Independent auditor's report

in accordance with article 14 of Legislative Decree No. ° 39
of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

Alperia SpA

Consolidated Financial Statements as of 31 December 2020

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
ALPERIA SPA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of ALPERIA Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2020, the consolidated income statement, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Alperia SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were

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addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Recoverability of the values of intangible assets	
Note 9.1 to the consolidated financial statements "Concessions, goodwill and other intangible assets" As of 31 December 2020 about 26% of total consolidated assets is comprised of intangible assets, equal to Euro 583 million, originating mainly from the allocation to the 'Concessions' of the excess prices paid on acquisition of power generation entities over the respective net equity values. In a market characterised by a significant volatility of electricity prices and a consequent reduction of the investees' performance the Company, in accordance with IAS 36 as adopted by the European Union, carried out an impairment test, using the discounted cash flow method, to measure the recoverable amounts of concessions. The cash flows have been estimated based on the production estimation foreseen until the end of each hydroelectric concessions. In consideration of the magnitude of the values allocated to concessions and the complexity of the process of estimation of the recoverable amounts based on the future cash flows that these will generate, we identified the measurement of concessions as a key audit matter with reference to the existence of possible impairment losses and consequently	The auditing procedures performed involved verifying the procedures adopted by management to identify possible impairment losses of intangible assets (concessions) in accordance with IAS 36 – Impairment of Assets. In detail, we obtained the impairment test of concessions carried out by management, which we verified also with the support of valuation experts belonging to the PwC network. Our tests concerned the key assumptions used in the application of the impairment test, which is based on estimating the cash flows each concession is expected to generate in future. Specifically, we verified the reasonableness of (i) the power price curve used, (ii) the estimated production capacity, and (iii) the discount rate applied to the estimated future cash flows. Moreover, we verified management's ability to prepare estimates by comparing actual performance data with past business plans, the consistency of projections used with the current business plans, as well as the mathematical accuracy of the calculation of the estimated future cash flows based on the above-mentioned assumptions.

Key Audit Matters	Auditing procedures performed in response to key audit matters
their appropriate recognition in the consolidated financial statements.	We discussed with management the conclusions reached by it following the valuation procedure. In that context we verified that the carrying amounts of concessions in the consolidated financial statements were consistent with the outcome of the impairment test verified as stated above. Finally, we verified the completeness and accuracy of disclosures provided in the notes to the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate ALPERIA SPA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 23 March 2016 and 12 May 2017, the shareholders of ALPERIA SPA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

Management of ALPERIA SPA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure (with reference to the information requested by article 123bis, paragraph 2, letter b) of Legislative Decree 58/1998) of the ALPERIA Group as of 31 December 2020, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the ALPERIA Group as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of ALPERIA SPA as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

Management of ALPERIA SPA is responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that management approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Trento, 20 April 2021

PricewaterhouseCoopers SpA

Alberto Michelotti
(Partner)

ALPERIA GROUP

CONSOLIDATED FINANCIAL STATEMENTS OF THE ALPERIA GROUP AT 31 DECEMBER 2020

Alperia Spa

Share Capital Euro 750,000,000 fully paid up

Via Dodiciville 8, 39100 Bolzano/Bozen

Register of Companies of Bolzano/Bozen / Tax code and VAT registration number 02858310218

Management Board

Chair	Flora Emma **Kröss**
Deputy Chair	Renate **König**
Director and General Manager	Johann **Wohlfarter**
Director and Deputy General Manager	Paolo **Acuti**
Director	Helmuth **Moroder**
Director	Daniela **Vicidomini**

Supervisory Board

Chair	Mauro **Marchi**
Deputy Chair	Wolfram **Sparber**
Member	Paula **Aspmair**
Member	Manfred **Mayr**
Member	Maurizio **Peluso**
Member	Luitgard **Spögler**

Independent Auditors	**PricewaterhouseCoopers Spa**

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Domestic energy data

In 2020, there was an important decline in demand for electricity in Italy compared to the previous year (- 5.3%), mainly caused by the epidemic health emergency resulting from the spread of COVID-19 (better known as Coronavirus).

As is known, on 30 January 2020, the World Health Organization declared this epidemic a public health emergency of international importance.

By resolution of the Council of Ministers of 31 January 2020, a state of emergency was declared in Italy for six months in relation to the health risk associated with the onset of pathologies deriving from Coronavirus.

Over the following weeks and months, various countries, including Italy, and the authorities responsible for managing the emergency, adopted severe measures to contain the spread of the virus with consequent significant and widespread effects of various kinds that inevitably had a negative impact on the economic, production and financial situation, with a consequent depressive effect both on demand and on the value of commodities.

Subsequently, the emergency was extended, for the first time, with a resolution of the Council of Ministers of 29 July 2020 until 15 October 2020 and, a second time, with a resolution of the Council of Ministers of 7 October 2020 until 31 January 2021: in both cases, the extension was motivated "*as a consequence of the health risk associated with the onset of pathologies deriving from transmissible viral agents*".

Regarding the trend in electricity demand in Italy, see the following table.

Energy balance in Italy (GWh)	2020	2019	Change %
Hydroelectric	47,990	47,590	+ 0.8%
Thermal	175,376	187,317	- 6.4%
Geothermal	5,646	5,689	- 0.8%
Wind	18,547	20,034	- 7.4%
Photovoltaic	25,549	23,320	+ 9.6%
Total net production	**273,108**	**283,950**	**- 3.8%**
Import	39,787	43,975	- 9.5%
Export	7,587	5,834	+ 30.0%
Foreign balance	*32,200*	*38,141*	*- 15.6%*
Pumping consumption	(2,557)	(2,469)	+ 3.6%
Electricity demand (GWh)	**302,751**	**319,622**	**- 5.3%**

(Source Terna Spa, Monthly Report on the Electricity System, December 2020)

In 2020, the demand for electricity came to 302.8 TWh, of which 51% was met by production from Non-Renewable Energy Sources, 38% from Renewable Energy Sources and the remainder from the foreign balance.

Net production in 2020 recorded a decrease of 3.8% (-10.8 TWh), falling to 273.1 TWh, mainly caused by the drop in production from thermal sources (-6.4%) and from wind sources (-7.4%); on the other hand, photovoltaic (+ 9.6%) and hydraulic (+ 0.8%) sources increased.

The foreign balance (imports - exports) decreased significantly by 15.6%.

Looking at the energy balance data for each month, it can be seen that the demand for electricity in April 2020 alone fell by 4.2 TWh due to the Coronavirus compared to the same month of the previous year.

As in recent years, July saw the highest demand for electricity in 2020 (28.9 TWh), while the lowest demand was in April (20.0 TWh).

Concerning the trend of the single purchase price of electricity, there was a drastic decrease during the year under review (- 25.6%): the single national price (PUN) went down from an average of approximately Euro 52/MWh to just under Euro 39/MWh.

Single National Price (PUN) – Monthly Average (Euro/MWh)	**2020**	**2019**	**Change %**
January	47.47	67.65	- 29.8%
February	39.30	57.67	- 31.9%
March	31.99	52.88	- 39.5%
April	24.81	53.35	- 53.5%
May	21.79	50.67	- 57.0%
June	28.01	48.58	- 42.3%
July	38.01	52.31	- 27.3%
August	40.32	49.54	- 18.6%
September	48.80	51.18	- 4.7%
October	43.57	52.82	- 17.5%
November	48.75	48.16	+ 1.2%
December	54.04	43.34	+ 24.7%
Annual average	**38.92**	**52.32**	**- 25.6%**

(Source Gestore Mercati Energetici Spa, Statistics)

For the energy markets, the effects of the worldwide spread of the Coronavirus were part of a context already characterised by a series of markedly bearish factors, amplifying their effects and leading to record low prices in the first half of 2020.

The lowest point was reached in April and May, coinciding with the first wave of the Coronavirus; in the last month, the PUN even fell to 21.79 Euro/MWh.

Starting in June, the price partially recovered following the easing of restrictive measures imposed by the health emergency and then fell again in October due to the second wave of the Coronavirus.

In 2020, the PUN reached its lowest level since the launch of the Power Exchange; see, in this regard, the next table.

Single Purchase Price (PUN) – annual average	**(Euro/MWh)**
2004 (April to December)	51.60
2005	58.59
2006	74.75
2007	70.99
2008	86.99
2009	63.72
2010	64.12
2011	72.23
2012	75.48
2013	62.99
2014	52.08
2015	52.31
2016	42.78
2017	53.95
2018	61.31
2019	52.32
2020	38.92

(Source: Gestore Mercati Energetici Spa, Statistics)

However, it should be noted that the PUN is not the actual price at which the Alperia Group sells its production, which instead is affected by a number of factors such as production concentrated in the summer months, timing and - above all - coverage strategies.

As regards natural gas in Italy, consumption in 2020 also decreased compared to 2019 (-4.4%) to 70.7 billion cubic metres; the sectors that recorded the most significant reduction were thermoelectric (24.4 billion cubic metres, -5.7% compared to 2019) and industrial (13.2 billion cubic metres, -6.1%). Consumption in the residential sector also fell (31.0 billion cubic metres, -2.4%).

The significant reduction occurred during the first half of 2020, again as a result of the spread of the COVID-19 pandemic and related containment measures. The return of winter temperatures in line with seasonal averages, together with the gradual economic recovery, allowed gas demand to recover slightly in the latter part of the year.

Exports registered a record negative figure at 2.1 billion cubic metres (-6.8%).

Injections into storage systems also fell, amounting to 10.6 billion cubic metres (-8.2%).

On the supply side, total imports (amounting to 65.9 billion cubic metres) were down 6.9% compared to 2019; flows through gas pipelines (-6%) and LNG regasifiers (-10%) both declined. In November, the new TAP pipeline started operations with an entry point at Melendugno (Lecce).

At 3.9 billion cubic metres, domestic production fell by around 15%.

On the other hand, deliveries from storage increased by 13.6% to 11.5 billion cubic metres.

In terms of prices, the annual natural gas price at PSV fell to an all-time low of Euro 10.55/MWh, giving up around Euro 6/MWh over 2019 (-35%), in line with the dynamics recorded by the main European references.

Sector overview

The Alperia Group is closely monitoring the evolution of provincial, national and EU energy regulations and, in particular, those concerning hydroelectric concessions for large-scale use, to assess any impact on its operations.

In February 2020, the Prime Minister's Office, Department for Regional Affairs and Autonomy, started to examine the progress of the procedure to approve regional and provincial laws, at the regions and Autonomous Provinces, so that the Government could assess the advisability of submitting relative draft laws to the European Commission for review; however, it should be noted that the deadline of 31 March 2020, to regulate by law "... *the methods and procedures for assigning concessions for the large-scale use of water for hydroelectric purposes* ..." only concerns ordinary regions and not the Autonomous Provinces.

With Article 125 bis of Decree Law 18 of 17 March 2020 (the "Cura Italia" [Cure Italy] decree), converted - with amendments - by Law 27 of 24 April 2020, the aforementioned deadline of 31 March 2020 was extended to 31 October 2020 in relation to the health emergency.

As a result of this extension, the deadline, previously set at 31 December 2023, for the completion of procedures to award concessions expiring prior to that date, was in turn extended to 31 July 2024.

These last extensions do not concern regions with a special statute and the Autonomous Provinces of Trento and Bolzano/Bozen; it is hoped that the same extensions will soon be provided for the latter as well.

As regards regional laws, on 5 June 2020, the Council of Ministers challenged the regional law of Lombardy (Law 5 of 8 April 2020), which was the first implementation of provisions in Article 11 quater of Law 12/2019, converting - with amendments - Decree Law 135/2018; the reason given by the Government lies in the fact that some provisions of the aforementioned regional law, concerning the methods and procedures for assigning concessions for the large-scale use of water for hydroelectric purposes would violate the provisions of the Constitution.

After Lombardy, other regions (Piedmont, Friuli Venezia Giulia and Emilia Romagna) and the Autonomous Province of Trento itself (Law 9 of 21 October 2020) legislated on the matter; the Council of Ministers, in the meetings of 19 and 23 December 2020, also decided to challenge the law of the Province of Trento and law of the region of Piedmont respectively.

At the time of drafting this report, however, the Autonomous Province of Bolzano/Bozen had not yet approved the related legislation.

Regarding the devolution of legislative competence for the assignment of concessions for the large-scale use of water for hydroelectric purposes to the Regions and Autonomous Provinces of Trento and Bolzano/Bozen, the Competition and Market Authority (AGCM) intervened, in its opinion of 3 September 2020 sent to Parliament, to the Prime Minister's Office and to the Conference of Regions and two Autonomous Provinces.

After noting that the entire discipline of tender procedures comes under the "*protection of competition attributed to the exclusive legislative competence of the state* ", the AGCM noted that "*it also appears necessary, in application of the principle of loyal institutional collaboration, to standardise, as far as possible and while respecting justified differentiations, respective criteria for access to procedures for assigning concessions, avoiding an unjustified excessive regulatory fragmentation which, in addition to increasing the costs of participating in tenders to the disadvantage of smaller operators, also creates an artificial division of the territory in the production of energy from hydroelectric sources, which is part of the wider national electricity generation market* ".

Reference is also made - in relation to the hydroelectric sector - to the so-called Colao plan (plan containing the proposals of the Committee of experts to relaunch the country after COVID-19), presented in June 2020 and containing "Initiatives for the relaunch": Italy 2020-2022"; this plan suggested "*Suspending the effect of Legislative Decree 135/18 " Simplifications" and bringing Italian legislation into line with that of other European countries (concessions without expiry or renewed without tender)*".

With regard to this last aspect, it should be noted that the start of any tender procedures to assign concessions, without waiting for common guidelines to be defined at European level on these procedures and on other aspects relevant from a competitive point of view (specifically including those relating to the enhancement of concession works at the end of the concession) would risk having highly distorting effects on competition among energy companies and seriously affecting the national interest of States which, like Italy, have already adopted highly pro-competitive legislation.

In fact, significant asymmetries remain between the levels of openness to competition of the hydroelectric market in the various Member States, some of which still have very restrictive regimes, which effectively exclude real competition between companies. This finding is also clearly confirmed by the opening of specific infringement procedures by the European Commission against Austria, Germany, Poland, the United Kingdom and Sweden for having granted new authorizations for the construction and management of hydroelectric plants without using transparent and impartial selection procedures.

Tender procedures should only be launched if and when equality of arms among all European operators has been adequately ensured by the Commission or the European legislator, possibly also by introducing common guidelines or rules, which oblige all Member States to open their hydroelectric markets to the same extent and at the same time and define a minimum body of shared principles on the aspects that have the greatest impact on competition between companies.

The European Commission - replying, on January 13, 2021, to a question on hydroelectric concessions - also declared that it does not require "*national measures aimed at ensuring compliance with EU law in the various Member States to be implemented simultaneously in these Member states. The assessment of a Member State's compliance with EU law is carried out on an individual basis in each infringement procedure.*"

As may be inferred from above, the framework regarding concessions of hydroelectric concessions for large-scale use is still strongly debated and still in progress; the matter is of particular importance, as any regulatory changes will inevitably have effects on the financial situation of current concession holders.

Another particularly important issue for the energy sector was the publication of the Integrated National Energy and Climate Plan (INECP), prepared by the Ministry of the Environment, Land and Sea and the Ministry of Infrastructure and Transport, and published by the Ministry of Economic Development on 21 January 2020.

The INECP was sent to the European Commission, in accordance with Regulation (EU) 2018/1999, thus completing the initiative started in December 2018, in which the Plan was positively reviewed by institutions involved, citizens and all stakeholders.

This Plan sets out the 2030 national targets for energy efficiency, renewable sources and CO2 emission reductions, as well as targets for energy security, interconnections, the single energy market and competition, development and sustainable mobility, and also outlines the measures to be adopted for each target to be achieved.

As known, the document is structured around the five pillars of the Energy Union: (i) decarbonisation, (ii) energy efficiency, (iii) energy security, (iv) development of the internal energy market, (v) research, innovation and competitiveness.

The main objectives of the Plan, in relation to renewables, are:

- by 2020: RES energy production to make up 17% of gross final energy consumption (compared to 20% in the EU) and a share of 10% in transport (same share as in the EU);
- by 2030: RES energy production to make up 30% of gross final energy consumption (compared to 32% in the EU) and a share of 22% in transport (against a forecast of 14% for the EU).

Another important part of the energy sector is represented by the so-called capacity market; as is known, this concerns the remuneration system for the availability of electricity production capacity, approved at the end of June 2019 with a specific decree of the competent Minister for Economic Development.

As is known, the first auctions for the delivery year 2022 and 2023 were held in November 2019, in which Alperia Trading Srl successfully took part, being awarded both existing and new capacity.

With a view to new post-2023 auctions, Italy presented the announced Implementation Plan for the Italian electricity market to the EU Commission - at the end of June 2020, concluding that the capacity market must continue to operate in the coming years to provide the right signals of a long-term price necessary to ensure security of supply.

