loss) attributable to the Group		**59,977**	**75,103**
Profit/(loss) attributable to non-controlling interests		1,253	668
Basic earnings per share (Euro)		0.15	0.19
Diluted earnings per share (Euro)		0.15	0.19

Consolidated Statement of Other Comprehensive Income

Amounts in Euro thousands

	Notes	2020	2019
Result of the period (A)	**(27)**	**61,230**	**75,771**
Other components of comprehensive income reclassifiable to the income statement in subsequent periods (net of tax effect)			
Effective portion of changes in fair value of cash flow hedges (27) hedge)		2,187	(26,136)
Total other components of Comprehensive Income that can be reclassified to the Income Statement in subsequent periods (net of the tax effect) (B)		**2,187**	**(26,136)**
Other components of Comprehensive Income that cannot be reclassified to the Income Statement in subsequent periods (net of taxes)			
Remeasurement of liabilities for defined benefit plans for employees	(27)	(136)	(165)
Total other components of Comprehensive Income that cannot be reclassified to the Income Statement in subsequent periods (net of taxes) (C)		**(136)**	**(165)**
Total profit/(loss) recognised directly in equity (B+C)		**2,051**	**(26,301)**
Total profit recognised in the year (A+B+C)		**63,281**	**49,470**

Consolidated Statement of Financial Position: Assets

Amounts in Euro thousands

	Notes	2020	2019
ASSETS			
Non-current assets			
Tangible assets	(11) - (13)	641,374	672,695
Intangible assets	(12) - (13)	12,525	13,373
Goodwill	(14)	238,026	238,026
Equity investments	(15)	2,048	1,968
Deferred tax assets	(16)	26,364	25,939
Derivatives	(23)	3,227	2,242
Non-current financial assets	(17)	134,294	84,578
Trade receivables		1,308	-
Other non-current assets	(18)	4,604	5,072
Total non-current assets		**1,063,771**	**1,043,894**
Current assets			
Inventories	(19)	3,399	3,028
Trade receivables	(20)	67,384	120,056
Receivables for income taxes	(21)	7,285	5,130
Other tax receivables	(22)	19,904	11,638
Derivatives	(23)	2,480	3,536
Other current financial assets	(24)	730	22,483
Other current assets	(25)	19,581	20,679
Cash and cash equivalents	(26)	195,103	214,993
Total current assets		**315,866**	**401,543**
Assets classified as held for sale		-	-
TOTAL ASSETS		**1,379,637**	**1,445,437**

Consolidated Statement of Financial Position: Liabilities

	Notes	2020	2019
SHAREHOLDERS' EQUITY			
Share capital		395,000	395,000
Other reserves		309,265	283,887
Accumulated Profits/(Losses)		45,451	41,379
Net result of the year		59,977	75,103
Shareholders' equity attributable to the Group		809,694	795,369
Shareholders' equity - Minority interests		7,650	6,917
Total shareholders' equity	**(27)**	**817,344**	**802,286**
LIABILITIES			
Non-current liabilities			
Employee benefits	(28)	5,893	6,083
Provisions for risks and charges	(29)	28,849	27,829
Deferred tax liabilities	(16)	55,990	48,900
Derivatives	(23)	1,464	1,234
Non-current financial liabilities	(13) - (30)	302,496	337,826
Other non-current liabilities	(31)	22,190	20,120
Total non-current liabilities		**416,882**	**441,992**
Current liabilities			
Employee benefits	(28)	976	2,095
Provisions for risks and charges	(29)	212	215
Trade payables	(32)	60,210	109,275
Payables for income taxes	(33)	989	1,200
Other tax payables	(34)	920	3,358
Derivatives	(23)	20,120	18,246
Other current financial liabilities	(13) - (30)	40,545	40,557
Other current liabilities	(35)	21,438	26,210
Total current liabilities		**145,411**	**201,158**
Liabilities related to assets held for sale		-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,379,637**	**1,445,437**

Consolidated Statement Of Changes In Shareholders' Equity

Amounts in Euro thousands

	Share capital	Other reserves	Reserve from remeasurement for employee benefit plans	Reserve of cash flow hedge	Net result of the year	Group shareholders´ equity	Shareholders´ equity - Minority interests	Total shareholders´ equity Net
At 1 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	-	21,410	-	-	(21,410)	-	-	-
- distribution of dividends	-	-	-	-	(41,278)	(41,278)	(591)	(41,869)
Comprehensive profit/(loss) recognised in the year								
- profits and losses recognised directly in equity	-	-	(165)	(26,136)	-	(26,301)	-	(26,301)
- profit for the year	-	-	-	-	75,103	75,103	668	75,771
Other movements	-	158	-	-	-	158	40	198
At 31 December 2019	**395,000**	**335,338**	**(1,543)**	**(8,529)**	**75,103**	**795,369**	**6,917**	**802,286**
At 1 January 2020	**395,000**	**335,338**	**(1,543)**	**(8,529)**	**75,103**	**795,369**	**6,917**	**802,286**
Allocation of 2019 profits/(losses)								
- profits carried forward	-	27,308	-	-	(27,308)	-	-	-
- distribution of dividends	-	-	-	-	(47,795)	(47,795)	(550)	(48,345)
Comprehensive profit/(loss) recognised in the year								
- profits and losses recognised directly in equity, net	-	-	(136)	2,187		2,051		2,051
- profit for the year	-	-	-	-	59,977	59,977	1,253	61,230
Other changes	-	91	-	-	-	91	30	121
At 31 December 2020	**395,000**	**362,738**	**(1,679)**	**(6,342)**	**59,977**	**809,694**	**7,650**	**817,344**

Consolidated Statement of Cash Flows

Amounts in Euro thousands

	2020	2019
A. Cash flows from operating activities (indirect method)		
Profit (loss) of the year	61,230	75,771
Income taxes	23,260	27,981
Net financial interest expenses	2,788	325
Allocations and income provisions for risks and charges	2,573	893
Allocations and income employee severance indemnity (TFR) and other benefits	486	(686)
Amortisation/Depreciation of fixed assets	51,059	50,231
Bad debts	785	209
Write-downs, revaluations and gains/losses	288	(22)
Result from shareholdings carried at equity	(83)	(218)
Other adjustments for non-monetary elements	4,706	(18,485)
Cash flow after adjustments of non-monetary items	147,092	136,000
Changes in NWC		
Decrease/(increase) in trade receivables net of write-downs	50,579	5,004
Increase/(decrease) in payables to suppliers	(35,381)	(9,924)
Increase/(decrease) in other current assets/liabilities	(34,940)	(6,804)
of which: net taxes (paid)/reimbursed	(20,223)	(27,214)
Changes in NWC	**(19,742)**	**(11,723)**
Cash flow after changes in NWC	127,350	124,277
Other changes not included in changes in NWC		
Net change in provisions for risks and charges	(1,529)	(2,434)
Net change in Employee severance indemnity (TFR) and other employee benefits	(2,046)	(1,693)
Change in other assets and liabilities not included in NWC	2,538	(7,101)
Other changes not included in changes in NWC	(1,038)	(11,228)
Cash flow from operating activities (A)	**126,312**	**113,049**
B. Cash flows from investment activities		
(Investments)/divestments - Tangible assets	(31,416)	(31,085)
(Investments)/divestments - Intangible assets	(1,184)	(2,055)
(Investments)/divestments - Equity investments and goodwill	-	-
(Investments)/Divestments or repayments - Short-term and other financial assets	(25,528)	(14,469)
Cash flows from investment activities (B)	**(58,128)**	**(18,671)**
C. Cash flows from financing activities		
Interest collected/(paid)	(4,154)	(597)
Third party fund	(36,126)	(26,306)
Increase/(decrease) in financial assets/liabilities treasury Centralised		
New/(Repayment) of loans	(36,126)	(26,306)
Equity	(47,795)	(42,157)
Other capital increases (decreases)	0	38
Dividends (and interim dividends) paid	(47,795)	(42,195)
Cash flow from financing activities (C)	**(88,074)**	**(69,060)**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	**(19,890)**	**25,318**
Of which net cash and cash equivalents from extraordinary transactions	-	-
Cash and cash equivalents at 1 January	**214,993**	**189,674**
Cash and cash equivalents at 31 December	**195,103**	**214,992**

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 2020 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 1 January 2020", 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 2020 consist of the Consolidated Statement of Financial Position, the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, 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;
- 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 Alternative Performance Indicators ("API") 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 Statement of Comprehensive Income includes 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 2020. 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 Comprehensive Income 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 2020 are shown below.

List of companies included in the Consolidated Financial Statements on a line-by-line basis at 31 December 2020

Company	Registered	Share capital at 31/12/2020	% held by 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, n. 14 – Pré Saint Didier (Aosta)	Euro 11,474,567	75%
Deval S.p.A. a s.u.	Via Clavalité, no. 8 - Aosta	Euro 38,632,000	100%
CVA EOS S.r.l. a s.u. (formerly CVA Vento S.r.l. a s.u.)	Via Stazione, 31 31 – Châtillon (Aosta)	Euro 100,000	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 2020

Associated companies

At 31 December 2020, 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. The company is considered to be an associate by virtue of the significant influence resulting from the presence of a CVA employee on the Board of Directors chaired, moreover, as at 13 January 2021, by Enrico De Girolamo, former CEO of CVA.

Other companies

At 31 December 2020, 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 2020

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 2020

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:

Financial statement items	Min. rate (%)	Max. rate (%)
Buildings	0.21%	9.76%
Freely transferable works	0.37%	27.03%
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%	42.86%

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.

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 no. 79 of 16 March 1999, by Art. 11-quater, paragraph 1, letter a) of Decree Law no. 135 of 14 December 2018, converted into law, with amendments, by art. 1 of Law no. 12 of 11 February 2019, 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 expenses

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.

Proprietary 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:

Financial statement 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 Comprehensive Income. In such cases, the impairment loss is in turn recognised as other components of Comprehensive Income 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. In any case, goodwill cannot be reinstated following a write-down.

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, interest rate swaps and asset linked inflation 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 commodity swaps, commodity futures, interest rate swaps and asset linked inflation 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 hedge the risk of changes in fair value of the underlying asset or liability or against an unrecognised firm commitment;
- 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.

In compliance with IFRS 9 (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.

If that amount is a loss and all or a portion of that loss is not expected to be recovered in one or more future periods, the amount that is expected not to be recovered is reclassified to profit or loss as a reclassification adjustment. 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 comprehensive income 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 comprehensive income 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 (hereinafter "**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 realise 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 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;
- indemnities in lieu of tariff concessions (referred to as the “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 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 1 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 seller will benefit economically from the operation;
- 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 1 January 2020 are briefly described below.

Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures - Interest Rate Benchmark Reform

On 15 January 2020, Regulation (EU) no. 2020/34 was issued, which implemented at EU level certain amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 - Financial Instruments: Disclosures. The amendments relate to certain specific hedge accounting requirements and are intended to provide relief from the potential effects of uncertainty caused by the Interbank Offered Rate Reform (IBOR). In addition, the amendments require companies to provide additional disclosures to investors about their hedging relationships that are directly affected by these uncertainties. The adoption of these amendments had no impact on the financial statements as at 31 December 2020.

Amendments to References to the Conceptual Framework in IFRS Standards

On 29 November 2019, Regulation (EU) no. 2019/2075 was issued, which implemented at the EU level the revised version of the Conceptual Framework for Financial Reporting. The main amendments compared to the 2010 version concern:

- a new chapter on valuation;
- better definitions and guidance, in particular with regard to the definition of liabilities;
- clarifications of important concepts such as stewardship, prudence and uncertainty in valuations.

A document updating the references in the IFRS to the previous Conceptual Framework has also been published. The adoption of these amendments had no impact on the financial statements as at 31 December 2020.

Amendments to IAS 1 and IAS 8 (Definition of Material)

On 29 November 2019, Regulation (EU) no. 2019/2104 was issued, which implemented certain amendments to IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). These amendments clarify the definition of "material" and align the definition used in the Conceptual Framework with that used in the individual IFRSs.

The definition of "material," as revised by these amendments, is as follows: "information is material if omitting, misstating, or obscuring it could reasonably be expected to influence the decisions that primary users for general purposes of financial statements make based on those financial statements, which provide financial information about a specific reporting entity". The adoption of these amendments had no impact on the financial statements as at 31 December 2020.

Amendments to IFRS 3 (Business Combinations)

On 21 April 2020, Regulation (EU) no. 2020/551 was issued, which transposed certain amendments to IFRS 3 (Business combinations). These amendments address the definition of "business" and help entities determine whether an acquisition made is a "business" or a group of businesses. Under the new definition a "business" is: "an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. The amendments also clarify that, to be considered a business, an acquisition must include a substantial input and process that together contribute to the ability to create an output". The adoption of these amendments had no impact on the financial statements as at 31 December 2020.

Amendments to IFRS 16 - Leases, for concessions related to COVID-19

On 9 October 2020, Regulation (EU) no. 2020/1434 was issued, which implemented certain amendments to IFRS 16 to provide simplification for lessees in accounting for reductions in lease payments due to COVID-19. As a practical expedient, a lessee may choose not to consider whether a rent reduction granted by the lessor constitutes a lease modification. This practical expedient applies only to fee reductions that are a direct consequence of COVID-19 and only if all of the conditions set forth in this amendment are met. A lessee applying this practical expedient must provide notice. These amendments are to be applied for financial years beginning on or after 1 June 2020, retrospectively. Early application is permitted. The adoption of these amendments had no impact on the financial statements as at 31 December 2020.

Standards issued by the IASB but not yet applicable

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

New Standards/Interpretations transposed by the EU but not yet in force	Mandatory application from
Amendments to IFRS 4 Insurance Contracts - Deferral of IFRS 9	01/01/2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmarking Reform - Phase 2	01/01/2021
New Standards/Interpretations not yet endorsed by the EU	**Mandatory application from**
Changes to: IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual Improvement Cycle 2018-2020	01/01/2022
Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current	01/01/2023
Amendments to IAS 1 Presentation of Financial Statements: Disclosure of accounting policies	01/01/2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of accounting estimates	01/01/2023
IFRS 17 (Insurance Contracts), including amendments to IFRS 17	01/01/2023

The potential impacts on the separate 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/depreciation

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.

Trade receivables measured at amortised cost

Trade receivables for which extensions have been granted beyond 12 months are valued at their amortised cost. Where the instalment agreement does not provide for the recognition of explicit interest, the financial effect was determined by discounting the expected cash flows at a rate equal to that normally applied to the payment of arrears by customers. The difference between the nominal value of the receivable and its amortised cost has been deducted from the related revenues. Different assessments of the discount rate could change the results of the financial statements.

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 ECLs 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 company CVA EOS;
- **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.

The item "eliminations and adjustments", on the other hand, includes consolidation adjustments and eliminations between the individual Business Units. Based on the nature of the activities carried out by the companies of the Group, the breakdown by geographical area is not significant.

The following tables show some economic and financial information broken down by segment for the years 2020 and 2019 (for comparative purposes):

Summary data by Business Unit at 31 December 2020

Amounts in Euro thousands

	For the year ended 31 December 2020						
	Hydro	Distribution	Sales	Other RES	Corporate	Eliminations	Total
Economic data by sector of activity							
Revenues	152,941	33,419	461,416	38,854	3,653	(154,101)	536,182
Personnel cost	(13,845)	(6,826)	(4,114)	(301)	(13,384)	1	(38,469)
Other operating costs	(43,211)	(10,518)	(440,744)	(7,721)	(10,211)	153,625	(358,780)
Gross Operating Margin (EBITDA)	**95,884**	**16,076**	**16,558**	**30,831**	**(19,942)**	**(475)**	**138,933**
% of revenues	62.7%	48.1%	3.6%	79.4%	-545.9%	-	25.9%
Amortisation, depreciation, provisions and write-downs	(22,667)	(7,904)	(768)	(17,783)	(3,046)	434	(51,735)
Operating Result (EBIT)	**73,217**	**8,171**	**15,791**	**13,048**	**(22,988)**	**(41)**	**87,198**
% of revenues	47.9%	24.5%	3.4%	33.6%	-629.3%	-	16.3%
Result from non-recurring transactions	-	-	9,123	-	-	-	9,123
Adjusted Operating Result (Adjusted EBIT)	**73,217**	**8,171**	**6,667**	**13,048**	**(22,988)**	**(41)**	**78,075**
% of revenues	47.9%	24.5%	1.4%	33.6%	-629.3%	-	14.6%
Financial balance	-	-	-	-	(2,708)	-	(2,708)
PRE-TAX RESULT	**73,217**	**8,171**	**15,791**	**13,048**	**(25,696)**	**(41)**	**84,489**
Expenses for income taxes	-	-	-	-	(23,250)	(9)	(23,260)
PERIOD NET RESULT	**73,217**	**8,171**	**15,791**	**13,048**	**(49,947)**	**(50)**	**61,230**
Equity data by sector of activity							
Investments	(16,064)	(12,584)	(17)	(823)	(3,111)	-	(32,599)
Tangible assets	320,062	106,183	616	183,017	34,669	(3,172)	641,374
Intangible assets	174,766	21,918	-	51,168	2,699	-	250,552
Trade receivables	13,412	8,028	62,180	3,474	539	(20,250)	67,384
Trade payables	(10,591)	(9,793)	(53,807)	(2,416)	(6,476)	22,874	(60,210)

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)

For further details regarding results by Business Unit, reference is made to as illustrated in the Report on Operations.

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 sales and services

Revenues from sales and services totalled Euro 480,662 thousand in 2020 (Euro 755,438 thousand in 2019). A breakdown of revenues by nature is provided below:

Year 2020

Amounts in Euro thousands

	Hydro		Distribution		Sales		Other RES		Corporate		Total Group
	Total	Intra-group items	Total	Intra-group items	Total	Intra-group items	Total	Intra-group items	Total	Intra-group items	
REVENUES FROM SALES AND SERVICES	**130,058**	**(129,783)**	**31,219**	**(16,000)**	**460,531**	**(2,432)**	**10,891**	**(3,829)**	**9,146**	**(9,140)**	**480,662**
Sale of electricity	128,379	(128,104)	-	-	259,106	(624)	10,154	(3,665)	-	-	265,247
To wholesale customers	128,379	(128,104)	-	-	113,393	-	10,154	(3,665)	-	-	120,158
To end customers - Free market	-	-	-	-	130,030	(459)	-	-	-	-	129,571
To end customers - Greater Protection market	-	-	-	-	5,561	(165)	-	-	-	-	5,396
Income from energy hedging instruments	-	-	-	-	10,123	-	-	-	-	-	10,123
Income from commodities trading activities	-	-	-	-	2,507	-	-	-	-	-	2,507
Income from commodities hedging	-	-	-	-	670	-	-	-	-	-	670
Fees for use of the system	-	-	-	-	31,248	(144)	-	-	-	-	31,104
Revenues from energy transport	-	-	29,579	(15,819)	162,692	(753)					175,698
Connection fees and fixed fees	-	-	1,326	(178)	3,108	(905)	-	-	-	-	3,350
Disposal of energy certificates/securities	1,392	(1,392)	-	-	715	(5)	124	(124)	-	-	710
Provision of services	287	(287)	314	(2)	485	-	612	(39)	9,146	(9,140)	1,375

2019

Amounts in Euro thousands

	Hydro		Distribution		Sales		Other RES		Corporate		Total Group
	Total	Intra-group items	Total	Intra-group items	Total	Intra-group items	Total	Intra-group items	Total	Intra-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)
Income from commodities trading activities	-	-	-	-	3,524	-	-	-	-	-	3,524
Income from commodities hedging	-	-	-	-	5,133	-	-	-	-	-	5,133
Fees for use of the system	-	-	-	-	48,422	(110)	-	-	-	-	48,312
Revenues from energy transport	-	-	29,678	(17,344)	320,741	(731)					332,344
Connection fees and fixed fees	-	-	1,378	(232)	3,503	(701)	-	-	-	-	3,948
Disposal of energy certificates/securities	2,561	(2,561)	-	-	1,319	-	102	(102)	-	-	1,319
Provision of services	274	(274)	243	(6)	424	-	296	-	8,363	(8,357)	962

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 2,507 thousand (Euro 3,524 thousand at 31 December 2019) as shown in the table below:

Amounts in Euro thousands

	2020	2019
RESULT FROM TRADING ACTIVITIES	**2,507**	**3,524**
Income from trading activities	29,425	45,357
Expenses from trading activities	(26,918)	(41,834)

2. Other revenues and income

55.5 Mln

other revenues and income

The breakdown of the item "Other operating revenues and income" is shown in the following table:

Amounts in Euro thousands

	2020	2019
OTHER REVENUES AND INCOME	**55,520**	**49,994**
GRIN (former Green Certificates)	33,051	26,694
Incentive tariffs	11,896	11,515
Photovoltaic plant incentives	4,655	4,623
Penalties and insurance reimbursements	1,495	1,953
Contribution for the purchase of TEE securities	1,421	1,629
Other operating contributions	830	695
Other income	2,172	2,886

- The item "GRIN" amounted to Euro 33,051 thousand in 2020 (Euro 26,694 thousand in 2019) and refers to the contribution received from the GSE on the basis of the incentive mechanism replacing "green certificates". The increase recorded is due to the increase in the unit value of the GRIN incentive, from Euro 92.11/MWh in 2019 to Euro 99.05/MWh in 2020 (the value of the incentive is established annually by the GSE on the basis of as provided by Ministerial Decree 6 July 2012, as subsequently amended and supplemented), and for the greater production of the incentivised plants.
- The item "Incentive tariffs" amounted to Euro 11,896 thousand in FY 2020 (Euro 11,515 thousand in FY 2019) and refers to the amount received from the GSE by way of "incentive tariff", a form of incentive whereby a fixed tariff is guaranteed for each MWh produced by the plant under agreement through the integration of the market price with a contribution from the GSE. 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.
- The item "Photovoltaic plant incentives" amounted to Euro 4,655 thousand in 2020 (Euro 4,623 thousand in 2019) 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 increase in the value of incentives on photovoltaic production is mainly due to an increase in production in the photovoltaic segment.
- The item "TEE securities", amounting to Euro 1,421 thousand in FY 2020 (Euro 1,629 thousand in FY 2019) refers for Euro 1,294 thousand to the contribution received for the cancellation of the securities purchased in FY 2020 to cover the obligations of 2019, which ended in November 2020 for Euro 127 thousand to the recording of the estimated cancellation value of the securities purchased to cover the 2020 obligation, which expires in May 2021.
- "Other operating contributions", amounting to Euro 830 thousand in FY 2020 (Euro 695 thousand in FY 2019), 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 571 thousand (Euro 582 thousand in 2019) and relates to the service continuity levels achieved in 2020 determined on the basis of the number and duration of interruptions.

Overall, the contributions received on hydroelectric production amount to Euro 21,738 thousand, those on wind production to Euro 23,288 thousand, those on photovoltaic production to Euro 4,655 thousand and those on energy distribution to Euro 1,992 thousand.

- Penalties and insurance reimbursements, which amounted to Euro 1,495 thousand in 2020 as compared with Euro 1,953 thousand in 2019, 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 2020, the item "Other income" amounted to Euro 2,172 thousand (Euro 2,886 thousand at 31 December 2019) and mainly refers to the following types:
  - » income from leases of properties amounted to Euro 880 thousand in 2020 (Euro 844 thousand in 2019). This item mainly refers to the lease income of the real estate units owned by CVA site in various Municipalities of Valle d'Aosta. Pursuant to IFRS 16, the contracts have all been classified as operating leases;
  - » income received by CVA ENERGIE 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 373 thousand in 2020 (Euro 1,107 thousand in 2019).

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 319,371 thousand in 2020 (Euro 579,925 thousand in 2019).

Their breakdown by type is shown in the table below:

Amounts in Euro thousands

	2020	2019
COSTS FOR RAW MATERIALS AND SERVICES	**319,371**	**579,925**
Costs for raw materials	107,531	193,043
Expenses from commodities hedging activities	2,843	3,902
Expenses for use of the system	30,227	47,040
Expenses for energy transport	152,738	310,175
Connection fees and similar	1,797	2,315
Costs for services	24,077	23,287
Costs for rents and leases	158	163

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 29,918 thousand (Euro 41,834 thousand at 31 December 2019), because, as explained in greater detail above, the margin generated is represented in accordance with the "net presentation" and, being positive, is shown under revenues.

As a result of the reclassification of the costs incurred for the transport of persons and/or goods by helicopter from "Costs for rents and leases" to "Costs for services" the total of the two items changed by Euro 123 thousand compared to what was reported in the 2019 financial statements.

Costs for raw materials

The item "Costs for raw materials" totalled Euro 107,531 thousand in 2020 (Euro 193,043 thousand in FY 2019). The detail of costs for raw materials is as follows:

Amounts in Euro thousands

	2020	2019
COSTS FOR RAW MATERIALS	**107,531**	**193,043**
Wholesale electricity	103,054	186,261
Raw and ancillary materials and consumables	2,912	2,462
Energy securities/certificates	1,486	3,725
Vehicle power sources	197	263
Energy for auxiliary services of generating plants	(117)	331

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. Automotive power sources represent the cost of purchasing fossil fuels and electricity for transport.

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, for 2020, to contingent assets recorded against the reversal to income of the provision for charges allocated for energy costs for auxiliary services at the Monteverde plant for which invoices had not been received. Contingency represents the release of the surplus in the provision. The plant is being supplied with Group companies from December 2019.

Costs for services

The item "Costs for services" totalled Euro 24,077 thousand in 2020 (Euro 23,287 thousand in 2019). Details are shown in the following table:

Amounts in Euro thousands

	2020	2019
COSTS FOR SERVICES	**24,077**	**23,287**
Commercial, legal, administrative and professional consultancy	3,833	3,977
Maintenance	7,510	6,069
Insurance	2,827	2,437
Telephone and data transmission services	1,806	1,643
Costs for Information & Communication Technology services - IT services	1,701	1,685
Regarding personnel	981	1,761
Costs for bank and postal services	675	917
Fees for Directors, Auditors, SB and Independent Auditors	672	693
Trips and transfers, representation	613	703
Advertising	550	420
Car park management expenses	410	427
Miscellaneous utilities	166	173
Other costs for services	2,331	2,381

The cost of consultancy is substantially stable compared to the previous year (a slight decrease of Euro -144 thousand was recorded).

With reference to the maintenance costs, we point out that, among these, Euro 1,884 thousand are attributable to the maintenance of the hydroelectric plant park, Euro 4,437 thousand to the wind and photovoltaic plant park and Euro 720 thousand to the distribution networks. The residual amount is mainly represented by maintenance costs for leased and unleased civil and instrumental (office use) buildings.

Costs for rents and leases

The item "Costs for rents and leases" amounted to Euro 158 thousand in 2020 (Euro 163 thousand in 2019) and the breakdown is as follows:

Amounts in Euro thousands

	2020	2019
COSTS FOR RENTS AND LEASES	**158**	**163**
Rents and leases	1	69
Car park rental fees	14	13
License and software fees	133	40
Other costs for rents and leases	10	41

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.