Given the objective of phasing out coal production by 2025, the government considers it necessary to implement future capacity market auctions. In any case, all the parties involved (the Ministry for Economic Development, ARERA and Terna) are strongly committed to developing the design of the capacity market based on monitoring its effects and the results of the envisaged market reforms, to ensure a better achievement of its goals.

The mechanism obtained a substantial green light from the EU Commission, which in its response to the Italian Implementation Plan limited itself to recommending that the capacity market comply with the provisions of the Regulation on the internal electricity market. The idea of MISE, ARERA and Terna seems to be to confirm the mechanism already adopted for 2022/2023, even if the evident impact of the COVID-19 emergency on electricity consumption appears to call for new assessments on the capacities to auction.

Some appeals filed with the Milan Regional Administrative Court and the EU Court are pending on this matter.

Article 12, paragraph 3 of Decree Law 162 of 30 December 2019, converted – with amendments – by Law 8 of 28 February 2020 on "*Urgent provisions on extending legal terms, the organisation of public administrations, and technological innovation*" is a significant provision; this article has postponed the end of the market affording greater protection in the electricity sector from 1 July 2020 to:

- 1 January 2021, for small enterprises, as per Article 2(7) of Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019;
- 1 January 2022, for domestic customers and microenterprises, as per Article 2(6) of the same Directive.

The above Article also rules that ARERA must adopt provisions to ensure, as from the above dates, a service offering gradual protection for end customers without an electricity supplier, as well as specific measures to prevent unjustified price increases and changes in supply conditions to protect such customers.

ARERA has also been appointed to establish, for microenterprises, the contract capacity commitment as an identifying criterion in addition to the criteria already indicated in the European Directive.

The Minister for Economic Development, after consulting with ARERA and the Antitrust Authority, was appointed to define, in a specific decree, subject to an opinion from competent Parliamentary Commissions, the procedures and criteria for the informed entry of end customers on the market, also considering the need to guarantee competition, and a plurality of suppliers and offers on the free market.

Another important provision concerns Article 42 bis of the aforementioned Decree Law 162/2019, which introduced a new aspect concerning self-consumption from renewable sources.

Specifically, the Article – implementing 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 – allows, in compliance with specific conditions, collective self-consumption to be arranged, i.e. to create renewable energy communities.

In light of this provision, the Minister of Economic Development - by decree of 16 September 2020 - identified the tariff incentivizing the promotion of collective self-consumption and energy communities based on renewable sources, in order to promote the energy transition and ecological system of the country's electricity system, with environmental, economic and social benefits for citizens.

The new regime - which aims to transform the current centralized electricity system, powered by fossil fuels, into a decentralized and efficient system, operating with clean, inexhaustible and non-polluting energies - has determined the incentive equal, respectively, to:

- 100 Euro/MWh for plants included in experimental collective self-consumption configurations;
- 110 Euro/MWh for plants included in renewable energy communities.

The incentive, managed by the GSE, is for a period of 20 years and can be combined with the Superbonus 110% (to which reference is made below) within the limits established by law.

Regarding the latter, reference is made to Decree Law 34 of 19 May 2020 "*Urgent measures in the field of health, support for work and the economy, as well as social policies related to the epidemic emergency caused by COVID-19*" (better known as the Relaunch decree), converted - with amendments - by law 77 of 17 July 2020.

One of the numerous measures envisaged by the decree in question, which took the form of a package worth Euro 55 billion to support Italian businesses and families in the so-called Phase 2 post COVID-19, refers to incentives for energy efficiency, the earthquake bonus, photovoltaics and electric vehicle charging stations (Article 119); these incentives consist of a tax deduction, equal to 110% of the expenses incurred in the period from 1 July 2020 to 31 December 2021, to be divided into five annual instalments.

This considerable tax bonus, combined with the option (Article 121) to have a discount on the amount due paid in advance by the suppliers who carried out the work, or to transfer the tax credit to other parties, including banks and other financial intermediaries, instead of having a direct deduction, represents an extraordinary driving force to relaunch the activities of companies operating in specific sectors (including the two companies of the Alperia Group, Alperia Bartucci and Gruppo Green Power).

The aforementioned deadline of 31 December 2021 was subsequently extended - by Law 178 of 30 December 2020 (the so-called budget law 2021) - to 30 June 2022; for work on condominiums, completed by at least 60% by 30 June 2022, the bonus also applies for expenses incurred up to 31 December 2022. The decree also establishes that a part of the expense incurred in 2022 will have to be divided among those entitled to it in four annual instalments of an equal amount, instead of five instalments.

With Legislative Decree 73 of 14 July 2020, the EU directive 2018/2002 was finally implemented, amending the previous EU directive 2012/27 on energy efficiency.

The numerous provisions introduced, include the obligation for heat distribution companies to install remote reading meters, starting from 25 October 2020; it was also established that, by 1 January 2027, all meters will be equipped with devices for remote reading.

Minimum requirements for billing and consumption information for heating, cooling and domestic hot water were also introduced.

National Recovery and Resilience Plan

On 21 July 2020, the representatives of all 27 EU governments - at the European Council - reached an agreement to establish the "*Next Generation EU*" (NGEU) plan; at the heart of the programme is the so-called "*Recovery and Resilience Facility*" (RRF), which provides for the establishment of a fund of Euro 672.5 billion (divided into Euro 312.5 billion of grants and Euro 360.0 billion of loans) to be used for the recovery of the European economy affected by the epidemic crisis.

Since August, the Interministerial Committee for European Affairs (CIAE) has been coordinating work on the drafting of the '*National Recovery and Resilience Plan*' (NRRP), the submission of which is a prerequisite for access to RRF funds; in a document dated 15 September

2020, the CIAE approved a proposal for guidelines for the drafting of the NRRP, which was submitted to the Italian Parliament for consideration.

It is clear from the content of the Guidelines that the focus of the NRRP will be on actions aimed at ensuring - first and foremost - the green and digital transition of Italy, to which most of the available resources will be allocated. The Guidelines have also identified the criteria for selecting projects to be included in the NRRP: these criteria focus on the feasibility and monitorability of projects, positive impacts on the community and employment, and efficient use of resources.

On 13 and 14 October 2020, Parliament issued a guideline, inviting the Government to draw up the Plan, ensuring the broad involvement of the private sector, local authorities and excellence that the country can offer in all sectors.

The plans must be submitted by the Member States by April 2021, after which the European Commission will have 2 months for the assessment phase, followed by the plans being sent to ECOFIN for final approval, which must take place within 4 weeks.

The RRF resources allocated to Italy are very substantial, estimated at Euro 191.4 billion, divided between Euro 63.8 billion of grants and Euro 127.6 billion of loans.

The total resources provided by the NGEU, taking into account the additional Euro 77.5 billion that will be channelled to the Member States through the EU budget 2021-2027, amount to Euro 750 billion, of which about Euro 209 billion will be provided to our country: the latter amount represents approximately 28% of the total resources allocated. This is very high compared to Italy's share of EU Gross National Income (GNI), which stood at 13.2 per cent in 2018. This testifies, on the one hand, the importance of the NGEU as an initiative to rebalance the Union's economic performance and, on the other, the important result achieved by the government during negotiations and the opportunity available to the country, if the funds are used efficiently and according to a forward-looking strategy.

The NGEU therefore represents a unique opportunity for Italy to relaunch investments and implement important reforms, as part of a plan for recovery and transition towards a more environmentally and socially sustainable economy.

Significant events in 2020

Management of the COVID-19 epidemic emergency

Since 23 February 2020, the Alperia Group has acted promptly to put in place and communicate the necessary measures to ensure the protection of staff health and continuity, with the usual efficiency, of essential services for its operating areas. It has done this in accordance with the provisions and measures issued by the national and provincial public administrations.

An Emergency Board, with the senior managers of the parent company and of various Business Units, as well as the HSE manager, was set up from the outset, meeting daily to discuss the various initiatives to be taken in order to protect the health of staff and interests of the Group.

In addition, the Committee for implementing and monitoring the rules set out in the regulatory protocol for COVID-19 measures of 25 August 2020 was set up, with the participation of the most representative trade unions.

In a context of considerable and increasing concern, the Alperia Group took out insurance cover in mid-March for its staff, to support any critical or difficult situations following discharge from hospital.

Employees who could work remotely and who did not need to be present on company premises started working from home; in a short time, as many as 700 people (including directors) out of some 1,100 employees of the Group, were working from home.

Two Group companies (Edyna Srl and Alperia Greenpower Srl), as well as Alperia Spa, requested the adoption of the Wage Supplementary Fund (Fondo Integrazione Salariale (FIS) for those employees unable to carry out their activities remotely on a regular basis; the application to adopt this measure, which mainly concerned the months of April, May and November, led to these employees being paid the difference between the amount paid by the FIS and their salary.

Between the end of April and the beginning of May, a survey was carried out to assess employees' appreciation of working from home.

Some 550 employees took part; the factors they valued most were: no commuting time between home and work, greater proximity to the family, greater concentration and productivity. The main negative aspect that emerged was the lack of interaction with other colleagues. 55% of the participants were in favour of a mixed format, at the end of the health emergency - spending half their days working from home, and the other half working at the office.

In order to increase knowledge and prevention of the Coronavirus, a mandatory online training course was organised for Group employees in June 2020, followed up by tests on what they had learnt. The course was held in cooperation with Assoimprenditori Alto Adige-Unternehmerverband Südtirol the South Tyrol Business Association promoting corporate culture and safety at work.

Furthermore, with the aim of providing employers of Group companies with feedback and an assessment of the extent to which the prevention and protection measures provided for in the Protocol of 24 April 2020 signed between the Government and social partners (supplementing the previous Protocol of 14 March 2020), adopted by the same companies, had been implemented, a specific audit was voluntarily requested from an independent certification body (IMQ); the audits were conducted in July 2020 and the IMQ expressed a favourable opinion on the issue of certification "*according to the IMQ COVID-19 Restriction scheme*".

As we have seen, the emergency caused by the epidemic has changed the way we work, through remote working and using and consolidating new technologies. Technological innovation has provided new answers to the need to simplify and dematerialise work processes, and has offered the chance to guide changes in remote working - from being an "experiment" to a new way of flexible working - capable of empowering the autonomy and potential of each person, whilst safeguarding social and environmental sustainability.

As regards this last aspect, a trade union agreement was signed on 21 December 2020 between Alperia Group companies and trade unions, concerning smart and remote working, based partly on experience gained and partly on the outcome of the aforementioned employee survey.

Access to remote working will be on a voluntary basis, with individual written agreements signed between the companies concerned and employees pursuant to Article 19 of Law 81/2017. These agreements will normally be for an indefinite period, with each party having the right to terminate the agreement with 30 days' notice (90 days' notice for personnel employed under Law 68/1999).

Individual agreements may enable employees to work for up to a maximum of 8 working days a month off the premises of the companies concerned; this limit will be extended to a maximum of 12 working days a month in the following cases:

- if the employee lives at least 25 km from the place of work;
- if the employee has at least one child under 14 years of age and proves that the other parent is unable to care for him/her;

- if the employee takes leave for him/herself or for a family member under Law 104/1992.

As a further measure supporting the work/life balance, the number of days employees may work remotely will be increased in certain circumstances, service needs permitting.

The start of the agreement has been postponed to the first day of the month following the end of the health emergency as provided for by government measures. The first year of the agreement is experimental, in order to assess - in a "non-emergency" period - the adoption of this organisational approach to remote working, and to make any additions/changes if the need arises.

As far as relations with the territory are concerned, the Alperia Group promptly took action by planning various initiatives to support end customers: South Tyrolean companies were granted a three-month moratorium on the payment of electricity and gas bills issued in March/April/May, while domestic customers on the free market who were unemployed or temporarily laid off in the period from March to May were given a two-month electricity rebate.

The Alperia Group also donated a total of Euro 1 million to a number of associations involved in the management of the aforesaid emergency.

New business plan 2020-2024

On 26 and 27 November 2020, respectively, the Management Board and the Supervisory Board of Alperia Spa approved *One Vision 2020-2024*, the new strategic plan that will take the Group to 2024, combining sustainability objectives with significant growth in all Business Units.

2020 was a landmark time of change, leading the world to step up on issues of sustainability, multi-channel and customer-centricity, themes that will be the basis of the Alperia Group's strategy for the coming years. In particular, the issue of energy transition, that can no longer be put off - requires all operators to rethink their strategy by focusing on sustainability and customers. The next few years will be crucial to reviewing many energy consumption habits, also by leveraging the significant resources that the European Commission and the national government intend to allocate for this purpose. Alperia's role in this energy transition is represented, above all, by the investments of the Smart Region BU, which the Group intends to use to create over 120 MW of new renewable power in more than 5 thousand installations, for an overall saving of 228 kton of CO_2 avoided, thanks also to energy refurbishment works.

In summary, *One Vision 2020-2024* includes:

- Euro 1.7 billion of total investments with considerable attention paid to the economic, social and territorial impacts;
- growth in EBITDA to over Euro 300 million in 2024;
- a growth focus on energy transition and customers with investments of more than Euro 500 million in the energy refurbishment of buildings;
- 80% of investments directed towards at least 10 of the UN sustainability goals (UN SDGs);
- investments also in the Group's traditional sectors: hydroelectric generation, distribution and district heating, which together will absorb around Euro 700 million;
- a budget with net debt/EBITDA guidance of no more than 2.5x throughout the plan and 2x at the end of 2024;
- the Group will be Carbon Neutral by 2024, making a significant contribution to the objectives of the South Tyrol 2050 Climate-Energy Plan;
- talent management and generational turnover to accompany growth and develop internal resources;

- the continued strong drive towards digitisation throughout the Group;
- attention to local aggregation initiatives, for the development of strategic partnerships;
- the upward trend in dividends was confirmed.

For individual BUs, the following priorities and growth initiatives are planned, in more detail:

Energy production

- task force for the renewal of the 8 large-scale concessions expiring at the end of 2023;
- investments for the refurbishment of the Lasa/Laas and S. Pancrazio/St. Pankraz pressure pipelines;
- full refurbishment of the Cardano/Kardaun, Bressanone/Brixen, Lasa/Laas and Lana power plants;
- confirmation of the Capacity Market also for 2024;
- growth for new hydroelectric power plants following upcoming new tenders for large-scale concession;
- total investments of Euro 310 million.

Commercial and Trading

- important growth of the customer base for both organic growth and growth through acquisitions;
- development of an omnichannel network by continuing territorial consolidation;
- the new Full Digital initiative with challenging new customer acquisition targets;
- development of the Asset Management portfolio for non-owned plants;
- development of additional trading and Demand Response services;

- investments of over Euro 290 million.

Networks

- installation of over 260 thousand new generation meters of which 20 thousand meters for other local distributors;
- continuous investments to ensure network resilience and increase the quality and continuity of the electrical service;
- consolidation and integration of the Bolzano/Bozen and Merano/Meran network;
- construction of new important primary plants and new medium voltage network backbones;
- growth in gas networks;
- growth in services to other network operators in the territory;
- investments of over Euro 360 million.

Heat and Services

- continued development of district heating in Bolzano/Bozen;
- improvement of Merano/Meran's energy mix;
- construction of 3 new cogeneration plants in Bolzano/Bozen;
- consolidation of other district heating plant operators;
- construction of a cooling plant in Bolzano/Bozen;
- investments of around Euro 85 million.

Smart Region

- efficiency of buildings (including through thermal cladding);
- development of domestic photovoltaics;

- innovative energy efficiency solutions based on algorithms, data analysis and artificial intelligence;
- continued development of Smart Health, Smart Land and Smart City solutions;
- development of energy efficiency and facility management solutions also for public administration and health, including through strategic partnerships;
- continued development of sustainable mobility (electric and hydrogen) both for the infrastructure of the territory and for the development of innovative commercial solutions;
- total investments of over Euro 700 million (of which about 500 million for the Superbonus 110%).

Corporate reorganisation

During 2020, work continued on the disposal - as envisaged in the Group's industrial plan - of certain investments deemed non-strategic, as well as the acquisition of other corporate investments.

Before highlighting the main transactions carried out, it should be noted that on 22 October 2020 the Management Board of Alperia Spa (with a positive opinion from the Supervisory Board on 9 November 2020) approved the M&A Management Policy; this Policy sets out provisions for the Group, to ensure the transparency, formal and substantive fairness and objectivity of mergers and acquisitions. The Policy is also designed to ensure, on the one hand, an adequate and timely flow of information to the Boards on the Group's mergers and acquisitions, and, on the other hand, clear visibility of (i) the information required by the Boards and (ii) the timing of the approval of transactions, in accordance with management requirements and market standards.

Having made this brief but necessary introduction, it should be noted that on 14 May 2020, Alperia Greenpower Srl signed a binding agreement subject to conditions precedent for the sale - to the then minority shareholder Fintel Energia Group Spa - of its 60% stake in the share capital of Selsolar Monte San Giusto Srl; some provisions of this agreement were subsequently amended, signing an amending agreement on 9 November 2020.