4. Personnel costs

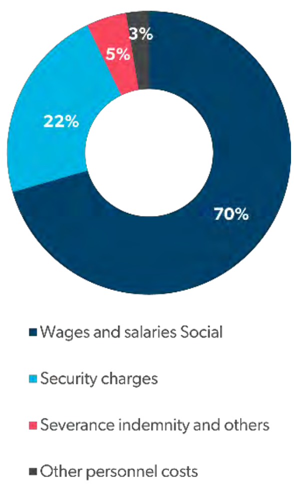
The breakdown of personnel costs is shown in the following table:

38.5 Mln

personnel costs

Amounts in Euro thousands

	2020	2019
PERSONNEL COSTS	**38,469**	**34,839**
Wages and salaries	27,131	26,443
Social security contributions	8,575	7,997
Employee severance indemnity and others	1,760	(443)
Other personnel costs	1,003	843



The item Personnel costs totalled Euro 38,469 thousand in 2020 (Euro 34,839 thousand in 2019). The changes in the year are mainly attributable to the following aspects:

- wages and salaries: the increase recorded derives from:
- an increase in the average number of office workers due to the effect of new hirings mainly linked to the stabilisation of fixed-term positions held by temporary personnel. It should be noted that, as a result, the cost of temporary workers fell, partly offsetting the total change;
- the increase of the integrated contractual minimums effective September 2020;
- the increase of the figures set aside for the performance bonus year 2020 cash 2021;
- social security contributions: the increase is partly due to the increase in the tax rate

INPS contributions for "FPLE" workers as from March 2020 sickness contributions have also been paid for these individuals. In part, the increase is attributable to the growth in the average number of personnel as a result of the above-mentioned stabilisation of positions held by temporary personnel. 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 indemnity and other employee benefits: the main difference compared to the previous year is related to the revision of the agreements for tariff facilitations to former employees that in the previous year had generated the extraordinary reversal to income of the specific provision for Euro 1,540 thousand. In FY 2020, the same agreements generated a reduction in allocations to the specific provision for indemnities in lieu of tariff discounts and an increase in the so-called "provision for financial subsidies"/ FOPEN (for employees who have opted to pay the allowance provided for in the agreement to the supplementary pension fund).

The table below shows the average number of employees during the years under review, broken down by category and the related changes:

	2020	2019	Change
Executives	2	2	-
Managers	60	59	+1
White collars	349	335	+14
Blue collars	175	176	-1
TOTAL	**586**	**572**	**+14**

5. Other operating costs

In 2020, other operating costs amounted to Euro 43,963 thousand (Euro 42,414 thousand in 2019) and are detailed as follows:

Amounts in Euro thousands

	2020	2019
OTHER OPERATING COSTS	**43,963**	**42,414**
Fees for the diversion of water for hydroelectric use, contributions, licenses and other fees	37,178	36,661
Stamp duties, levies and various taxes	1,755	1,747
Indemnities and penalties	1,275	2,170
Other sundry expenses	3,755	1,837

The item "Fees for the diversion of water for hydroelectric use, contributions, licenses and other fees", equal to Euro 37,178 thousand in 2020 (Euro 36,661 thousand in 2019), 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 "Stamp duties, levies and various taxes" amounted to Euro 1,755 thousand in 2020 (Euro 1,747 thousand in 2019) and includes municipal taxes and fees, including IMU, TASI, TOSAP, COSAP and stamp duties.

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;
- Environmental compensation due to the municipalities where the Group's wind farms are located (Euro 898 thousand).

The item "Other sundry expenses" amounted to Euro 3,755 (Euro 1,837 thousand in FY 2019) and mainly includes penalties pertaining to the year (Euro 2,151 thousand), membership fees pertaining to Group companies (Euro 446 thousand), expenses for fish restocking (Euro 350 thousand), donations to hospitals following the COVID-19 pandemic (Euro 215 thousand), capital losses on asset disposals (Euro 297 thousand), contingencies and non-existent liabilities (Euro 35 thousand). "Fines, penalties and sanctions" mainly include the provision, made by CVA ENERGIE, for Euro 2,078 thousand against potential charges arising from the sanctioning proceedings initiated by Determination DSAI/92/2017/EEL: "Initiation of penalty proceedings against a consumer unit holder for non-diligent scheduling strategies within the scope of the electricity dispatching service", estimating that the maximum amount of the conceivable penalty is around 0.2% of the Company's revenue achieved in FY 2016.

It should be noted that CVA ENERGIE, as it has already done for the charges referred to in Resolution no. 342/2016/E/eel of 24 June 2016 for which a positive outcome of the dispute was recorded in 2020, is determined to defend itself both within the framework of the preliminary investigation pending before the ARERA Offices, and possibly before the administrative justice if with the final measure of ARERA, at the end of the aforementioned procedure, an administrative fine will be imposed on it. Expenditure on fish restocking was affected by the provisions of the regional law no. 5 of 24 April 2019 , which, with effect from 1 January 2020, provided that concessionaires of public water derivations from surface water bodies for hydroelectric, industrial and heat exchange use are required to pay, as compensation for the greater burdens falling on fisheries management determined by the water derivation, an annual sum in addition to the state concession fee, in an amount equal to 2 percent of the fee itself, to be paid directly to the Regional Consortium for Fisheries Protection.

6. Capitalised days of work

In 2020, capitalised days of work amounted to Euro 4,554 thousand (Euro 4,203 thousand in 2019). Capitalised costs refer to the materials used and hours of employees involved in the realisation of assets. Capitalised work in progress refers mainly to Deval S.p.A. for Euro 3,336 thousand. The residual portion of 1,271 refers to CVA S.p.A.

7. Amortisation/depreciation

Amortisation/depreciation can be detailed as follows:

Amounts in Euro thousands

	2020	2019
AMORTISATION/DEPRECIATION	**51,059**	**50,231**
Proprietary tangible assets	48,220	47,422
Rights of use on tangible assets	807	867
Proprietary intangible assets	1,985	1,896
Rights of use for intangible assets	47	47

Depreciation of proprietary tangible assets amounted to Euro 48,220 thousand in 2020 (Euro 47,422 thousand in 2019) and refer to the depreciation of buildings, industrial and commercial equipment, plant and machinery and other goods, as better detailed in the table below:

Amounts in Euro thousands

	2020	2019
DEPRECIATION OF PROPRIETARY TANGIBLE ASSETS	**48,220**	**47,422**
Plants and machinery	42,199	41,525
Buildings	4,714	4,646
Other assets	963	912
Industrial and commercial equipment	204	195
Leasehold improvements	139	145

Amortisation of proprietary intangible assets amounted to Euro 1,985 thousand in 2020 (Euro 1,896 thousand in 2019). They are detailed below:

Amounts in Euro thousands

	2020	2019
AMORTISATION OF PROPRIETARY INTANGIBLE ASSETS	**1,985**	**1,896**
Industrial patents and intellectual property rights	1,358	1,266
Other intangible assets	534	536
Concessions, licences, trademarks and similar rights	93	93

The amortisation of rights of use are recognised in accordance with IFRS 16 for a total of Euro 854 thousand, including Euro 807 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.

8. Provisions and write-downs

Total provisions and write-downs show a value of Euro 677 thousand as in FY 2020, provisions and write-downs exceeded the proceeds, unlike in FY 2019 where net provisions and write-downs of a negative Euro 1,871 thousand were recorded.

Below are details:

Amounts in Euro thousands

	2020	2019
PROVISIONS AND WRITE-DOWNS	**677**	**(1,871)**
Net write-downs		
Ordinary	785	265
Extraordinary	-	(1,839)
Net provisions		
Ordinary	(108)	(966)
Extraordinary	-	669

A breakdown of the item "write-downs" is provided in the table below:

Amounts in Euro thousands

	2020	2019
ORDINARY WRITE-DOWNS	**785**	**265**
Write-downs of fixed assets	1	56
Write-downs of receivables	784	248
Proceeds from provisions for bad debts	-	(38)
EXTRAORDINARY WRITE-DOWNS	**-**	**(1,839)**
Write-downs of fixed assets	-	-
Proceeds from provisions for bad debts	-	(1,839)

In FY 2020, the item consists primarily of ordinary impairment of receivables. 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.

The following table provides a breakdown of "Provisions":

Amounts in Euro thousands

	2020	2019
ORDINARY PROVISIONS	**(108)**	**(966)**
Provisions at source for risks and charges	26	136
Proceeds from provisions for sundry risks and charges	(134)	(1,102)
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:

- restatement of risks for administrative fines imposed by the Regional Administration on power surges at hydroelectric power plants (reversal into earnings of Euro 83 thousand);
- extinction of potential charges for guarantees given to the subsidiary LE BRASIER (reversal into earnings of Euro 51 thousand);
- provision for charges of Euro 26 thousand relating to the provision for deductibles in respect of claims in progress that are lower than the limits of the deductibles for the years in which the events occurred.

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 2,708 thousand (negative margin of Euro 346 thousand in the previous year). The breakdown of the margin is shown in the following table:

Amounts in Euro thousands

	2020	2019
FINANCIAL MANAGEMENT	**(2,708)**	**(346)**
Financial income	3,033	5,047
Financial expenses	(5,821)	(5,793)
Results from investments	80	400

Financial income

Financial income amounted to Euro 3,033 thousand in 2020 (Euro 5,047 thousand in 2019). The following table provides a breakdown of this item:

Amounts in Euro thousands

	2020	2019
INCOME	**3,033**	**5,047**
Interest income and income from financial investments	2,241	1,484
Interest income and income on financial receivables from related parties	285	2,822
Interest income on trade receivables	222	414
Interest income on bank deposits	202	167
Other income	81	159

Interest income from financial investments consists of income accrued on capitalisation policies and on the securities portfolio for Euro 1,702 thousand and Euro 539 thousand respectively. Interest income and financial income from related parties represent the income from the loan granted to the associate TELCHA valued at amortised cost. The considerable difference as compared with last year is mainly due to the fact that 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 on trade receivables mainly consists of default interest applied to CVA ENERGIE's customers as well as income recorded on receivables measured at amortised cost because they are due in more than 12 months.

Financial expenses

The breakdown of financial expenses is shown in the following table:

Amounts in Euro thousands

	2020	2019
EXPENSES	**(5,821)**	**(5,793)**
Interest and expense on bank loans	(5,447)	(5,933)
Interest expense on rights of use (IFRS16)	(220)	(224)
Other financial expenses	(154)	365

The item "Interest expense on bank loans", equal to Euro 5,447 thousand in 2020 (Euro 5,933 thousand in 2019) includes interest due on mortgages and loans payable, the flows relating to the change in fair value of the IRS stipulated in relation to these liabilities and the charges deriving from the application of the amortised cost. The decrease compared to the previous year is mainly due to the overall reduction in the residual principal amount due.

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; information is given in note 13.

The item "Other financial expenses" amounted to Euro 154 thousand in 2020 (Euro 365 thousand in 2019). The difference is due, in part, to the fact that in the year ended 31 December 2019, an extraordinary reversal of Euro 1,363 thousand of interest expense allocated to provisions in fiscal years 2017 and 2018 on amounts subject to the VAT litigation against the Aosta Revenue Agency had been realised, and in part to the change in charges from discounting of provisions. Charges for the discounting of provisions (specifically, provisions for plant decommissioning and provisions for employee benefits) amounted to Euro 98 thousand in 2020 (compared with Euro 890 thousand in 2019). In 2019, there had been an adjustment to plant decommissioning liabilities against a reduction in the discount rate.

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:

Amounts in Euro thousands

	2020	2019
RESULTS FROM INVESTMENTS	**80**	**400**
Write-backs/(write-downs) of equity investments	80	239
Other income/(expense)	-	162

The item "Write-backs/write-downs of equity investments" includes:

- the write-back of the investment in TELCHA, measured at equity. The percentage of ownership was 15.31% of the share capital as of 31 December 2020. The company is considered an associate by virtue of the significant influence resulting from the presence of an employee of CVA on the Board of Directors chaired, moreover, as of 13 January 2021 by Enrico De Girolamo, former CEO of CVA. At 31 December 2020, the value of the investment in TELCHA increased by Euro 83 thousand, equal to the Group's share of the associate's profit;
- the write-down of the minority shareholding in LE BRASIER, valued at fair value, for Euro 3 thousand.

10. Income taxes

Income taxes amounted to Euro 23,260 thousand in 2020 (Euro 27,982 thousand in 2019) and the breakdown is as follows:

Amounts in Euro thousands

	2020	2019
INCOME TAXES	**23,260**	**27,982**
Current IRES	16,437	17,442
Current IRAP	1,423	2,501
IRES deferred tax assets	159	1,058
IRAP deferred tax assets	81	(27)
IRES deferred tax liabilities	4,646	6,228
IRAP deferred tax liabilities	849	1,024
Taxes from previous years	(335)	(246)

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.

IRAP for FY 2020 was determined taking into account the facilitation provided by Article 24 of Decree Law 34/2020 calculating, therefore, a reduction equal to the lower amount between the first advance payment due for 2020 and the theoretical advance payment recalculated as 40% of IRAP for the year. The abatement thus calculated resulted in a lower IRAP on the Group for Euro 641 thousand.

Pursuant to the same measure, which also sanctioned the write-off of the 2019 IRAP balance for certain parties, contingencies for IRAP purposes were recorded in the amount of Euro 66 thousand.

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	2020
Pre-tax result	A	84,489
Theoretical tax expense	B	20,277
Temporary differences taxable in subsequent years	C	(19,833)
Temporary differences deductible in subsequent years	D	7,309
Reversal of temporary differences taxable from previous years	E	429
Reversal of temporary differences deductible from previous years	F	(5,458)
Permanent differences	G	1,554
Taxable amount	[A+C+D+E+F+G]	68,490
Current taxes	[I]	16,438
Effective rate	[L]	19.46%

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 2020 is provided here below.

11. Proprietary tangible assets

Tangible assets totalled Euro 641,374 thousand at 31 December 2020 (Euro 672,695 thousand at 31 December 2019). 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

	Property tangible assets	Rights of use on tangible assets	Total
Historical cost	1,168,728	9,676	1,178,404
Provisions for depreciation	(504,842)	(867)	(505,709)
Net value at 31.12.2019	**663,885**	**8,809**	**672,695**
Increases	30,923	769	31,692
Amortisation/depreciation	(48,220)	(807)	(49,027)
Change in provision for amortisation/depreciation	-	238	238
Reclassifications	11	-	11
Disposals	(286)	(262)	(549)
Other changes	(13,900)	215	(13,686)
Total net changes in 2020	**(31,473)**	**152**	**(31,321)**
Historical cost	1,180,099	10,397	1,190,497
Provisions for depreciation	(547,687)	(1,436)	(549,123)
Net value at 31.12.2020	**632,412**	**8,962**	**641,374**

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 improveme nts	Tangib le assets in progress and advances	Total
Historical cost	9,400	135,513	977,711	4,109	12,798	4,226	24,971	1,168,728
Provisions for depreciation	(29)	(43,310)	(445,709)	(3,223)	(10,593)	(1,978)	-	(504,842)
Net value at 31.12.2019	**9,371**	**92,203**	**532,003**	**886**	**2,205**	**2,248**	**24,971**	**663,885**
Increases	33	1,016	9,427	55	150	26	20,216	30,923
Amortisation/depreciation	-	(4,714)	(42,199)	(205)	(962)	(140)	-	(48,220)
Reclassifications	5	490	14,700	306	1,896	2	(17,389)	11
Disposals	-	-	(263)	(1)	(2)	(1)	(20)	(286)
Other changes	-	-	-	-	-	-	(13,900)	(13,900)
Total net changes in 2020	**38**	**(3,208)**	**(18,335)**	**155**	**1,083**	**(114)**	**(11,093)**	**(31,473)**
Historical cost	9,438	137,020	1,000,850	4,456	11,505	2,953	13,877	1,180,099
Provisions for depreciation	(29)	(48,024)	(487,182)	(3,415)	(8,217)	(819)	-	(547,687)
Net value at 31.12.2020	**9,409**	**88,996**	**513,668**	**1,041**	**3,288**	**2,134**	**13,877**	**632,412**

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 connected with concessions.

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.

In 2020 there was a net decrease in tangible assets mainly due to the combined effect of the ordinary depreciation process (Euro 48,220 thousand), investments for the year (Euro 30,923 thousand) and the recovery of advances on investments (Euro 13,900 thousand - included under "Other changes").

The following table shows the main investments made during the year and the main assets commissioned:

Euro thousands

	Assets under construction at the beginning of the year	New investments (net)	Assets commissioned	Recovery of advances	Assets under construction at year end
Hône 1 plant - extraordinary maintenance (main object: Turbine overhaul and purchase hub+pipes)	82	1,452	(93)	-	1,441
Chavonne plant - extraordinary maintenance	1,023	1,199	(972)	-	1,250
Hône 2 plant - extraordinary maintenance (main object: shunt channel)	745	1,412	(1,096)	-	1,061
Signayes plant - extraordinary maintenance (main object: redoing of plant unit 1)	761	1,395	(1,396)	-	760
Gabiet dam - main object: static seismic checks	3	625	-	-	629
Avise plant - extraordinary maintenance	376	599	(416)	-	560
Covalou plant - Refurbishment of installations (main object: GR1 Impeller purchase - pipeline)	60	776	(358)	-	478
Quart plant - extraordinary maintenance (main object: redoing of plant)	217	574	(329)	-	461
Beauregard dam - works on dam (main object: Automation and Control)	99	203	(4)	-	298

Euro thousands

	Assets in progress at the start of the year	New investimnents net	Assets comminssioning	Recovery of advance	Assets in progress at the en of the year
Saint Clair plant - extraordinary maintenance (main object: automation)	10	294	(34)	-	270
Champagne 1 plant - extraordinary maintenance (main object: pipeline, spillway, intake works)	394	581	(763)	-	212
Headquarters building - Châtillon - Revamping of air conditioning system	5	148	-	-	153
Perreres plant - extraordinary maintenance (main object: pipeline)	132	70	(57)	-	144
Monjovet plant - extraordinary maintenance (main object: rebuilding of turbine and alternator unit)	2,052	631	(2,591)	-	93
Valpelline plant - extraordinary maintenance (main subject: replacement of impellers)	290	1,014	(1,255)	-	50
Registered office building - Châtillon - extraordinary maintenance of windows and doors	18	1	-	-	19
Maën plant - extraordinary maintenance (main object: maintenance of Perrères dam)	6	415	(421)	-	-
Gressoney plant - extraordinary maintenance (main object: pipeline)	1,067	52	(1,119)	-	-
Other hydroelectric power plants - extraordinary incremental maintenance	576	2,248	(1,343)	-	1,481
Plants Other RES	5	287	(33)	-	260
High voltage network	-	3,575	(3,575)	-	-
Medium voltage network	1,117	3,368	(4,239)	-	246
Low voltage network	278	2,832	(2,794)	-	316
Other distribution systems	757	1,842	(1,811)	-	788
Advances on investments	13,900	1,960	-	(13,900)	1,960
Other investments	1,001	3,371	(3,424)	-	948

12. Proprietary intangible assets

Intangible assets consist of 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

	Proprietary intangible assets	Rights of use on Intangible assets	Total
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**
Increases	1,288	-	1,288
Amortisation/depreciation	(1,985)	(47)	(2,032)
Reclassifications	(11)	-	(11)
Disposals	(97)	-	(97)
Other changes	-	4	4
Total net changes in 2020	**(805)**	**(43)**	**(848)**
Historical cost	33,060	733	33,793
Provisions for amortisation	(21,174)	(93)	(21,267)
Net value at 31.12.2020	**11,886**	**640**	**12,526**

The breakdown and change in "Proprietary intangible assets" is shown in the following table:

Euro thousands

	Industrial patents and intellectual property rights	Concessions , licenses, trademarks and similar rights	Intangible assets in progress and advances	Other intangible assets	Total
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**
Increases	128	-	1,160	-	1,288
Amortisation/depreciation	(1,243)	(208)	-	(534)	(1,985)
Reclassifications	893	-	(904)	-	(11)
Disposals	-	(63)	(34)	-	(97)
Other changes	-	-	-	-	-
Total net changes in 2020	**(222)**	**(271)**	**222**	**(534)**	**(805)**
Historical cost	19,572	2,166	966	10,356	33,060
Provisions for amortisation	(16,422)	(836)	-	(3,916)	(21,174)
Net value at 31.12.2020	**3,150**	**1,330**	**966**	**6,439**	**11,886**

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 fibre 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.

The change in intangible assets in 2020 is essentially due to the combined effect of the ordinary amortisation process (Euro 1,985 thousand) and investments for the year (Euro 1,288 thousand), the latter mainly relating to the capitalisation of expenses for software improvements and maintenance by CVA.

13. Rights of use of tangible and intangible assets and related financial liabilities

At 31 December 2020, rights of use on tangible and intangible assets amounted to Euro 9,601 thousand (Euro 9,492 thousand at 31 December 2019).

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
	Rights to land and on fees for the crossing	Rights of use on estate	Rights of use on equipment of industrial and commercial buildings	Rights of use other assets	
Increases before adoption of standard	729	8,530	54	992	10,305
Increases for new contracts	-	120	-	-	120
Decreases due to contract termination	-	-	-	(23)	(23)
Amortisation/depreciation	(47)	(468)	(20)	(379)	(913)
Reclassifications	-	-	-	-	-
Other changes		3		-	3
Total net changes in 2019	**683**	**8,185**	**34**	**590**	**9,492**
Closing value of right of use	729	8,653	54	969	10,405
Provisions for amortisation	(47)	(468)	(20)	(379)	(913)
Net value at 31.12.2019	**683**	**8,185**	**34**	**590**	**9,492**
Increases for new contracts	-	124	-	645	769
Decreases due to contract termination	-	(-)	-	(262)	(262)
Amortisation/depreciation	(47)	(485)	(20)	(302)	(854)
Change in provision for amortisation/depreciation		2		236	238
Reclassifications	-	-	-	-	-
Other changes	4	205		9	219
Total net changes in 2020	**(43)**	**(154)**	**(20)**	**326**	**110**
Closing value of right of use	733	8,983	54	1,361	11,131
Provisions for amortisation	(93)	(952)	(39)	(445)	(1,529)
Net value at 31.12.2020	**640**	**8,031**	**14**	**916**	**9,601**
Financial liabilities					
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	-	-	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 2019	680	7,808	30	580	9,097
Increases for new contracts	-			697	697
Decreases due to contract termination	-	(-)	-	(57)	(57)
Changes in fees	4	206	-	(15)	195
Instalments paid	(56)	(541)	(20)	(311)	(929)
of which:					
principal share	(40)	(350)	(20)	(294)	(704)
interest	(16)	(191)	(1)	(17)	(225)
Liabilities instalments	636	7,539	10	911	9,096
accrued interest	8	120	-	-	128
Closing financial liability 2020	643	7,659	10	911	9,224
of which:					
CURRENT	48	475	10	302	835
NON CURRENT	595	7,184	-	610	8,389
Accrued interest	(16)	(187)	(-)	(17)	(220)
Non lease component	-	-	-	(12)	(12)
Total costs on the income statement 2020	**(62)**	**(672)**	**(20)**	**(330)**	**(1,085)**

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. 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	856	2,540	6,206
Financial liabilities	(835)	(2,128)	(6,261)

14. Goodwill

At 31 December 2020, goodwill amounted to Euro 238,026 thousand (Euro 238,026 thousand at 31 December 2019).

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

	2020	2019
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 31/12/2020 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).

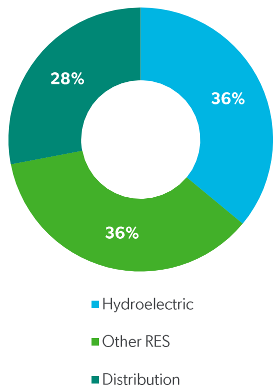
Projections of cash flows for the explicit forecasting period, typically corresponding to the first five years are based on the most recent budget or multi-year plan approved by the Board of Directors, excluding any future cash inflows or outflows that are estimated to result from future restructuring 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 plans specifically formulated at the level of a single CGU. In the Hydroelectric CGU and in the Other RES CGU, the 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 CGU, this maturity corresponds to the expiration of the hydroelectric concessions. 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%. 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.

In the Distribution CGU, the Terminal Value is instead broken down into a single step, corresponding to the estimated value of the company's operating assets upon expiration of the distribution concession.

The WACC used in carrying out the impairment tests in the last two financial years for each CGU is shown below:

Percentage values

	2020	2019
Hydroelectri	4.46%	4.24%
Other RES	4.46%	4.24%
Distribution	3.47%	3.43%



Hydroelectric CGU

The value of goodwill, equal to Euro 173,544 thousand at 31 December 2020, 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 2020, 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., as well as TARIFA ENERGIA S.r.l. a s.u. (subsequently merged within CVA VENTO S.r.l. a s.u., later renamed CVA EOS S.r.l. a s.u.). There were no changes in goodwill attributable to this CGU compared to the previous year.

Distribution CGU

At 31 December 2020, 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.

Results

No specific events occurred during the year that would alter or impair the production capacity of the Group's assets. However, the negative impacts of the COVID-19 pandemic on energy commodity prices could not be overlooked when testing at 31 December 2020. The assumption in the projections of updated forward energy prices, together with the substantial confirmation of the other operating conditions, nevertheless led to positive results in all the tests carried out, confirming the recoverability of the recorded values of goodwill.

15. Equity investments

At 31 December 2020, equity investments amounted to Euro 2,048 thousand (Euro 1,968 thousand at 31 December 2019).

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 1,880 and represents 15.31% of the shareholders' equity. At 31 December 2020, TELCHA showed a profit of Euro 539 thousand; shareholders' equity, at the same date, amounted to Euro 12,278 thousand. During the financial year, the shareholding, measured using the equity method, was revalued by Euro 80 thousand, equivalent to the share of profit for the financial year pertaining to the Group;
- non-controlling interests measured at fair value, at 31 December 2020 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 160 thousand and represents 13.70% of the shareholders' equity. At 31 August 2020 (end of the corporate year), LE BRASIER showed a loss of Euro 20 thousand; shareholders' equity, at the same date, amounted to Euro 1,170 thousand. During the year, the equity investment was written down by Euro 3 thousand. In the absence of better indicators, equity is considered the best estimate of fair value.

16. Non-current financial assets

At 31 December 2020, non-current financial assets amounted to Euro 134,294 thousand (Euro 84,578 thousand at 31 December 2019). The item is detailed in the following table:

Amounts in Euro thousands

	2020	2019
NON-CURRENT FINANCIAL ASSETS	**134,294**	**84,578**
Insurance policies	85,420	76,429
Loan to associate	7,558	8,148
Portfolio of securities/funds	41,316	-

Capitalisation insurance policies, which amounted to Euro 85,420 at 31 December 2020 (Euro 76,429 thousand at 31 December 2019), refer to the fair value of cash investments relative to the underwriting of long-term 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. 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 7,558 thousand at 31 December 2020 (Euro 8,148 thousand at 31 December 2019).

The securities portfolio, amounting to Euro 41,316 thousand at 31 December 2020, consists of the amortised cost of securities held for cash investment purposes. The portfolio consists exclusively of government securities issued by the Italian Republic maturing between 2022 and 2024. In 2020, as part of an investment transaction, an Asset Linked Inflation Swap linked to an operation with inflation-linked BTPi was entered into to hedge the risk of volatility of the parameter underlying the revaluation of the security, ensuring a fixed-rate return for the operation as a whole.