The transaction was closed the following day, on 10 November 2020, against the payment of Euro 1.7 million, including the transfer of the shareholders' loan by Alperia Greenpower Srl; it is envisaged that this last component will be paid in five instalments falling due on 31 December 2020/2024.

On 10 June 2020, Alperia Greenpower Srl sold its 80% stake in the share capital of Selsolar Rimini Srl to a third company for an amount of approximately Euro 3.55 million; on the same date, Alperia Spa transferred to the purchaser of the investment the shareholders' loan granted to Selsolar Rimini for the residual amount of Euro 8.3 million.

As regards Ottana Solar Power, the extraordinary shareholders' meeting of this company resolved - on 30 June 2020 - to transform the company from a joint stock company into a limited liability company by adopting new Articles of association.

With regard to the latter company, Alperia Greenpower Srl signed a preliminary purchase and sale agreement with a third party company on 31 December 2020, for the sale of its 100% stake in the share capital of the company in question; the agreement, which is subject to several conditions precedent, also provides for the sale of the existing shareholders' loan to Alperia Greenpower Srl.

The transaction is expected to be completed in the first half of 2021.

With regard to PVB Power Bulgaria, on 9 December 2020, Alperia Spa, Dolomiti Energia Holding Spa and Finest Spa signed a binding agreement with a major French energy group operating in Bulgaria for the sale of the shares they held (57.92% in total) in the company's share capital; the latter company owns five hydroelectric plants in Bulgaria on the river Iskar through its subsidiary Vez Svoghe.

The sale, which took place in early March 2021, also involved the fourth shareholder holding the remaining 42.08% of PVB Power Bulgaria's share capital.

The valuation of 100% of the shares was based on an enterprise value of approximately Euro 48 million.

Finally, as regards Biopower Sardegna Srl, the Alperia Group decided - after careful evaluation - to no longer sell this wholly-owned company, but instead to verify the technical/economic conditions for possibly continuing the activity even beyond April 2024 (expiry date of the current incentives), following the conversion/replacement of the engines with the use of other fuel (from palm oil to gas).

As regards the acquisition of other shareholdings, see below.

Alperia Fiber Srl was involved - during the year under review - in two extraordinary operations that are part of the wider project of the reorganisation of the Smart Region BU.

The first concerned the sale to Infranet Spa - on 17 April 2020 - of the business unit for the management of FTTH fibre optic telecommunications infrastructure in the municipalities of Sesto/Sexten, Chiusa/Klausen and Tirolo/Tirol. This unit includes, in particular, passive infrastructure (underground cables, hollow tubes, ODF cabinets, etc.) and related technological installations and systems. The price agreed between the parties, which will be paid by the purchaser over several years, is approximately Euro 9.35 million.

In the same agreement, Alperia Fiber undertook to sign a contract to provide some services to Infranet for the management of the data transport system.

The second transaction - which took place on 25 June 2020 - was for the sale to the parent company, of the "Telecommunications" business unit, including the operation of the IoT network based on LoRa technology and the management of wholesale services; this sale, which also included seven employees, took effect on 1 July 2020.

The final consideration for the sale established by the parties in a specific agreement signed on 30 October 2020, determined on the basis of the half-yearly financial statements of Alperia Fiber, was equal to approximately Euro 127,000.

As regards the aforementioned transaction with Infranet Spa, a business unit was also sold to this company by Alperia Smart Services Srl on 17 April 2020. The sale relates to the group of assets organised for the start-up, development and sale of telecommunications services relating, in particular, to wholesale, lamda and carrier ethernet services: the line of business comprises - among other things - specialised billing software and contracts for the sale of telecommunications services to Internet Service Provider customers. The price agreed between the parties is approximately Euro 70,000.

Acquisition of Hydrodata and establishment of Alperia Innoveering

On 8 October 2020, Intecno Spa sold 50.51% of the shares of Hydrodata Spa to Alperia Spa. Hydrodata Spa is a leading technical consulting company in Italy and has always been involved in the development and provision of engineering, and technical/economic consulting services and applied research in the field of water management. The acquisition, which involved an outlay of Euro 2.2 million, is part of initiatives to support the achievement of the important objectives set out in the Group's 2020-2024 strategic plan.

Hydrodata, founded in Turin in 1976, in its more than 40 years of history has acquired a position of recognised leadership in the Italian market of engineering services associated with water resources, with numerous experience also in the international arena. Hydrodata's value lies not only in its consolidated network of relationships on a national scale, but also in the competence and productive capacity of its team of professionals (most of whom are also shareholders in the company), made up of specialists who have managed and developed, over the years, over 3,500 projects in support of organisations, utilities and private individuals mainly involved in water management.

With this acquisition of considerable strategic value, Alperia wanted to consolidate its internal structure and know-how in the field of technical services, with numerous possibilities for synergies and working together with Hydrodata, both in the development of its hydroelectric assets in South Tyrol, and in the start of a new innovation and research project focused on water.

The partnership with Hydrodata will allow Alperia to participate in future tenders for the reallocation of its hydroelectric concessions in South Tyrol with the support of a team of professionals with considerable experience and expertise, capable of developing advanced and innovative design solutions both from a technical and environmental sustainability perspective, with undoubted benefits for the entire province.

Under the agreements, an innovation and research laboratory will also be set up in Bolzano/Bozen, for the development of projects relating specifically to water resources, to be implemented also through cooperation at provincial level. The aim of this project is to put in place the activities started some time ago by Alperia within the Smart Region project, with a new R&D initiative targeting the development of innovative Water 4.0 projects, with direct applications both in the hydropower sector and in the more general water sector, with a particular focus on issues of interest to businesses and institutions in South Tyrol.

In addition to the projects in partnership with Alperia, Hydrodata will continue to operate independently on the national and international market, supporting organisations and operators in the sector.

A new company was then established on 19 November 2020: Alperia Innoveering Srl, a joint venture set up by Alperia and Hydrodata with a shareholding of 1% and 99% respectively. The task of the newly founded company is to provide technical consultancy and design services for Alperia Group companies; in addition to the operational headquarters in Turin, an office in Bolzano/Bozen is also planned.

Gruppo Green Power

On 3 July 2020, the Management Board of the parent company resolved to make a public purchase offer on a voluntary basis for all ordinary shares of Gruppo Green Power Spa (hereinafter GGP), a company with shares traded on the AIM Italia multilateral system organised and managed by Borsa Italiana Spa.

The purpose of the offer was to obtain the delisting of GGP's shares from the AIM. "*Delisting*").

This decision was the result of strategic and forward-looking assessments of GGP development plans. Alperia believed that in the long term, development objectives could be more easily and effectively pursued with a narrow shareholder base, rather than with a broad shareholder base, and in a context, such as that resulting from the loss of listed company status, characterised by lower costs and greater managerial and organisational flexibility.

The offer concerned all the outstanding ordinary shares net of those already owned by Alperia, equal to 13.47% of GGP's share capital.

Alperia committed to pay Euro 4.60 for each share purchased. The official price of GGP shares recorded on 1 July 2020 (the last trading day prior to the announcement of the offer on which GGP shares were traded) was Euro 4.49. The offer price therefore incorporated a premium of approximately 2.45% over this price.

The offer acceptance period commenced on 6 July 2020 and ended on 31 July 2020 (inclusive); as a result of the offer, Alperia's total investment in the share capital of GGP increased from 86.53% to 93.19%.

In light of the final results of the offer, the legal conditions to meet the purchase obligation pursuant to Article 108, paragraph 2, of the TUF (Consolidated Law on Finance) were met, which Alperia declared it would resort to in relation to the remaining shares equal to 6.81% of the share capital of GGP.

In this case as well, Alperia committed to pay Euro 4.60 for each share purchased.

The period when Alperia fulfilled the aforementioned purchase obligation began on 31 August 2020 and ended on 25 September 2020 (inclusive); as a result of this procedure, Alperia came to hold a total shareholding of 96.212% of GGP's share capital.

As Alperia's total shareholding in GGP's share capital exceeded 95% at the end of this procedure, the conditions for the exercise of the purchase right pursuant to Article 111 of the TUF and the fulfilment of the purchase obligation pursuant to Article 108, paragraph 1, of the TUF were met with reference to the outstanding ordinary shares of GGP not yet owned by Alperia representing 3.788% of the share capital.

Through a joint procedure, Alperia therefore exercised the aforementioned purchase right and simultaneously fulfilled the aforementioned purchase obligation; the consideration per share was always Euro 4.60.

The joint procedure was completed with the transfer of ownership of all remaining shares to Alperia.

On 29 September 2020, Borsa Italiana ordered the delisting of GGP's shares from the AIM Italia market, with effect from 5 October 2020, suspending the shares from trading for the sessions of 1 and 2 October 2020.

During the year under review, Alperia carried out some operations aimed at pursuing a greater efficiency of GGP, starting a process of simplification and rationalisation.

Firstly, on 29 May 2020, GGP acquired 49.9% of the share capital of Green Energy Group Srl (which already held the remaining 50.1%).

The complex process of merging Green Energy Group Srl and Unix Group Srl into GGP was then started; firstly, at an extraordinary shareholders' meeting held on 27 October 2020, the latter was converted from a public limited company into a limited liability company by adopting new Articles of association; subsequently, the shareholders' meetings of the companies involved, held on 12 November 2020, approved the planned merger and on 23 December 2020, the merger deed was signed by the chosen notary. The legal effects of the operation commenced on 1 January 2021.

Finally, on 12 August 2020 a framework agreement was signed by Alperia Spa, GGP Holding Srl, TRE-BI Srl and Green Power Energy Spa, under which the parties - taking into account the mutual disputes as well as the negative economic situation and the effects that the health emergency resulting from COVID-19 had had on GGP's business, as well as the above-mentioned extraordinary transactions for the rationalization and simplification of the group - (i) amended certain terms and conditions of the agreement signed in 2019 for the sale of the investment equal to 71.88% of the share capital of GGP and (ii) defined an agreement for the full settlement of their mutual claims.

According to the provisions of this agreement, on 24 September 2020, Alperia Smart Services Srl, as buyer, and Green Power Energy Spa, as seller, signed the deed to purchase the business unit consisting of all the assets, liabilities, contracts and legal relations, both active and passive, relating to the management of the sale of electricity and gas to 3,352 customers; the consideration agreed for the sale amounted to approximately Euro 147,000.

MuVen Project

As is known, this project concerns the establishment of the multi-utility company in Veneto, which originally planned for (i) the merger between AGSM Spa of Verona and AIM Spa of Vicenza and (ii) the search for an industrial partner to be included in the corporate structure of MuVen that would ensure, with its contribution, the growth and future development of the latter.

In view of the news that appeared in the press as early as 2019 about possible extraordinary transactions under consideration by AGSM and AIM, the parent company - at the end of September 2019 - had sent to the latter, as well as to respective public members, an expression of interest, through which Alperia had applied as the industrial partner of the entity resulting from the merger.

Subsequently, having received no response to the above event and in the light of press reports about the signing of a term sheet between AGSM, AIM and A2A Spa containing, among other things, an exclusive rights period valid until the end of June 2020 to examine the operation, Alperia requested - in January 2020 - a response from AGSM and AIM, with the intention of further reviewing and discussing in more detail the expression of interest shown.

However, in the same month, AGSM and AIM replied to Alperia, stating that the expression of interest received was inconsistent with the strategic and industrial choices, as well as with the strategic development and market positioning objectives of the new entity resulting from the merger of AGSM and AIM, and with the pursuit of the objectives and governance choices of these companies.

On 19 May 2020, Alperia then received a letter of procedure sent by the two financial advisors jointly appointed by AGSM and AIM, referring to a market survey aimed at verifying the non-fungibility of the offer already submitted by A2A and, possibly, identifying the industrial partner of the multi-utility resulting from the merger between AGSM and AIM.

Specifically, Alperia was invited to submit to the latter, as well as to the relevant financial advisors, by12 June 2020 (subsequently postponed to19 June 2020) a non-binding offer for the creation of a strategic partnership through a transaction providing, among others, for the contribution of assets that could significantly strengthen the position of the company resulting from the transaction.

In full compliance with the confidentiality obligations imposed on it and notwithstanding the considerable doubts as to both the nature and purpose of the procedure initiated by AGSM and

AIM and the short deadline for submitting the non-binding offer, Alperia therefore contacted Dolomiti Energia Holding Spa - which also received the abovementioned letter of procedure - in order to ascertain its interest in a possible joint participation in the market survey. Alperia and Dolomiti Energia Holding then started discussions on the matter, at the end of which they came to the decision to participate jointly in the above-mentioned market survey and, possibly, in the transaction.

On 19 June 2020, Alperia and Dolomiti Energia Holding, assisted by external consultants appointed for this purpose, sent their non-binding offer with two different proposals, reserving any right and/or interest to protect, as well as any action to take, also with reference to the content of the letter of invitation, to the procedures for carrying out the market survey as well as any event preliminary to and/or preceding the carrying out of the same procedure.

On 2 July 2020, Alperia and Dolomiti Energia Holding Srl received a letter sent by the two financial advisors jointly appointed by AGSM and AIM, informing them of the extension of the market survey activity aimed at verifying the non-fungibility of the offer already submitted by A2A and, possibly, identifying the aforementioned partner.

Specifically, Alperia and Dolomiti Energia Holding Srl were invited to submit a revised non-binding offer by 27 July 2020, containing an in-depth analysis of the previous offer sent in the light of the expected discussions with AGSM and AIM, through their financial advisors, and of the possibility of conducting due diligence on the same companies.

In response to this invitation, Alperia and Dolomiti Energia Holding sent the revised non-binding offer on 27 July 2020, confirming their interest in the transaction under the same terms, conditions and reservations contained in the offer sent on June 19, 2020.

Subsequently, in the light of the offers received, the assumed non-fungibility of A2A's offer was ruled out, and the process to select the various candidates was stopped. At the time of writing, this situation had not changed.

While the process of identifying a potential industrial partner came to a standstill, the process of the merger between AGSM and AIM continued and the company "AGSM AIM Spa" became operational on 1 January 2021.

Research, development and innovation

As is known, the Alperia Group has a strong focus on the development of innovative products and services to offer to customers, in order to transition from a commodity-based model to a service-based model.

During the year under review, the Innovation Board continued to monitor innovation projects and organised dissemination events, also involving external expert speakers on relevant topics (Blockchain, Circular Economy, Behavioural Efficiency, Lessons learned from other companies), with the aim of strengthening a culture of collaboration and innovation.

In the first two months of 2020, with the assistance of an external consulting firm, a project was developed to define the business strategy and model for developing and launching "Smart City" services, and the model and process for developing standard innovative products, that can be replicated on a broad scale, identifying the necessary alignments for the Group in organisational terms (processes and structures) and supporting tools.

A new decision-making committee was set up to screen and approve innovative projects for development, with the entire process being coordinated by the Innovation Board Core Team;

this team works with a number of experts selected from various Group companies for the necessary support in evaluating individual projects.

In addition - as you may recall - after the success of the first edition, the second edition of "Alperia Startup Factory" was launched - in October 2019 - with an even larger number of applicants getting involved.

After a selection procedure of several stages, candidates with the most interesting projects were invited to South Tyrol to take part in a two-day workshop at the "Innovation Camp"; in a second stage - between February and June 2020 - the finalists worked on the actual development of the prototype and conducted market tests in view of the possible marketing of their product. The four winners were given the chance to work with Alperia to implement the projects.

The third edition of the 'Alperia Startup Factory' competition started on 28 September 2020; the great novelty of this latest edition was that the Alperia Group's employees were also able to present their projects.

The new competition revolves around the following themes: District Heating 4.0, Innovative Energy Products (Italian market), Hydropower efficiency, safety and sustainability, Smart region solutions (Smart agriculture and Smart home for emergency), Flexible energy storage, IoT and AI for energy efficiency.

In December 2020, during the Innovation Camp, the five finalist projects were identified, of which two were presented by Alperia teams that will participate in the final selections in May 2021. The teams have the opportunity to develop their work between February and May 2021 and the winners will have the chance to start working with Alperia to implement their projects for the benefit of customers and companies alike.

As in the past, Alperia organised this third edition in association with the University of Bolzano/Bozen and WhatAVenture, a young company that supports businesses in developing innovative projects.

In the R&D field, Alperia, in association with the University of Bolzano/Bozen, was awarded at the beginning of December 2020 for a proposal in "Fusion Grant", an initiative created by the Fondazione Cassa di Risparmio di Bolzano in partnership with NOI Techpark together with the South Tyrol Business Association, Südtiroler Wirtschaftsring-Economia Alto Adige and the South Tyrol Industry Association, Rete Economia Alto Adige-Wirtschaftsnetz.

The aim of this initiative is to support researchers under 40 who are engaged in scientific research projects in South Tyrol to promote development and innovation in the local economy.

Alperia's project aimed to identify new methods to better understand the effects of sediment transport on fauna, using innovative CFD (Computational Fluid Dynamics) simulation software, a simulation technique that - with the help of mathematical formulas - simulates fluid flow and heat transfer.

With this project Alperia wanted to reaffirm its focus on sustainability issues, as reflected by its commitment to solving environmental problems in the areas where it operates.

Alperia Bartucci is also strongly committed to a continuous process of optimisation, innovation and development of products and processes with the primary objective of achieving ever better results from a technical and technological point of view to reduce greenhouse gas emissions.

As regards these research and development activities, the company channelled significant investments into various projects, also in 2020, allowing it to make significant changes and improvements to lines, production techniques and products.

European Storage4Grid and Sinfonia projects

Still in the R&D field, 2020 saw the conclusion of two major European research projects, funded by the European Commission under the FP7 and Horizon2020 Framework Programmes for Research and Innovation: the Storage4Grid project (December 2016 - February 2020) and the Sinfonia project (June 2014 - July 2020).

The Storage4Grid project, on which Edyna, Neogy and Alperia worked, addressed the problems of electricity grid stability and reliability, caused by the increasing amount of renewable energy, the growing peak energy demand and, in the future, the massive penetration of electric mobility.

During its more than three years of activity, the project developed concrete solutions to avoid or reduce the need to reinforce the electricity grid, inspired by the idea of distributing energy storage systems (batteries) between end customers and the low-to-medium voltage grid, and coordinating their use even in the presence of electric vehicles.

The solutions developed by Storage4Grid included a new ICT decision support framework for service planning and optimisation, predictive control algorithms for real-time optimisation and innovative energy metering and routing systems.

The Sinfonia research project, which involved the partners Alperia, Alperia Ecoplus, Eurac, the Municipality of Bolzano/Bozen, IPES and the Energy Agency CasaClima-KlimaHouse over the last six years in Bolzano/Bozen, was set up with the aim of changing the face of Bolzano/Bozen in terms of energy efficiency and contributing to the transition towards a more sustainable and smart system by concretely lowering CO2 emissions.

In this process, district heating played a key role in a phase of considerable expansion of the network supplied by the Bolzano/Bozen waste-to-energy plant.

Participation in this project enabled the development of intelligent software to better manage the expanded network. The project revolved around an innovative control system based on additional measuring points along the pipes and a more efficient hydraulic and energy model of the network. This system allows real-time monitoring of heat production and distribution, predicting peak loads and optimising the operating temperature of the network.

Using this advanced control system, Bolzano/Bozen's district heating can operate at maximum distribution efficiency, reducing energy losses throughout the network by up to 5%.

The network's expansion has enabled the Alperia Group to bring the benefits of district heating to two residential complexes that have undergone energy efficient renovation thanks to Sinfonia European funds; these two complexes are located in Via Similaun and Via Palermo in the Don Bosco district of Bolzano/Bozen, and are owned by IPES.

IDEE Project

At the end of April 2020, the IDEE project "Data Integration for Energy Efficiency" was presented.

The project, presented to representatives of the city of Merano/Meran (pilot municipality) by the three partners who developed it (Alperia, R3GIS and the Faculty of Computer Science of the University of Bolzano/Bozen), aims to develop an innovative digital tool capable of giving concrete support to public administrations in defining energy efficiency strategies and in pursuing environmental objectives, such as a reduction in energy consumption and greenhouse gas emissions.

Using innovative information technologies, the system will collect and integrate information, including data on electricity, gas and district heating consumption, from various databases in a structured way and make it easily accessible. This will enable local authorities to identify, for example, particularly energy-consuming areas. So they may plan targeted actions or identify the most suitable buildings for the installation of photovoltaic systems. In addition, the system will be able to process the information by providing maps and charts, and compare data on a time line, which is particularly important for monitoring the results of actions taken.

The project, financed by the Autonomous Province of Bolzano/Bozen within the framework of the European Regional Development Fund (ERDF), will go live in 2022.

Energy Communities

As is known, two years ago Alperia and Regalgrid Europe, a leading company in the digital energy sector, set up one of the first Italian Energy Communities at the NOI Techpark in Bolzano/Bozen.

During 2020, confirmation came from a major independent research organisation, Eurac Research: the efficiency of the Energy Community formed by Alperia and Regalgrid had exceeded expectations.

This first South Tyrolean "community" was made up of seven "consumers" and "prosumers" (customers who not only consume energy, but also produce it) and connected the photovoltaic system on the roof of the building with the consumers inside, who were equipped with inverters and energy storage systems (batteries). The innovative technology used, patented by Regalgrid, is based on special devices, which - in addition to connecting the entire system by transmitting energy data - are also able to activate the energy production and storage systems. Through an algorithm developed by Regalgrid, the system analyses consumption profiles, "self-adjusting" and optimising energy flows to make the best use of available energy. Thanks to a digital platform, customers can monitor and manage the energy produced and consumed in real time, both at individual customer and community level. The aim is to use as much self-generated energy as possible within the community.

The first results of the study showed that the self-consumption of energy within the Alperia and Regalgrid community is twice as high as in a situation where energy is not shared; this result is even more surprising when compared to the current state of the art of energy communities: energy sharing at the NOI Techpark has a 20% higher self-consumption of energy than reference figures for the sector reported in the literature.

These results are highly encouraging for the Alperia Group, which relies on cutting-edge technology with the aim of offering customers the best possible service and at the same time making the best use of energy resources for greater environmental sustainability. The project reflects the Group's efforts to revolutionise the energy sector so that it becomes increasingly smart, digital and efficient.

Restructuring of the digital - IT area and the digital transformation process

Alperia Spa's new Technology Department has been operative since 10 February 2020. The Department brings together the technological expertise of Alperia and its Information Technology, Digitalisation and Teleconduction & Telecommunication functions.

The reasons behind this reorganisation are due, basically, to:

- new applications: the introduction of new applications making it necessary to identify the people in charge of managing the systems that are released;
- new infrastructures: with the transition to the cloud, interaction with the outside world has increased, and thus also the need to manage cyber security;
- new business models: the recent acquisitions of controlling interests in some companies has called for the development of new skills and integration with Alperia's systems.

In the light of the results of the project aimed at drawing up the organisation chart of the new Department and the detailed processes, the newly created Technology Department was reorganised on 15 May 2020, with the redistribution of certain activities and resources as well as the creation and renaming of certain organisational areas; the Department was given the new name of the Digital & Technology Department.

As part of the Digital Transformation programme, the SAP ERP Edyna, CRM Sales & Services sites and Customer Interaction Channels were successfully released between July and August 2020, with positive results in terms of internal user and customer engagement.

The new ERP was subsequently extended to the entire Group at the beginning of January 2021, with the aim of ensuring an improved ease of use and quicker execution.

The first release of the CRM site covered priority sales processes related to commodity products, supporting the business through a greater level of automation and new functionalities.

Regarding the Customer Interaction Channels, the new contract portal was redesigned and implemented and the digital channel was integrated with the new CRM.

Following these releases, analysis was carried out to further review the business requirements and priorities for the next phases of the programme; these activities provided new evidence indicating that the plan should be redefined to better meet business needs in terms of content and timing of future releases.

In this context, it should be noted that the new SAP IS-U billing system will be released in the second quarter of 2021 and the implementation of CRM for all channels and processes will be completed.

Along with Digital Transformation, activities for the integration of the New Businesses were planned.

The new Data Protection & Security Department was set up within Alperia Spa, on 10 February, with the aim of having an organisational structure that is independent of the operational departments and responsible for defining internal directives on corporate data protection and IT security for Group companies. In addition to overseeing its own area of responsibility, the Data Protection & Security Director also acts as Data Protection Officer (DPO) for Group companies where this position is required.

Talent management project and the leadership programme

After launching the first talent development programme in 2019, which materialised during 2020 and contained three modules on general topics (the role of women, Budget, Sales & Marketing), while two more modules will be organised in February and March 2021 (Management & Leadership and Strategy), the second edition of the Talent management project started on 1 July 2020; the aim is to select highly motivated employees with promising potential and train them appropriately, showing them development prospects and empowering them to use their talents in the right place.

By the end of December 2020, the candidates had been assessed and selected - together with a consulting company specialising in this area - and by February/March 2021, they were given appropriate feedback. Their development programme was then planned, from March 2021.

For the so-called 'pillars' of the Group, individual development measures will instead be maintained and developed.

As regards the leadership programme, which involved all the Group's managers and key positions in a number of workshops organised between November 2019 and May 2020 (which were stopped due to bad weather in November 2019 and the Coronavirus in spring 2020), a working group was set up in July 2020, consisting of one representative from each workshop, tasked with producing concrete proposals, based on the results of these workshops. A large virtual workshop was held on 11 November 2020, attended by all the Group's managers, to communicate the results of the workshops and the first implementing measures arising from them.

Succession plans

In 2020, a succession plan was drawn up for the Group companies, with the aim of systematically planning the exit of the Group's key positions, identifying - for the individual functions - the competencies required as well as the criticalities in terms of timing (based on the age of the function owner), the impact of the position on the company's business as well as the difficulty of finding a replacement on the external or internal labour market. Besides identifying this information, back-up was also included in these plans - for key positions - that can replace the function in case of unplanned absences. These succession plans, which need to be regularly updated, are also a useful tool for setting out growth plans for both eligible employees and talent with particular potential.

Accidents at work, certifications

The number of accidents in 2020 remained stable compared to the previous year (14 accidents in 2020).

The Alperia Group maintains a high level of attention and involvement in occupational health and safety issues; in fact, during the year in question, extraordinary initiatives were undertaken for the COVID-19 emergency to provide greater protection for workers in addition to measures provided for by law.

As regards certification, several Group companies renewed three-year certification during 2020 referred to ISO 9001, 14001, 45001 and EMAS, and the companies Alperia Bartucci Spa, Alperia Fiber Srl and Neogy Srl completed the process to be certified to all ISO 9001, 14001 and 45001 schemes.

As already stated, a specific audit was voluntarily requested from an independent certification body (IMQ), with the aim of providing employers of Group companies with feedback and an assessment of the extent to which the prevention and protection measures against the Coronavirus, provided for in the Protocol of 24 April 2020 signed between the Government and social partners (supplementing the previous Protocol of 14 March 2020), adopted by the same companies, had been implemented. The audits were conducted in July 2020 and the IMQ expressed a favourable opinion on the issue of certification "*according to the IMQ COVID-19 Restriction scheme*".

Lastly, at the beginning of October 2020, Alperia Spa underwent its annual surveillance audit for ISO/IEC 27001:2013 certification, conducted by IMQ/CSQ, which expressed a positive opinion on the system implemented, thus confirming the certification for management conforming to the standard for Information Technology and Teleconduction & Telecommunication of Alperia for the year 2020/2021.

Cardano/Kardaun power station modernisation

In January 2020, Alperia Greenpower Srl started work on the partial refurbishment of the Cardano/Kardaun hydroelectric power plant.

The plant, which went into operation in 1929, had not undergone any major renovation work during its long service. It was therefore necessary to install more efficient machinery in order to guarantee a significant production of renewable energy also in the future, with a higher degree of reliability, better environmental compatibility and lower operating and maintenance costs.

The activities were planned and are being supervised by the Engineering & Consulting department of Alperia Spa and entail the complete replacement of four turbine units as well as all command and control equipment and auxiliary systems; on the fifth unit, for which a "standby" service is planned (a spare machine, to be brought into service when needed), extraordinary maintenance will be carried out. New power transformers have already been installed.

With an investment of almost EUR 30 million, an increase in production of around 5% is expected.

The plant in question, with its 620 GWh of average annual production, makes an important contribution to the Alperia Group's hydroelectric production. For this reason, energy production will not stop during the construction period, thanks to careful seasonal management of the unavailability of the replacement units.

The main activities are scheduled to be completed by 2022.

Installation of new second-generation electricity meters

With Resolution no. 259/2020/R/eel of 7 July 2020, ARERA approved the commissioning plan for the 2G smart metering system of Edyna Srl in 2019, subsequently updated on 14 April 2020.

In the same resolution, ARERA set the start-up date for the Edyna plan for 1 January 2020 and gave the go ahead for investments relating to this system to be included in the specific regime recognising capital expenditure from the same date.

Edyna's updated plan includes:

- the mass installation of new meters, to be carried out over five years starting in 2020 and ending in 2024, peaking in 2023, with the number of meters to be installed in 2020 significantly lower than installations in the remaining four years;
- the commissioning of more than 312,000 2G meters over the 15-year period of the plan (2020 - 2034), representing the entire regulatory life cycle of the investments (from 2025 onwards, activity will be limited to new installations related to user and fault management);

- a projected capital expenditure, over the 15-year period, of just under Euro 41 million, expressed in constant prices and 2019 currency.

The first installations began in September 2020 in the municipality of Egna/Neumarkt, followed by the municipality of Ora/Auer from October and the municipality of Caldaro/Kaltern from December.

New partnership between Alperia Smart Services and Cassa di Risparmio di Bolzano-Sparkasse Bozen

In early February 2020, Alperia Smart Services Srl and Cassa di Risparmio di Bolzano-Sparkasse Bozen presented an important partnership to the public: the new agreement gives domestic customers with an active supply (i) on the protected market or (ii) with another supplier, the chance to take up Alperia's offer on the free market of clean electricity from renewable sources and certified "green" gas, directly at one of the 105 branches of the Bank Cassa di Risparmio di Bolzano-Sparkasse Bozen in the Triveneto area.

The Bank's extensive network of branches will enable the Alperia Group to be even closer to and easy to reach by customers.

The synergies involved thanks to this new business partnership are based on common values of sustainability and a focus on customers.

Opening of new stores

Based on the provisions of the new commercial plan referring to the three-year period 2020 - 2022, approved in September 2019 by the Board of Directors of Alperia Smart Services Srl, three new Alperia stores were inaugurated in shopping centres at Treviso - the "Tiziano" Centre (opening on 1 July 2020), Venice - the "Nave de Vero" Centre (opening on 3 September 2020) and Padua - the "Ipercity" Centre (opening on 5 September 2020); these are the first corner store outlets, outside the Alperia Group's traditional reference area, and will be joined by a further 3 new corner stores located in the most important shopping centres in the north east.

The corner stores should have opened earlier, but - due to the epidemiological emergency from COVID-19 - it was decided to extend their opening with the adoption of all necessary security measures.

In addition, the corner store at the Twenty shopping centre in Bolzano/Bozen was fully renovated and restyled in July 2020 to align it with the new sales concept.

Lastly, on 26 October 2020 an Alperia Flagship Store was opened in Vicenza in a common area where there is also a branch of the Cassa di Risparmio di Bolzano/Sparkasse Bozen. This shared environment offers customers two types of services - energy and financial - giving them the chance to consult advisors of the two companies. This operation represents an important and further step forwards in the business partnership launched at the beginning of the year, referred to above.

New agreements and commercial acknowledgments

At the beginning of September 2020, Alperia Smart Services Srl, the South Tyrol business association Südtiroler Wirtschaftsring-Economia Alto Adige, the hoteliers association

Associazione Albergatori-Hoteliers- und Gastwirteverband, the business association Confartigianato Imprese-Wirtschaftsverband Handwerk und Dienstleister, the business and tourism association for South Tyrol Unione Commercio Turismo Servizi Alto Adige-Handel und Dienstleistungsverband Südtirol, the union of farmers and direct growers of South Tyrol Unione Agricoltori e Coltivatori Diretti Sudtirolesi-Südtiroler Bauernbund, the South Tyrol association of businesses Assoimprenditori-Unternehmensverband Südtirol and the South Tyrol association of freelancers Associazione dei liberi professionisti-Vereinigung Südtiroler Freiberufler signed a new framework agreement for the supply of natural gas. This agreement, which covers the period 1.10.2020 - 31.12.2022 (renewable for a further year), guarantees advantageous economic conditions for South Tyrol companies that belong to the aforementioned associations.

A similar framework agreement was signed between the aforementioned parties at the end of 2019 for the supply of electricity in the two-year period 2020/2021 (renewable for a further two years).

Another commercial agreement was signed, at the beginning of September 2020, by Alperia Spa, Alperia Bartucci Spa and Green Power Spa Group with the business associations lvh.apa Confartigianato Imprese-Wirtschaftsverband Handwerk und Diensleister and ARO Consorzio/Konsoriutm. Under this agreement, the Alperia Group, in association with the network of local artisan businesses, offers a tailor-made solution in South Tyrol for the "Superbonus 110%" granted for energy efficiency works, encouraging families and condominiums to benefit from this tax break and help reduce the consumption of energy from fossil sources and improve climate protection.

Two important awards obtained by the Alperia Group should also be mentioned. The first was in the International Charge Energy Branding Award 2020, where Alperia won the "Best Green

Brand " category, excelling among energy companies from the United States, Norway and Germany.