For further details, the following tables summarise the composition and size of the securities and policies portfolio:

Amounts in Euro thousands

	ISIN Code	NOMINAL VALUE	AMORTISED COST
PORTFOLIO OF SECURITIES		**39,600**	**41,316**
Republic of Italy BTPi 2.35 15/09/2024	IT0005004426	10,000	11,150
Republic of Italy BTP 1.85 15/05/2024	IT0005246340	19,700	20,201
Republic of Italy BTP 1.35 15/04/2022	IT0005086886	9,900	9,965

Amounts in Euro thousands

	INSURED CAPITAL	CAPITAL REVALUED AT 31.12.2020	EXPIRY
INSURANCE POLICIES	83,612	85,420	
Cardif Vita S.p.A. CAPITALVITA class V	4,500	4,581	09/01/2025
Credem Vita S.p.A. CREDEMVITA II class I	14,613	14,737	20/12/2023
HDI Assicurazioni S.p.A. Bancom class I	2,991	3,024	n.a.
Alleanza Assicurazioni S.p.A. Euro San Giorgio fund class V	2,500	2,533	31/10/2029
Alleanza Assicurazioni S.p.A. Euro San Giorgio I fund	2,500	2,550	n.a.
Alleanza Assicurazioni S.p.A. Euro San Giorgio fund class V	2,500	2,533	20/11/2029
Alleanza Assicurazioni S.p.A. Euro San Giorgio I fund	2,500	2,550	n.a.
AXA Assicurazioni S.p.A. GESTIRIV class I	3,980	4,050	n.a.
AXA Assicurazioni S.p.A. GESTIRIV class V	495	501	14/01/2029
AXA Assicurazioni S.p.A. GESTIRIV class V	495	501	14/01/2029
AXA Assicurazioni S.p.A. GESTIRIV class V	495	501	14/01/2029
AXA Assicurazioni S.p.A. GESTIRIV class V	495	501	14/01/2029
Aviva S.p.A. FORME INDIVIDUALI GEVIN class I	1,231	1,263	n.a.
Aviva S.p.A. FORME INDIVIDUALI GEVIN class I	5,307	5,445	n.a.
Aviva S.p.A. FORME INDIVIDUALI GEVIN class I	5,307	5,445	n.a.
Aviva S.p.A. FORME INDIVIDUALI GEVIN class I	5,307	5,445	n.a.
UnipolSai Assicurazioni S.p.A. FONDICOLL UNIPOLSAI CLASS V	7,948	8,299	30/11/2028
UnipolSai Assicurazioni S.p.A. FONDICOLL UNIPOLSAI CLASS V	7,948	8,228	23/05/2029
Eurovita S.p.A. Eurovita Nuovo Secolo class I	10,000	10,236	n.a.
Generali Italia S.p.A. GESAV	2,500	2,500	29/12/2025

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	2020	2019
Deferred tax assets for:		
Differences in value on tangible and intangible assets	11,802	11,302
Write-down of trade and other receivables	1,342	1,283
Charges, bonuses and other employee benefits	1,037	1,233
Provisions for risks and charges	3,582	3,842
Non-deductible interest	-	-
Application of IFRS 15	4,875	5,134
Valuation of financial instruments	3,520	2,956
Other items	206	190
Total deferred tax assets	**26,364**	**25,939**
Deferred tax liabilities for:		
Differences in value on tangible and intangible assets	(54,096)	(48,652)
Charges, bonuses and other employee benefits	(113)	(42)
Default interest not collected	-	-
Valuation of financial instruments	(1,676)	(81)
Other items	(105)	(124)
Total deferred tax liabilities	(55,990)	(48,900)
Total net deferred tax assets/(liabilities)	**(29,626)**	**(22,961)**
Net change	**(6,665)**	**1,443**
of which:		
Ø Adjustments in statement		
Ø Change in scope of consolidation	-	-
Ø In Income Statement	(5,734)	(8,284)
Ø In Shareholders' Equity	(931)	9,727

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 26,364 thousand at 31 December 2020 (Euro 25,936 thousand at 31 December 2019).

The increase in the value of deferred tax assets recognised during 2020 is due to the combined impact 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.

Deferred taxes amounted to Euro 55,990 thousand at 31 December 2020 (Euro 48,900 thousand at 31 December 2019). The decrease recognised in 2019 was primarily due to the effect of the recognition of deferred taxes for amortisation performed solely for tax purposes in addition to income accrued on derivative instruments accounted for under hedge accounting.

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 calculated at that rate 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 4,604 thousand at 31 December 2020 (Euro 5,072 thousand at 31 December 2019), 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, the main components of guarantee deposits are the cash guarantees presented to Terna for participation in capacity market auctions and the guarantees given to energy distributors outside the Group.

The item is detailed in the following table:

Amounts in Euro thousands

	2020	2019
OTHER NON-CURRENT ASSETS	**4,604**	**5,072**
Security deposits	3,188	3,596
Receivables from employees	1,405	1,466
Other assets	11	11

19. Inventories

At 31 December 2020, inventories amounted to Euro 3,399 thousand (Euro 3,028 thousand at 31 December 2019). Inventories, mainly attributable to DEVAL (Euro 2,041 thousand at 31 December 2020) consist of materials and equipment for operation, maintenance and construction of the plants. Any obsolete materials are constantly written down during the year.

20. Current and non-current trade receivables

At 31 December 2020, current and non-current trade receivables amounted to Euro 68,692 thousand (Euro 120,056 thousand at 31 December 2019).

68.7 Mln

current and non-current trade receivables

The detail is shown in the following table:

Amounts in Euro thousands

	2020	2019
CURRENT TRADE RECEIVABLES	67,384	120,056
Receivables from customers	77,246	129,020
Receivables from suppliers	77	260
Bad debts provision	(9,939)	(9,224)
NON-CURRENT TRADE RECEIVABLES	1,308	-
Receivables from customers	1,308	-
TOTAL TRADE RECEIVABLES	**68,692**	**120,056**

Starting from the year ended 31 December 2020, the financial statements show a portion of trade receivables from customers due after 12 months, amounting to Euro 1,308 thousand, reclassified under non-current trade receivables.

In fact, in 2020, following the COVID-19 emergency, the Group, through CVA ENERGIE, chose to grant payment extensions to certain types of customers through the granting of an instalment payment over the next three years (2021-2023). In accordance with the IAS-IFRS accounting standards, these receivables have been discounted and recorded under non-current trade receivables at a value equal to their amortised cost. 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 9,939 thousand (Euro 9,224 thousand at 31 December 2019) determined using a model based on ECLs consistent with the relevant provisions of IFRS 9. Following this analysis, the bad debt provision was increased, in order to adjust it to the probable risk of loss, by means of a provision of Euro 791 thousand (a provision of Euro 102 thousand had been made in 2019).

21. Receivables for income taxes

The breakdown of receivables for income taxes is shown in the following table:

Amounts in Euro thousands

	2020	2019
RECEIVABLES FOR INCOME TAXES	**7,285**	**5,130**
IRES	6,820	4,532
IRAP	465	598

The item in question includes the tax receivable from the tax authorities for IRES for Euro 6,820 thousand at 31 December 2020 (Euro 4,532 thousand at 31 December 2019) and the tax receivable from the tax authorities for IRAP for Euro 465 thousand at 31 December 2020 (Euro 598 thousand at 31 December 2019).

22. Other tax receivables

The breakdown of other tax receivables is shown in the following table:

Amounts in Euro thousands

	2020	2019
OTHER TAX RECEIVABLES	**19,904**	**11,638**
Receivables from Tax Authorities for excise	18,365	9,138
Receivables from Tax Authorities for VAT	1,288	2,373
Other tax receivables	251	128

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 16,866 thousand, and net receivables relating to tax and additional taxes requested for excise duty reimbursement, for Euro 1,090 thousand. These credits are determined based on the processing produced for the returns to be filed with reference to FY 2020.

Energy consumption contracted sharply throughout the country as a result of the COVID-19 health emergency. The legislation provides that the instalments of excise duty paid during the year are calculated on the basis of consumption in the previous year. However, in the face of the pandemic, a 10% reduction in the monthly instalments due from May to September 2020 has been arranged. Despite the introduction of this facility, the instalments paid were still higher than the quantities of energy invoiced. In fact, the excise duties paid during 2020 amounts to Euro 24,646 thousand compared to Euro 42,576 at the end of 2019. Following the presentation of the declaration of electricity consumption, the higher payments made pursuant to art. 56 of the T.U.A. are considered credits to be deducted from subsequent payments on account.

The item "receivables from tax authorities for VAT" amounting to Euro 1,288 thousand at 31 December 2020 (Euro 2,373 thousand at 31 December 2019) reports the VAT credit balance due from the tax authorities for companies that had a credit position at 31 December. The main position is that of CVA which has a VAT credit of Euro 1,130 thousand. In all cases, these are receivables which, due to their origin, cannot be included in the Group VAT settlement, either because they arose in companies that are not members of the scheme or because they arose before they joined the scheme.

23. Current and non-current derivatives

Derivative instruments (assets and liabilities) refer to the measurement at fair value of derivatives on commodities (electricity), on interest rates and on inflation at the balance sheet date.

The following is a breakdown at the reporting date and the related comparative information:

Amounts in Euro thousands

	2020	2019
DERIVATIVE ASSETS	**5,707**	**5,778**
Non-current derivative assets	3,227	2,242
Current derivative assets	2,480	3,536

Amounts in Euro thousands

	2020	2019
DERIVATIVE LIABILITIES	**21,584**	**19,481**
Non-current derivative liabilities	1,464	1,234
Current derivative liabilities	20,120	18,246

It is noted that, at 31 December 2020 and 31 December 2019, 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 2020	At 31 December 2019
	Fair Value Assets	Fair Value Assets
Cash flow hedge derivatives		
Energy derivatives		
Swaps/Forwards	-	-
Futures	3,742	4,633
Options	-	-
Interest derivatives		
Interest rate swaps	-	-
Asset Linked Inflation Swap	-	-
Total cash flow hedge derivatives	**3,742**	**4,633**
Hedging derivatives not in Hedge Accounts		
Energy derivatives		
Swaps/Forwards	-	-
Futures	-	-
Options	-	-
Interest derivatives		
Interest rate swaps	-	-
Asset Linked Inflation Swap	-	-
Total hedging derivatives not in Hedge Accounts	**-**	**-**
Trading derivatives		
Energy derivatives		
Swaps/Forwards	212	528
Futures	1,754	617
Options	-	-
Interest derivatives		
Interest rate swaps	-	-
Asset Linked Inflation Swap	-	-
Total trading derivatives	**1,966**	**1,145**
TOTAL DERIVATIVE ASSETS	**5,708**	**5,778**

Derivative liabilities

Amounts in Euro thousands

	At 31 December 2020	At 31 December 2019
	Fair Value Assets	Fair Value Assets
Cash flow hedge derivatives		
Energy derivatives		
Swaps/Forwards	-	-
Futures	2,736	4,297
Options	-	-
Interest derivatives		
Interest rate swaps	14,035	11,818
Asset Linked Inflation Swap	1,444	-
Total cash flow hedge derivatives	**18,215**	**16,115**
Hedging derivatives not in Hedge Accounts		
Energy derivatives		
Swaps/Forwards	-	-
Futures	-	-
Options	-	-
Interest derivatives		
Interest rate swaps	1,608	1,915
Asset Linked Inflation Swap	-	-
Total hedging derivatives not in Hedge Accounts	**1,608**	**1,915**
Trading derivatives		
Energy derivatives		
Swaps/Forwards	420	800
Futures	1,341	651
Options	-	-
Interest derivatives		
Interest rate swaps	-	-
Asset Linked Inflation Swap		
Total trading derivatives	**1,761**	**1,451**
TOTAL DERIVATIVE LIABILITIES	**21,584**	**19,481**

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, asset linked inflation 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;
- to hedge the flows received on the underlying inflation-indexed bonds held for the purpose of investing liquidity. The objective that the Group intends to pursue through designated hedging transactions is, therefore, to mitigate its exposure to inflation risk.

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 transactions. 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 hedging derivatives accounted for in hedge accounting at 31 December 2020, gross of the tax effect:

	Book value
Opening balances at 1.1.2019	**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)**
Changes in fair value with impact in equity	(8,504)
Effects to Income Statement	(11,622)
Closing balances at 31.12.2020	**(8,097)**

With reference to commodity transactions, the effectiveness of hedging derivatives recognised at 31 December 2020 in the cash flow hedge reserve (positive for Euro 6,070 thousand, gross of the tax effect) is partly related to derivatives settled early in the course of the year (positive for Euro 5,065 thousand) and partly to the derivatives existing at the reporting date (positive for Euro 1,005 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) and in FY 2021 (positive for Euro 4,307 thousand) and partly in FY 2022 (positive for Euro 1,650 thousand) and the difference in 2023 (positive for Euro 113 thousand).

Instead, with reference to interest rate hedges, the effectiveness of hedging derivatives recognised at 31 December 2020 in the cash flow hedge reserve (negative for approximately Euro 14,167 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 flows that will be recognised (with the consequent release of the economic effects suspended in equity) partly in FY 2021 (net payments estimated as approximately Euro 3,083 thousand) and partly in subsequent financial years (net payments estimated as Euro 11,976 thousand).

Sensitivity analysis of commodity price risk and interest and inflation 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 and inflation 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 and inflation rates at the reference date, keeping all the other variables underlying the valuation model constant. In particular, for the present analysis, the range of assumed variations on the electricity price curve is ±10 %, on the interest rate curve ±50 bps (basis points) and on the inflation curve ±50 bps (basis points).

Sensitivity analysis of commodity price risk and interest rate at 31 December 2020.

Euro thousands

		At 31 December 2020			
Description	**Change in rate**	**Impact on Income Statement (before tax)**		**Impact on Shareholders' Equity (before tax)**	
		Increase	Decrease	Increase	Decrease
Changes in fair value of rate derivatives designated in	±50 bps	186	(1,098)	5,170	(4,440)
Changes in fair value of rate derivatives not designated in Hedge Accounting	±50 bps	575	(591)	-	-

Euro thousands

		At 31 December 2020			
Description	**Commodity price**	**Impact on Income Statement (before tax)**		**Impact on Shareholders' Equity (before tax)**	
		Increase	Decrease	Increase	Decrease
Changes in fair value of Commodity derivatives of	±10 %	-	-	(847)	847
Changes in fair value of Commodity derivatives of hedging not in Hedge Accounts	±10 %	-	-	-	-
Changes in fair value of Commodity derivatives of	±10 %	597	-320	-	-

Sensitivity analysis of commodity price risk and interest rate at 31 December 2019

Euro thousands

		At 31 December 2019			
Description	**Change in rate**	**Impact on Income Statement (before tax)**		**Impact on Shareholders' Equity (before tax)**	
		Increase	Decrease	Increase	Decrease
Changes in fair value of rate derivatives designated in	±50 bps	184	(826)	6,234	(5,841)
Changes in fair value of rate derivatives not designated in Hedge accounting	±50 bps	823	(844)	-	-

Euro thousands

		At 31 December 2019			
Description	**Commodity price**	**Impact on Income Statement (before tax)**		**Impact on Shareholders Equity (before tax)**	
		Increase	Decrease	Increase	Decrease
Changes in fair value of Commodity derivatives of	±10 %			2,847	(2,847)
Changes in fair value of Commodity derivatives of hedging not in Hedge Accounts	±10 %	-	-	-	-
Changes in fair value of Commodity derivatives of	±10 %	-5	5	-	-

Sensitivity analysis of inflation rate risk at 31 December 2020

Euro thousands

		At 31 December 2020			
Description	**Change in rate**	**Impact on Income Statement (before tax)**		**Impact on Shareholders' Equity (before tax)**	
		Increase	Decrease	Increase	Decrease
Changes in fair value of inflation rate derivatives designated in hedge accounting	±50 bps	-	-	200	(203)
Changes in fair value of inflation rate derivatives not designated in hedge accounting	±50 bps	-	-	-	-

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 interest rates, reference is made to the Report on Operations.

Inflation rate risk

For more information regarding market risks on inflation rates, 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

	2020	2019
OTHER CURRENT FINANCIAL ASSETS	**730**	**22,483**
Portfolio of securities	-	13,018
Insurance policies	-	8,772
Loans to associates	660	645
Other financial assets	70	48

Financial receivables from associated companies amounted to Euro 660 thousand (Euro 645 thousand at 31 December 2019) and refer to the short-term portion relating to the loan receivable granted to TELCHA.

"Other financial assets", amounting to Euro 70 thousand at 31 December 2020, include interest income from various banks. Compared to 31 December 2019, there are no securities maturing within the year (amounting to a total of Euro 13,018 thousand at 31 December 2019 collected during the year) nor insurance policies (amounting to Euro 8,772 thousand at 31 December 2019).

25. Other current assets

At 31 December 2020, the item "Other current assets" amounted to Euro 19,581 thousand (Euro 20,679 thousand at 31 December 2019) and is detailed in the following table:

Amounts in Euro thousands

	2020	2019
OTHER CURRENT ASSETS	**19,581**	**20,679**
Receivables from the G.S.E. for incentives	4,342	4,855
Deferred assets	7,684	8,325
Security deposits	1,370	2,849
Receivables from C.S.E.A.	3,974	2,511
Other current assets	2,210	2,138

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 4,342 thousand at 31 December 2020 (Euro 4,855 thousand at 31 December 2019).

Deferred assets

This item mainly consists of deferred assets relating to water derivation supra-fees (Euro 5,347 thousand at 31 December 2020, Euro 5,277 thousand at 31 December 2019) 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 1,360 thousand at 31 December 2020 (Euro 2,839 thousand at 31 December 2019), which include:

- receivables amounting to Euro 712 thousand at 31 December 2020 (Euro 1,110 thousand at 31 December 2019) 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 648 thousand at 31 December 2020 (Euro 1,728 thousand at 31 December 2019) for guarantee deposits with Banca BNP, which was selected from a list of qualified operators as Clearing Bank to operate 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 2020 (Euro 2,056 thousand) mainly consists of receivables for equalisation for 2020. The item "Receivables from C.S.E.A." is also made up of receivables for energy efficiency certificates, which refer to the value of the certificates acquired during 2020 net of collections (Euro 1,347 thousand at 31 December 2020) and the receivable for service continuity premiums, which includes the estimated service continuity premium for 2020 (Euro 571 thousand at 31 December 2020).

Other current assets

The residual items included in other current assets amounted to Euro 2,210 thousand at 31 December 2020 (Euro 2,138 thousand at 31 December 2019) and mainly refer to:

- advances provided to the Municipalities on amounts due for environmental compensation for the presence of production plants of Euro 1,408 thousand at 31 December 2020, effectively unchanged compared to the previous year (Euro 1,456 thousand at 31 December 2019);
- advances to third-party suppliers amounting to Euro 365 thousand at 31 December 2019 (Euro 241 thousand at 31 December 2019).

26. Cash and cash equivalents

The item mainly includes the balance receivable of current bank accounts at the reporting date, equal to Euro 195,067 thousand at 31 December 2020 (Euro 214,983 thousand at 31 December 2019); 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

	2020	2019
CASH AND CASH EQUIVALENTS	**195,103**	**214,993**
Cash and cash equivalents	36	10
Bank accounts	195,067	214,983

27.Shareholders' equity

817.3 Mln

Shareholders' equity

The breakdown of shareholders' equity is as follows:

Amounts in Euro thousands

	2020	2019
SHAREHOLDERS' EQUITY	**817,344**	**802,286**
Share capital	395,000	395,000
Reserves and profits (losses) carried forward	354,716	325,266
Net result of the year	59,977	75,103
Minorities Shareholders' Equity	7,650	6,917

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 2020 and 2019 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

	2020	2019
RESERVES AND PROFITS (LOSSES) CARRIED FORWARD	**354,716**	**325,266**
Legal reserve	52,562	49,382
Cash flow hedge reserve	(6,342)	(8,529)
IAS 19 reserves - Employee Benefits	(1,679)	(1,543)
Other reserves and profits (losses) carried forward	310,175	285,956

Legal reserve

The legal reserve amounted to Euro 52,562 thousand at 31 December 2020 (Euro 49,382 thousand at 31 December 2019). The Increase recorded is equal to the allocation of one-twentieth of the 2019 profit of CVA, as required by Article 2430 of the Civil Code.

Cash flow hedge reserve (OCI)

This reserve, which is negative for Euro 6,342 thousand (Euro 8,529 thousand at 31 December 2019) includes the effective portion of the change in fair value of hedging derivatives on changes in energy prices, interest rates and inflation that are classified as cash flow hedges for accounting purposes. The reserve is determined net of the related tax effects and is reported in other comprehensive income as a component reclassifiable to profit or loss in subsequent periods.

Actuarial reserve IAS 19 (OCI)

The item includes actuarial losses relating to defined benefit plans for employees, negative for Euro 1,679 thousand (Euro 1,543 thousand at 31 December 2019). The reserve is determined net of the related tax effects and is reported in other comprehensive income as a component not reclassifiable to profit or loss in subsequent periods.

Other reserves

The item mainly includes:

- accumulated retained earnings of Euro 63,810 thousand (Euro 52,037 as at 31 December 2019). This consists of the Group's undistributed profits and consolidation differences allocated to equity;

- the extraordinary reserve of Euro 235,867 thousand (Euro 223,235 thousand at 31 December 2019), increased by the portion of CVA's 2019 profit allocated to it;
- the First Time Adoption ("FTA") reserve of Euro 9,824 thousand (unchanged on last year), which represents the balancing entry in shareholders' equity deriving from the first application of the IAS/IFRS accounting standards on the transition date of 1 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. The legal reserve amounted to Euro 198 thousand (Euro 382 thousand at 31 December 2019);
- the merger reserve for Euro 476 thousand the net merger capital resulting from the 2001 CVA merger operation.

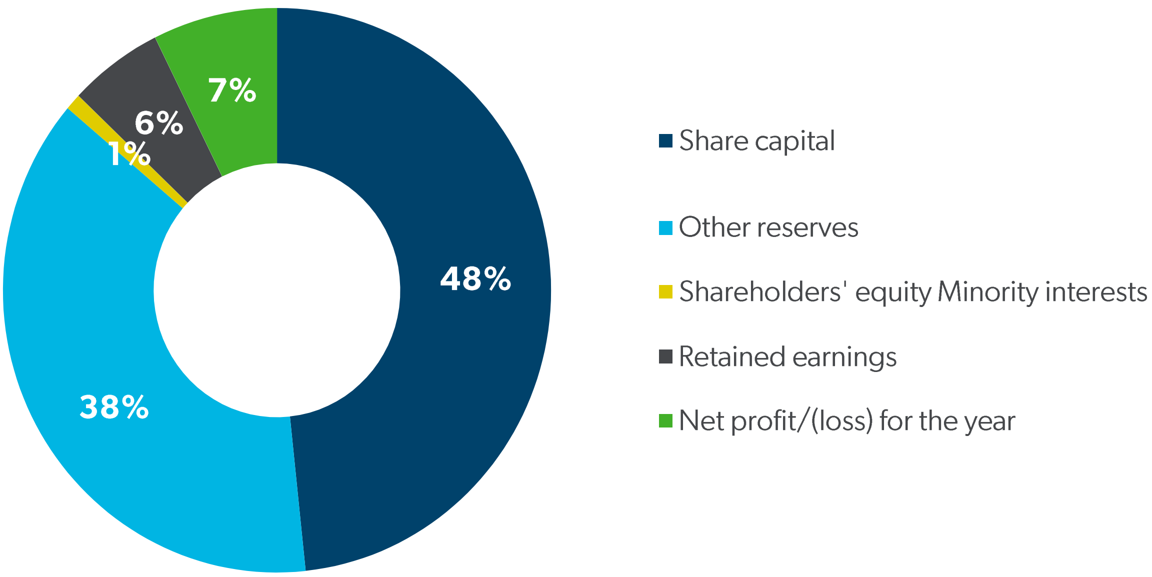
Group net result

The Group net result was positive for Euro 59,977 thousand in 2020 (Euro 75,103 thousand at 31 December 2019). 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.

	2020	2019
Net result of the period (Euro thousands)	**59,977**	**75,103**
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)	0.15	0.19
Diluted earnings per share (Euro)	0.15	0.19



28. Employee benefits

Employee benefits amounted to Euro 6,870 thousand at 31 December 2020 (Euro 8,179 thousand at 31 December 2019).

Amounts in Euro thousands

Employee severance indemnity (TFR)		Early retirement (isopensione)	Loyalty bonus	Energy discount	Employee bonuses	Other employee benefits	Total
Current value of the obligation at 31/12/2018	**3,584**	**1,048**	**1,393**	**3,849**	**-**	**534**	**10,408**
Current cost	7	-	80	(2,109)	438	18	(1,566)
Financial expense	55	-	22	59	-	8	145
Increases/(decreases) for acquisitions and transfers	-	-	-	-	-	3	3
Benefits paid	(47)	(767)	(27)	(145)	-	(8)	(994)
Write-backs (*)	85	(17)	32	65	-	49	213
Other changes	1	-	-	(31)	-	-	(30)
Current value of the obligation at 31/12/2019	**3,686**	**264**	**1,499**	**1,688**	**438**	**604**	**8,179**
Current cost	7	1	62	2	451	93	616
Financial expense	27	-	11	8	-	5	51
Increases/(decreases) for acquisitions and transfers	(20)	-	(2)	(19)	-	-	(41)
Benefits paid	(222)	(268)	(37)	(1,037)	(427)	(71)	(2,062)
Write-backs (*)	(44)	3	(65)	163	-	81	138
Other changes	-	-	-	-	(11)	-	(11)
Current value of the obligation at 31/12/2020	**3,433**	**-**	**1,468**	**806**	**451**	**712**	**6,870**
of which							
current portion	269	-	89	76	451	91	976
non-current portion	3,165	-	1,378	730	-	622	5,895

6.9 Mln

Employee benefits

The following components mainly fall into the category of defined benefit plans:

- the plan pursuant to article 4 of the Law no. 92/2012 ("Fornero Law") relating to the leaving incentive for employees close to reaching the retirement requirements ("isopensione") on the basis of specific company agreements, was completed during the year;
- severance indemnity (TFR) recognised in compliance with the provisions of current legislation. The value of the liabilities in question amounted to Euro 3,433 thousand at 31 December 2020 (Euro 3,686 thousand at 31 December 2019);
- 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 1,468 thousand at 31 December 2020 (Euro 1,499 at 31 December 2019);
- the energy discount fund allocated against the agreement entered into on 6 May 2019 to overcome electricity tariff concessions for former employees and which provides former employees with the choice of either a one-off disbursement, recognised during the financial year, or an annual lump sum of Euro 360 fixed until the age of 65. The liability accrued amounted to Euro 806 thousand (Euro 1,688 thousand at 31 December 2019).
- The provision for employee bonuses, equal to the amounts set aside for incentives to be granted to the Chiefs of the

Functions and Executives after the achievement of specific objectives in the company's MBO plan for an amount of Euro 451 thousand;

- other employee benefits totalled Euro 712 thousand at 31 December 2020 (Euro 604 thousand at 31 December 2019) and are represented by: (i) additional allowance for FOPEN contributions recognised to employees who have chosen this option as part of the agreement entered into in May 2019 to overcome the concessions on energy tariffs and who are entitled to the payment of a fixed amount to the supplementary pension fund or in coupons up to the age of 65 regardless of the age at which they will cease service; (ii) additional monthly payments due to eligible employees based on the requirements set forth in the CCNL (the "IMA") by the July 2001 agreement.

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:

	2020	2019
Discount rate	0.50%	0.80%
Discount rate – early retirement (isopensione) fund	0.00%	0.00%
Annual inflation rate	0.50%	0.80%
Annual salary increase rate	1.50%	1.80%
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

	2020		2019	
	Change in liabilities	One year cost	Change in liabilities	One year cost
	as the rate varies		as the rate varies	
	0.25%		0.25%	
Employee severance indemnity (TFR)	71	8	(96)	7
Early retirement (isopensione)	-	-	-	-
Loyalty bonus	51	84	(44)	76
Other employee benefits	35	21	(18)	21

29. Provisions for risks and charges

At 31 December 2020, provisions for risks and charges amounted to Euro 29,060 thousand (Euro 28,043 thousand at 31 December 2019).

The breakdown of the provisions in the last two years 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 disputes	Other provisions	Book value
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)
Value at 31.12.2019	**6,242**	**6,751**	**4,744**	**-**	**10,237**	**70**	**28,043**
(Uses)	(1,123)	(427)	(176)	-	-	(31)	(1,756)
(Releases)	(108)	(182)	-	-	-	-	(290)
Allocations	2,081	695	-	-	-	26	2,803
Change in scope of consolidation	-	-	-	-	-	-	-
Other changes	-	260	-	-	-	-	260
Value at 31.12.2020	**7,092**	**7,098**	**4,568**	**-**	**10,237**	**65**	**29,060**
of which							
current portion	147	-	-	-	-	65	212
non-current portion	6,945	7,098	4,568	-	10,237	-	28,848

- **Provision for excise dispute**: the provision amounts to Euro 4,568 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. The fund was pre-existing in the merged Idroenergia S.c.r.l., which merged in 2017. Movements during the year recorded utilisations for Euro 176 thousand attributable:
  - » Euro 80 thousand to cover the write-down of receivables deriving from the payment of excise duties made in the year for the province of La Spezia and envisaged in the allocation of the provision for risks;
  - » Euro 96 thousand to cover the costs of legal and tax consultancy services used to assist with disputes.
- **Provision for additional excise disputes:** The provision, unchanged since 2019 (the year in which it was set aside), is 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 4 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 Company faces not only the risk of the cost of litigation with customers, but also the cost of reimbursing the surcharge. The size of the fund is confirmed to be consistent with the risk at 31 December 2020;

- **Provision for disputes**: the provision for disputes amounted to Euro 7,092 thousand (Euro 6,242 thousand in 2019) and refers to outstanding disputes with third parties. The main items that make it up are described below:

  » **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 postponed the hearing for closing arguments first to 14 January 2020, then to 26 May 2020, to 24 November 2020 and, finally, to 26 January 2021 in the COVID-19 case and, at the time of writing, the judgement is pending. The provision did not change during the year;

  » **INPS litigation:** CVA has been involved in a long-term dispute with INPS concerning the payment of maternity and sickness contributions for certain categories of employees. The litigation ended with the 30 October 2019 ruling of the Turin Court of Appeals (resulting from the referral prescribed by the Court of Cassation with the order no. 31867/18 of 10 December 2018) which sanctioned the non-liability to pay sickness contributions (for the disputed period 1 June 2001 - 30 April 2012), while confirming the obligation to pay maternity contributions. At the end of 2019 uncertainty remained as to the liability for sickness contributions for the period after 30 April 2012, for which reason a provision of Euro 99 thousand was set aside in the financial statements, which was used in 2020 when it was confirmed that there was an obligation to pay sickness contributions for periods after 30 April 2012;

  » **Piacenza Customs Office litigation**: 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 proceeds 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. No events occurred during the year that would alter the risk assessment on litigation;

  » **Proposal of commitments for ARERA sanction proceedings**: For Euro 656 thousand, the provision was used entered in respect of 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). During the year, the commitments made and accepted by ARERA on 20 February 2020 were implemented. In particular, the following was done: (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;

» **ARERA sanction proceeding fund**: following the dispute, which ended favourably for CVA ENERGIE, originating from the prescriptive procedure initiated by the Authority pursuant to Resolution no. 342/2016/E/eel of 24 June 2016, from which a complex and articulated litigation arose, which ended in FY 2020 with the Council of State's ruling no. 6488/2020, published on 26 October 2020, the directors considered it prudent to allocate a provision of Euro 2,078 thousand against potential charges arising from the sanctioning procedure initiated with Determination DSAI/92/2017/EEL: "*Initiation of penalty proceedings against a consumer unit holder for non-diligent scheduling strategies within the scope of the electricity dispatching service*", estimating that the maximum amount of the conceivable penalty is around 0.2% of the Company's revenue achieved in FY 2016. It should be noted that CVA ENERGIE, as it has already done for the charges referred to in Resolution no. 342/2016/E/eel of 24 June 2016 for which a positive outcome of the dispute was recorded in 2020, is determined to defend itself both within the framework of the preliminary investigation pending before the ARERA Offices, and possibly before the administrative justice if with the final measure of ARERA, at the end of the aforementioned procedure, an administrative fine is imposed on it;

» **Assessment with adhesion concerning IRES and IRAP on derivatives** the provision set aside in 2019 for the requests for assessment with adhesion formulated by the Company (with a mere settlement purpose, accepted by the Inland Revenue on 19 February 2020) following the disputes raised by the Inland Revenue on the subject of the tax treatment of derivatives in Hedge Accounting with reference to the 2016 financial year, was fully used (for Euro 332 thousand). 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);

» **Booths dispute:** the provision of Euro 768 thousand refers to future charges related to disputes for future charges regarding disputes concerning leased buildings used as distribution booths by DEVAL. The provision was used in 2019 for Euro 22 thousand;

» **RAVDA administrative sanctions**: the provision at 31 December 2020 has a value of Euro 30 thousand equal to the risk of sanction on the exceeding of the average withdrawal flows provided for by the derivation concessions contested by the Region and occurred in 2014 with reference to Lake Cignana. The provision was used during the year for Euro 7 thousand against the sanctions imposed for the overruns of the year 2013 and proceeds for the difference compared to the amount set aside for that year for a total of Euro 83 thousand;

» **Monteverde plant land dispute** includes Euro 83 thousand for the estimated costs to be incurred following the litigation brought by certain owners of the land on which the Monteverde plant stands with the intention of obtaining compensation and/or an increase in the rents agreed. The liability was adjusted to the best available estimate, increasing by Euro 3 thousand;

» **Distribution line interference provision:** provision set aside to cover the risk that the granting bodies, when renewing the agreements issued prior to 2002, may request past instalments. The provision has a value of Euro 327 thousand and has not changed during the year;

» **Provision for regulatory risks, disputes, customers and** traders **- distribution activities** the estimate of the charge relating to ongoing disputes with traders for Euro 100 thousand;

- **Provisions for charges**: The provision 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 5,861 thousand at the end of the financial year. These liabilities recorded an overall increase of Euro 305 thousand in the year due to their discounting, of which Euro 45 thousand was recorded in the income statement in the financial area and Euro 260 thousand was recorded as an increase in the value of the plants as it resulted from a revision of the discounting rate used. The following is a list of other significant contingent liabilities recognised on the balance sheet:

» **Fund for** bonus **on the maintenance of wind and photovoltaic plants,** equal to Euro 105 thousand. This is an estimate of the variable fees due to maintainers and accrued until 31 December 2020. In the absence, at the end of the year, of a certain determination shared with the individual suppliers, their amount was estimated on the basis of historical values. The provision is the result of the year's allocation, as the existing allocation at the end of 2019 was fully utilised and/or proceeds;

» **Provision for the reclamation of public lighting plants Municipality of Aosta** the provision of Euro 106 thousand corresponds to the commitment made by the Group regarding the reclamation of the lighting systems located in the Municipality of Aosta before their transfer to the Municipality itself; the provision, already existing at the end of 2019, was maintained as the obligation is still in place;

» **Provision for expenses for exceeding of the quotas of withdrawal allowed for hydroelectric plants:** 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 2020 amounted to Euro 130 thousand and refers to the excesses recorded in 2014 and 2015 by the Maen-Cignana (CVA) plant, those recorded in 2018 by the Avise (CVA) plant and those recorded by the Torrent (VALDIGNE) plant in 2020. The provision, already existing at the end of 2019, has been maintained for the shares already existing and increased for the share referring to the Torrent plant;

» **Provision for compensation indemnities potentially due to the Municipality of Foggia:** with reference to the Ponte Albanito plant, in the absence of an agreement regulating the economic relations with the Municipality of Foggia with reference to potential environmental compensation indemnities, an amount equal to 3% of the revenues for the sale of energy and related incentives (Euro 137 thousand) was set aside also in 2020. This percentage is a conservative estimate. The provision has a total balance of Euro 442 thousand;

» **Provision for securing properties and land:** in light of the increasingly frequent natural disasters, it was decided to operate a management of all risk situations arising from instability of land and properties bordering regional roads in the Valle d'Aosta. The Group's commitment to complete the activity was measured at Euro 377 thousand, broken down as follows:

- professional assignment to carry out the activity of defining the potential risks of the properties along the entire route of Regional Road no. 44 of Valle d'Aosta for Euro 225 thousand. In particular, risks related to falling trees, land subject to landslides or mass transport phenomena, land subject to the risk of avalanches, land subject to gravitational risks must be identified. The assignment is divided into phases: control and cadastral verification of the properties along the regional and Piedmont roads concerned; identification of the risk of falling plants, acquisition of data on land subject to landslides or mass transport phenomena; acquisition of data on land subject to the risk of avalanches; identification of geological risks;

- safety works relating to potential risks following the above analysis amounting to Euro 152 thousand.

Again with reference to the provisions for charges, we note the extinction of the provision for electricity consumption at the Monteverde plant (used for Euro 213 thousand and reversed to income for Euro 117 thousand). 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, an estimate has been prepared based on average rates.

- **Other provisions**: at 31 December 2020, this item consisted of a provision for insurance deductibles in the amount of Euro 65 thousand. During the financial year, against a utilisation of Euro 31 thousand, a provision of Euro 26 thousand was made in relation to claims in progress lower than the limit of the deductibles of the relative years in which the events occurred.

30. Current and non-current financial liabilities

Non-current financial liabilities amounted to Euro 302,496 thousand at 31 December 2020 (Euro 337,826 thousand at 31 December 2019), 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 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

	2020	2019
NON-CURRENT FINANCIAL LIABILITIES	**302,496**	**337,826**
Bank loans	291,739	326,920
Financial liabilities for leasing	8,389	8,347
Other financial payables	2,368	2,559

Other current financial liabilities, amounting to Euro 40,545 thousand at 31 December 2020 (Euro 40,557 thousand at 31 December 2019), have a similar composition by accepting the short-term portion of the same items. To these are added under "other financial payables" the DEVAL payables for factoring operations carried out to obtain liquidity (at the end of the financial year the payables amounted to Euro 3,556 thousand) and the debt of Euro 550 thousand for the dividend deliberated but not paid by VALDIGNE to the shareholder Municipality of Pré-Saint-Didier.

Amounts in Euro thousands

	2020	2019
CURRENT FINANCIAL LIABILITIES	**40,545**	**40,557**
Bank loans	35,385	35,336
Financial liabilities for leasing	836	750
Other financial payables	4,325	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	31/12/2019	Monetary net change	Non-monetary net change	31/12/2020
CVA S.p.A. a s.u.	Intesa Sanpaolo	62,724	(17,879)	25	44,870
CVA S.p.A. a s.u.	Intesa Sanpaolo	99,656	-	56	99,712
CVA S.p.A. a s.u.	BNL	99,446	(5)	91	99,532
CVA S.p.A. a s.u.	BEI	20,985	(3,008)	10	17,987
CVA S.p.A. a s.u.	BEI	20,988	(3,009)	10	17,989
CVA S.p.A. a s.u.	BEI	20,986	(3,003)	4	17,988
CVA S.p.A. a s.u.	BEI	13,992	(2,000)	2	11,994
Valdigne Energie S.r.l. a.s.u.	Intesa Sanpaolo	15,891	(4,546)	9	11,354
Deval S.p.A a s.u.	Cariparma	7,588	(1,886)	-	5,702
TOTAL		**362,256**	**(35,335)**	**207**	**327,128**

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 2020

Amounts in Euro thousands

		2020				
		1 year	1-2 years	2-5 years	> 5 years	Total
Bank loans	Flows of capital	35,357	35,411	248,091	11,000	329,859
	Flows of	1,513	1,483	4,329	11	7,336

Maturity analysis at 31 December 2019

Amounts in Euro thousands

		2019				
		1 year	1-2 years	2-5 years	> 5 years	Total
Bank loans	Flows of capital	35,311	35,365	70,607	222,000	363,283
	Flows of	2,024	1,967	5,608	1,812	11,411

31. Other non-current liabilities

The item "Other non-current liabilities" amounted to Euro 22,190 thousand at 31 December 2020 (Euro 20,120 thousand at 31 December 2019) and mainly consists of the portion beyond 12 months of deferred income recorded against contributions received from customers, third parties and local authorities for distribution plant-related activities. Starting 1 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.

The item "Other non-current liabilities" also includes deferred income in respect of capital grants of Euro 1,618 thousand, the largest of which relates to the Lamacarvotta wind farm, for Euro 1,259 thousand at 31 December 2020, arising from the deferral of the tax concession in the nature of a capital grant.

33. Trade payables

The breakdown of trade payables is shown in the following table:

Amounts in Euro thousands

	2020	2019
TRADE PAYABLES	**60,210**	**109,275**
Payables to suppliers	59,766	108,853
Trade payables	444	423

Payables to suppliers

These are trade payables to suppliers, related:

- for Euro 31,309 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. These include the net debt position with Terna at the reporting date;
- for Euro 9,690 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 989 thousand at 31 December 2020 (Euro 1,200 thousand at 31 December 2019) mainly refer to current tax payables accrued during the year (Euro 665 thousand for IRES and Euro 324 thousand for IRAP).

On the other hand, other tax payables amounting to Euro 920 thousand (Euro 3,358 thousand at 31 December 2019) mainly include withholding taxes to employees which amounted to Euro 713 thousand at 31 December 2020. The difference compared to the previous year is attributable to a lower incidence of VAT payables (down from Euro 1,732 thousand to Euro 76 thousand) and payables for excise duties on energy consumption (down from Euro 741 thousand to Euro 5 thousand).

35. Other current liabilities

At 31 December 2020, other current liabilities amounted to Euro 21,438 thousand (Euro 26,210 thousand at 31 December 2019) and are mainly related to the following categories:

Amounts in Euro thousands

	2020	2019
OTHER CURRENT LIABILITIES	**21,438**	**26,210**
Payables to C.S.E.A.	7,496	9,189
Payables to employees	3,152	2,854
Payables to INPS and other social security institutions	2,673	2,788
Advances from customers	2,189	1,956
Payables for security deposits	2,073	2,100
Deferred liabilities	1,718	3,310
Fees and supra-fees	119	2,235
Other current liabilities	2,017	1,779

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 714 thousand at 31 December 2020 (Euro 1,042 thousand at 31 December 2019), 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 CSEA (Euro 6,782 thousand at 31 December 2020 and Euro 8,147 thousand at 31 December 2019);
- payables to employees, equal to Euro 3,152 thousand at 31 December 2020 (Euro 2,854 thousand at 31 December 2019), 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 2,673 thousand at 31 December 2020 (Euro 2,788 thousand at 31 December 2019), such as INPS, INAIL and other supplementary pension funds;
- advances from customers, amounting to Euro 2,189 thousand (they were Euro 1,956 thousand at 31 December 2019) include:
    - Advances received from third party customers for the sale of electricity;
    - the residual amounts relating to the exceeding of the limits imposed by the tariff constraints in force until 2007, for which it was not possible to trace the beneficiaries. Starting in 2008, the new integrated text provided for an equalisation system for revenues allowed to be settled at the CSEA, superseding the methods of reimbursement to individual customers previously in effect. Trade payables also include amounts relating to indemnities to be paid to customers and collections to be matched;
    - Advances received from producers for contributions on plant-related connection activities;
- payables for security deposits and guarantees collected, equal to Euro 2,073 thousand at 31 December 2020 (Euro 2,100 thousand at 31 December 2019), 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;
- deferred liabilities, mainly comprising 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. This item also includes prepaid expenses for grants in the nature of capital contributions received by the Group;
- payables for supra-fees for water derivation to be paid to the competent entities, as required by the relevant legislation, amounting to Euro 119 thousand at 31 December 2020 (Euro 2,235 thousand at 31 December 2019);
- other current liabilities, which mainly comprise the payables for environmental compensation indemnities due on the production of the wind farms (Euro 627 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 343 thousand).

36. Categories of financial instruments

The following table shows the values of the financial statements at 31 December 2020 of financial assets and liabilities, broken down into the categories of financial instruments defined by IFRS 9:

Financial assets

Amounts in Euro thousands

	2020	2019
Financial assets measured at fair value	**5,708**	**5,778**
Assets for financial derivatives in hedge accounting	3,742	4,633
Assets for financial derivatives not in hedge accounting	1,966	1,145
Loans and Receivables	**49,534**	**21,811**
Certificates of deposit and repurchase agreements	41,316	13,018
Loans receivables from associates	8,218	8,794
Financial assets held to maturity	**-**	**-**
Financial assets available for sale	**85,420**	**85,201**
Securities	-	-
Insurance policies	85,420	85,201

Financial liabilities

Amounts in Euro thousands

	2020	2019
Financial liabilities measured at fair value	**21,584**	**19,481**
Liabilities for financial derivatives in hedge accounting	18,215	16,115
Liabilities for financial derivatives not in hedge accounting	3,369	3,366
Financial liabilities measured at amortised cost	**327,124**	**362,256**

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 2020

Amounts in Euro thousands

	Book value	*Fair value*			
		Total	Level 1	Level 2	Level 3
Financial assets	**140,663**	**140,663**	**5,708**	**134,955**	**-**
Non-current financial receivables from associates and parent companies	7,558	7,558	-	7,558	-
Current financial receivables from associates and parent companies	660	660	-	660	-
Capitalisation insurance policies	85,420	85,420	-	85,420	-
Assets from financial derivatives	5,708	5,708	5,708	-	-
Bank deposits	41,316	41,316	-	41,316	-

Amounts in Euro thousands

	Book value	*Fair value*			
		Total	Level 1	Level 2	Level 3
Financial liabilities	**348,709**	**348,709**	**4,497**	**344,212**	**-**
Bank loans	327,124	327,124	-	327,124	-
Liabilities for financial derivatives	21,585	21,585	4,497	17,088	-

Fair value hierarchy at 31 December 2019

Amounts in Euro thousands

	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
Financial assets	**112,791**	**112,791**	**5,778**	**107,013**	**-**
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	-
Capitalisation insurance policies	85,201	85,201	-	85,201	-
Assets from financial derivatives	5,778	5,778	5,778	-	-
Bank deposits	13,018	13,018	-	13,018	-

Amounts in Euro thousands

	Book value	Fair value			
		Total	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	-

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 2020 and 2019 (the values are shown in Euro thousands):

Receivables from related parties

Amounts in Euro thousands

	2020				2019			
Company	**Financial receivables**	**Trade receivables**	**Other receivables**	**Right of Use (IFRS 16)**	**Financial receivables**	**Trade receivables**	**Other receivables**	**Rights of Use (IFRS 16)**
Parent company	**-**	**19**	**-**	**-**	**-**	**7**	**-**	**-**
Finaosta S.p.A.	-	19	-	-	-	7	-	-
Associates	**8,218**	**-**	**-**	**-**	**8,794**	**-**	**-**	**-**
Téléchauffage Aoste S.r.l.	8,218	-	-	-	8,794	-	-	-
Other companies	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Finaosta Group companies	**-**	**1,418**	**-**	**-**	**-**	**1,228**	**-**	**-**
Funivie Piccolo San Bernardo S.p.A.	-	208	-	-	-	-	-	-
Monterosa S.p.A.	-	310	-	-	-	300	-	-
Pila S.p.A.	-	364	-	-	-	372	-	-
Courmayeur Mont Blanc Funivie S.p.A.	-	145	-	-	-	134	-	-
Cervino S.p.A.	-	263	-	-	-	258	-	-
FUNIVIE MONTE BIANCO S.P.A.	-	32	-	-	-	114	-	-
ISECO S.P.A.	-	20	-	-	-	19	-	-
STRUTTURA VALLE D’AOSTA S.R.L.	-	35	-	-	-	25	-	-
AEROPORTO VALLE D’AOSTA S.P.A.	-	-	-	-	-	6	-	-
AUTOPORTO VALLE D’AOSTA S.P.A.	-	41	-	-	-	-	-	-
PROGETTO FORMAZIONE S.C.R.L.	-	-	-	-	-	-	-	-
Other Finaosta Group companies	-	-	-	-	-	-	-	-
Valle d'Aosta region and its subsidiaries	**-**	**644**	**580**	**4**	**-**	**666**	**665**	**6**
Region Valle d’Aosta	-	420	580	4	-	447	665	6
Regional Council of Valle d’Aosta	-	-	-	-	-	28	-	-
Casinò de la Vallée	-	191	-	-	-	191	-	-
SITRASB S.P.A.	-	22	-	-	-	-	-	-
IN.VA S.P.A.	-	11	-	-	-	-	-	-
VALECO S.P.A.	-	-	-	-	-	-	-	-
Other companies controlled by the Valle d’Aosta Region	-	-	-	-	-	-	-	-
Directors, Executives with strategic responsibilities and Statutory Auditors	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other related parties	**-**	**18**			**-**	**384**	**-**	**-**
TOTAL	**8,219**	**2,099**	**580**	**4**	**8,794**	**2,278**	**665**	**6**

Payables to related parties

Amounts in Euro thousands

	2020			2019		
Company	Trade payables	Financial payables IFRS 16	Other payables	Trade payables	Financial payables IFRS 16	Other payables
Parent company	-	-	-	-	-	-
Associates	-	-	**1**	-	-	-
Finaosta Group Companies	-	-	-	**75**	-	-
Progetto Formazione S.c.r.l.	-	-	-	75	-	15
Valle d'Aosta Region and its investees	**80**	**4**	-	-	**6**	**15**
Valle d'Aosta Region	-	4	-	-	6	15
Council of the Valle d'Aosta Region	-	-	-	-	-	-
Valeco S.p.A.	80	-	-	-	-	-
Directors, Executives with strategic responsibilities and Statutory Auditors	-	-	**35**	**155**	-	**27**
Directors	-	-	-	-	-	27
Auditors	-	-	35	155	-	-
Executives	-	-	-	-	-	-
TOTAL	**80**	**4**	**36**	**230**	**6**	**42**

Revenues and other income with related parties

Amounts in Euro thousands

	2020			2019		
Company	**Revenues from sales and services**	**Other revenues and income**	**Financial income**	**Revenues from sales and services**	**Other revenues and income**	**Financial income**
Parent company	**98**	**-**	**-**	**90**	**-**	**2,519**
Finaosta S.p.A.	98	-	-	90	-	2,519
Associates	**4**	**-**	**285**	**-**	**-**	**304**
Téléchauffage Aoste S.r.l.	4	-	285	-	-	304
Other enterprises	**50**	**-**	**-**	**-**	**-**	**-**
Finaosta Group companies	**6,369**	**91**	**-**	**8,189**	**102**	**-**
Cervino S.p.A.	1,424	-	-	1,770	38	-
Monterosa S.p.A.	1,666	-	-	2,315	64	-
Funivie Piccolo San Bernardo S.p.A.	655	-	-	934	-	-
Pila S.p.A.	943	-	-	1,093	-	-
Courmayeur Mont Blanc Funivie S.p.A.	701	-	-	938	-	-
Funivie Monte Bianco S.p.A.	363	-	-	457	-	-
STRUTTURA VALLE D'AOSTA S.R.L.	240	-	-	280	-	-
ISECO S.p.A.	220	-	-	232	-	-
AUTOPORTO VALLE D'AOSTA S.p.A.	157	-	-	170	-	-
Other Finaosta Group companies	-	91	-	-	-	-
Valle d'Aosta Region and its investees	**2,797**	**848**	**-**	**3,663**	**351**	**-**
Valle d'Aosta Region	1,806	562	-	2,239	95	-
Council of the Valle d'Aosta Region	-	286	-	35	256	-
Casinò de la Vallée	715	-	-	1,104	-	-
SITRASB S.p.A.	146	-	-	141	-	-
IN.VA S.P.A.	130	-	-	144	-	-
Other companies controlled by the Valle d'Aosta Region	-	-	-	-	-	-
Other related parties	**-**	**-**	**-**	**474**	**-**	**-**
Directors, Executives with strategic responsibilities and Statutory Auditors	**-**	**9**	**-**	**-**	**-**	**-**
TOTAL	**9,318**	**948**	**285**	**12,416**	**453**	**2,823**

Costs and other expenses with related parties

Amounts in Euro thousands

	2020		2019	
Company	Operating costs	Amortisation, depreciation and interest IFRS 16	Operating costs	Amortisation, depreciation and interest IFRS 16
Parent Company	**-**	**-**	**-**	**-**
Associates	**-**	**-**	**39**	**-**
Other enterprises	**-**	**-**	**-**	**-**
Finaosta Group Companies	**-**	**-**	**-**	**-**
Valle d'Aosta Region and its investees	**18,059**	**1**	**18,390**	**2**
Valle d'Aosta Region	17,942	1	18,361	2
Other companies controlled by the Valle d'Aosta Region	117	-	29	-
Directors, Executives with strategic responsibilities and Statutory Auditors	**550**	**-**	**701**	**-**
Directors	123	-	205	-
Managers	331	-	323	-
Auditors	96	-	173	-
TOTAL	**18,609**	**1**	**19,130**	**2**

Relations with the parent company

The main contract with FINAOSTA concerns the supply of electricity through CVA ENERGIE. Last year, the loan granted by CVA to its parent company, for a total amount of Euro 20,000 thousand, on which interest income had accrued, was extinguished.

Relations with associates

The nature of relations with associated companies is related to the following aspects:

- financial transactions: interest-bearing loans granted by CVA to associated companies;
- 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. In the specific case of the Region, the main economic relationship arises from the economic relationship between the concessionaire and the granter with regard to hydroelectric concessions. The fees due to the Region for the exploitation of water for hydroelectric purposes are, in fact, of paramount importance with their value of Euro 18,402 thousand.

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.