Each year, the Charge Energy Branding Award honours excellence in brand management and communication. The jury is made up of independent, globally active experts from branding agencies, consulting firms, universities and the marketing industry. In 2020 the award ceremony took place as a virtual online event during the conference held in Iceland.

The second award was from Altroconsumo, Italy's largest consumer protection association.

Altroconsumo reviewed twenty-one energy suppliers, analysing the quality and transparency of contracts, complaints' management and other aspects relating to customer satisfaction. Based on a system of awarding points, the various criteria evaluated contributed to determining the overall quality of the service provided. In Altroconumo's ranking of electricity suppliers, Alperia came first place and was officially given the title of "Recommended Provider".

These awards represent an important confirmation for the Group's roadmap, with Alperia as a supplier of green, sustainable energy services, whose primary values are transparency and customer satisfaction.

International expansion in the gas sector

Alperia Trading Srl achieved an important result in 2020, in its international expansion in the gas sector. With its first transactions at the start of October, the company has been active on EEX (European Energy Exchange), the European stock exchange to access all European markets for the procurement of commodities.

In addition, the environmental focus characterising all the Group's activities is being further developed in the gas sector, where Alperia Trading has registered with VERRA, the most important platform worldwide for the accreditation of CO2 emission reduction projects.

Thanks to these two initiatives, gas has acquired a growing role for Alperia Trading and the company is a fully qualified international operator in this sector.

District heating

District heating in Bolzano/Bozen is constantly developing: in 2020 the areas of Gries-via Roen-Piazza Mazzini were reached, the loop on via Rovigo was completed and the network up to the Lido-Via Firenze area was built.

More than 15 MW have been connected and at least as many are planned for 2021, the year when buildings will be connected in the areas served and the network will be extended towards via Verdi and via Alto Adige.

The design of the new cogeneration plant serving the network and Bolzano/Bozen Hospital was continued (the related PPP project was presented in February 2021 to the South Tyrol Health Authority Azienda Sanitaria dell'Alto Adige-Südtiroler Sanitätsbetrieb and to the Agency for procedures and supervision of public contracts for works, services and supplies of the Autonomous Province of Bolzano/Bozen) and the design of the SEU Infranet plant was completed, with construction starting in the current year.

There was steady growth in the Merano/Meran district heating system in 2020 (17 new buildings), and this will continue in the next few years, thanks above all to the new biomass plant that will come into operation in 2021.

The same positive trend was reported for the Sesto/Sexten and Chiusa/Klausen district heating systems: here too new connections have been made, confirming the local community's interest in the service offered by Alperia Ecoplus Srl.

Two important projects were also completed in 2020 for the district heating of Chiusa/Klausen (new 140 kW cogenerator and generator) and Sesto/Sexten (fire prevention work and duplication of the electrostatic separator) and the related works will be carried out in 2021.

Lastly, it should be noted that in 2020 the primary energy emission factors for all district heating systems were certified.

Alperia Bartucci and Relabs together in real estate

In December 2020, Alperia Bartucci Spa and the company Relabs Srl based in Rome signed a partnership agreement with the main objective of identifying and selecting, by mutual agreement following the joint activity of the parties, interested third parties to whom they can propose and provide advanced technological solutions, digital platforms and business models based on blockchain and artificial intelligence for the real estate sector and construction industry including Sybil, as well as energy and/or seismic redevelopment work consistent with the business model of the BES (Building Efficiency Solutions) unit, in all its forms (such as efficiency measures through credit transfer, invoice discounts, plant management, operation and maintenance).

The objective of the partnership is to ensure greater transparency and better efficiency in real estate management, making it possible to reduce costs.

In particular, while Alperia Bartucci has the task of proposing solutions based on artificial intelligence systems for the optimization of building air conditioning and consumption monitoring, Relabs deals with solutions based on blockchain technology specific for the sector, making it possible to validate documents, make information and data unchangeable and transparent and trace materials and components to facilitate the transition to a circular economy.

Sustainable mobility

In 2019, Alperia gave a survey to its staff, to find out about their habits, needs and expectations concerning home/work mobility. In July 2020, on the basis of the information gathered and suggestions made, the following initiatives were launched by the Group:

- renewal of the company fleet of electric bicycles;
- setting up of charging stations for electric bicycles;
- a mobile workshop service and installation of stations for the maintenance of employees' private bicycles;
- reserved parking spaces for charging employees' private electric cars.

On the subject of sustainable mobility, the "Smart Mobility Report 2020" was presented by the Energy & Strategy Group of Milan Polytechnic at the end of October 2020, showing that Trentino-South Tyrol is the Italian region where electric mobility is the most widespread, thanks to the highest figure in Italy for recharging stations and number of electric vehicles per inhabitant. This important result has been achieved thanks not only to public support measures of the two Autonomous Provinces for the purchase and rental of electric vehicles and installation of charging stations, but also to the initiatives carried out with conviction by the Alperia Group and by the Dolomiti Energia group through the subsidiary Neogy Srl.

Regarding the latter, Neogy Srl, in partnership with ARO Consorzio/Konsortium, won the public tender called by STA (Alto Adige Transport Company) in 2020, for the supply, installation and management for 9.5 years of 33 Hyperchargers (100-150 kW) to be installed in South Tyrol in the 2021-2022 period.

Subsequent events

End of the electricity protection service for small businesses

The gradual compulsory transition from the enhanced protection service to the free electricity market for small businesses (approximately 200,000) began on 1 January 2021.

After extensive consultation with stakeholders, ARERA introduced - with Resolution no. 491/2020/R/eel of 24 November 2020 - the so-called gradual protection service for small businesses that have not yet chosen a free market seller in 2021; this service guarantees continuity of supply and gives customers the time to choose the most suitable offer for their needs.

The service is for companies owning low voltage connected withdrawal points that meet the EU definition of being a small enterprise (having between 10 and 50 employees and an annual turnover of between Euro 2 and Euro 10 million) and for micro-enterprises having a withdrawal point with a contractually committed capacity of more than 15 kW.

As from 1 January 2021, the companies concerned switched automatically and temporarily, without interruption of supply, to the gradual protection service.

In the period from 1 January 2021 to 30 June 2021, users are temporarily assigned to the enhanced protection supplier that already serves the customer, with contractual conditions coinciding with those of existing PLACET offers (Free Price Contracts with Equal Protection Conditions).

In this first phase, the price is similar to that of the enhanced protection service which, for the part of the expenditure relating to energy, continues to reflect the changes in the price of electricity in the wholesale market based on the final values of the PUN. All other components of the bill will still be set by ARERA.

Full allocation will come into effect after 1 July 2021, and the gradual protection service will be provided by operators selected through specific competitive procedures (repeated after three years) at a local level, with the contractual conditions of PLACET offers.

The economic conditions relating to energy expenditure will continue to be based on actual PUN values, as in the provisional allocation, and will include amounts to cover other supply and marketing costs, with a portion defined on the basis of the results of the tender.

On 29 January 2021, the Single Buyer published the regulations governing the above-mentioned competitive procedures for the assignment of the gradual protection service. The purpose of the competitive procedures is to identify, for each of the territorial areas, the gradual protection service operators that will guarantee the service from 1 July 2021 until 30 June 2024.

Nine territorial areas have been identified: 1) Puglia, Tuscany; 2) Lazio; 3) Lombardy, excluding the municipality of Milan; 4) Piedmont, Emilia-Romagna; 5) Municipality of Milan, Friuli-Venezia

Giulia, Valle d'Aosta; 6) Veneto, Liguria, Trentino-Souty Tyrol; 7) Campania, Marche; 8) Umbria, Abruzzo, Molise, Basilicata, Calabria; 9) Sicily, Sardinia.

Lastly, it should be noted that the enhanced protection service for households and microbusinesses with power withdrawal points below or equal to 15 kW has been extended until the beginning of 2023 by Law 21 of 26 February 2021, converting Decree Law 183/2020 (the "Thousand Extensions Decree").

National Recovery and Resilience Plan

At its meeting of 12 January 2021, the Council of Ministers approved the PNRR proposal, referred to earlier, which then passed to the Chamber of Deputies and the Senate of the Republic for their assessments.

The Plan is divided into the following six missions, which represent structural 'thematic areas' of intervention (in brackets the resources allocated to each area for a total of approximately Euro 211 billion):

- green revolution and ecological transition (Euro 67.5 billion);
- digitisation, innovation, competitiveness and culture (Euro 45.5 billion);
- infrastructure for sustainable mobility (Euro 32.0 billion);
- education and research (Euro 26.5 billion);
- inclusion and cohesion (Euro 21.3 billion);
- health (Euro 18.0 billion).

The above amount of approximately Euro 211 billion added to the resources of the React EU programme of Euro 13 billion comes to a total of Euro 224 billion available to Italy.

The first 70% of the grants will be committed by the end of 2022 and spent by the end of 2023, while the remaining 30% will be spent between 2023 and 2025.

In the first three years, most investments and new projects will be supported by grants; from 2024 to 2026, the largest share of resources will instead come from loans.

Utilitalia, with the contribution also of the Alperia Group, prepared a document for the definition of the PNRR, with activities that could be included in the Plan amounting to approximately Euro 25 billion, covering the water, energy, environment and digital sectors.

Extension of the state of emergency following **COVID-19**

By resolution of 13 January 2021, the Council of Ministers further extended the state of emergency until 30 April 2021.

On 2 December 2020, the Minister of Health presented the guidelines of Italy's Strategic Plan for Vaccination against COVID-19 to parliament.

The goal of the vaccination campaign is to achieve herd immunity for COVID-19 as soon as possible. The campaign started on 27 December 2020, following the approval of the first vaccine by the EMA (European Medicines Agency). After an initial phase, the campaign is steadily going ahead, albeit with various difficulties related to delays in the delivery of doses. Vaccines are offered to the entire population, according to an order of priority, which takes into account the risk of disease, the types of vaccine and their availability.

In view of the pandemic continuing in the current year with all the negative consequences that this entails, the Alperia Group has decided to once again grant a moratorium on the payment of electricity and gas bills for South Tyrolean companies that have an Alperia offer on the free market; in particular, the due dates for bills for January, February and March 2021 have been postponed to September, October and November 2021 respectively.

In the case of domestic customers on the free market who are resident in South Tyrol and who, in the period from mid-November 2020 to March 2021, were unemployed or laid off by their employer without receiving a 100% wage supplement from the employer or who worked in 2019 and/or 2020 under a seasonal contract as an employee and who, between the aforementioned period from mid-November 2020 to March 2021, were unable to work, a one-off rebate of Euro 50 will be given on an electricity bill.

Agreement between the Province of Bolzano/Bozen – CasaClima-KlimaHaus - GSE for the energy transition

The Province of Bolzano/Bozen, together with the South Tyrol Energy Agency CasaClima-Klimahaus and the Energy Services Operator GSE, signed a memorandum of understanding in January 2021 for a three-year collaboration with the aim of promoting the energy efficiency of existing buildings, both public and private, and the use of renewable sources.

The intent is to contribute to achieving - through joint actions - the sustainability targets to implement the South Tyrol 2050 energy climate strategy at local level, and in general the Integrated National Energy and Climate Plan (PNIEC), starting with the trial of a model aimed at promoting the energy transition.

With this memorandum, the parties have committed to jointly initiating actions and using operational tools to ensure municipalities in South Tyrol have a territorial model suitable for adopting policies in favour of energy efficiency, renewable energy sources, sustainability and innovation.

Confirmation of Alperia rating's as BBB/stable

On 12 February 2021, the rating agency Fitch confirmed the long-term rating of Alperia Spa as BBB, with a "stable" outlook.

The confirmation of the rating takes into account the new One Vision 2020-24 business plan (previously) and is a further demonstration that, albeit in an uncertain economic and health context and with extremely volatile current prices, a strategic focus, business development in the direction of the energy transition and a growing attention to customer needs will all put Alperia on the right path.

Alperia is rated on a "standalone" basis, but the presence of the key shareholder, the Autonomous Province of Bolzano/Bozen, is considered positive for the Group's overall business profile.

Neogy - electric mobility agreement signed

Towards mid-February 2021, Neogy Srl signed a term sheet with an important national player in the energy sector, referring to a possible partnership aimed at developing a wide-ranging project in the electric mobility sector. Based on the proposed partnership, Neogy Srl will become an exclusive vehicle in the future for management services, the development of the technological platform for the management of the charging infrastructures, as well as a technical call centre.

The first step in the project - aimed at defining the financial, strategic and legal/regulatory aspects - will be finalised more or less by 30 April 2021.

New website

The new website www.alperia.eu has been online since 1 March 2021: the site, developed as part of the digitization project and capable of responding to the needs of all customers, stars alongside the group site www.alperiagroup.eu, presenting all the most important company contents as well as the services and products available to customers. The new online subscription process also allows all customers in Italy to sign an electricity or gas contract with Alperia.

Engaging, seamless and created with a view to increasing the conversion rate and Group's customer base, the new web interface integrates and enhances the acquisition funnel experience, laying the foundations for a new digital identity of Alperia. The new project aims to define a new experience for customers, in which the brand's mission and vision enhance the services offered by the company, using the most innovative digital languages.

Litigation and contingent liabilities

With respect to the disputes and potential liabilities reported in the consolidated financial statements at 31 December 2019, the following should be noted.

Contingent liabilities in relation to corporate transactions

With regard to the dispute between the Parent Company and Edison Spa (Edison), the latter – see comments in previous financial statements – filed claims with Alperia Spa at the end of 2016 for a contract signed on 25 January 2016 for the purchase and sale of shares in Cellina Energy Srl (as later amended and supplemented by the addendum dated 31 May 2016), in connection with alleged liabilities concerning plants owned by Cellina Energy Srl; Alperia promptly replied and challenged those claims, but prudently set aside a special risk provision for a part of the claims.

In response to the above claims, Alperia Spa – in turn – filed claims for compensation against A2A Spa (A2A), alleging liabilities – almost entirely the same as those reported by Edison – incurred in connection with the same plants covered by the framework agreement entered into on 26 October 2015 between SEL Spa (now Alperia Spa) and A2A and, as far as their respective areas of responsibility are concerned, between Cellina Energy Spa and Edipower Spa. These claims were identified and disputed by A2A under the terms of the framework agreement.

As regards the payment by Edison of the residual price for the sale of Cellina Energy Srl (Euro 25 million – Deferred Price Guarantee), Alperia Spa collected the payment of approximately Euro 19.3 million from Edison in July 2017; the latter partially offset the aforesaid amount of Euro 25 million with the amount – in its opinion – due to it for the aforesaid alleged liabilities relative to the Cellina plants. Although Alperia Spa does not accept the above liabilities, they had already been taken into account, on a prudential basis, in the preparation of the financial statements at 31 December 2016.

With a request for arbitration (and the concurrent appointment of an arbitrator) filed with the Milan Chamber of Arbitration on 27 July 2018, Edison requested that Alperia Spa be ordered to pay the amount of Euro 27 million allegedly due as "compensation" under the guarantees provided by the contract (however, Euro 5.743 million must be deducted from this amount, which Edison has already deducted from the amount due and paid to Alperia, as the price at which it purchased and sold the shares in Cellina Energy Srl). Alperia Spa joined the proceedings, contesting in full, both the merit of the petition and the amount of damages claimed by Edison, and, in turn, counterclaiming that Edison be ordered to pay the amount due as an adjustment to the base price pursuant to the contract.

At the first hearing on 28 January 2019, the Court of Arbitration, with the agreement of the parties, granted the parties successive time limits for the filing of rejoinders, setting the hearing for 24 July 2019 for the personal appearance of the parties, attempted mediation and any settlement.

With its first brief, Edison reviewed its claim to a total of Euro 23.299 million, besides Euro 5.743 million already held as compensation, specifying its claim in relation to each grievance. Alperia Spa filed its rejoinder, in order to specifically state its objections and relative preliminary statements for each single grievance raised by Edison and therefore to further contest Edison's assumptions concerning alleged breaches of contract obligations and guarantees, challenging further claims put by Edison and filing its own counterclaim. Respective rejoinders and replications were then filed, within the deadlines indicated, with amendments and additions to the issues and petitions, and preliminary statements and briefs.

On the hearing of 24 July 2019, the Court of Arbitration granted, for the applications filed by the parties, a deadline up to 31 October 2019 to start possible settlement proceedings and, in the event of a negative outcome to the attempted settlement, or in the absence thereof, to file preliminary briefs, granting the parties a second deadline, up to 2 December 2019, to file rejoinders and replications. After upholding the joint application filed by the parties, based on pending talks, the Court of Arbitration further extended the above deadlines to 15 November 2019 and to 17 December 2019 respectively.

By order of 14 April 2020, the Court of Arbitration ordered an expert witness report (CTU), formulating the related questions. The Court of Arbitration granted the parties a deadline for submitting their observations on the questions of the expert witness, also inviting them by 30 June 2020, postponed to 14 July 2020, to verify the possibility of jointly selecting the expert witness, reserving the right to take appropriate measures on the outcome. The aforementioned observations were discussed at the hearing on September 14, 2020, after which the Board, having found that it had not been possible to reach an agreement between the parties on the joint appointment of the expert witness, reserved both the definitive wording of the questions of the technical consultancy, and the appointment of the expert witness.

By order of 4 December 2020, the Board defined the technical consultancy questions and appointed the expert witness, subject to the appointment also of the accounting/ company expert witness, setting a hearing for the acceptance of the engagement and start of the expert's activities. At the hearing of 22 January 2021, the expert witness accepted the engagement, with a deadline of 30 September 2021 for filing the expert report.

By order of 18 February 2021, the Board accepted the request for the appointment of a technical accounting expert in order to assist the already appointed expert witness, in relation to the questions assigned, in the assessment of the economic and financial implications deriving from the technical analysis, setting a hearing for 30 March 2021 for the acceptance of the assignment by the technical accounting expert and for establishing the start of the expert's activities.

The deadline for filing the award has been extended to 30 March 2022.

With reference to the above-mentioned request for arbitration of 27 July 2018, on the basis of the assessments made by the primary law firm that assists Alperia Spa in the case in question, it is not considered necessary to supplement the provision already present in the financial statements.

Tax Disputes

With regard to the appeal filed by the Revenue Agency before the Supreme Court of Cassation against Decision No. 73/2016 of the Second Level Tax Commission of Bolzano/Bozen, rejecting the appeal filed by the Revenue Agency against the favourable decision at first instance No. 141/02/2014 concerning the notice of rectification and payment of commensurate registration, mortgage and cadastral taxes dated 17/12/2013 (for an amount of Euro 3,167,398 plus interest), in respect of which Alperia Spa and Edyna Srl have filed a counterclaim with contingent cross-appeal, as has E-Distribuzione Spa, the following is reported.

On the outcome of the hearing set for 13 January 2021, with an interlocutory order filed on 4 March 2021, the Court of Cassation adjourned the case to a new role pending the decision of the Constitutional Court on the question of constitutional legitimacy raised by the Provincial Tax Commission of Bologna regarding the retroactive non-applicability, among other things, of Article 20 of Presidential Decree 131 of 26 April 1986, as amended by Law 205 of 27 December 2017.

In this regard, it should be noted that in ruling no. 39 of 16 March 2021, the Constitutional Court declared the questions of constitutional legitimacy raised by the Provincial Tax Commission of Bologna to be unfounded. The company is therefore waiting for a new hearing to deal with the case, assured by previous favourable case law and by changes in the legal framework pending the ruling.

As regards council taxes and property taxes, after the proposed actions by Alperia Spa and Alperia Greenpower Srl, concerning SE Hydropower Srl and the incoming Hydros Srl, against notices of assessment for higher taxes with regard to the cadastral registration of hydroelectric plants, a settlement has already been reached for the disputes with several municipalities concerned (Bressanone/Brixen, Velturno/Feldthurns, Brunico/Bruneck, Bolzano/Bozen, Chiusa/Klausen, Lagundo/Algund, Rasun Anterselva/Rasen Antholz, Valdaora/Olang, Villandro/Villanders, Naz Sciaves/Natz-Schabs, Perca/Percha, Predoi/Prettau, Renon/Ritten, Rio di Pusteria/Mühlbach, Rodengo/Rodeneck, San Candido/Innichen, Sesto/Sexten, Selva di Val Gardena/Wolkenstein in Gröden, Selva dei Molini/Mühlwald, Senales/Schnalstal, Borgata Campo Tures/Sand in Taufers, Sarentino/Sarntal and Ponte Gardena/Waidbruck). The negotiations started for settlement agreements with the municipalities of Castelrotto/Kastelruth and Barbiano/Barbian by Alperia Greenpower Srl still have to be defined.

As regards regional business tax (IRAP), Alperia Greenpower Srl received a notice of assessment for the 2014 tax year, on 23 December 2019. The Bolzano/Bozen tax office has challenged the failure to apply the higher IRAP rate provided for in Article 16(1-bis)(a) of Legislative Decree 446/1997 for "entities operating as concessionaire businesses" and the deduction of personnel costs, in alleged breach of Article 11(1)(a) of Legislative Decree 446/1997, which for IRAP purposes was excluded until 2014 for "businesses operating under concession and at tariffs" in certain sectors, resulting in an assessment of higher tax due of Euro 1,183,584.00 and related administrative penalties of Euro 1,065,226.00.

Alperia Greenpower Srl appealed, within the deadlines granted (appeal 87/2020) before the First Instance Tax Commission of Bolzano/Bozen, First Section, requesting the cancellation, subject to the suspension, of the contested assessment notice for 2014, fully disputing the reasons given by the Tax Authorities.

By order no. 122/2020, the Board, considering that the legal requirements had been met, ordered the suspension of the enforcement of the contested act and set the hearing on the merits for 22 March 2021.

Alperia Greenpower Srl filed its own briefs within the time limits and requested that the case be heard in open court.

At the outcome of the hearing held on 22 March 2021, judgment is pending.

Based on studies also carried out through two leading consulting firms, and considering that the arguments put by Alperia Greenpower Srl are based on solid assumptions, and that the application of the ordinary rate to the free market production of electricity (including hydropower production) practised by Alperia Greenpower Srl, rather than the increased rate, is shared by other leading sector operators, the risk of losing the case in question is considered as possible and not likely. For this reason, it has not been considered necessary at present to allocate specific provisions for risks. Alperia Greenpower Srl has allocated the best estimate of legal fees that it expects to pay in the proceedings to the provision for charges.

As regards taxation, an important issue that is still ongoing is the provincial additional tax on excise duties for electricity (Provincial Surtax). At national level, in fact, various electricity sales companies have received numerous requests from their customers, since the end of 2019, for the reimbursement of the Provincial surtax applied and paid until its abolition on 1 April 2012.

This matter is due to the disruptive effects of some rulings of the Court of Cassation issued between the end of 2019 and the beginning of 2020, as a result of judgments concerning end clients and the Customs' Agency, according to which the additional tax, which had been repealed - late - by the Italian legislator, as from 1 April 2012, should actually have "not been applied" from an EU perspective, from the time when the EU directive on excise duties came into force.

Possible claims for the return of sums paid as the Additional Provincial Tax by consumers for the years 2010 and 2011, which sales companies, including Alperia Smart Services Srl and Alperia Sum Spa, simply charged their customers, which were then paid in full to the competent Administration (Customs Agency or Provinces), state that the legislation is not aligned with the rights of the sales companies to claim reimbursement in turn against the actual beneficiary of the Provincial Tax, i.e. the Customs' Agency or Provinces. At present, the sales companies are forced, in order not to be affected themselves, to not reimburse amounts requested and to wait for the outcome of the disputes, initiated or still to be initiated for the repayment of this alleged undue payment, with the pronouncement of rulings against them. Only after the rulings against the sales companies have become final will they be able to exercise their right to reimbursement against the tax authorities.

In the light of the first unfavourable rulings against the sales companies, it is hoped that an interpretation/solution to regulatory aspects will be identified, also through trade associations, which have been active since 2020 to support the sellers and interact with the authorities, in order to avoid numerous disputes, while protecting the rights of all parties involved and avoiding consequent costs, so as to mitigate a possible strong, as well as unfair, financial imbalance for sellers, since it is not possible to exclude a delay in their receiving a final reimbursement from the competent authorities, including any additional charges that will be incurred

At present, in view of the above, it is not considered necessary to set up a specific provision in the financial statements of the Group's sales companies.

Other disputes

As regards the production sector, the following is reported.

With reference to Alperia Greenpower Srl, it should be mentioned that at the end of an open procedure for the award of a contract to replace the penstock at the Lasa/Laas hydroelectric plant, the second-ranked company filed an appeal with interim relief, under Case no. 12/2021 before the Court of Administrative Justice, Autonomous Section of Bolzano/Bozen (TRGA of Bolzano/Bozen). By order no. 15/2021, the TRGA of Bolzano/Bozen - not deeming there to be sufficient *fumus boni iuris* for the requested suspension of the effectiveness of the award decision - rejected the precautionary petition and set the hearing on the merits of the appeal for 24 March 2021. At the hearing held on that date, the Regional Administrative Court of Bolzano/Bozen held the case for decision. In ruling no. 98/2021 published on 31 March 2021, the TRGA of Bolzano/Bozen rejected not only the application for annulment of the contested measures but also that for compensation for breach of legitimate expectations, ordering the applicant to pay the costs of the proceedings.

With regard to the Sales and Trading BU, it should be noted that the resolution of the competent Authority for Electricity, Gas and the Water System (now the Regulatory Authority for Energy, Networks and the Environment - ARERA in brief) no. 265/2017/E/eel of 20 April 2017, by which the latter ordered Alperia Smart Services Srl (formerly Alperia Energy Srl, in turn formerly Azienda Energetica Trading Srl) - at the end of proceedings initiated against it, as well as against numerous other dispatching users - to return to Terna "... the amounts corresponding to the undue benefit attained as a result of the non-diligent scheduling strategy adopted by the Company in the period between January 2015 and July 2016" as well as "... any amounts corresponding to the undue benefit possibly attained as a result of any non-diligent scheduling strategies adopted by the Company, with reference to its FRNP (non-programmable renewable sources) units, for the period starting from August 2016 until the entry into force of new rules on the macro-zonal imbalance set out in Resolution 800/2016/R/eel".

Alperia Smart Services Srl, having assessed the findings received by the Authority and examined the initiatives to be taken to protect its interests, filed a precautionary appeal before the Lombardy – Milan Regional Administrative Court (Tar Lombardy), Section II, Case no. 1531/2017 against the Authority and, as far as necessary, against Terna. Subsequently, it was necessary to lodge a precautionary appeal for additional reasons, including against ARERA resolution no. 85/2018/E/eel of 15 February 2018, by which the Authority (i) confirmed the prescriptive measure adopted by resolution 265/2017/E/eel, modifying the content of Annex B in view of the importance of some of the factual elements submitted by Alperia Smart Services Srl; and (ii) Terna shall determine the economic items underlying the above resolution, determined on the basis of the criteria set forth in Annex B. Alperia Smart Services S.r.l., in order to avoid the start of compulsory recovery procedures and without acquiescing to the measure or to the claim, or renouncing it, paid, on a provisional basis and with no admission whatsoever, the relevant invoice issued by Terna for Euro 255,755.

At this stage, the counterparties have not yet filed an appearance. A hearing for discussion of the merits of the appeal has not yet been scheduled.

Following the positive involvement of Alperia Trading Srl in Italian capacity market auctions for 2022 and for 2023, some operators in the thermoelectric and photovoltaic production sector also made claims against Alperia Trading Srl, as an involved party, like other assignees, for additional grounds to cancel the outcomes of these auctions.

The same claimants had already appealed□ –□ before the Tar Lombardy against the Ministry of Economic Development, Terna – Rete Elettrica Nazionale Spa and ARERA□ –□ against the Decree of the Ministry of Economic Development of 28 June 2019 (which approved the regulations of the system to remunerate electricity production capacity availability), the opinion 281/2019/R/eel of 27.06.2019 provided by ARERA to MISE and the rulings ARERA 363/2019/R/eel of 3.09.2019 and 364/2019/R/eel of 3.09.2019, as well as the notice of TERNA published on 5 September 2019 and the "FAQs" of TERNA, requesting their cancellation, subject to suspension which was then adjourned, with the first hearing on 26 February 2020, adjourned to another date.

Two of the operators filing an appeal with the Lombardy Regional Administrative Court, also filed an appeal before the General Court of the European Union in order to have the decision of the European Commission that declared the conditions establishing the Italian capacity market as compatible with the internal market, in the light of European regulations on State aid, annulled.

In view of the considerable impact on the stability of the national energy system, the trade associations Elettricità Futura and Utilitalia proposed *ad opponendum* action in proceedings before the Tar Lombardy and applied to take action in cases pending before the General Court of the European Union.

Alperia Trading Srl appeared on its own behalf in the proceedings before the Lombardy Regional Administrative Court and filed an application to intervene in support of the conclusions of the European Commission in the proceedings pending before the General Court of the European Union. On 1 June 2020, the Italian Government filed its own briefs, requesting that the aforementioned appeals be dismissed in their entirety. By order dated 2 June 2020, Alperia Trading Srl was admitted to intervene in proceedings before the General Court of the European Union. On 19 June 2020, the European Commission filed its rejoinders in the respective proceedings, concluding that the General Court should dismiss the actions as unfounded.

Alperia Trading Srl filed its own briefs. Other operators concerned, as well as Terna, also intervened in the proceedings. Before the deadline of 15 October 2020, the applicants filed a single memorandum of comments on the pleadings of the opposing parties, including Alperia Trading Srl and trade associations. However, the Commission did not submit any comments. The Court Registry declared the written part of the procedure closed. A possible continuation of the oral part of the procedure before the General Court of the European Union is pending.

As regards the Heat and Services area, GSE, in a notice dated 7 August 2017, requested Alperia Ecoplus Srl - for the cogeneration plant combined with district heating in Merano/Meran - to return a part of the renewable energy certificates, awarded for the years from 2008 to 2014, which - according to GSE - were not due. Alperia Ecoplus Srl appealed against this final measure of the potentially damaging verification procedure, as well as against the separate measure for the recovery of the incentive, before the Lazio Regional Administrative Court, under Case 10189/2017, claiming, in addition to the illegality of the contested measures, that Alperia Ecoplus Srl cannot be held liable for GSE's request. Following GSE's self-protection cancellation, the Lazio Regional Administrative Court declared that the matter at issue had ceased to be in dispute with sentence no. 11738/2017 of 24 November 2017. To protect its rights and interests, Alperia Spa also deemed it necessary to appeal for the annulment of the GSE note dated 7 August 2017 before the Lazio Regional Administrative Court (Tar) under GDR no. 11460/2017; we are currently waiting for the date of the public hearing to be set.

Considering that the audit by GSE refers to years prior to the transfer of the related business unit to Alperia Ecoplus Srl, the latter has prudently allocated a specific risk provision in its financial statements.

Following the annulment under the self-protection system, with a notice of outcome dated 15 December 2017 and a subsequent note dated 31 January 2018, GSE requested that Alperia Spa return a portion of the green certificates – in its opinion – not due for the same Merano/Meran plant, and Alperia Spa therefore had to appeal to the Lazio Regional Administrative Court under Case no. 2060/2018 for the annulment of the contested deeds and measures. A hearing on this has not yet been scheduled.

Again in the Heat and Services area, Alperia Ecoplus Srl appealed to the Lazio Regional Administrative Court for the annulment of the GSE note of 29 November 2018 with notification of the outcome of the control activity through verification and inspection of the cogeneration plant combined with the "Bolzano Sud/Südbozen" district heating network and relative recalculation *in peius* of the amount of incentives due for the years 2010-2016. Subsequently, it was necessary to appeal on additional grounds, also against the restitutory claim in GSE's note of 20 February 2019, referring to the same items appealed against regarding GSE's communication of 29 November 2018. We are currently awaiting the date of the public hearing.

The company has already prudently allocated an adequate provision in its financial statements.

Other contingent liabilities

With regard to Biopower Sardegna Srl, it is worth mentioning that in May 2017, together with the other defendants, the above-mentioned company was also summoned to appear before the

Nuoro Criminal Court, with reference to the events that occurred on 21 July 2014 (urea spill). As it is allegedly liable under Italian Legislative Decree 231/2001, Biopower Sardegna Srl was served a summons in relation to alleged environmental crimes committed by the defendant, who at that time was the legal representative and director, since the conduct in question was "also in the interest and to the benefit" of the company.

With a court order dated August 1, 2018, a hearing was ordered before the Court of Nuoro sitting as a single judge on 20 December 2018. At the next hearing on 17 January 2019, the Public Prosecutor requested that two counts be amended to clarify the regulatory provisions in question. The Court, on request of the defence, granted the request and ordered the notification to the parties, as provided for by law. The Judge therefore adjourned the case until 14 March 2019 for the examination of witnesses. In the hearing of 14 October 2019, the new Judge questioned the witness for the prosecution and arranged for the hearing to take place on 6 February 2020 to question all consultants of the parties. In the hearing of 6 February 2020, consultants from the Public Prosecutor's Office and from Biopower Sardegna Srl, as well as other defendants were questioned. To rule on the objections made by the parties, without continuing the proceedings, the judge adjourned the hearing to 5 May 2020, which was subsequently adjourned to 19 October 2020. At the hearing on 19 October 2020, the Court set a hearing for 14 January 2021 for the examination of witnesses and a hearing for 4 February 2021 for the expert witnesses. Subsequently, it was decided to adjourn the hearing to 25 May 2021 for further examination, given the absence of certain experts.