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

In accordance with Art. 2427 paragraph 1 point 16-*bis* of the 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 2021 financial statements:

Amounts in Euro

Type of services	Provider of the service	Parent Company	Other Group companies
Statutory audit	EY S.p.A.	34,943	104,144
Other services other than auditing	EY S.p.A.	16,969	25,277
Total fees paid to the independent auditors		**51,912**	**129,421**

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 140,581 thousand at 31 December 2020 (Euro 154,642 thousand at 31 December 2019). More specifically, at 31 December 2020, the main ones refer to personal guarantees issued for:
  - CVA ENERGIE for Euro 121,183 thousand;
  - DEVAL, as distributor of the Group, for Euro 6,793 thousand;
  - VALDIGNE for Euro 11,968 thousand;
  - CVA VENTO for Euro 637 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 2019);
- there were Euro 84,030 thousand (Euro 133,060 at 31 December 2019) 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 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. Extraordinary tax benefits are also listed below as granted in the face of the COVID-19 pandemic. The latter are shown for their total amount granted as the "cash basis" is difficult to apply in this case.

Beneficiary	Disbursing party	Amounts in Euro	Reason	Notes
CVA ENERGIE S.r.l.	Valle d'Aosta Region	4,870.22	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.	353,823.34	Mechanism for compensating delinquencies of end customers art.16ter of TIV - PCV account - Res. 301/2012/R/eel - Note 16/Dec.	Incentive Published on the C.S.E.A. portal.
CVA ENERGIE S.r.l.	C.S.E.A.	19,275.33	Compensation mechanism for customers' exit art.16quater of TIV - PCV account - (Res. 301/2012/R/eel) - Note 6/Aug.	Incentive Published on the C.S.E.A. portal.
CVA ENERGIE S.r.l.	C.S.E.A.	226,765.28	Adjustment of credit items deriving from the application of MT components - PPE and PCV accounts - TIV - Notes no. 21/Jan.- 12/Mar. - 8/May. -8/Jul.- 13/Sep.- 14/Nov.	Incentive Published on the C.S.E.A. portal.
C.V.A. S.p.A.	Valle d'Aosta Region	72.78	Aid for the recruitment of disadvantaged workers in the form of wage subsidies (Article 32)	Incentive Published on the R.N.A. portal
C.V.A. S.p.A.	Valle d'Aosta Region	500.00	Grants to encourage curricular traineeships in vocational training (art. 64 Regional Law 8/2020)	Incentive Published on the R.N.A. portal
C.V.A. S.p.A.	GSE S.p.A.	421,999.80	Feed-In Tariff - Convention H01F10827507	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	412,092.03	Feed-In Tariff - Convention H01F10828007	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	419,592.50	Feed-In Tariff - Convention H01F10828407	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	424,419.55	Feed-In Tariff - Convention H01F10829207	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	429,059.73	Feed-In Tariff - Convention H01F11146607	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	426,772.92	Feed-In Tariff - Convention H01F11146807	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	427,698.20	Feed-In Tariff - Convention H01F11430307	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	166,407.24	Feed-In Tariff - Convention H01L229497207	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	5,392.71	Feed-In Tariff - Convention S01B00319806	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	95,312.44	Feed-In Tariff - Convention S01F10764307	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	169,006.13	Feed-In Tariff - Convention S01L232259507	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	174,033.46	Feed-In Tariff - Convention S01L232261007	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	172,243.00	Feed-In Tariff - Convention S01L232264007	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	169,864.10	Feed-In Tariff - Convention S01L232264707	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	170,312.30	Feed-In Tariff - Convention S01L232266707	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	164,707.45	Feed-In Tariff - Convention S01L232277807	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	167,276.36	Feed-In Tariff - Convention S01L242645207	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	167,566.07	Feed-In Tariff - Convention S01L242987407	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	161,393.60	Feed-In Tariff - Convention S01L244972507	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	2,735,941.71	GRIN incentive pursuant to Ministerial Decree 6 July 2012 - Convention 000023	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	1,016,989.56	GRIN incentive pursuant to Ministerial Decree 6 July 2012 - Convention 000481	Incentive published on the website of GSE
VALDIGNE ENERGIE S.r.l.	GSE S.p.A.	6,565,656.00	GRIN incentive pursuant to Ministerial Decree 6 July 2012 - Convention 000543	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	394,884.10	GRIN incentive pursuant to Ministerial Decree 6 July 2012 - Convention 000624	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	1,744,963.33	GRIN incentive pursuant to Ministerial Decree 6 July 2012 - Convention 000648	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	5,581,328.42	GRIN incentive pursuant to Ministerial Decree 6 July 2012 - Convention 000889	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	12,274.28	GRIN incentive pursuant to Ministerial Decree 6 July 2012 - Convention 000891	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	8,480,118.33	GRIN incentive pursuant to Ministerial Decree 6 July 2012 - Convention 001018	Incentive published on the website of GSE

Beneficiary	Disbursing party	Amounts in Euro	Reason	Notes
CVA EOS S.r.l.	GSE S.p.A.	2,098,542.00	GRIN incentive pursuant to Ministerial Decree 6 July 2012 - Convention 001036	Incentive published on the website of GSE
VALDIGNE ENERGIE S.r.l.	GSE S.p.A.	3,318,919	GRIN incentive pursuant to Ministerial Decree 6 July 2012 - Convention 001048	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	1,676,775.94	GRIN incentive pursuant to Ministerial Decree 6 July 2012 - Convention 001579	Incentive published on the website of GSE
C.V.A. S.p.A.	GSE S.p.A.	3,348,854.66	Incentive tariff - Convention FER000672	Incentive published on the website of GSE
CVA EOS S.r.l.	GSE S.p.A.	2,174,094.00	RES incentive tariffs pursuant to Ministerial Decree 06/07/2012 - Convention FER001115	Incentive published on the website of GSE
CVA EOS S.r.l.	GSE S.p.A.	3,774,645.00	RES incentive tariffs pursuant to Ministerial Decree 06/07/2012 - Convention FER002027	Incentive published on the website of GSE
CVA EOS S.r.l.	GSE S.p.A.	3,513,221.00	RES incentive tariffs pursuant to Ministerial Decree 06/07/2012 - Convention FER002202	Incentive published on the website of GSE
CVA EOS S.r.l.	TAX AUTHORITIES	102,334.00	Article 24 of Decree Law no. 34 of 19 May 2020, "Relaunch Decree"	Covid-19 Measure
VALDIGNE ENERGIE S.r.l.	TAX AUTHORITIES	54,552.00	Article 24 of Decree Law no. 34 of 19 May 2020, "Relaunch Decree"	Covid-19 Measure
C.V.A. S.p.A.	TAX AUTHORITIES	508,214.00	Article 24 of Decree Law no. 34 of 19 May 2020, "Relaunch Decree"– IRAP relief	Covid-19 Measure
DEVAL S.p.A.	TAX AUTHORITIES	39,422.00	Article 24 of Decree Law no. 34 of 19 May 2020, "Relaunch Decree"– IRAP relief	Covid-19 Measure
C.V.A. S.p.A.	TAX AUTHORITIES	28,297.00	Tax credit for the purchase of personal protective equipment pursuant to Decree Law 34/2020	Covid-19 Measure
DEVAL S.p.A.	TAX AUTHORITIES	65,280.00	Tax credit for the purchase of personal protective equipment pursuant to Decree Law 34/2020	Covid-19 Measure
CVA ENERGIE S.r.l.	TAX AUTHORITIES	5,241.00	Tax credit for the purchase of personal protective equipment pursuant to Decree Law 34/2020	Covid-19 Measure
DEVAL S.p.A.	C.S.E.A.	810.00	Equalisation advances TIT 2019 - UC3 account	
DEVAL S.p.A.	C.S.E.A.	852.00	TIT 2020 equalisation payments on account - UC3 accounts - Determination 19/2020	
DEVAL S.p.A.	C.S.E.A.	776.00	Offsetting of lower collections resulting from the provisions of Resolution 190/2020/R/EEL	
DEVAL S.p.A.	C.S.E.A.	317.00	Extraordinary contribution on account to distributors to the achievement of specific targets for primary energy savings	
DEVAL S.p.A.	C.S.E.A.	582.00	Service continuity awards	
DEVAL S.p.A.	C.S.E.A.	102.00	Adjustment of credit items charged to accounts relating to general system charges and other components	
DEVAL S.p.A.	C.S.E.A.	14.00	Remuneration recognised for incentivised investments in the electricity sector made in the period 2014-2015 for tariff years 2016-2018	
DEVAL S.p.A.	C.S.E.A.	248.00	Reimbursements for service interruptions due to disrupted conditions or exceptional events	
DEVAL S.p.A.	C.S.E.A.	379.00	TIT 2019 and prior years equalisation balances - UC3 accounts - Res. 654/2015/R/eel and subsequent amendments and integrations.	
DEVAL S.p.A.	C.S.E.A.	322.00	TIV 2019 and prior years equalisation balances - UC3 and PEP accounts - Res. 301/2012/R/eel and subsequent amendments and integrations.	

Report and annexes

Report of the Board of Statutory Auditors

2. 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 2020 were prepared by the Board of Directors of the parent company C.V.A. s.p.a. and approved at the meeting held on 14 May 2021.

The Consolidated Financial Statements for the year 2020 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:

Period profit € 63,281,000
Total assets € 1,379,637,000
Consolidated equity € 817,344,000

The scope of consolidation includes companies that the Parent Company directly or indirectly controls, joint ventures and associated companies; specifically, it includes the following six 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. Eos s.r.l. a s.u. (formerly C.V.A. Vento srl a s.u. and 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 Italian Legislative Decree no. 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 28 May 2021, certified that "*the Consolidated Financial Statements provide a true and correct representation of the assets and financial situation of the Group at 31 December 2020, 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. It is also acknowledged that information was acquired from the boards of auditors of the group companies on the 2020 financial statements, not revealing any findings worthy of note.

As the audit of the financial statements closed at 31 December 2020 has been completed, the meeting was adjourned at 12.20 following the preparation and reading of these minutes.

Châtillon, 29th May 2021

The Board of Auditors

Dott. Carmelo Marco Termine

Dott. Guido Bosonin

Dott.ssa Federica Paesani

Independent Auditors' Report

Compagnia Valdostana delle Acque – Compagnie Valdôtaine des Eaux S.p.A.

Consolidated financial statements as at 31 December 2020

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 (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, the consolidated statement of other comprehensive income, consolidated statement of Financial positions, consolidated statement of changes in equity, 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 31 December 2020, 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 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 Company Compagnia Valdostana delle Acque 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 Company's 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 or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 J anuary 2010

The Directors of Compagnia Valdostana delle Acque S.p.A. are responsible for the preparation of the Report on Operations of Compagnia Valdostana delle Acque Group as at 31 December 2020, 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 Group as at 31 December 2020 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 Group as at 31 December 2020 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, 28 May 2021

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 31/12/2020

173.8 Mln
Period net revenues

80.3 Mln
Operating costs 2020

48.8 Mln
Period net result

Income Statement

Amounts in Euro	Notes	2020 Total	2020 Of which related parties	2019 Total	2019 Of which related parties
Revenues					
Revenues from sales and services	(1)	141,271,863	138,933,308	160,238,495	156,850,000
Other revenues and income	(2)	32,512,458	929,393	28,214,526	923,393
TOTAL REVENUES (A)		**173,784,321**		**188,453,021**	
Operating costs					
Cost of raw materials and services	(3)	16,756,191	1,518,901	16,681,285	1,795,638
Personnel costs	(4)	25,908,233	332,068	23,181,047	331,587
Other operating costs	(5)	38,862,533	17,938,088	37,660,762	17,794,990
Capitalised days of work	(6)	(1,217,504)	-	(876,777)	-
TOTAL OPERATING COSTS (B)		**80,309,453**	**-**	**76,646,317**	**-**
of which: impact of non-recurring items	*(4)*	-	-	*(1,540,403)*	-
GROSS OPERATING MARGIN (A-B)		**93,474,868**	**-**	**111,806,704**	**-**
Amortisation, depreciation, provisions and write-downs					
Amortisation/depreciation	(7)-(14)	31,919,556	1,429	31,450,851	1,449
of which: impact of non-recurring items	*(8)*	-	-	*(1,636,586)*	-
TOTAL AMORTISATION, DEPRECIATION, PROVISIONS AND WRITE-DOWNS (C)		**31,913,937**	**-**	**29,118,914**	**-**
OPERATING RESULT (A-B+/-C)		**61,560,931**	-	**82,687,790**	-
of which: impact of non-recurring items	*(8)*	-	-	*3,176,989*	-
Financial management					
Financial income	(9)	10,107,026	7,521,602	10,360,503	8,280,941
Financial expense	(10)	5,350,385	25,933	6,104,610	24,402
TOTAL FINANCIAL BALANCE (D)		**4,756,641**	-	**4,255,893**	-
of which: impact of non-recurring items	*(8)*	-	-	*2,033,752*	-
PRE-TAX RESULT (A-B+/-C+/-D)		**66,317,572**	-	**86,943,682**	-
of which: impact of non-recurring items	*(8)*	-	-	*5,210,741*	-
Income/(expenses) for income taxes	(11)	17,560,885	(994)	23,336,483	(420)
Net result of continuing operations		48,756,686	-	63,607,200	
Net result of discontinued operations		-	-	-	-
PERIOD NET RESULT		**48,756,686**		**63,607,200**	

Statement of Other Comprehensive Income

Amounts in Euro	Notes	2020	2019
Result of the period (A)	**(28)**	**48,756,686**	**63,607,200**
Other components of comprehensive income reclassifiable to the income statement in subsequent periods (net of tax effect)			
- Effective portion of changes in fair value of cash flow hedges	*(28)*	*(2,103,812)*	*(4,546,538)*
Total other components of the Statement of Comprehensive Income reclassifiable to the income statement in subsequent periods (net of the tax effect) (B)		**(2,103,812)**	**(4,546,538)**
Other components of the statement of comprehensive income not reclassifiable to the income statement in subsequent periods (net of taxes)			
- Remeasurement of liabilities for defined benefit plans for employees	*(28)*	*(89,317)*	*(73,752)*
Total other components of the Statement of Comprehensive Income reclassifiable to the income statement in subsequent periods (net of taxes) (C)		**(89,317)**	**(73,752)**
Total profit/(loss) recognised directly in equity (B+C)		**(2,193,129)**	**(4,620,290)**
Total profit recognised in the year (A+B+C)		**46,563,557**	**58,986,910**

Statement of Financial Position: Assets

Amounts in Euro	Notes	2020		2019	
		Total	Of which related parties	Total	Of which parties related
Non-current assets					
Assets	(12) - (14)	379,141,127	-	405,633,124	-
Intangible assets	(13) - (14)	7,433,075	4,286	7,510,331	5,794
Goodwill	(15)	188,216,585	-	188,216,585	-
Equity investments	(16)	129,595,422	-	129,522,634	-
Deferred tax assets	(17)	13,989,619	-	13,458,093	-
Non-current financial assets	(18)	229,194,964	102,458,349	182,588,620	106,159,236
Other non-current assets	(19)	1,838,749	553,498	1,822,222	553,498
Total non-current assets		**949,409,542**	**-**	**928,751,609**	**-**
Inventories	(20)	1,283,872	-	997,957	-
Trade receivables	(21)	15,460,258	14,618,852	152,549,112	150,641,776
Receivables for income taxes	(22)	9,275,805	2,144,579	6,384,461	1,479,104
Other tax receivables	(23)	5,972,376	4,606,141	3,680,413	1,463,109
Other current financial assets	(25)	28,634,298	28,564,366	50,494,053	28,656,689
Other current assets	(26)	11,594,109	26,950	12,393,900	168,255
Cash and cash equivalents	(27)	188,522,923	-	211,584,408	-
Total current assets		**260,743,641**	**-**	**438,084,306**	**-**
Assets classified as held for sale		-		-	
TOTAL ASSETS		**1,210,153,183**		**1,366,835,915**	

Statement of Financial Position: Liabilities

Amounts in Euro	Notes	Year 2020		Year 2019	
		Total	Of which parties related	Total	Of which parties related
Share capital		395,000,000	-	395,000,000	-
Other reserves		290,119,376	-	276,500,306	-
Accumulated Profits/(Losses)		35,814,527	-	35,814,527	-
Net result of the year		48,756,686	-	63,607,200	-
Total shareholders' equity	**(28)**	**769,690,589**	**-**	**770,922,032**	**-**
LIABILITIES					
Non-current liabilities					
Employee benefits	(29)	3,358,071	-	3,376,023	-
Provisions for risks and charges	(30)	7,523,450	-	7,095,892	-
Deferred tax liabilities	(17)	48,342,481	-	43,062,091	-
Non-current financial liabilities	(14) - (31)	284,780,927	2,895	313,851,968	4,352
Other non-current liabilities	(37)	359,144	-	-	-
Total non-current liabilities		**344,364,073**	**-**	**367,385,974**	**-**
Employee benefits	(29)	526,530		1,591,319	-
Trade payables	(34)	18,007,875	289,136	128,965,857	100,321,211
Payables for income taxes	(35)	907,500	907,500	1,807,361	767,186
Other tax payables	(36)	612,857	-	2,237,105	-
Derivatives	(24)	16,576,882	-	12,820,365	-
Other current financial liabilities	(14) - (31)	54,044,513	24,673,985	73,564,206	44,208,961
Other current liabilities	(37)	5,422,364	112,927	7,541,696	158,405
Total current liabilities		**96,098,521**	**-**	**228,527,909**	**-**
Liabilities related to assets held for sale		-	-	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,210,153,183**		**1,366,835,915**	

Statement of Changes in Shareholders' Equity

Euro	Share capital	Legal reserve	Other reserves	Reserve from remeasurement for employee benefit plans benefits	Reserve of cash flow hedge	Profits/ (Losses) accumulated	Result net commissioned	Total
At 1 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)								
-		retained earnings (13,760,395)	- -	2,751,895 -	11,008,500	-	-	-
- 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)
- period profit	-	-	-	-	-	-	63,607,200	63,607,200
First-time adoption of								
- IFRS9	-	-	-	-	-	-	-	-
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**
At 1 January 2020	**395,000,000**	**49,381,991**	**236,002,439**	**(220,938)**	**(8,663,186)**	**35,814,527**	**63,607,200**	**770,922,032**
Allocation of 2019 profits/(losses)								
- profits carried forward	-	3,180,360	12,631,840	-	-	-	(15,812,200)	-
- distribution of dividends	-	-	-	-	-	-	(47,795,000)	(47,795,000)
Comprehensive profit/(loss) recognised in the								
- profits and losses recognised directly in equity	-	-	-	(89,317)	(2,103,812)	-	-	(2,193,129)
- profit for the year	-	-	-	-	-	-	48,756,686	48,756,686
Other changes	-	-	-	-	-	-	-	-
At 31 December 2020	**395.000.000**	**52.562.351**	**248.634.278**	**(310.255)**	**(10.766.998)**	**35.814.527**	**48.756.686**	**769.690.589**

Cash Flow Statement

Amounts in Euro	2020	2019
A. Cash flows from operating activities (indirect method)		
Profit (loss) of the year	48,756,686	63,607,200
Income taxes	17,560,885	23,336,483
Net financial interest expenses	(4,683,853)	(4,279,529)
Allocations and income provisions for risks and charges	380,946	(2,170,569)
Allocations and income employee severance indemnity (TFR) and other benefits	435,860	(1,110,181)
Amortisation/Depreciation of fixed assets	31,919,556	31,450,851
Bad debts	128,466	(38,387)
Write-downs, revaluations and gains/losses	167,308	(146,964)
Result from shareholdings carried at equity	(82,543)	(217,593)
Other adjustments for non-monetary elements	-	-
Cash flow after adjustments of non-monetary items	**94,583,311**	**110,431,311**
Changes in NWC		
Decrease/(increase) in trade receivables net of write-downs	136,960,388	(6,738,914)
Increase/(decrease) in payables to suppliers	(97,057,701)	(80,158)
Increase/(decrease) in other current assets/liabilities	(21,432,324)	(5,349,296)
of which: net taxes (paid)/reimbursed	(15,910,659)	(19,612,542)
Changes in NWC	18,470,363	(12,168,367)
Cash flow after changes in NWC	**113,053,674**	**98,262,944**
Other changes not included in changes in NWC		
Net change in provisions for risks and charges	(107,148)	(454,522)
Net change in Employee severance indemnity (TFR) and other employee benefits	(1,667,100)	(679,721)
Change in other assets and liabilities not included in NWC	342,617	(5,937,728)
Other changes not included in changes in NWC	(1,431,631)	(7,071,970)
Cash flow from operating activities (A)	**111,622,042**	**91,190,974**
B. Cash flows from investment activities		
(Investments)/divestments - Tangible assets	(18,281,876)	(16,685,591)
(Investments)/divestments - Intangible assets	(997,335)	(1,505,673)
(Investments)/divestments - Equity investments and goodwill	-	-
(Investments)/Divestments or repayments - Financial assets (current and non-current)	(21,482,607)	(76,592,641)
Cash flows from investment activities (B)	(40,761,817)	(94,783,906)
C. Cash flows from financing activities		
Interest collected/(paid)	2,018,408	5,659,808
Borrowed capital	(48,145,118)	67,708,960
Increase/(decrease) in financial assets/liabilities centralised treasury	(18,918,000)	93,166,000
New/(Repayment) of loans	(29,227,118)	(25,457,040)
Equity	(47,795,000)	(41,277,500)
Paid capital increase	-	-
(Capital redemption)	-	-
Other capital increases (decreases)	-	-
Change in receivables from shareholders	-	-
Sale (purchase) of treasury shares	-	-
Dividends (and interim dividends) paid	(47,795,000)	(41,277,500)
Cash flow from financing activities (C)	(93,921,710)	32,091,269
Increase (decrease) in cash and cash equivalents (A ± B ± C)	**(23,061,485)**	**28,498,337**
Of which net cash and cash equivalents from extraordinary transactions	-	-
Cash and cash equivalents at 1 January	**211,584,408**	**183,085,473**
Cash and cash equivalents at 31 December	**188,522,923**	**211,583,810**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Company Information

The publication of the CVA financial statements for the year ended on 31 December 2020 was authorised by the Board of Directors on 14 May 2021. 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 2020 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 10 January 2020", 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 2020 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 prohibited from being exchanged

or used to settle a liability for at least twelve months after the end of the reporting period.

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 respectively 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 in 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.

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:

Euro thousands

	Year 2020				Year 2019			
	Hydroelectric production	Production Other RES	Other	Total	Hydroelectric production	Production Other RES	Other	Total
REVENUES FROM SALES AND SERVICES	**127,029**	**5,097**	**9,146**	**141,272**	**143,862**	**8,014**	**8,363**	**160,238**
Sale of electricity	125,355	5,034	-	130,389	141,041	7,966	-	149,007
Sales of certificates/securities	1,388	29	-	1,417	2,518	48	-	2,566

Revenues from sales and services totalled Euro 141,272 thousand in 2020 (Euro 160,238 thousand in 2019).

Revenues from sales of electricity totalled Euro 130,389 thousand in 2020 (Euro 149,007 thousand in 2019) and are mainly composed of the sale of electricity to wholesale customers including CVA ENERGIE (Euro 128,084 thousand in 2020). Of this amount, Euro 125,355 thousand is the result of the sale of energy produced by hydroelectric plants (Euro 141,041 thousand in 2019) and Euro 5,034 thousand to that produced by photovoltaic and wind plants (Euro 7,966 thousand in 2019). The overall decrease (Euro 18,967 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 more advantageous meteorology compared to the previous year, but at a decline in the prices of sale due to the health emergency.

Services rendered amounted to Euro 9,466 thousand in 2020 (Euro 8,665 thousand in 2019) and are characterised by revenues for outsourced services to subsidiaries. The positive change seen between 2020 and 2019 (equal to Euro 800 thousand) is mainly due to the higher fees charged during the year to the companies as a result of their greater absorption of services.

The “sale of energy certificates/securities” (equal to Euro 1,417 thousand in 2020, Euro 2,566 thousand in 2019) 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 1,388 thousand compared to Euro 2,518 thousand in the previous year and to wind power and photovoltaic plants for Euro 29 thousand compared to Euro 48 thousand in FY 2019.

2. Other operating revenues and income

The breakdown of the item "Other operating revenues and income" is shown in the following table:

Euro thousands

	2020				2019			
	Hydroelectric production	Production Other RES	Other	Total	Hydroelectric production	Production Other RES	Other	Total
OTHER REVENUES OPERATING INCOME AND	**13,546**	**17,275**	**1,691**	**32,512**	**9,523**	**17,286**	**1,406**	**28,215**
Operating contributions	12,116	17,256	87	29,458	8,946	17,105	-	26,052
Leases of properties	-	-	1,293	1,293	-	-	1,259	1,259
Other	1,431	19	311	1,761	577	180	147	904

The item "Operating contributions" for the year amounted to Euro 29,458 thousand in 2020 (Euro 26,052 thousand in 2019), and mainly includes the contribution paid by the GSE such as the Energy Account, the Incentive Tariff and GRIN incentive. The change seen between 2020 and 2019 (equal to Euro 3,407 thousand) is mainly due:

- GRIN INCENTIVE: total incentives changed from Euro 18,281 thousand in 2019 to Euro 21,512 thousand in 2020 due to the increase in the unit value of the GRIN incentive, which decreased from Euro 92.11/MWh in FY 2019 to Euro 99.05/MWh in FY 2020 (the value of the incentive is established annually by the GSE based on the provisions of Ministerial Decree 6 July 2012, as subsequently amended and supplemented), and for the greater production of the incentivised plants;
- INCENTIVE RATES: total incentive rates increased from Euro 3,161 thousand in the previous year to Euro 3,204 thousand in 2020. 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 4,621 thousand in 2019 to Euro 4,654 thousand in 2020 is mainly due to an increase in production in the photovoltaic segment.

Operating contributions amounted to Euro 17,256 thousand for wind and photovoltaic energy production and Euro 12,116 thousand for hydroelectric production.

The item "Leases of properties" amounted to Euro 1,293 thousand in 2020 (Euro 1,259 thousand in 2019). 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 779 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 item "Other revenues" amounted to Euro 1,761 thousand in 2020 (Euro 904 thousand in 2019). 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 441 thousand, a decrease compared to the Euro 461 thousand in 2019.

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 91 thousand);
- the fees for the precarious concession for the use of central drainage works of Bard and related charge-back of expenses

for maintenance in addition to charges received for the maintenance of certain control units situated in the municipalities of Pontey, Gressoney-La-Trinité, Antey S. André, Cogne and Issogne (for Euro 114 thousand);
- fees received for the maintenance of the fibre optic network owned by the Region (Euro 58 thousand);
- gains accrued on the disposal of assets for Euro 11 thousand;
- the disposal of scrap (for Euro 25 thousand);
- miscellaneous charge-backs.

3. Costs for raw materials and services

16.8 Mln

of costs for raw materials and services

Costs for raw materials and services totalled Euro 16,756 thousand in 2020 (Euro 16,681 thousand in 2019).

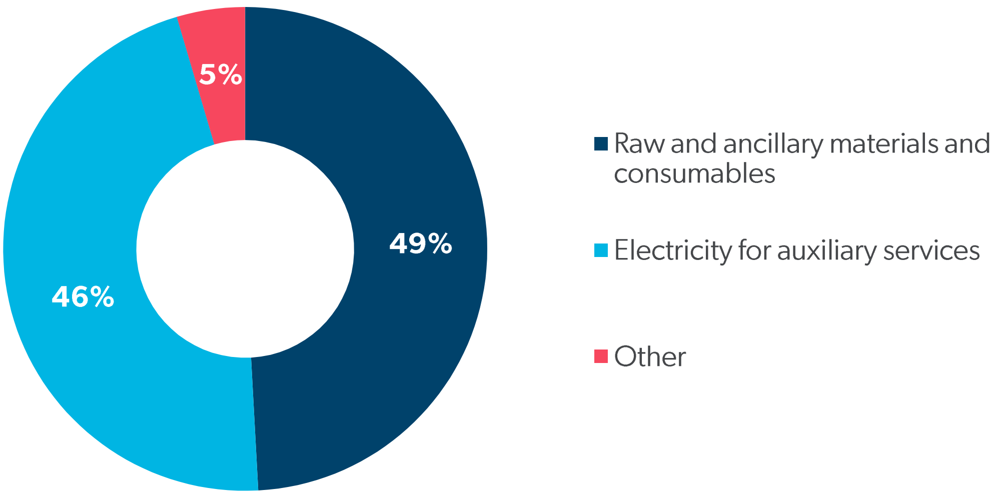
Costs for raw materials

The breakdown of the item Costs for raw materials is shown in the following table:

Euro thousands

	2020	2019
Costs for raw materials	**2,106**	**2,169**
Raw and ancillary materials and consumables	1,035	782
Electricity for auxiliary services	975	1,229
Others	96	159

Expenses for purchases of raw materials, ancillary materials, consumables and goods amounted to Euro 1,035 thousand in 2020 (Euro 782 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 (termed 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:

Euro thousands

	2020	2019
Costs for services	**14,503**	**14,421**
Maintenance	4,652	3,799
Costs for ICT services - IT services	1,652	1,621
Insurance	1,484	1,506
Professional services	1,305	1,191
Commercial, legal, administrative consultancy	1,192	1,150
Telephone and data transmission services	1,019	978
Regarding personnel	642	1,261
Representation	401	493
Utilities (water, gas, electricity)	286	393
Fees for Directors, Auditors, SB and Independent Auditors	286	332
Car park management expenses	226	284
Advertising	101	8
Business trips and transfers	39	95
Costs for bank and postal services	28	117
Other costs for services	1,191	1,194

It should be noted that following the reclassification of the costs incurred for the transport of persons and/or goods by helicopter from Costs for rents and leases to Other costs for services, the total costs for services for the year of comparison differed by Euro 123 thousand compared to that reported in the 2019 financial statements.

The breakdown of the individual items mainly consists of:

- **maintenance costs:** amounted to Euro 4,652 thousand (previously Euro 3,799 thousand). They include the costs for the maintenance of machinery, plants and real estate; the largest increase is due to the removal and arrangement of accumulated material at the Guillemore reservoir and the cleaning of the Issime power station intake following the floods of 2 and 3 October, waterproofing of the shunt channel and cleaning of the intake and shunt at the Hône II power station, maintenance of the pipeline collector at the Verres power plant, maintenance of the Grand Eyvia stream intake, emergency work on the fans of the Saint Clair hydroelectric plant loading tank, increase in the fee for the maintenance contract for the wind turbines at the Ponte Albanito wind farm;
- **costs for Information & Communication Technology services:** amounted to Euro 1,652 thousand (Euro 1,621 thousand in 2019). They refer to the assistance services of IT systems, hardware and software maintenance;
- **costs for insurance services:** amounted to Euro 1,484 thousand (Euro 1,506 thousand in 2019), mainly deriving from insurance coverage of "All Risk" and third party liability for plants for a total of Euro 1,280;
- **professional services** for a total of Euro 1,305 thousand (Euro 1,191 thousand in 2019), attributable, inter alia, to:
  - » professional services and technical consultancy for Euro 867 thousand;
  - » costs for laboratory research and analysis activities for Euro 208 thousand;
  - » costs for studies-research and technical consultancy for Euro 92 thousand;

- » expenses for environment study services for Euro 18 thousand;
- » costs for miscellaneous technical services for Euro 25 thousand;
- » testing entrusted to third parties for Euro 9 thousand;

- **commercial, legal, and administrative consulting services:** amounted to Euro 1,192 thousand (Euro 1,150 thousand in the previous financial year) and include all the costs for the purchase of external consultancy on legal, tax and commercial matters;
- **telephone expenses and data transmission services:** amounted to Euro 1,019 thousand (Euro 978 thousand in 2019). These refer to fees and maintenance of fixed and mobile telephone networks;
- **personnel-related costs:** these include charges relating to personnel management and all costs for services provided to all employees. They amounted to Euro 642 thousand (Euro 1,261 thousand in the past year) referable for Euro 14 thousand to administrative consultancy regarding personnel, for Euro 115 thousand to expenses related to the participation and organisation of training activities for employees, for Euro 29 thousand to medical expenses and for Euro 118 thousand to commissions recognised to temporary employment agencies. There was a significant reduction in the cost of catering services for employees of Euro 260 thousand due to the use of "agile work" as a tool against the COVID-19 pandemic and the consequent lower use of company canteen services by employees. Another component that contributed to the general decrease in this item was that of commissions paid to temporary employment agencies, which fell by Euro 175 thousand as a result of a reduction in temporary personnel following the stabilisation of numerous positions;
- **entertainment expenses:** these amount to Euro 401 thousand, a slight decrease compared to Euro 493 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 supplier representatives and customers and other stakeholders in general;
- **utility expenses:** these amounted to Euro 286 thousand (compared to Euro 393 thousand in 2019) and include the costs of all active utilities, such as electricity, water and gas, serving capital and non-capital buildings. This reduction can be attributed to fewer personnel in the offices due to the COVID-19 pandemic, which saw "agile working" as a means of social distancing;
- **costs for fees paid to directors, statutory auditors and supervisory bodies** totalled Euro 224 thousand (Euro 230 thousand in the previous year) and refer:

- » for Euro 123 thousand to the expense for the fees due to the members of the Board of Directors, of which Euro 117 thousand for fees, Euro 4 thousand for expenses and Euro 2 thousand for insurance policies;
- » for Euro 84 thousand to the expense for the fees due to the members of the Board of Auditors;
- » for Euro 17 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 62 thousand;
- **expenses for car park management:** totalled Euro 226 thousand (Euro 284 thousand in 2019) and refer to repairs, maintenance, motorway tolls and the car park management service;
- **expenses for advertising:** amounted to Euro 101 thousand (Euro 8 thousand in 2019). They refer mainly to the implementation of the WEB site cvaspa.it

- **travel expenses for employees and temporary personnel** of Euro 39 thousand; there was a reduction compared to the previous year as a result of the restrictions in force due to the COVID-19 pandemic.
- **expenses for banking and postal services** for Euro 28 thousand;
- **costs for other services:** amounted to Euro 1,189 thousand (Euro 1,189 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 283 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 257 thousand;
  - » expenses for waste disposal of Euro 156 thousand;
  - » the costs incurred for the transport service of persons and/or materials by means of the use of qualified helicopters in places not reached by the road network for Euro 147 thousand;
  - » costs for the analysis activity aimed at the attribution of a financial reliability rating for Euro 101 thousand;
  - » supervisory expenses amounting to Euro 95 thousand;
  - » costs for services relating to purchase and sale transactions of Guarantee of Origin Certificates for Euro 50 thousand.

Costs for rents and leases

At 31 December 2020, costs for rents and leases amounted to Euro 147 thousand (Euro 91 thousand in 2019) and are detailed as follows:

Euro thousands

	2020	2019
COSTS FOR RENTS AND LEASES	**147**	**91**
Software licence fees	133	40
Car park rental fees	3	10
Others	10	41

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 fleet, under the item "Other" it should be noted that, following the reclassification of the costs incurred for the service of transporting people and/or materials through the use of qualified helicopters in places not reached by the road network from Costs for rents and leases to Other costs for services, the total of the item for the year of comparison differs by Euro 123 thousand compared to that reported in the 2019 financial statements.

4. Personnel costs

The breakdown of personnel costs is shown in the following table:

Euro thousands

	2020	2019
PERSONNEL COSTS	**25,908**	**23,181**
Wages and salaries	18,236	17,601
Social security contributions	5,795	5,433
Employee severance indemnity and other employee benefits	1,238	(451)
Other personnel costs	639	598

The item "Personnel costs" totalled Euro 25,908 thousand in 2020 (Euro 23,181 thousand in 2019). The changes in the year are mainly attributable to the following aspects:

- wages and salaries: the increase recorded derives from:
  - » an increase in the average number of office workers due to the effect of new hirings mainly linked to the stabilisation of fixed-term positions held by temporary personnel. It should be noted that, as a result, the cost of temporary workers fell, partly offsetting the total change;
  - » in the increase of the integrated contractual minimums effective September 2020;
  - » in the increase of the figures set aside for the performance bonus year 2020 cash 2021;
- social security charges: the increase recorded is partly due to the increase in the INPS contribution rate for "FPLE" workers as from March 2020 sickness contributions were also paid for these subjects. In part, the increase is attributable to the growth in the average number of personnel as a result of the above-mentioned stabilisation of positions held by temporary personnel. 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 indemnity and other employee benefits: the main difference compared to the previous year is related to the revision of the agreements for tariff facilitations to former employees that in the previous year had generated the extraordinary reversal to income of the specific provision for Euro 1,540 thousand. In FY 2020, the same agreements generated a reduction in allocations to the specific provision for indemnities in lieu of tariff discounts and an increase in the so-called "provision for financial subsidies"/ FOPEN (for employees who have opted to pay the allowance provided for in the agreement to the supplementary pension fund). There was also a decrease in provisions for loyalty bonuses.

It should be noted that category transitions had no significant impact during 2020.

The table below shows the average number of employees during the years under review, broken down by category:

Euro thousands

	2020	2019
Executives	2	2
Managers	43	41
White collars	217	207
Blue collars	127	128
TOTAL	**389**	**378**

5. Other operating costs

At 31 December 2020, other operating costs amounted to Euro 38,863 thousand (Euro 37,661 thousand in 2019) and are detailed as follows:

Euro thousands

	2020	2019
OTHER OPERATING COSTS	**38,863**	**37,661**
Fees for the derivation of water for hydroelectric use	35,369	34,837
Stamp duties, levies and various taxes	1,173	1,146
Other sundry expenses	2,321	1,678

The item "Fees for the derivation of water for hydroelectric use", equal to Euro 35,369 thousand in FY 2020 (Euro 34,837 thousand in FY 2019), 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 of Val d'Aosta 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" totalled Euro 1,173 thousand in FY 2020 (Euro 1,146 thousand in FY 2019) and contains municipal taxes and fees, primarily IMU and COSAP, as well as registration fees and stamp duties.

The item "other sundry expenses" mainly includes environmental compensation indemnities of Euro 465 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 394 thousand. It should be noted that according to Regional Law no. 5 of 24 April 2019 , as of 1 January 2020, concessionaires of public water derivations from surface water bodies for hydroelectric, industrial and heat exchange use are required to pay, as compensation for the greater burdens falling on fisheries management determined by the water derivation, an annual sum in addition to the state concession fee, in an amount equal to 2 percent of the fee itself, to be paid directly to the Regional Consortium for Fisheries Protection. For the year 2020 these expenses amount to Euro 341 thousand.

In addition, in order to face the COVID-19 epidemic, during the year, costs related to donations to the Parini Hospital - Aosta for Euro 225 thousand.

6. Capitalised days of work

At 31 December 2020, capitalised days of work amounted to Euro 1,218 thousand (Euro 877 thousand in 2019). Capitalised costs refer to the materials used and hours of employees involved in the realisation of works and interventions of extraordinary maintenance on the plants.

7. Amortisation/depreciation

Depreciation of tangible assets amounted to Euro 30,845 thousand in 2020 (Euro 30,410 thousand in 2019) and refer to the depreciation of both instrumental and non-instrumental buildings for Euro 3,051 thousand, industrial and commercial equipment for Euro 155 thousand, plant and machinery for Euro 26,461 thousand, other assets for Euro 1,060 thousand. Amortisation of intangible assets amounted to Euro 1,075 thousand in 2020 (Euro 1,041 thousand in 2019). They refer to patent rights and use of intellectual property (software licenses) for Euro 672 thousand, licensing of trademarks and similar rights for Euro 64 thousand and other intangible assets for Euro 339 thousand.

It should be noted that depreciation and amortisation also includes, by their nature, the amortisation of rights of use recognised in accordance with IFRS 16. A summary table of movements in user rights is available in Note 14.

8. Provisions and write-downs

Provisions and write-downs amount to a total of Euro 6 thousand. The total is the net between opposing movements. On the one hand, the reversal into earnings of provisions for the cancellation/redetermination of existing risks totalling Euro 134 thousand (redetermination of risks related to administrative fines imposed by the Regional Administration with regard to power surcharges for hydroelectric power plants and cancellation of potential charges for guarantees provided to the investee company LE BRASIER) and, on the other hand, a provision for write-downs of receivables totalling Euro 128 thousand.

9. Financial income

The breakdown of financial income is shown in the following table:

Euro thousands

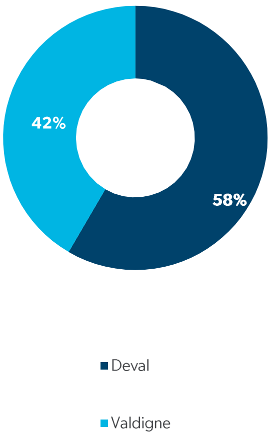
	2020	2019
FINANCIAL INCOME	**10,107**	**10,361**
Financial income from Group companies and/or related parties	3,554	4,658
Dividends	3,968	3,623
Income from equity investments	83	400
Other financial income	2,503	1,679

Financial income from Group companies and related parties amounted to Euro 3,554 thousand in 2020 (Euro 4,658 thousand in 2019). 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).

With reference to dividends, on the other hand, details are provided:

Euro thousands

	2020	2019
Dividends	**3,968**	**3,623**
Deval	2,318	1,850
Valdigne	1,650	1,773



Income from participations amounts to Euro 83 thousand and corresponds to the revaluation of the participations in associated companies valued under the net equity method (specifically TELCHA).

Other financial income amounted to Euro 2,503 thousand in 2020 (Euro 1,679 thousand in 2019) and include:

- interest income earned on financial investments including the effects of any hedges where the main components are:
  - » the returns accrued on capitalisation policies of Euro 1,702 thousand (Euro 1,424 thousand in FY 2019);
  - » the returns on the securities portfolio of Euro 539 thousand (not present in FY 2019) including the effects of derivatives entered into to hedge inflation risk on index-linked securities;

- Other interest and income including interest on tax credits and loans to employees. These residual items amounted to Euro 59 thousand in the financial year (Euro 28 thousand in the previous financial year).

10. Financial expenses

The breakdown of financial expenses is shown in the following table:

Euro thousands

	2020	2019
FINANCIAL EXPENSES	**5,350**	**6,105**
Interest expense on bank loans	5,173	5,502
Interest expense on leases	79	83
Financial expenses to Group companies and related parties	26	24
Gains on investments	10	3
Other financial expenses	63	493

Interest expense on bank loans accrued in 2020 amounted to Euro 5,173 thousand (Euro 5,502 thousand in FY 2019). This item also includes charges related to the application of the amortised cost method to bank loans and the effects of the related IRS hedges. The decrease compared to the previous year is mainly due to the overall reduction in the residual principal amount due.

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 of Euro 10 thousand correspond to the write-down of the investee companies CVA SMART ENERGY S.r.l. a s.u. for Euro 7 thousand and LE BRASIER for Euro 3 thousand.

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 56 thousand.

11. Income taxes

17.6 Mln

income taxes

Income taxes amounted to Euro 17,561 thousand in 2020 (Euro 23,336 thousand in 2019) and are composed as follows:

- current taxes for Euro 12,145 thousand in 2020 (Euro 15,470 thousand in 2019);
- net deferred tax assets and liabilities for Euro 5,441 thousand in 2020 (Euro 8,381 thousand in 2019);
- previous years' taxes for Euro 24 thousand, reducing the FY 2020 cost (Euro 514 thousand reducing the cost in 2019). These taxes correspond mainly to:
  - » the changes recorded between the taxes estimated in the 2019 budget and those actually determined on the return;
  - » IRES and IRAP credits arising from supplementary returns filed for the 2016-2017-2018 tax years.

It should be noted that the Region has approved an ordinary IRAP rate reduced to 3.1% for the three-year period 2019-2021.

IRAP for FY 2020 was determined taking into account the facilitation provided by Article 24 of Decree Law 34/2020 calculating, therefore, a reduction equal to the lower amount between the first advance payment due for 2020 and the theoretical advance payment recalculated as 40% of IRAP for the year. The abatement thus calculated resulted in a lower IRAP for Euro 508 thousand.

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.

Euro thousands

IRES - Reconciliation between theoretical and effective tax expense	Notes	2020	2019
Pre-tax result	[A]	66,318	86,944
Theoretical tax expense	[B]	15,896	20,866
Temporary differences taxable in subsequent years	[C]	(19,306)	(24,712)
Temporary differences deductible in subsequent years	[D]	4,366	4,297
Reversal of temporary differences taxable from previous years	[E]	429	456
Reversal of temporary differences deductible from previous years	[F]	(2,809)	(8,556)
Permanent differences	[G]	(1,569)	(1,522)
Taxable amount	[A+C+D+E+F+G]	47,428	56,907
Gross current taxes	[H]	11,383	13,658
Tax deductions	[I]	-	(8)
Net current taxes	[H]+[I]	11,383	13,650
Effective rate	[I]	17.16%	15.70%

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 379,141 thousand at 31 December 2020 (Euro 405,633 thousand at 31 December 2019). 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	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**
Increases	18,434	11	18,445
Amortisation/depreciation	(30,518)	(327)	(30,845)
Reclassifications	11	-	11
Disposals	(219)	-	(219)
Other changes	(13,900)	17	(13,883)
Total net changes in 2020	**(26,193)**	**(299)**	**(26,492)**
Historical cost	790,159	3,405	793,564
Provisions for depreciation	(413,873)	(648)	(414,521)
Net value at 31.12.2020	**376,356**	**2,785**	**379,141**

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	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
Amortisation/depreciation	-	(3,008)	(26,108)	(131)	(838)	(4)	-	(30,089)
Reclassifications	5	2,459	9,079	194	437	2	(12,091)	85
Disposals	(13)	-	(67)	(12)	(2)	-	(87)	(181)
Other changes	-	-	(33)	(8)	-	-	-	(41)
Total net changes in 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**
Increases	-	129	-	-	-	-	18,305	18,434
Amortisation/depreciation	-	(3,051)	(26,461)	(136)	(871)	-	-	(30,518)
Reclassifications	-	228	12,739	306	1,882	2	(15,145)	11
Disposals	-	-	(199)	-	(2)	-	(19)	(219)
Other changes	-	-	-	-	-	-	(13,900)	(13,900)
Total net changes in 2020	**-**	**(2,694)**	**(13,921)**	**170**	**1,010**	**2**	**(10,759)**	**(26,193)**
Historical cost	7,085	92,121	665,787	3,140	10,270	41	11,715	790,159
Provisions for depreciation	(29)	(38,828)	(365,139)	(2,432)	(7,336)	(39)	-	(413,803)
Net value at 31.12.2020	**7,056**	**53,293**	**300,649**	**708**	**2,934**	**2**	**11,715**	**376,356**

In 2020 there was a net decrease in tangible assets mainly due to the combined effect of the ordinary depreciation process (Euro 30,518 thousand), investments for the year (Euro 18,434 thousand) and the recovery of advances on investments (Euro 13,900 thousand).

The following table summarises the main investments made during 2020:

Euro thousands

	Assets under construction at the beginning of the year	Net new investments	Assets commissioned	Recovery of advances	Assets under construction at year end
Hône 1 plant - extraordinary maintenance (main object: Turbine overhaul and purchase hub and blades)	82	1,452	(93)	-	1,441
Chavonne plant - extraordinary maintenance	1,023	1,199	(972)	-	1,250
Hone 2 plant - extraordinary maintenance (main object: shunt channel)	745	1,412	(1,096)	-	1,061
Signayes plant - extraordinary maintenance (main object: redoing of plant unit 1)	761	1,395	(1,396)	-	760
Gabiet dam - main object: static seismic checks	3	625		-	629
Avise plant - extraordinary maintenance	376	599	(416)	-	560
Covalou plant - Refurbishment of installations (main object: GR1 Impeller purchase - pipeline)	60	776	(358)	-	478
Quart plant - extraordinary maintenance (main object: redoing of plant)	217	574	(329)	-	461
Beauregard dam - works on dam (main object: Automation and Control)	99	203	(4)	-	298
Saint Clair plant - extraordinary maintenance (main object: automation)	10	294	(34)	-	270
Champagne 1 plant - extraordinary maintenance (main object: pipeline, spillway, intake works)	394	581	(763)	-	212
Headquarters building - Châtillon - Revamping of air conditioning system	5	148		-	153
Perreres plant - extraordinary maintenance (main object: pipeline)	132	70	(57)	-	144
Champagne 2 plant - extraordinary maintenance (main object: spillway and replacement of screen)	-	384	(252)	-	132
Monjovet plant - extraordinary maintenance (main object: rebuilding of turbine and alternator unit)	2,052	631	(2,591)	-	93
Other RES plants - extraordinary incremental maintenance	5	114	(33)	-	87
Valpelline plant - extraordinary maintenance (main subject: replacement of impellers)	290	1,014	(1,255)	-	50
Registered office building - Châtillon - extraordinary maintenance of windows and doors	18	1		-	19
Instrumental building - Aosta (via Clavalité) - extraordinary maintenance	-	65	(62)	-	3
Gressoney plant - extraordinary maintenance (main object: pipeline)	1,067	52	(1,119)	-	-
Maen plant - extraordinary maintenance (main object: maintenance of Perrères dam)	6	415	(421)	-	-
IT services - hardware implementation (main object: Technological refresh of server rooms)	-	1,521	(1,521)	-	-
Other hydroelectric power plants - extraordinary incremental maintenance	576	2,248	(1,343)	-	1,481
Other investments	651	1,085	(1,031)	-	705
Advances on investments	13,900	1,429		(13,900)	1,429
General total	**22,474**	**18,286**	**(15,145)**	**(13,900)**	**11,715**

13. Proprietary intangible assets

Intangible assets totalled Euro 7,433 thousand at 31 December 2020 (Euro 7,510 thousand at 31 December 2019).

Intangible assets consist of 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

	Proprietary intangible assets	Rights of use on 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 in 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**
Increases	1,039	-	1,039
Amortisation/depreciation	(1,047)	(27)	(1,075)
Reclassifications	(11)	-	(11)
Disposals	(34)	-	(34)
Other changes	-	3	3
Total net changes in 2020	**(53)**	**(24)**	**(77)**
Historical cost	23,175	434	23,609
Provisions for amortisation	(16,122)	(55)	(16,176)
Net value at 31.12.2020	**7,053**	**380**	**7,433**

The breakdown and change in "Proprietary 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	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/depreciation	(636)	(64)	-	(314)	(1,014)
Reclassifications	566	-	(655)	4	(85)
Disposals	(2)	-	-	(99)	(100)
Other changes	-	-	-	-	-
Total net changes in 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**
Increases	-	-	1,039		1,039
Amortisation/depreciation	(672)	(64)	-	(312)	(1,047)
Reclassifications	893		(904)		(11)
Disposals	-	-	(34)	-	(34)
Other changes	-	-	-	-	-
Total net changes in 2020	**221**	**(64)**	**101**	**(312)**	**(53)**
Historical cost	14,529	1,218	751	6,677	23,175
Provisions for amortisation	(12,635)	(465)	-	(3,023)	(16,122)
Net value at 31.12.2020	**1,894**	**754**	**751**	**3,655**	**7,053**

In 2020, there was a decrease in the item "intangible assets" for Euro 1,047 thousand attributable to the effect of the ordinary amortisation process, which is higher than the value of investments for the period as charges were capitalised totalling Euro 1,039 thousand, relating mainly to software improvements and maintenance. 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 hydroelectric, photovoltaic and wind plants.

14. Rights of use of tangible and intangible assets and related financial liabilities

At 31 December 2020, rights of use on tangible and intangible assets amounted to Euro 3,165 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:

Euro thousands

	Intangible rights of use		Tangible rights of use		Total
	Rights of surface and fees of crossing	Rights of use on real estate	Rights of use on industrial and commercial equipment	Rights of use on other assets	
Net value at 31.12.2019	**404**	**2,507**	**34**	**544**	**3,488**
Increases for new contracts	-	-	-	11	11
Decreases for new contracts	-	-	-	-	-
Amortisation/depreciation	(27)	(118)	(20)	(189)	(354)
Reclassifications	-	-	-	-	-
Other changes	3	8	-	9	20
Total net changes in 2020	**(24)**	**(110)**	**(20)**	**(169)**	**(323)**
Closing value of right of use	434	2,632	54	736	3,856
Provisions for amortisation	(55)	(236)	(39)	(372)	(702)
Net value at 31.12.2020	**380**	**2,396**	**14**	**375**	**3,165**
Opening financial liability	395	2,501	30	533	3,459
Increases for new contracts	-	-	-	11	11
Decreases due to contract termination	-	-	-	-	-
Changes in fees	3	8	-	9	20
Instalments paid	(33)	(152)	(20)	(196)	(400)
of which:					
principal share	(23)	(92)	(20)	(185)	(319)
interest	(10)	(60)	(1)	(11)	(81)
accrued interest 2020	6	39	-	-	45
Closing financial liability	**381**	**2,457**	**10**	**368**	**3,215**
of which:					
CURRENT	29	133	10	175	348
NON CURRENT	351	2,323	-	193	2,868
accrued interest	(9)	(59)	-	(11)	-
Non lease component	-	-	-	(3)	(3)
Total costs on the income statement	**(37)**	**(177)**	**(20)**	**(202)**	**(438)**

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.

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	340	768	2,058
Financial liabilities	(348)	(674)	(2,194)

15. Goodwill

The following is the detail of changes of the item "goodwill":

Value at 31 December 2018	188,217
Changes in FY 2018	-
Value at 31 December 2019	**188,217**
Changes in FY 2019	-
Value at 31 December 2020	**188,217**

188.2 Mln
goodwill

At 31 December 2020, 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:

Euro thousands

	Subsidiaries						Associates		Other companies	
	CVA Energie S.r.l.	Valdigne Energie S.r.l.	Deval S.p.A.	CVA EOS S.r.l.	CVA Wind Farm Monteverde S.r.l.	Smart Energy S.r.l.	Téléchauffage Aoste S.r.l	Le Brasier S.r.l.	Fondazione ITS	Total
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	-	-	-	-	(3)	-	218	21	-	236
Other	-	-	-	-	-	-	-	-	-	-
Total net changes in 2019	**-**	**-**	**-**	**-**	**(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**
Capital increase	-	-	-	-	-	-	-	-	-	-
Increases	-	-	-	-		-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-
Write-downs/write-backs	-	-	-	-	(7)	-	83	(3)	-	73
Other	-	-	-	15,598	-	(15,598)	-	-	-	-
Total net changes in 2020	**-**	**-**	**-**	**(15,598)**	**-**	**(15,598)**	**-**	**-**	**-**	**-**
										-
Net value at 31.12.2020	**8,023**	**12,978**	**72,523**	**34,001**	**23**	**-**	**1,880**	**160**	**8**	**129,596**

The item investments in subsidiaries totalled Euro 127,548 thousand at 31 December 2020 (Euro 127,555 thousand at 31 December 2019).