Regarding Biopower Sardegna Srl, it should be noted that at the end of an open procedure for the award of the scheduled maintenance service for two motor generators fuelled by palm oil, the second-ranked company filed an appeal, under Case no. 24/2020, before the Court of Administrative Justice, Autonomous Section of Bolzano/Bozen (TRGA of Bolzano/Bozen). In a conditional cross-appeal, filed as an independent appeal, under Case no. 60/2020, then joined with Case no. 24/2020, the other party to the proceedings also sought a declaration that the main applicant's financial bid was unlawful.

By ruling no. 184/2020 published on 20 July 2020, declaring all the grounds of appeal against the award of the tender to be unfounded and/or inadmissible, the main appeal, under Case no. 24/2020 was dismissed and, consequently, the joint cross-appeal, under Case no. 60/2020 was also declared inadmissible due to lack of standing. The appeal before the Council of State to reverse ruling no. 184/2020 of the TRGA of Bolzano/Bozen was rejected by judgement no. 812/2021.

Due to unforeseeable technical requirements, the absolute necessity to carry out maintenance work on the two engines, in order to avoid plant downtime and harm to the security of the national energy supply and, finally, in order to carry out urgent technical work immediately and ahead of scheduled maintenance, Biopower Sardegna Srl - in the meantime - had had to award the relevant contract through a negotiated procedure, given the reasons of extreme urgency. The other party to the proceedings in appeal no. 24/2020 lodged an appeal, under Case no. 75/2020 with the Regional Administrative Court of Bolzano/Bozen against the contracting authority's decision, which was partially upheld by ruling no. 219/2020.

In the appeal proceedings before the Council of State brought by Biopower Sardegna Srl against ruling no. 219/2020 of the TRGA of Bolzano/Bozen, the Council of State - in ruling no. 920/2021 - partially upheld the appeal, declaring the claim for compensation for the equivalent amount made by the appellant in the first instance inadmissible on the grounds of vagueness and lack of evidence.

With regard to SF Energy Srl, a writ of summons dated 31 May 2018 was served before the Court of Rovereto, under Case no. 608/2018 by the Separate Administration Civic Use Department (ASUC) - Area of Rover-Carbonare.

The dispute concerns the alleged presence of parts of the San Floriano d'Egna hydroelectric plant on plots of land owned by ASUC in the municipality of Anterivo that are subject to civic use restrictions. ASUC requested the company, which holds the concession for large-scale water use as from 1 January 2011 and has the use of the wet works in the aforementioned plant as per specifications, to restore or, subordinately, to pay compensation to ASUC or indemnify it against expenses for it to carry out the above, in addition to compensation for damages arising from the alleged previous unlawful occupation of the assets in question and cancellation of an easement to deposit landfill material.

The company, filing a statement of defence and rejoinder on 20 September 2018, entered an appearance, raising preliminary procedural objections, in particular, with regard to the jurisdiction of the ordinary court hearing the case and contesting all of the plaintiff's claims, requesting their complete rejection on the merits. At the hearing on 10 April 2019 for the specification of the conclusions, the Judge issued an order of his lack of jurisdiction in favour of the High Court of the Water Authorities at the Court of Appeal of Venice ("TRAP").

Following the notice of reinstatement of the proceedings served by ASUC, the company appeared before the TRAP, reiterating all defences already made and insisting on the conclusions and claims being upheld, indicating, as a preliminary, its lack of capacity to be made a defendant in relation to the requests for the release and restoration of the property to its prior conditions, as well as the claims for compensation, also contesting the request for cancellation of the easement.

After granting the parties the time limits for preliminary statements, by order of 3 April 2020 the TRAP of Venice ordered the Autonomous Provinces of Trento and Bolzano/Bozen to be summoned, pursuant to Article 107 of the Code of Civil Procedure. The two Autonomous Provinces entered an appearance, raising a number of preliminary objections and arguing on the merits.

In particular, the Autonomous Province of Bolzano/Bozen objected first of all, among other things, that ASUC's application was inadmissible because the mandatory mediation procedure had not been activated against it. At the hearing of 3 December 2020, the Deputy Judge suspended the proceedings with the Venice TRAP, adjourning the hearing to 13 May 2021, in order to allow the requested mediation procedure to take place.

Following the request for mediation submitted by ASUC, the mandatory mediation procedure pursuant to Article 5, paragraph 1, of Legislative Decree 28/2010 concerning rights in rem was started at the Settlement Service of the Chamber of Commerce of Trento regarding the Autonomous Province of Trento and Bolzano/Bozen. Following the outcome of the first meeting on 8 January 2021, the parties asked for the procedure to be extended to SF Energy as well, so that all subjects concerned with solving the dispute would be available.

ASUC, as the petitioning party, did not oppose this request and therefore the company was also summoned to the meeting of 2 February 2021 before the mediator at the Chamber of Commerce of Trento. In order to be able to verify margins for a possible settlement between the parties in question, the continuation of the meeting was adjourned to 14 April 2021.

Based on investigations carried out through the leading law firm that is assisting the company in the dispute, and considering the intervention of the Provinces in the case, there are no elements at present making it necessary for the company to allocate provisions.

Transactions with related parties

Related parties are those that share the same controlling entity with the Company, the companies that directly or indirectly control it, are controlled, or are jointly controlled by the Parent Company and those in which the Parent Company holds a stake enabling it to exercise a significant influence.

In accordance with paragraph 25 of IAS 24 Related Party Disclosures, the company is exempted from the disclosure requirements in paragraph 18 (which requires the company to disclose the nature of the relationship with the related party, in addition to providing information about the outstanding balances of those transactions, including commitments, necessary for users of the financial statements to understand the potential effects of that relationship on the financial statements) in the case of relationships with another entity that is a related party because the same local authority has control, joint control or significant influence over both the entity that prepares the financial statements and the other entity.

We note, however, that during the year under review, (i) related party transactions were carried out at arm's length (or determined on the basis of similar methodologies), (ii) the main details of transactions with group companies are highlighted in the individual sections of the notes (iii) the main transactions with the shareholders concerned dividends to shareholders for Euro 26.0 million.

Number and nominal value of treasury shares and of shares of parent companies held by the company

With reference to the provisions of the aforementioned Article 2428, paragraph 2, no. 3 and 4 of the Italian Civil Code, at 31 December 2020, the Company did not own treasury shares nor did it made acquisitions or disposals of such shares during the year, either directly or through trust companies or third parties.

Group situation and operating performance

Operating data

The main operating data of the group in the electricity segment are presented below.

(in GWh)	2020	%	2019	%	% change
Hydropower and photovoltaic production	4,908	36%	4,150	28%	+ 18%
Production from cogeneration and biomass	317	2%	307	2%	+ 3%
Wholesale	3,166	23%	4,788	33%	- 34%
Sales to final customers	5,372	39%	5,423	37%	- 1%
Total	**13,763**	**100%**	**14,668**	**100%**	**- 6%**

N.B. Hydroelectric and photovoltaic production means the energy produced by subsidiaries and associates on the basis of the Alperia Group's share, which is subsequently sold to the market and to third parties.

The Group's hydroelectric production amounted to 4,897 GWh in 2020; this quantity is very high compared to the previous year's figure of 4,128 GWh (+19%), benefiting from significant water inflows (rain and snow) in 2020.

In this regard, the Meteorology and Avalanche Prevention Office of the Civil Protection Agency of the Province of Bolzano/Bozen noted the following.

2020 was an exceptionally warm year: in the whole of South Tyrol, temperatures were around one degree above the long-term average and almost all months - except October - were warmer than usual. 2020 was also a year of heavy rainfall: in the whole of South Tyrol, it rained and snowed about 40% more than the long-term average. This abundant rainfall and snowfall were mainly due to three extreme weather events in late August, early October and early December; on the contrary, rainfall was rare in January, February and November.

2020 started with high pressure, with a particularly dry and mild January compared to the long-term average. The very mild and dry weather continued in February, with significant precipitation only on the border with North Tyrol.

March recorded average values. Temperatures were close to the long-term average and rainfall was also average in most of South Tyrol.

April recorded stable spring weather with lots of sunshine and mild temperatures. It only rained a lot on the last day.

May was slightly above average in terms of temperature, while rainfall was slightly below average.

June, on the other hand, saw average temperatures, while rainfall showed a north-south gradient. Locations towards the main ridge of the Alps recorded considerable rainfall, while in the south amounts were close to average.

July was initially fairly even, with the hottest days of the summer towards the end of the month. There were also no significant changes in rainfall compared to average values.

As in July, thunderstorms, some of them major, occurred throughout South Tyrol in August. Above all, the flooding event at the end of August, the first of three extreme weather events in 2020, was memorable, due to the extreme values and situations recorded.

In September, the summer seemed to be exceptionally prolonged, with many more days recording temperatures close to 30 degrees. It was only in the last few days that a cold front with adverse weather conditions caused a stable overall cooling.

In terms of temperature, October deviated from the 2020 trend. While most other months of the year were warmer, October temperatures were below average. In addition, a second significant weather event to the south at the beginning of the month led to mudslides, strong winds and flooding.

November was less eventful. Periods of high pressure followed one another, resulting in no precipitation and more sunshine than average for the period.

With the onset of the meteorological winter, the weather changed abruptly and a third extreme rainfall event was recorded at the beginning of December. Extraordinary amounts of rain and snow led to road closures and avalanches. Towards the end of the year, there was another heavy snowfall in the valleys.

Looking again at the Group's operating figures, it should be noted that photovoltaic production stood at 11 GWh, down from the 22 GWh recorded in 2019; it should also be noted that the figure for the year under review no longer considers the production of the two companies Selsolar Rimini Srl and Selsolar Monte San Giusto Srl, whose investments were sold in 2020.

The production of electricity from cogeneration amounted to 47 GWh, and from biomass to 270 GWh (overall, the value produced is up on the previous year by around 3%).

Compared to 2019, the wholesale sale of electricity was down, amounting to 3,166 GWh (-34%); on the other hand, electricity sales to end customers remained substantially stable at 5,372 GWh (-1%).

As far as heat is concerned, production amounted to 222 GWht, up on the 217 GWht recorded in 2019.

The sale of natural gas came to 421 million cubic metres, compared with 464 million cubic metres in the previous year.

The data for the five areas in which the Group is organised are provided below:

1. Production (hydropower and photovoltaics);

2. Sale and trading (electricity, natural gas, heat and various services);

3. Networks (distribution and transmission of electricity, natural gas distribution);

4. Heat and services (cogeneration, district heating and biomass plants);

5. Smart Region (Smart Land and Dark Fiber areas as well as energy efficiency).

The costs incurred by the Parent Company were allocated to the five business areas on the basis of their EBITDA.

Note that the EBITDA is a performance indicator that is calculated by adding amortisation/depreciation, provisions and write-downs to the operating income, which is taken from the income statement. It should also be noted that the figures for 2019 have been reclassified for comparability with 2020 figures.

Energy production

EBITDA amounted to Euro 163.9 million compared to Euro 140.3 million in 2019.

Commercial and Trading

EBITDA amounted to Euro 14.2 million, compared with Euro 19.6 million in the previous year.

Networks

EBITDA for this area, equal to Euro 40.2 million increased, compared with Euro 36.5 million in 2019, mainly generated by the distribution and transmission of electricity.

Heat and Services

Total EBITDA for the area amounted to Euro 10.8 million, decreasing compared with Euro 20.8 million in the previous year; in this regard, the results reported by the subsidiary Biopower Sardegna Srl, were recognised under *Continuing Operations,* unlike 2019 when they were allocated to *Discontinued Operations.*

Smart Region

This area, which was affected - in particular - by the negative effects of the pandemic, reports a negative EBITDA of Euro 0.1 million compared to a negative EBITDA of Euro 1.4 million in 2019.

Performance indicators *(in thousands of Euros)*

Performance indicators	Formula	2020	2019
EBITDA	Operating income net of amortisation, depreciation, provisions and write-downs	229,024	215,819
EBITDA MARGIN		15.93%	13.95%
EBIT	Operating income	100,923	94,118
Net debt	Cash and cash equivalents + Financial receivables – Financial payables	(394,994)	(383,918)
ROE	Consolidated net profit / total equity	5.58%	5.32%
ROS	EBIT / Total Revenues	7.02%	6.08%

The figures for 2019 have been reclassified for comparability with 2020 figures.

Outlook

In Italy, in the first two months of 2021, the cumulative value of electricity demand, equal to 52.0 TWh, was down on the same period of 2020 (-2.2%); see, in this regard, the next table.

Energy balance in Italy (GWh)	**Jan/Feb 2021**	**Jan/Feb 2020**	**Change %**
Hydroelectric	7,269	6,150	+ 18.2%
Thermal	29,731	31,969	- 7.0%
Geothermal	892	949	- 6.0%
Wind	4,366	4,037	+ 8.1%
Photovoltaic	2,385	2,962	- 19.5%
Total net production	**44,643**	**46,067**	**- 3.1%**
Import	8,465	8,691	- 2.6%
Export	704	1,298	- 45.8%
Foreign balance	*7,761*	*7,393*	*+ 5.0%*
Pumping consumption	(443)	(357)	+ 24.1%
Electricity demand (GWh)	**51,961**	**53,103**	**- 2.2%**

(Source Terna Spa, Monthly Report on the Electricity System, February 2021)

With regard to the Group's expected hydroelectric production, it should be noted that at the end of February 2021 the level of the reservoirs of the power plants was below the historical average, while the equivalent energy of the snowpack at high altitudes in the geographical area covered by the plants of Alperia Greenpower Srl was considerably higher than the aforementioned average, which gives reason to hope for good results.

The meteorology and avalanche prevention office of the Bolzano/Bozen provincial civil protection agency reported that January 2021 was significantly colder and rainier than previous years: in that month, both rainfall and snowfall were very substantial, twice as much as normal.

As regards the price of electricity sold on the market, there was a significant increase in January and February 2021 compared to the same figures for the first two months of 2020: from Euro 47.47/MWh (January 2020) and Euro 39.30/MWh (February 2020) to Euro 60.71/MWh (January 2021) and Euro 56.57/MWh (February 2021) respectively.

However, it should be noted that the Group has already partially hedged against the volatility of electricity prices, having taken out hedges covering most of the expected production for the current year.

This will contribute - together with the economic, financial, managerial and industrial solidity of the Group achieved in recent years - to limit, as far as possible, the negative effects of the continuing health emergency; with regard to the latter, it is to be hoped that the severity of the emergency will gradually diminish and disappear as the population's vaccination campaign progresses.

Report pursuant to Article 123 bis, paragraph 2, letter b) of Legislative Decree 58/1998, containing the risk management and internal control system

Alperia Spa during 2020 continued to develop the activities to establish an internal control and risk management system (the "Internal control system") capable of managing the risks inherent in the activities of the company and the group; this effort is still being implemented.

The internal control system is a set of rules, procedures and organisational structures aimed at monitoring compliance with the strategies and the achievement of the following goals:

(i) effectiveness and efficiency of processes and business operations;

(ii) quality and reliability of economic and financial information;

(iii) compliance with laws and regulations, as well as with the company's Articles of association and corporate rules and procedures;

(iv) safeguarding the value of corporate activities and assets and preventing losses.

The following bodies are currently involved in control, monitoring and surveillance processes:

- the Supervisory Board;

- the Control and Risk Committee;

- the Management Board;

- the Internal Audit function;

- the Enterprise Risk function;

- the Supervisory Body.

Given the dual management and control model adopted by the company, both the Supervisory Board and the Management Board of the Parent Company are actively involved in risk control activities and specifically:

- pursuant to Article 16, paragraph 1, letter (xii) of Alperia Spa's Articles of association, the Supervisory Board "assesses the degree of efficiency and adequacy of the internal control system, with specific regard to the monitoring of risks, the functioning of internal audit and the accounting information system". Pursuant to Article 17, paragraph 1, letter (v) of the Articles of association, the Chairman of the Supervisory Board, chairing the Control and Risk Committee, "supervises and activates the procedures and systems in place for the control of the Company's and Group's activities... ". Pursuant to Article 17, paragraph 1, letter (vi) of the Articles of association, the Chairman of the Supervisory Board "in accordance with the budget established by the Management Board and approved by the Supervisory Board, also activates the information tools necessary to monitor the correctness and adequacy of the organisational structure and of the accounting and administration system adopted by the Company and the Group";

- pursuant to art. 28, paragraph 1 of the Articles of association, the Management Board "is vested, on an exclusive basis, with the broadest powers for the management and administration of the Company ...". In addition, pursuant to Article 29, paragraph 1 of the Articles of association, the Management Board "submits a special report to the Supervisory Board on the overall performance of the company's operations and on major transactions in terms of size and characteristics performed by the Company or its subsidiaries and, in any case, it reports on transactions in which members of the Management Board have an interest on their own or on behalf of third parties".

Within the Supervisory Board, the Committee for Control and Risk was set up, which has the task of assisting the Committee in its responsibilities with regard to the internal control system with non-binding recommendation, investigation and advisory functions.

The task of verifying the adequacy and the effective functioning of the internal control systems, which is assigned to the Supervisory Board, involves conducting meetings and analyses with the main stakeholders, including – in particular – the Supervisory Body, the Internal Audit Manager, the Head of the Enterprise Risk Management function and the controlling bodies of the subsidiaries; it also involves the activation of periodic reporting and monitoring systems.