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 2020, CVA ENERGIE showed a profit of Euro 6,823 thousand; shareholders' equity, at the same date, amounted to Euro 35,173 thousand.

VALDIGNE ENERGIE S.r.l.

The investment amounts to Euro 12,978 thousand and represents 75% of the share capital. At 31 December 2020, VALDIGNE showed a profit of Euro 4,688 thousand; shareholders' equity, at the same date, amounted to Euro 29,929 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 2020, DEVAL showed a profit of Euro 3,455 thousand; shareholders' equity, at the same date, amounted to Euro 66,461 thousand.

CVA EOS S.r.l. a s.u. (formerly CVA VENTO S.r.l. a s.u.)

The investment amounts to Euro 34,001 thousand and represents 100% of the share capital. At 31 December 2020, CVA EOS showed a profit of Euro 752 thousand; shareholders' equity, at the same date, amounted to Euro 22,294 thousand. During the year, the investment increased by Euro 15,598 thousand as a result of the merger by incorporation of WIND FARM MONTEVERDE, also 100% owned, by CVA VENTO with effect from 31 December 2020. At the same time, the company changed its name from CVA VENTO to CVA EOS. Since this was a merger between entities 100% owned by CVA, no exchange ratios were generated and the current value of the investment in CVA EOS is equal to the sum of the two pre-merger investments.

CVA SMART ENERGY S.r.l. a s.u.

The investment amounts to Euro 23 thousand and represents 100% of the share capital. At 31 December 2019, CVA SMART ENERGY S.r.l. a s.u. showed a loss of Euro 7 thousand; shareholders' equity, at the same date, amounted to Euro 23 thousand. During the year, the equity investment was written down by Euro 7 thousand.

Where the value of the equity investment was higher than the respective portion of shareholders' equity, the impairment test did not reveal any impairment to be made.

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 1,965 thousand at 31 December 2020, Euro 1,968 thousand at 31 December 2019.

Téléchauffage Aoste S.r.l.

The value of the investment amounts to Euro 1,880 and represents 15.31% of the share capital. At 31 December 2020, TELCHA showed a profit of Euro 539 thousand; shareholders' equity, at the same date, amounted to Euro 12,278 thousand. At 31.12.2020, the value of the investment in TELCHA increased by Euro 83 thousand, equal to number of the Group's share of the associate's profit.

Le Brasier S.r.l.

The value of the investment amounts to Euro 160 thousand and represents 13.70% of the share capital. At 31 August 2020 (end of the last corporate year), LE BRASIER showed a loss of Euro 20 thousand; shareholders' equity, at the same date, amounted to Euro 1,053 thousand. During the year, the equity investment was written down by Euro 3 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	31.12.2020	31.12.2019
Deferred tax assets for:		
Differences in value on tangible and intangible assets	8,579	8,554
Charges, bonuses and other employee benefits	536	749
Provisions for risks and charges	1,397	1,352
Valuation of financial instruments	3,408	2,745
Write-down of trade and other receivables	12	-
Other items	59	58
Total deferred tax assets	**13,990**	**13,458**
Deferred tax liabilities for:		
Differences in value on tangible and intangible assets	(48,230)	(42,934)
Valuation of financial instruments	(31)	(31)
Other items	(81)	(96)
Total deferred tax liabilities	**(48,342)**	**(43,062)**
Total net deferred tax assets/(liabilities)	**(34,353)**	**(29,604)**
Net change	(4,749)	(6,922)
of which:		
Ø In Income Statement	*(5,441)*	*(8,381)*
Ø In Shareholders' Equity	*693*	*1,459*

The "deferred tax assets" recognised in the financial statements, as there is a reasonable certainty of their recoverability, amounted to Euro 13,990 thousand at 31 December 2020 (Euro 13,458 at 31 December 2019), of which Euro 13,613 thousand (Euro 13,070 in December 2019) for IRES.

The increase in the value of deferred tax assets recognised in the course of 2020, is mainly due to the combined effect of:

- 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 employee benefits primarily due to the utilisation of the provision set aside for the disbursement of one-time payments in lieu of rate subsidies following the signing in 2019 of the agreement that resulted in their termination.

At 31 December 2020, deferred tax liabilities amounted to Euro 48,342 thousand (Euro 43,062 thousand at 31 December 2019), of which Euro 41,802 thousand (Euro 37,271 thousand at December 2019) for IRES. The increase recorded in the years 2020 and 2019 is mainly due to the deferred taxes recorded on amortisation (goodwill) made exclusively for tax purposes.

For IRES purposes, deferred taxation has been calculated at the ordinary rate of 24%.

For IRAP purposes, due to the rate reduction in force in Valle d'Aosta for the three-year period 2019-2021, deferred taxation has been calculated at a rate of 3.1% for differences with return expected by 2021 and 3.9% for the others.

18. Non-current financial assets

The breakdown of non-current financial assets is as follows:

Euro thousands

	2020	2019
OTHER NON-CURRENT FINANCIAL ASSETS	**229,195**	**182,589**
Financial receivables from subsidiaries	94,901	98,011
Financial receivables from associated companies	7,558	8,148
Financial receivables from parent companies	-	-
Portfolio of securities	41,316	-
Capitalised insurance policies	85,420	76,429

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. In particular, there are receivables for loans to VALDIGNE (for Euro 5,219 thousand), to DEVAL (for Euro 11,664 thousand) and to CVA EOS (for Euro 78,017 thousand, amount resulting after the incorporation by CVA EOS of WIND FARM MONTEVERDE).

Financial receivables from associated companies in 2020 amounted to Euro 7,558 thousand and refer to the long-term portion relating to the loan receivable granted to the associated company TELCHA. In 2019, this item amounted to Euro 8,148 thousand. The difference recognised is equal to the repayments received, as per the amortisation schedule.

The securities portfolio, amounting to Euro 41,316 thousand at 31 December 2020, consists of the amortised cost of securities held for cash investment purposes.

The portfolio consists exclusively of government securities issued by the Italian Republic maturing between 2022 and 2024. In 2020, as part of an investment transaction, an Asset Linked Inflation Swap linked to an operation with inflation-linked BTPi was entered into to hedge the risk of volatility of the parameter underlying the revaluation of the security, ensuring a fixed-rate return for the operation as a whole.

Capitalisation insurance policies, amounting to Euro 85,420 thousand at 31 December 2020 (Euro 76,429 as at 31 December 2019), 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.

For further details, the following tables summarise the composition and size of the securities and policies portfolio:

Amounts in Euro thousands

	ISIN Code	NOMINAL VALUE	AMOR TISED COST
PORTFOLIO OF SECURITIES		**39,600**	**41,316**
Republic of Italy BTPi 2.35 15/09/2024	IT0005004426	10,000	11,150
Republic of Italy BTP 1.85 15/05/2024	IT0005246340	19,700	20,201
Republic of Italy BTP 1.35 15/04/2022	IT0005086886	9,900	9,965

Amounts in Euro thousands

	INSURED CAPITAL	CAPITAL REVALUED AT 31.12.2020	EXPIRY
INSURANCE POLICIES	**83,612**	**85,420**	
Cardif Vita S.p.A. CAPITALVITA class V	4,500	4,581	09/01/2025
Credem Vita S.p.A. CREDEMVITA II class I	14,613	14,737	20/12/2023
HDI Assicurazioni S.p.A. Bancom class I	2,991	3,024	n.a.
Alleanza Assicurazioni S.p.A. Euro San Giorgio fund class V	2,500	2,533	31/10/2029
Alleanza Assicurazioni S.p.A. Euro San Giorgio I fund	2,500	2,550	n.a.
Alleanza Assicurazioni S.p.A. Euro San Giorgio fund class V	2,500	2,533	20/11/2029
Alleanza Assicurazioni S.p.A. Euro San Giorgio I fund	2,500	2,550	n.a.
AXA Assicurazioni S.p.A. GESTIRIV class I	3,980	4,050	n.a.
AXA Assicurazioni S.p.A. GESTIRIV class V	495	501	14/01/2029
AXA Assicurazioni S.p.A. GESTIRIV class V	495	501	14/01/2029
AXA Assicurazioni S.p.A. GESTIRIV class V	495	501	14/01/2029
AXA Assicurazioni S.p.A. GESTIRIV class V	495	501	14/01/2029
Aviva S.p.A. FORME INDIVIDUALI GEVIN class I	1,231	1,263	n.a.
Aviva S.p.A. FORME INDIVIDUALI GEVIN class I	5,307	5,445	n.a.
Aviva S.p.A. FORME INDIVIDUALI GEVIN class I	5,307	5,445	n.a.
Aviva S.p.A. FORME INDIVIDUALI GEVIN class I	5,307	5,445	n.a.
UnipolSai Assicurazioni S.p.A. FONDICOLL UNIPOLSAI CLASS V	7,948	8,299	30/11/2028
UnipolSai Assicurazioni S.p.A. FONDICOLL UNIPOLSAI CLASS V	7,948	8,228	23/05/2029
Eurovita S.p.A. Eurovita Nuovo Secolo class I	10,000	10,236	n.a.
Generali Italia S.p.A. GESAV	2,500	2,500	29/12/2025

19. Other non-current assets

The item in question, equal to Euro 1,839 thousand at 31 December 2020 (Euro 1,822 thousand at 31 December 2019), mainly includes medium/long-term receivables from employees, relating to interest-bearing loans granted to employees (Euro 1,082 thousand at 31 December 2020) and long-term various security deposits paid to third parties (Euro 203 thousand at 31 December 2020).

20. Inventories

The value of inventories recognised in the financial statements amounted to Euro 1,284 thousand at 31 December 2020 (Euro 998 thousand at 31 December 2019).

1.3 Mln

inventories

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 1,090 thousand. Inventories of fuels for heating and the functioning of generators have been valued for a total of Euro 130 thousand.

Remaining inventories for a value of Euro 64 thousand consist mostly of advertising material, gadgets and stationery.

21. Trade receivables

15.5 Mln

trade receivables

The breakdown of trade receivables is shown in the following table:

Euro thousands

	2020	2019
TRADE RECEIVABLES	**15,460**	**152,549**
Customers	935	1,732
Subsidiaries	14,546	150,562
Associated companies	1	1
Related parties	71	79
Suppliers (Credit notes)	48	207
(Bad debts provision)	(141)	(31)

Receivables from customers

Receivables from customers, equal to Euro 935 thousand at 31 December 2020 (Euro 1,732 thousand at 31 December 2019) are recognised net of the related bad debts provision (Euro 141 thousand at 31 December 2020 and Euro 31 thousand at 31 December 2019). They refer mainly to invoices issued and to be issued for the sale of energy and to incentive tariffs for the Ponte Albanito wind farm and to rents relating to the lease of real estate units.

Receivables from subsidiaries

These are mainly receivables due from CVA ENERGIE, following the sale of electricity during the year (equal to Euro 14,109 thousand at 31 December 2020, Euro 148,079 thousand at 31 December 2019). The difference compared to the previous year is attributable to a different billing mechanism for energy sold to CVA ENERGIE, which in 2019 involved the collection of advances during the year and the determination of the balance only at the end of the year. At the balance sheet date, therefore, payables were recorded for advances received and receivables for invoices to be issued for the entire contractual consideration. The contract signed for 2020, on the other hand, provides for a monthly balance payment, thus reducing the existing payables and receivables in the financial statements due to the absence of down payments.

For the remaining amount, there are receivables from other subsidiaries for personnel 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 14,118 thousand, of which Euro 102 thousand refer to receivables for invoices issued and Euro 14,007 thousand for invoices to be issued and Euro 8 thousand for credit notes to be received. 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 2020;
- CVA EOS: receivables amount to Euro 9 thousand and mainly relate to the recharging of telecommunication services used during the year;
- VALDIGNE: receivables totalled Euro 326 thousand and refer to trade receivables for services offered and/or charged to the subsidiary during the year;
- DEVAL: receivables totalled Euro 94 thousand and refer to trade receivables for services offered and/or charged 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:

Euro thousands

	2020	2019
RECEIVABLES FOR INCOME TAXES	**9,276**	**6,384**
IRES	6,790	4,509
IRAP	342	396
Receivables for adhesion to the Group tax consolidation	2,145	1,479

The item in question includes tax receivables relating to direct tax (IRES and IRAP) accrued during the year (Euro 7,131 thousand at 31 December 2020, Euro 4,509 thousand at 31 December 2019), as well as receivables due from Group companies as a result of adhering to the IRES tax consolidation regime (Euro 2,145 thousand at 31 December 2020, Euro 1,479 thousands at 31 December 2019).

Direct tax receivables are shown net of the liability accrued for current taxes for the year.

23. Other tax receivables

The breakdown of other tax receivables is shown in the following table:

Euro thousands

	2020	2019
OTHER TAX RECEIVABLES	**5,972**	**3,680**
VAT receivables	1,130	2,090
Receivables deriving from Group VAT regime	4,606	1,463
Other receivables	236	128

The item amounted to Euro 5,972 thousand at 31 December 2020 (Euro 3,680 thousand at 31 December 2019). This item mainly consists of:

- VAT receivables of Euro 1,130 thousand at 31 December 2020 (Euro 2,090 thousand at 31 December 2019), deriving from the credit position accrued at the end of the year with the tax authorities. These are credits that cannot be included in the Group VAT settlement, as they do not meet the requirements, having been accrued before adhering to the system;
- Group VAT receivables amounting to Euro 4,606 thousand at 31 December 2020 (Euro 1,463 at 31 December 2019), 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 and inflation rates at the reporting date.

The following is a breakdown of the carrying amounts at the reporting date and the related comparative information:

Euro thousands

	2020	2019
Non-current derivative assets	-	-
Current derivative assets	-	-
TOTAL DERIVATIVE ASSETS	**-**	**-**
Non-current derivative liabilities	-	-
Current derivative liabilities	16,577	12,820
TOTAL DERIVATIVE LIABILITIES	**16,577**	**12,820**

It is noted that at 31 December 2020 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 and Asset Inflation Linked Swaps) are designated to cover the interest flows paid on underlying loans payable or inflation linked flows of investments in bonds. 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;
- to mitigate its exposure to the inflation risk deriving from the indexing of interest and capital invested in bonds indexed to inflation.

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 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 and inflation rate accounted for in Hedge Accounting at 31 December 2020, gross of the tax effect:

Euro thousands

	Book value
Opening balances at 31.12.2018	**(5,417)**
Changes in fair value with impact in equity	(6,283)
Effects to Income Statement	301
Closing balances at 31.12.2019	**(11,399)**
Changes in fair value with impact in equity	(3,105)
Effects to Income Statement	337
Closing balances at 31.12.2020	**(14,167)**

The effectiveness of hedging derivatives recognised at 31 December 2020 in the Cash Flow Hedge reserve (negative for approximately Euro 14,167 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 2021 (net payments estimated as approximately Euro 3,083 thousand) and partly in subsequent financial years (net payments estimated as Euro 11,976 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 2020

Euro thousands — At 31 December 2020

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	186	(1098)	5,170	(4,440)
Changes in fair value of rate derivatives	±50 bps	508	(523)	-	-

Sensitivity analysis of interest rate risk at 31 December 2019

Euro thousands		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)	-	-

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.

Sensitivity analysis of inflation rate risk

With the asset-linked inflation swap transaction entered into in 2020 to hedge the flows generated by European inflation-linked government bonds, the Company is subject to inflation rate risk.

The following is a sensitivity analysis to reasonably possible changes in inflation rates at the reference date, keeping all the other variables underlying the valuation model constant. In particular, the range of changes assumed on the inflation rate curve for the purposes of this analysis is ±50 bps (basis points).

Sensitivity analysis of inflation rate risk at 31 December 2020

Euro thousands		At 31 December 2020			
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 inflation rate derivatives designated in hedge accounting	±50 bps	-	-	200	(203)
Changes in fair value of inflation rate derivatives not designated in hedge accounting	±50 bps	-	-	-	-

25. Other current financial assets

The breakdown of other current financial assets is as follows:

Euro thousands	2020	2019
OTHER FINANCIAL ASSETS	**28,634**	**50,494**
Receivables from Group companies for centralised treasury	15,464	16,080
Portfolio of securities	-	13,018
Financial receivables from subsidiaries	12,440	11,931
Capitalised insurance policies	-	8,772
Financial receivables from associated companies	660	645
Financial receivables from parent companies	-	-
Others	70	48

Receivables from Group companies for centralised treasury, equal to Euro 15,464 thousand at 31 December 2020 (Euro 16,080 thousand at 31 December 2019) refer to the credit balances of the intercompany current accounts held with the various subsidiaries. In particular, in 2020, there are receivables from DEVAL, VALDIGNE and CVA EOS.

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 675 thousand at 31 December 2020 (Euro 2,598 thousand at 31 December 2019);
- from DEVAL, for Euro 1,508 thousand at 31 December 2020 (Euro 747 thousand at 31 December 2019);
- from CVA EOS, for Euro 8,607 thousand at 31 December 2020 (at 31 December 2019 it was Euro 4,068 from the merging company CVA EOS and Euro 4,519 thousand from the merged company WIND FARM MONTEVERDE).

Financial receivables from associated companies amounted to Euro 660 thousand (Euro 645 thousand at 31 December 2019) refer to the short-term portion relating to the loan receivable granted to the related company TELCHA.

The securities portfolio at 31 December 2019 corresponded to the value of savings bonds maturing in 2020 which were cashed in during the year.

Similarly, capitalisation insurance policy receivables existing as of 31 December 2019, were collected in full at the contractual maturity of the policies.

26. Other current assets

The breakdown of the item Other current assets is as follows:

11.6 Mln

other current assets

Euro thousands

	2020	2019
OTHER CURRENT ASSETS	**11,594**	**12,394**
Deferred assets	6,644	7,336
Receivables from the G.S.E. for incentives	3,716	3,802
Advances to suppliers	958	877
Receivables from employees	95	89
Receivables from social security institutions	58	23
Other assets - related parties	27	33
Other assets – subsidiaries	-	136
Other assets	96	99

The item “other current assets” amounted to Euro 11,594 thousand at 31 December 2020 (Euro 12,394 thousand at 31 December 2019) and mainly includes the following items:

- accrued and deferred assets, for Euro 6,644 thousand at 31 December 2020 (Euro 7,336 thousand at 31 December 2019), deriving from the deferred asset of water diversion supra-fees for Euro 5,157 thousand at 31 December 2020, as well as from deferred assets of various kinds including: insurance premiums, rents payable and long-term expenses;
- receivables from the GSE, for Euro 3,716 thousand at 31 December 2020 (Euro 3,802 thousand at 31 December 2019), deriving from contributions accrued during the year but not yet collected;
- advances to suppliers amounting to Euro 958 thousand at 31 December 2020 (Euro 877 thousand at 31 December

2019), 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.

Receivables from social security institutions include a receivable from INPS amounting to Euro 49 thousand relating to sickness and maternity contributions for the period December 2012 - November 2013, as recovery of the amounts paid has been requested.

27.Cash and cash equivalents

The item mainly includes the balance receivable of current bank accounts at the reporting date, equal to Euro 188,523 thousand (Euro 211,584 thousand at 31 December 2019). Cash and cash equivalents amounted to Euro 3 thousand at 31 December 2020 (Euro 2 thousand at 31 December 2019). Bank deposits amounted to Euro 188,506 thousand at 31 December 2020 (Euro 211,581 thousand at 31 December 2019). 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:

Euro thousands

	2020	2019
SHAREHOLDERS' EQUITY	**769,691**	**770,922**
Share capital	395,000	395,000
Other reserves	290,119	276,500
Accumulated Profits/(Losses)	35,815	35,815
Net result of the year	48,757	63,607

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 2020 and 2019 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:

Euro thousands

	2020	2019
OTHER RESERVES	**290,119**	**276,500**
Extraordinary reserve	235,867	223,235
Legal reserve	52,562	49,382
IAS transition FTA reserve	12,289	12,289
Merger reserves	476	476
Hedging reserves	2	2
IAS 19 Employee benefits reserves	(310)	(221)
Cash Flow Hedge reserve	(10,767)	(8,663)

Extraordinary reserve

This reserve amounts to Euro 235,867 thousand (Euro 223,235 thousand at 31 December 2019) and includes the allocation made in the previous years, as approved by the shareholders' meeting. During the year, it increased by Euro 12,632 thousand due to the allocation of the 2019 profit.

Legal reserve

The legal reserve amounted to Euro 52,562 thousand (Euro 49,382 thousand at 31 December 2019). The increase recognised in the year is due to the allocation to this reserve of the twentieth part of the profit for the year 2019, 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 and uses of cash. The change in fair value is expressed net of accrued interest and the tax effect. The reserve was negative and amounted to Euro 10,767 thousand at 31 December 2020. Its movement is also reported in other comprehensive income in the components reclassifiable to profit or loss in subsequent periods.

Actuarial reserve IAS 19 (OCI)

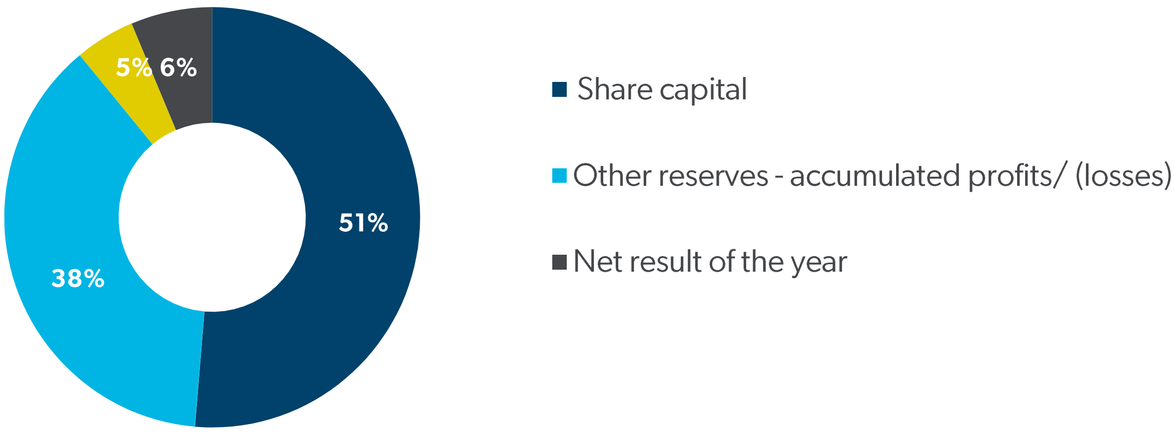
The item includes actuarial losses relating to defined benefit plans for employees, negative for Euro 310 thousand at 31 December 2020 (Euro 221 thousand at 31 December 2019). It is reported, for its change in the year, in other comprehensive income among the components that cannot be reclassified to profit or loss in subsequent periods.

Accumulated profits/(losses)

The item was positive for Euro 35,815 thousand at 31 December 2020 (unchanged on 31 December 2019). 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 48,757 thousand in 2020 (Euro 63,607 thousand at 31 December 2019).



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:

Euro thousands

	Origin	Possibility of use	2020	2019	2018
Share capital			395,000	395,000	395,000
Legal reserve	Profit reserve	B	52,562	49,382	46,630
Extraordinary reserve	Profit reserve	A,B,C	235,867	223,235	212,227
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	-	(10,767)	(8,663)	(4,117)
IAS 19 reserves - Employee Benefits	Other reserves	-	(310)	(221)	(147)
Profits/(accumulated losses)	Profit reserve	A,B,C	35,815	35,815	35,815
Total			**720,934**	**707,315**	**698,175**
Of which:					
Non-distributable portion:			449,252	448,265	450,133
Residual distributable portion:			271,682	259,050	248,041

Key: A) for capital increase; B) for loss coverage; C) for distribution to shareholders.

29. Current and non-current employee benefits

3.9 Mln

employee benefits

Employee benefits amounted to Euro 3,885 thousand in the year (Euro 4,967 thousand in 2019). The table below shows the changes in the years:

Euro thousands

Employee severance indemnity (TFR)		"Isopensione"	Loyalty bonus	Discount	Employe e bonuses	Other employee benefits	Total
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 expense	32	-	12	42	-	4	91
Increases/(decreases) for acquisitions and transfers	(49)	-	(20)	-	-	(12)	(81)
Benefits paid	(33)	(547)	(15)	(89)	-	(8)	(692)
Write-backs (*)	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**
Current cost			51	2	357	83	136
Financial expense	16		6	6		2	30
Increases/(decreases) for acquisitions and transfers	-	-	-	-	-	-	-
Benefits paid	(220)	(195)	(15)	(814)	(351)	(71)	(1,315)
Write-backs (*)	(25)	3	(54)	140		-	2
Other changes					(7)		
Current value of the obligation at 31/12/2020	**1,888**	**-**	**811**	**489**	**357**	**338**	**3,884**
of which							
current portion	*64*	-	*54*	*44*	*357*	*8*	*527*
non-current portion	*1,825*	-	*756*	*445*	-	*331*	*3,357*

(*) 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 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 plan was completed during the year;
- severance indemnity (TFR) recognised in compliance with the provisions of current legislation. The value of the liabilities in question amounted to Euro 1,888 thousand at 31 December 2020 (Euro 2,117 thousand at 31 December 2019);
- the company loyalty bonus to be paid to employees upon reaching a specified length of service. Liabilities accrued amounted to Euro 811 thousand at 31 December 2020 (Euro 823 thousand at 31 December 2019);
- the energy discount fund allocated against the agreement entered into on 6 May 2019 to overcome electricity tariff concessions for former employees and which provides former employees with the choice of either a one-off disbursement, recognised during the financial year, or an annual lump sum of Euro 360 fixed until the age of 65. The liability accrued at year end amounted to Euro 489 thousand (Euro 1,155 thousand at 31 December 2019);
- 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 the corporate MBO plan) in the amount of Euro 358 thousand;
- other employee benefits totalled Euro 338 thousand at 31 December 2020 (Euro 322 thousand at 31 December 2019) and are represented by: (i) additional allowance for FOPEN contributions recognised to employees who have chosen this option as part of the agreement entered into in May 2019 to overcome the concessions on energy tariffs and who are entitled to the payment of a fixed amount to the supplementary pension fund or in coupons up to the age of 65 regardless of the age at which they will cease service; (ii) additional monthly payments due to eligible employees based on the requirements set forth in the CCNL (the "IMA") by the July 2001 agreement.

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:

Euro thousands

	2020	2019
Discount rate	0.50%	0.80%
Discount rate – early retirement (isopensione) fund	0.00%	0.00%
Annual inflation rate	0.50%	0.80%
Annual salary increase rate	1.50%	1.80%
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.

Euro thousands

	2020		2019	
	Change in liabilities as the rate changes	*One Year Cost*	Change in liabilities as the rate changes	*One Year Cost*
	-0.25%		0.25%	
Employee severance indemnity (TFR)	33	-	(57)	-
Early retirement (isopensione)	-	-	-	-
Loyalty bonus	29	51	(28)	46
Other employee benefits	21	12	(20)	12

30. Provisions for risks and charges

The breakdown of provisions for risks and charges is as follows:

Euro thousands

	Provision for disputes	Provisions for charges	Total
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)	(107)	(455)
Earnings	(659)	(1,685)	(2,344)
Closing balance - 31 December 2019	**3,422**	**3,674**	**7,096**
Allocations in costs	-	517	517
Allocation in financial expenses	-	25	25
Adjustment of dismantling provisions	-	129	129
Uses	(106)	(1)	(107)
Earnings	(83)	(53)	(136)
Closing balance - 31 December 2020	**3,233**	**4,291**	**7,524**

The provision for disputes refers to disputes in progress with third parties.

INPS litigation: CVA has been involved in a long-term dispute with INPS concerning the payment of maternity and sickness contributions for certain categories of employees. The litigation ended with the 30 October 2019 ruling of the Turin Court of Appeals (resulting from the referral prescribed by the Court of Cassation with the order no. 31867/18 of 10 December 2018), which sanctioned the non-liability to pay sickness contributions (for the period under dispute 1 June 2001 - 30 April 2012), while confirming the obligation to pay the maternity contributions. At the end of 2019 uncertainty remained as to the liability for sickness contributions for the period after 30 April 2012, for which reason a provision of Euro 99 thousand was set aside in the financial statements, which was used in 2020 when it was confirmed that there was an obligation to pay sickness contributions for periods after 30 April 2012.

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 sanctions: the provision at 31 December 2020 has a value of Euro 30 thousand equal to the risk of sanction on the exceeding of the average withdrawal flows provided for by the derivation concessions contested by the Region and occurred in 2014 with reference to Lake Cignana. The provision was used during the year for Euro 7 thousand against the sanctions imposed for the overruns of the year 2013 and proceeds for the difference compared to the amount set aside for that year for a total of Euro 83 thousand;

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 postponed the hearing for closing arguments first to 14 January 2020, then to 26 May 2020, to 24 November 2020 and, finally, to 26 January 2021 in the COVID-19 case and, at the time of writing, the judgement is pending.

The provision for expenses refers to probable or certain liabilities of various nature, but of an

estimated amount. It mainly consists of:

- bonuses on the maintenance of the Piansano and Saint Denis wind farms to be paid to the supplier Vestas Italia S.r.l. for Euro 3 thousand. The provision is the result of the year's allocation, as the existing allocation at the end of 2019 was fully utilised and/or proceeds;
- charges for guarantees issued: the provision which amounted to Euro 51 thousand at the end of 2019 was reversed to income as the obligation to provide the guarantee to the subsidiary LE BRASIER ceased to exist;
- 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. The provision, which was already in place at the end of 2019, has been maintained as the obligation still exists;
- 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 2020 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, which was already in place at the end of 2019, has been maintained as the obligation still exists;

- 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 2020, the provision increased by Euro 25 thousand due to the effect of financial discounting in the year and by Euro 129 thousand due to the adjustment of the liability, with the offsetting entry being an increase in the value of plant to be depreciated, against a downward change in the discount rate from 0.8% to 0.5%;
- provision for compensation indemnities potentially due to the Municipality of Foggia: with reference to the Ponte Albanito plant, in the absence of an agreement regulating the economic relations with the Municipality of Foggia with reference to potential environmental compensation indemnities, an amount equal to 3% of the revenues for the sale of energy and related incentives (Euro 137 thousand) was set aside also in 2020. This percentage is a conservative estimate. The provision has a total balance of Euro 442 thousand;
- property and land safety fund: in light of the increasingly frequent natural disasters, it was decided to manage all risk situations arising from instability of land and property adjacent to regional roads. The Company's commitment to complete the activity was measured at Euro 377 thousand, broken down as follows:
  - » professional assignment to carry out the activity of defining the potential risks of the properties along the entire route of Regional Road no. 44 of Valle d'Aosta for Euro 225 thousand. In particular, risks related to falling trees, land subject to landslides or mass transport phenomena, land subject to the risk of avalanches, land subject to gravitational risks must be identified. The assignment is subdivided into phases: cadastral control and verification of CVA properties along the regional and Piedmont roads concerned; identification of the risk of falling plants, acquisition of data on land subject to landslides or mass transport phenomena; acquisition of data on land subject to the risk of avalanches; identification of geological risks;
  - » safety works relating to potential risks following the above analysis amounting to Euro 152 thousand.

31. Current and non-current financial liabilities

284.8 Mln

of non-current financial liabilities

Non-current financial liabilities amounted to Euro 284,781 thousand at 31 December 2020 (Euro 313,852 thousand at 31 December 2019), 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.

Euro thousands

	2020	2019
NON-CURRENT FINANCIAL LIABILITIES	**284,781**	**313,852**
Bank loans	281,138	309,874
Financial liabilities for leasing	2,865	3,139
Other financial payables	775	834
Financial payables to subsidiaries	3	4

Other current financial liabilities amounted to Euro 54,045 thousand at 31 December 2020 (Euro 73,564 thousand at 31 December 2019) and the breakdown is as follows:

Euro thousands

	2020	2019
OTHER CURRENT FINANCIAL LIABILITIES	**54,045**	**73,564**
Payables to Group companies for centralised treasury	24,667	44,201
Bank loans	28,934	28,904
Financial liabilities for leasing	348	362
Financial payables to subsidiaries	5	6
Other financial payables	91	91

Payables to Group companies for centralised treasury, equal to Euro 24,667 thousand at 31 December 2020 (Euro 44,201 thousand at 31 December 2019), refer to the debit balances of centralised treasury current account transactions held with the various subsidiaries. Specifically, the entire amount of payables is owed to CVA ENERGIE.

Bank loans, amounting to Euro 28,934 thousand at 31 December 2020 (Euro 28,904 thousand at 31 December 2019), 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 1 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	31/12/2019	Monetary net change	Non-monetary net change	31/12/2020
Intesa Sanpaolo	62,724	(17,879)	25	44,870
Intesa Sanpaolo	99,656	-	56	99,711
BNL	99,447	(6)	91	99,532
BEI	20,985	(3,008)	10	17,987
BEI	20,988	(3,009)	10	17,990
BEI	20,986	(3,003)	4	17,988
BEI	13,993	(2,000)	2	11,994
TOTAL	**338,778**	**(28,905)**	**198**	**310,072**

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 2020

		2020				
		1 year	1-2 years	2-5 years	> 5 years	Total
Bank loans	Capital flows	28,925	28,971	242,002	11,000	310,898
	Interest flows	1,489	1,468	4,322	11	7,290

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

32. Categories of financial instruments

The following table shows the values of the financial statements at 31 December 2020 and for comparative periods of financial assets and liabilities, broken down into the categories of financial instruments defined by IFRS 9:

Financial assets

Euro thousands

	2020	2019
Loans and Receivables	**113,876**	**131,505**
Certificates of deposit and repurchase agreements	-	13,018
Loans receivables with associates, subsidiaries and parent companies	113,876	118,487
Financial assets available for sale	126,737	85,201
Insurance policies	85,420	85,201
Bonds	41,316	-

Financial liabilities

Euro thousands

	2020	2019
Financial liabilities measured at fair value	**16,577**	**12,820**
Liabilities for financial derivatives in hedge accounting	15,479	11,819
Liabilities for financial derivatives not in hedge accounting	1,098	1,002
Financial liabilities measured at amortised cost	310,072	338,777

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 2020

	Book value	Fair Value			
		Total	Level 1	Level 2	Level 3
Financial assets	**240,613**	**-**	**-**	**190,689**	**-**
Non-current financial receivables from associates, subsidiaries and parent companies	102,458	-	-	102,458	-
Current financial receivables from associates, subsidiaries and parent companies	11,418	-	-	2,810	-
Capitalised insurance policies	85,420	-	-	85,420	-
Assets for financial derivatives	-	-	-	-	-
Portfolio of securities/funds	41,316	-	-	-	-
Repurchase agreements	-	-	-	-	-
Bank deposits	-	-	-	-	-

	Book value	Fair Value			
		Total	Level 1	Level 2	Level 3
Financial liabilities	**326,649**	**-**	**-**	**326,649**	**-**
Bank loans	310,072	-	-	310,072	-
Liabilities for financial derivatives	16,577	-	-	16,577	-

Fair value hierarchy at 31 December 2019

	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
Current financial	**12,781,067**	**-**	**-**	**12,781,067**	**-**
Non-current financial receivables from associates and parent assets	106,159	-	-	106,159	-
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	Fair value			
		Total	Level 1	Level 2	Level 3
Financial liabilities	**351,597**	**-**	**-**	**351,597**	**-**
Bank loans	338,777	-	-	338,777	-
Liabilities for financial derivatives	12,820	-	-	12,820	-

In general, the fair value of financial instruments traded on regulated markets (such as bonds in the portfolio) is determined using the official prices (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:

Euro thousands

	2020	2019
TRADE PAYABLES	**18,008**	**128,966**
Suppliers	17,719	28,645
Subsidiaries	209	100,243
Associated companies	-	3
Related parties	80	75

Payables to suppliers

Payables to suppliers, equal to Euro 17,719 thousand at 31 December 2020 (Euro 28,645 thousand at 31 December 2019) refer to invoices received and to be received mainly relating to routine and non-routine maintenance of production plants.

Other liabilities to subsidiaries

Liabilities to subsidiaries amounted to Euro 209 thousand (Euro 100,243 thousand at 31 December 2019). They refer mainly to invoices to be received from the subsidiary CVA ENERGIE for energy supplied by it. As explained in the section on trade receivables, the decrease in trade payables to CVA ENERGIE is related to a change in the billing and regulation methods for the energy sold to it, which in 2019 provided for the payment of advances that will be absent in 2020. Refer to the above section for more details.

Other liabilities to related parties

Other liabilities refer to payables for invoices relating to suppliers classified as related parties for Euro 80 thousand (Euro 75 thousand at 31 December 2019). Refer to the specific section for details.

35. Payables for income taxes

Income tax payables Euro 908 thousand at 31 December 2020 (Euro 1,807 thousand at 31 December 2019), refer to payables to subsidiaries adhering to the IRES consolidation system.

36. Other tax payables

The breakdown of the item "other tax payables" is shown in the following table:

Euro thousands

	2020	2019
TOTAL OTHER TAX PAYABLES	**613**	**2,237**
Payables to the tax authorities for VAT	38	1,621
Withholding tax for employees	475	455
Payables deriving from Group VAT regime	-	-
Other tax payables	99	161

VAT payables correspond to the VAT payable position at the end of the year. In FY 2020, there was a VAT payable of Euro 38 for the December VAT liquidation (Euro 1,621 at 31 December 2019).

Other tax payables are mainly represented by payables to the tax authorities for withholding taxes withheld by the Company in its capacity as withholding agent from employees and self-employed workers. In addition, there are accrued liabilities for stamp duty on cash investments.

37. Other current liabilities

Other current liabilities amounted to Euro 5,422 thousand at 31 December 2020 (Euro 7,542 thousand at 31 December 2019) and the breakdown is as follows:

Euro thousands

	2020	2019
OTHER CURRENT LIABILITIES	**5,422**	**7,542**
Payables for fees and supra-fees	119	2,235
Payables to social security institutions	1,773	1,983
Payables to employees	2,136	1,925
Deferred liabilities	210	10
Other liabilities other related parties	44	97
Other liabilities to subsidiaries	39	40
Payables to Directors	30	22
Payables for deposits and guarantees received	120	303
Advances from customers	2	3
Other payables	948	924

Payables for fees and supra-fees, amounting to Euro 119 thousand at 31 December 2020 (Euro 2,235 thousand at 31 December 2019), refer to the amounts due in replacement of the free energy supply from the large hydroelectric derivation plants as per the resolution of the Piedmont Regional Council no. 83-2636 of 18 December 2020 with reference to the Quincinetto II plant.

The item also includes payables to social security institutions, equal to Euro 1,773 thousand (Euro 1,983 thousand in 2019), such as INPS and other supplementary pension funds.

Payables to employees, amounting to Euro 2,136 thousand at 31 December 2020 (Euro 1,925 thousand at 31 December 2019) mainly refer to accrued vacation and ROL that were not paid to employees.

Deferred liabilities amounted to Euro 120 thousand (Euro 303 thousand at 31 December 2019) 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 30 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 473 thousand, the payable for the building rights of the wind power plant of Ponte Albanito for Euro 39 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 149,867 thousand at 31 December 2020 (Euro 154,642 thousand at 31 December 2019). More specifically, at 31 December 2020, the main ones refer to personal guarantees issued for:
  - » CVA ENERGIE for Euro 121,183 thousand;
  - » DEVAL, as distributor of the Group, for Euro 6,793 thousand;
  - » VALDIGNE for Euro 11,968 thousand;
  - » CVA EOS for Euro 637 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 2019);
- guarantees issued by third parties in favour of third parties amounting to Euro 7,268 thousand (Euro 5,470 thousand at 31 December 2019);
- the Company issued guarantees to the Revenue Agency for the reimbursement of tax credits in its favour for Euro 4,684 thousand (Euro 9,934 thousand at 31 December 2019).

Guarantees received

The Company received guarantees from customers and suppliers for the correct fulfilment of contractual obligations for a total of Euro 8,019 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 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. Exceptionally, the tax benefits granted in response to the COVID-19 pandemic are also listed below. The latter are shown for their total amount granted as the "cash basis" is difficult to apply in this case.

Disbursing party	Amounts in Euro	Reason	Notes
GSE S.p.A.	2,735,941.71	GRIN incentive - Convention 000023	Incentive published on the website of GSE
GSE S.p.A.	5,581,328.42	GRIN incentive - Convention 000889	Incentive published on the website of GSE
GSE S.p.A.	12,274.28	GRIN incentive - Convention 000891	Incentive published on the website of GSE
GSE S.p.A.	1,744,963.33	GRIN incentive - Convention 000648	Incentive published on the website of GSE
GSE S.p.A.	1,676,775.94	GRIN incentive - Convention 001579	Incentive published on the website of GSE
GSE S.p.A.	1,016,989.56	GRIN incentive - Convention 000481	Incentive published on the website of GSE
GSE S.p.A.	394,884.10	GRIN incentive - Convention 000624	Incentive published on the website of GSE
GSE S.p.A.	8,480,118.33	GRIN incentive - Convention 001018	Incentive published on the website of GSE
GSE S.p.A.	170,312.30	Feed-In Tariff - Convention S01L232266707	Incentive published on the website of GSE
GSE S.p.A.	166,407.24	Feed-In Tariff - Convention H01L229497207	Incentive published on the website of GSE
GSE S.p.A.	169,864.10	Feed-In Tariff - Convention S01L232264707	Incentive published on the website of GSE
GSE S.p.A.	424,419.55	Feed-In Tariff - Convention H01F10829207	Incentive published on the website of GSE
GSE S.p.A.	167,276.36	Feed-In Tariff - Convention S01L242645207	Incentive published on the website of GSE
GSE S.p.A.	429,059.73	Feed-In Tariff - Convention H01F11146607	Incentive published on the website of GSE
GSE S.p.A.	5,392.71	Feed-In Tariff - Convention S01B00319806	Incentive published on the website of GSE
GSE S.p.A.	172,243.00	Feed-In Tariff - Convention S01L232264007	Incentive published on the website of GSE
GSE S.p.A.	427,698.20	Feed-In Tariff - Convention H01F11430307	Incentive published on the website of GSE
GSE S.p.A.	426,772.92	Feed-In Tariff - Convention H01F11146807	Incentive published on the website of GSE
GSE S.p.A.	169,006.13	Feed-In Tariff - Convention S01L232259507	Incentive published on the website of GSE
GSE S.p.A.	174,033.46	Feed-In Tariff - Convention S01L232261007	Incentive published on the website of GSE
GSE S.p.A.	421,999.80	Feed-In Tariff - Convention H01F10827507	Incentive published on the website of GSE
GSE S.p.A.	161,393.60	Feed-In Tariff - Convention S01L244972507	Incentive published on the website of GSE
GSE S.p.A.	419,592.50	Feed-In Tariff - Convention H01F10828407	Incentive published on the website of GSE
GSE S.p.A.	412,092.03	Feed-In Tariff - Convention H01F10828007	Incentive published on the website of GSE
GSE S.p.A.	95,312.44	Feed-In Tariff - Convention S01F10764307	Incentive published on the website of GSE
GSE S.p.A.	167,566.07	Feed-In Tariff - Convention S01L242987407	Incentive published on the website of GSE
GSE S.p.A.	164,707.45	Feed-In Tariff - Convention S01L232277807	Incentive published on the website of GSE
GSE S.p.A.	3,348,854.66	Incentive tariff - Convention FER000672	Incentive published on the website of GSE
Autonomous Region of Valle d'Aosta - Department of Labour and Training Policies - Training, Employment and Social Inclusion Policies	500.00	Grants to encourage curricular traineeships in vocational training (art. 64 Regional Law 8/2020)	Incentive Published on the R.N.A. portal
Autonomous Region of Valle d'Aosta - Department of Labour and Training Policies - Training, Employment and Social Inclusion Policies	72.78	Aid for the recruitment of disadvantaged workers in the form of wage subsidies (Article 32)	Incentive Published on the R.N.A. portal
TAX AUTHORITIES	508,214.00	Article 24 of Decree Law no. 34 of 19 May 2020, "Relaunch Decree"– IRAP relief	Covid-19 Measure
TAX AUTHORITIES	28,297.00	Tax credit for the purchase of personal protective equipment pursuant to Decree Law 34/2020	Covid-19 Measure

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 2020:

Receivables from related parties

Euro thousands

Company	2020					2019				
	Rights of Use (IFRS 16)	Financial receivables	Trade receivables	Tax receivables	Other receivables	Rights of Use (IFRS 16)	Financial receivables	Trade receivables	Tax receivables	Other receivables
Parent company	-	-	-	-	-	-	-	-	-	-
Finaosta S.p.A.	-	-	-	-	-	-	-	-	-	-
Subsidiaries	-	122,805	14,546	6,751	-	-	126,022	150,562	2,942	136
CVA Energie S.r.l. a s.u.	-	-	14,118	6,078	-	-	-	148,079	2,293	-
Deval S.p.A. a s.u.	-	22,987	94	-	-	-	15,017	1,110	284	-
CVA EOS S.r.l.	-	87,563	9	33	-	-	45,210	476	25	136
Valdigne Energie S.r.l.	-	12,255	326	639	-	-	15,685	834	1	-
Monteverde S.r.l.	-	-	-	-	-	-	50,110	61	338	-
Cva Smart Energy S.r.l.	-	-	-	-	-	-	-	1	1	-
Associates	-	8,218	-	-	-	-	8,794	1	-	-
Téléchauffage Aoste S.r.l.	-	8,218	-	-	-	-	8,794	1	-	-
Le Brasier S.r.l.	-	-	-	-	-	-	-		-	
Other Finaosta Group companies	-	-	-	-	-	-	-	-	-	-
Other related parties	4	-	71	-	580	6	-	79	-	586
TOTAL	**4**	**131,023**	**14,617**	**6,751**	**580**	**6**	**134,816**	**150,642**	**2,942**	**722**

Payables to related parties

Euro thousands

Company	2020					2019			
	Rights of Use (IFRS 16)	Financial payables	Trade payables	Tax payables	Other payables	Financial payables	Trade payables	Tax payables	Other payables
Parent company	-	-	-	-	-	-	-	-	-
Finaosta S.p.A.	-	-	-	-	-	-	-	-	-
Subsidiaries	-	24,672	209	908	39	44,207	100,243	767	-
CVA Energie S.r.l. a s.u.	-	24,672	208	-	1	43,602	100,233	22	-
Deval S.p.A. a s.u.	-	-	1	-229	38	-	10	-	-
CVA EOS S.r.l.	-	1	-	1,136	-	-	-	-	-
Valdigne Energie S.r.l.	-	-	-	-	-	-	-	745	-
Monteverde S.r.l.	-	-	-	-	-	605	-	-	-
CVA Smart Energy S.r.l.	-	-	-	-	-	-	-	-	-
Associates	-	1	-	-	-	2	3	-	-
Téléchauffage Aoste S.r.l.	-	-	-	-	-	-	3	-	-
Le Brasier S.r.l.	-	1	-	-	-	2	-	-	
Other Finaosta Group companies	-	-	-	-	-	-	-	-	-
Other related parties	3	1	80	-	74	2	75	-	119
TOTAL	**3**	**24,675**	**289**	**908**	**113**	**44,210**	**100,321**	**767**	**119**

Revenues and other income with related parties

Euro thousands

Company	2020			2019		
	Revenues from sales and services	Other revenues and income	Financial income	Revenues from sales and services	Other revenues and income	Financial income
Parent Company	-	-	-	-	-	2,519
Finaosta S.p.A.	-	-	-	-	-	2,519
Subsidiaries	138,928	462	7,236	156,845	461	5,458
CVA Energie S.r.l. a s.u.	135,217	58	-	153,615	58	-
Deval S.p.A. a s.u.	2,010	404	2,640	1,966	403	2,112
CVA EOS S.r.l.	973	-	2,555	473	-	511
Valdigne Energie S.r.l.	726	-	2,041	730	-	2,254
Monteverde S.r.l.	-	-	-	60	-	580
CVA Smart Energy S.r.l.	1	-	-	1	-	-
Associated Companies	4	-	285	6	-	304
Téléchauffage Aoste S.r.l.	4	-	285	6	-	304
Le Brasier S.r.l.	-	-	-	-	-	-
Other Finaosta Group companies	-	91	-	-	-	-
Other related parties	-	377	-	-	462	-
TOTAL	138,932	929	7,522	156,850	923	8,281

Costs and expenses with related parties

Euro thousands

Company	2020			2019		
	Operating costs	Amortisation/depreciation	Financial expenses	Operating costs	Amortisation/depreciation	Financial expenses
Parent Company	-	-	-	-		
Finaosta S.p.A.	-	-	-	-		
Subsidiaries	1,193	-	26	1,504		
CVA Energie S.r.l. a s.u.	1,191	-	24	1,498		
Deval S.p.A. a s.u.	2	-	-	5		
CVA Vento S.r.l.	-	-	2	-		
Valdigne Energie S.r.l.	-	-	-	-		
Monteverde S.r.l.	-	-		-		
CVA Smart Energy S.r.l.	-	-	-	-		
Associated Companies	-	-	-	-		
Téléchauffage Aoste S.r.l.	-	-	-	-		
Le Brasier S.r.l.	-	-	-	-	-	-
Other Finaosta Group companies	-	-	-	-	-	-
Other related parties	18,597	1		18,419	1	
TOTAL	19,789	1	26	19,922	1	24

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 Intra-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 CVA of tax losses, exceeding of Gross Operating Income or non-deductible interest rates, the Subsidiaries are 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 TRADING, VALDIGNE ENERGIE, CVA EOS within the scope;
- centralised treasury: current account contracts are in place between CVA and its subsidiaries, in order to guarantee centralised treasury to better manage the availability and provision of Intra-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;
- commercial relations: CVA 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, CVA 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 or, in the specific case of the Region, deriving from economic relations between the concession-holder and the concessionaire with reference to hydroelectric concessions. The fees due to the Region for the exploitation of water for hydroelectric purposes are, in fact, of paramount importance with their value of Euro 17,923 thousand.

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 and the Board of Statutory Auditors, there are no further relations in addition to the offices held at the Company and from which the related remuneration and economic benefits derive.

Managers of the company with the power to direct its strategies are also considered related parties. For this reason, the costs to related parties include the remuneration paid to them.

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	2020 fees	2019 fees
Directors' fees	117,372	118,490
Auditors' fees	84,240	85,401
Supervisory Body fees	14,365	10,816

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 for your approval the financial statements of the Company at 31 December 2020, which show a profit of Euro 48,756,686 which we propose to allocate for Euro 2,437,834 - equal to 5% of the profit - to "Legal Reserve". With regard to the remainder of Euro 46,318,852, we propose that you distribute 75% of the net profit in the amount of Euro 36,577,000, in line with the dividend policy approved in the 2019-2021 strategic guidelines, and allocate the remaining Euro 9,741,852 to the extraordinary reserve.

Châtillon, 14 May 2021

The Chief Executive Officer

Enrico De Girolamo

The Chairman

Marco Cantamessa

Report and annexes

Report of the Board of Auditors

1. REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 2429, PARAGRAPH 2, OF THE ITALIAN 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 2020, submitted for your approval. Considering the continuation of the emergency caused by the COVID-19 pandemic, the Board of Auditors carried out its supervisory activities, operating both at the company’s offices and in smart working mode and interfacing with the Board of Directors and the Company’s department heads also 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 2020, 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 breach of the rules and regulations governing conflicts of interest or such to put the company's equity at risk;

- during the meetings held, acquired from the administrative body and corporate structures on the general operating performance and outlook - in particular on the continued impact caused by the COVID-19 health emergency into the early months of FY 2021 and significant uncertainties and risk factors - and on the most significant transactions in terms of their dimensions or characteristics, implemented by the company and its subsidiaries; on the basis of the information acquired, nothing has emerged worthy of note in this 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 boards of 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 (such as, for example, Management Control, Risk Management, HR and Human Resources, Administration and Accounting); 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;

- notes that no reports have been 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 2020, which have been made available to us within the terms of Art. 2429 of the Civil Code, in regard to which 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 2020 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 notes contain the information required by Art. 2427 and 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 notes provide full information on commitments, guarantees and potential liabilities not shown in the balance sheet. The notes contain the information envisaged by Art. 1 paragraph 125 of Law No. 124/2017 on the obligation of transparency and communication of public grants received/collected during FY 2020.

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. 1171/XV of 20 December 2019, 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 2020 of C.V.A. spa a s.u. guarantees the general economic balance and financial statements as 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 four, 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 2020, as prepared by the Directors, together with the proposed allocation of the result for the year of Euro 48,756,686.

Châtillon, 29th May 2021

The Board of Auditors

Dott. Carmelo Marco Termine

Dott. Guido Bosonin

Dott.ssa Federica Paesani

Independent Auditors' Report

EY
Building a better working world

Compagnia Valdostana delle Acque – Compagnie Valdôtaine des Eaux S.p.A.

F inancial statements as at 31 December 2020

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 S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2020, and the income statement, the statement of other comprehensive income, statement of Financial positions, 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 31 December 2020, 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.

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

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.

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 S.p.A. are responsible for the preparation of the Report on Operations of Compagnia Valdostana delle Acque S.p.A. as at 31 December 2020, 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 S.p.A. as at 31 December 2020 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 S.p.A. as at 31 December 2020 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, 28 May 2021

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.

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

Compagnia Valdostana delle Acque
Compagnie Valdôtaine des Eaux

Via Stazione, 31 - 11024 Châtillon
Valle d'Aosta - Italy

T. +39 0166 82 3111
F. +39 0166 82 3031
info@cvaspa.it

www.cvaspa.it