The Internal Audit Manager has no operating responsibility; he/she reports to the Chairman of the Management Board and, functionally, to the Chairman of the Supervisory Board.

This manager has direct access to all the information useful for the performance of their duties.

The Internal Audit Manager reports the results of his/her activity, which is defined in a specific Audit Plan, including any identified deficiencies and the corrective actions identified, through appropriate Audit Reports that are submitted to the Supervisory Board, the Management Board, the General Manager of the Parent Company and the head of the function that is being audited; if the audit concerns the group companies, the Audit Reports are also sent to the relevant bodies of the company concerned.

In addition, annual summary reports of the activities carried out during the reference period are drawn up, which are sent to the Supervisory Board and to the Management Board.

Upon invitation, the Internal Audit Manager participates in the Supervisory Board, Control and Risk Committee and Management Board meetings.

The Internal Audit function assists the Supervisory Body of Alperia Spa and various Group companies, of which the Internal Audit Manager is a member.

During 2020, the Internal Audit Manager first defined a specific Audit Plan, which was approved by the Management Board at the meeting of 30 March 2020, after consulting with the Chairman of the Supervisory Board.

In the annual report for 2020, containing a summary of the activities carried out in the period under review, the Head pointed out that "Based on the audits carried out in 2020, there was no evidence that might lead to a negative assessment of the adequacy and effectiveness of the internal control system".

With regard to the Enterprise Risk implementation process, this is constantly evolving in order to develop tools that meet the ever increasing risk control and management requirements imposed by the organisational complexity of the Parent Company and the entire group, the status as issuer of listed bonds and the developments that are typical of a multi-business group. Alperia Spa implemented a risk assessment and reporting process, in keeping with the Enterprise Risk Management methodology and with the best practices in Risk Management, which aims to make risk management an integral and systematic part of management processes. The main assumptions considered in the model specifically refer to the group business plan.

The risk assessment is based on the introduction of two essential variables: the impact on company performance if the risk event occurs and the probability of occurrence of the uncertain event.

The methodology adopted is modular and allows for a gradual approach that leverages on the refinement of experience and of the methods of analysis used by the group.

In January 2020, the new Head of the Enterprise Risk function became operative; the existing model based on CoSO and ISO 31000 standards was improved and identified, working primarily on governance, and identifying the risk owners and risk experts; qualitative/non-financial risks were also identified and assessed, including them in a single database with quantitative/financial risks.

A quarterly process of issuing and logging risks was put in place, in a similar way to how the Group's economic/financial results are presented.

The first ERM reporting at 30 September 2020 was presented to the Management Board at the meeting of 17 December 2020. Previously, the methodology adopted by the Group had been assessed by a leading company specialising in this field, with a positive outcome.

In the first half of 2021, the Group intends implementing the Reputational Risk Management/ Stakeholder Engagement project: the aim is to identify, evaluate and mitigate the reputational risks of the Alperia Group and structure the management of stakeholders. At the end of 2020, the consulting firm supporting Alperia in the development of the project in question was identified.

Another issue pursued towards the end of 2020/early 2021 concerns the definition of a Risk Policy for the Group. The aim is to formalize and refine the process, in order to be in line with market best practices, and obtain TÜV certification for ISO 31000, in the medium term.

An operational Risk Management function was set up at Alperia Trading Srl and Alperia Smart Services Srl, tasked with monitoring market risk (in particular the price risk related to the sale and management of energy commodities), as well as risk related to estimated energy volumes and the financial receivables related to end customer acquisition and management.

While this function has been operating since October 2019 at Alperia Trading Srl, it should become operative at Alperia Smart Services Srl by the first half of 2021.

The overall process of detecting and analysing risk areas also includes the financial reporting process.

In this respect, it is noted, for example, that the annual financial reporting process, and, especially, the description of the main risks and uncertainties to which Alperia and the group are exposed, is linked to the flow of information coming from the Enterprise Risk processes of the companies and the group.

For a description of the main risks affecting the Company and the Group, please see the respective notes to the separate and consolidated financial statements.

As you know, Alperia has adopted an Organisation, Management and Control Model (MOG) pursuant to Legislative Decree 231/2001 (Model 231), as well as a Code of Ethics and a Disciplinary Code and has appointed a Supervisory Body.

The Model aims to define the guidelines, rules and principles of conduct that govern the activity of the Company, which all recipients must follow in order to prevent - in the context of specific "at-risk" activities carried out at Alperia - the commission of crimes contemplated in Legislative Decree 231/2001 and ensure fair, transparent conditions in business dealings.

The implementation of the Model provides that activities considered "sensitive" must be carried out in accordance the provisions of the Model; any non-compliance may lead the company to apply penalties.

Following developments in the applicable legal framework, which introduced new types of crimes that are significant under Legislative Decree 231/2001, and in view of internal organizational changes that have modified some company processes and operations, Alperia Spa, based on the latest acquisitions made and on changes at an intergroup contract level, and following specific indications from the Supervisory Body — revised the latest version of the Model (updated on 29 November 2018), during 2020, along with its prevention protocols.

The new Model which includes updated risk mapping and was prepared with the assistance of an independent consulting firm, was approved by the Management Board in the first meeting of 2021, held on 28 January.

During 2021, the Group companies will update their Models in turn; Neogy Srl instead approved the draft of an entirely new Model, required by the company's governance and operations.

The Supervisory Body of the Parent Company comprises the Internal Audit Manager and two external professionals.

In February 2020, the Parent Company appointed the new Body for a three-year term of office, confirming the previous members, thus ensuring operating continuity.

The composition and functions of the Supervisory Body comply with the characteristics in Legislative Decree 231/2001 and in the related guidelines of Confindustria.

Specifically, the Supervisory Body has independent powers of initiative and control and the independent exercise of such powers is ensured (i) by the fact that the members of the Body are not subject to hierarchical constraints in the performance of their function, as they report directly to the highest operating level, namely the Management Board and (ii) by the presence of an external member as Chairman of the Body.

The members of the Supervisory Body are adequately trained and have a consolidated and qualified experience in accounting, auditing, organisational activities and in criminal law; in addition, they can rely on internal staff within Alperia and on external consultants to carry out any technical activities as may be necessary to ensure the control function is properly performed.

The Body is entrusted with the task of monitoring the operation and observance of the Model and of keeping it up to date. The Supervisory Body reports on the implementation of the Model, the detection of any critical aspects and the need for modifications.

The Supervisory Body reports to the Management Board of the Parent Company, informing it, whenever it deems appropriate, about significant matters or events related to the conduct of its activities.

The Group Code of Ethics is a key element of the Model, as well as a component of the preventive control system. This Code sets out Alperia's ethical and professional principles and the guidelines and principles of conduct designed to prevent the offences referred to in Legislative Decree 231/2001. The Code is an essential element of the Model as it constitutes a systematic corpus of internal rules designed to disseminate a culture of ethics and corporate transparency. The Code calls for the observance of the principles and rules contained therein, by the corporate bodies, by all the employees of the group and by anyone who, permanently or temporarily, interacts with the group.

Each group company is required to endorse the principles of the Code of Ethics adopted by Alperia and to put in place the most appropriate measures to ensure their respect.

The Code of Ethics is available on the Parent Company and companies website (where adopted).

PricewaterhouseCoopers Spa is the independent auditor of the company Alperia Spa and the Alperia Group.

Bolzano/Bozen, 31 March 2021

The Chairman of the Management Board

Flora Emma Kröss

CONSOLIDATED FINANCIAL STATEMENTS OF THE ALPERIA GROUP AT 31 DECEMBER 2020

Consolidated statement of financial position

(in thousands of Euros)	Notes	At 31 December 2020	At 31 December 2019
ASSETS			
Non-current assets			
Concessions	9.1	471,392	512,086
Goodwill	9.1	83,512	80,817
Other intangible assets	9.1	28,449	10,824
Tangible assets	9.2	896,523	848,615
Investments	9.3	37,509	37,634
Deferred tax assets	9.4	58,050	56,552
Other non-current receivables and financial assets	9.5	34,089	42,171
Total non-current assets		**1,609,523**	**1,588,699**
Current assets			
Trade receivables	9.6	303,705	293,566
Inventories	9.7	38,363	17,572
Cash and cash equivalents	9.8	168,576	171,935
Other current receivables and financial assets	9.9	97,059	95,078
Total current assets		**607,703**	**578,151**
Assets held for sale and Discontinuing Operations	9.10	**24,765**	**104,804**
TOTAL ASSETS		**2,241,991**	**2,271,654**
Share capital	9.11	750,000	750,000
Other reserves	9.11	245,923	235,669
Retained profits (accumulated losses)	9.11	25,319	(3,511)
Group profit for the year	9.11	60,037	56,210
Total shareholders' equity attributable to owners of the parent		**1,081,279**	**1,038,368**
Non-controlling interests	9.11	29,671	26,462
Total consolidated equity		**1,110,950**	**1,064,830**
LIABILITIES			
Non-current liabilities			
Provisions for risks and charges	9.12	37,407	42,499
Employee benefits	9.13	15,042	14,425
Deferred tax liabilities	9.4	130,836	137,179
Non-current borrowings from banks and other lenders	9.14	572,711	592,392
Other non-current payables	9.15	54,715	52,279
Total non-current liabilities		**810,711**	**838,773**
Current liabilities			
Trade payables	9.16	236,623	250,622
Current borrowings from banks and other lenders	9.14	37,022	38,018
Current tax liabilities	9.17	5,317	9,902
Other current payables	9.15	40,758	43,415
Total current liabilities		**319,721**	**341,955**
Assets held for sale and Discontinuing Operations	9.10	609	26,095
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,241,991**	**2,271,654**

Consolidated income statement

(in thousands of Euros)	Notes	2020	2019
Revenues	10.1	1,351,901	1,507,398
Other revenues and income	10.2	85,818	39,481
Total revenues and other income		**1,437,719**	**1,546,878**
Costs for raw materials, consumables and goods	10.3	(529,615)	(645,340)
Cost of services	10.4	(596,549)	(605,011)
Personnel costs	10.5	(67,165)	(63,328)
Amortisation/depreciation, provisions and write-downs	10.6	(128,101)	(121,701)
(of which value adjustments of trade receivables)		*(17,512)*	*(1,316)*
Profit/(loss) arising from the fair value measurement of investments in associates and joint ventures	10.7	0	0
Other operating costs	10.8	(12,703)	(12,325)
Net income/(expenses) from commodity derivatives	10.9	(2,664)	(5,056)
Total costs		**(1,336,796)**	(1,452,761)
Operating income		**100,923**	94,118
Gains (losses) on valuation of investments	10.10	(1,655)	(230)
Financial income	10.11	6,920	4,107
Financial charges	10.11	(19,098)	(14,440)
(of which value adjustments of financial receivables)		*(50)*	*0*
Net financial income		**(13,834)**	**(10,563)**
Profit before taxes		**87,089**	**83,554**
Taxes	10.12	(26,315)	(14,581)
Net profit/(loss) (A) from continuing operations		60,774	68,974
Discontinuing operations	10.13	***1,175***	***(12,341)***
Net profit/(loss) (B) from Discontinuing Operations		**1,175**	(12,341)
Consolidated profit/(loss) for the year		61,949	56,633
owners of the parent		*60,037*	***56,210***
non-controlling interests		*1,912*	*422*

Consolidated comprehensive income statement

(in thousands of Euros)	2020	2019
Consolidated profit/(loss) for the year (A)	**61,949**	56,633
Income Statement items that may subsequently be reclassified to the income statement (net of taxes)		
Gains / (losses) on cash flow hedges	12,036	(6,796)
Total Income Statement items that may subsequently be reclassified to the income statement (B)	**12,036**	**(6,796)**
Income Statement items that cannot subsequently be reclassified to the income statement (net of taxes)		
Actuarial gains / losses on employee defined benefit plans	(195)	(1,069)
Total Income Statement items that cannot subsequently be reclassified to the income statement (C)	**(195)**	**(1,069)**
Total other gains (losses) not recognised in profit or loss	**11,841**	**(7,865)**
net of tax effect (B) + (C)		
Total comprehensive income (A)+(B)+(C)	73,790	**48,768**
Overall result:		
of which attributable to the Group	71,488	50,024
of which attributable to third parties	2,302	(1,256)

Statement of changes in consolidated equity at 31 December 2019

(in thousands of Euros)	Notes	Share capital	Statutory reserve	Reserve pursuant to art. 5.4.2 Framework Agreement	First-time adoption reserve	Cash flow hedge reserve	IAS 19 reserve	Other consolidated reserves	Retained profits (accumulated losses)	Year's result	Equity attributable to owners of the parent	Non-controlling interests	Consolidated equity
At 31 December 2018		**750,000**	**73,492**	**23,060**	**(9,972)**	**(2,155)**	**(3,444)**	**151,606**	**(20,425)**	**42,445**	**1,004,608**	**25,840**	**1,030,449**
Dividend allocation of 2018 profit		0	1,358	0	0	0	0	0	17,087	(42,445)	(24,000)	(1,226)	(25,226)
Equity after the resolution to allocate the net result for the year		**750,000**	**74,850**	**23,060**	**(9,972)**	**(2,155)**	**(3,444)**	**151,606**	**(3,338)**	**0**	**980,608**	**24,615**	**1,005,223**
Waiver of receivables by the shareholder Autonomous Province of Bolzano/Bozen	(*)	0	0	9,091	0	0	0	0	0	0	9,091	0	9,091
Change in cash flow hedge reserve		0	0	0	0	(5,116)	0	0	0	0	(5,116)	(1,680)	(6,796)
Settlement of the energy discount for former employees	9.13	0	0	0	0	0	132	0	(173)	0	(41)	0	(41)
Change in IAS 19 reserve	9.13	0	0	0	0	0	(1,088)	0	0	0	(1,088)	0	(1,088)
Changes in the scope of consolidation	2.3	0	0	0	0	0	0	(1,667)	0	0	(1,667)	3,019	1,352
Other changes		0	0	0	0	0	0	371	0	0	371	85	456
Consolidated profit (loss) and profit (loss) attributable to owners of the parent		0	0	0	0	0	0	0	0	56,210	56,210	422	56,633
At 31 December 2019		**750,000**	**74,850**	**32,151**	**(9,972)**	**(7,271)**	**(4,400)**	**150,309**	**(3,511)**	**56,210**	**1,038,368**	**26,462**	**1,064,830**

(*) By letter dated 28 June 2019, the shareholder Autonomous Province of Bolzano/Bozen notified the waiver of Euro 9,091 thousand in order to comply with specific commitments undertaken in the signing of framework agreements entered into at the time of the establishment of Alperia Spa.

The dividend per share approved in FY 2019 amounted to Euro 0.03200.

Statement of changes in consolidated equity at 31 December 2020

(in thousands of Euros)	Notes	Share capital	Statutory reserve	Reserve pursuant to art. 5.4.2 Framework Agreement	First-time adoption reserve	Cash flow hedge reserve	IAS 19 reserve	Other consolidated reserves	Retained profits (accumulated losses)	Year's result	Equity attributable to owners of the parent	Non-controlling interests	Consolidated equity
At 31 December 2019		750,000	74,850	32,151	(9,972)	**(7,271)**	**(4,400)**	**150,309**	**(3,511)**	**56,210**	**1,038,368**	**26,462**	**1,064,830**
Dividend allocation of 2019 profit		0	1,381	0	0	0	0	0	28,830	(56,210)	(26,000)	(359)	(26,359)
Equity after the resolution to allocate the net result for the year		750,000	76,231	**32,151**	**(9,972)**	**(7,271)**	**(4,400)**	**150,309**	**25,319**	**0**	**1,012,368**	**26,103**	**1,038,471**
Change in cash flow hedge reserve		0	0	0	0	11,645	0	0	0	0	11,645	391	12,036
Change in IAS 19 reserve	6.13	0	0	0	0	0	(195)	0	0	0	(195)	1	(195)
Changes in the scope of consolidation	2.3	0	0	0	0	0	0	(2,654)	0	0	(2,654)	649	(2,005)
Other changes		0	0	0	0	0	0	78	0	0	78	615	693
Consolidated profit (loss) and profit (loss) attributable to owners of the parent		0	0	0	0	0	0	0	0	60,037	60,037	1,912	61,949
At 31 December 2020		**750,000**	**76,231**	**32,151**	(9,972)	4,373	(4,595)	147,734	25,319	60,037	1,081,279	29,671	**1,110,950**

The dividend per share approved in FY 2020 amounted to Euro 0.03467.

EARNINGS PER SHARE

Earnings per share are calculated by dividing the result for the period by the number of ordinary shares in circulation at 31 December 2020.

Group net profit (in thousands of Euros): 60,037

Number of ordinary shares (in thousands): 750,000

Basic and diluted earnings per share: 0.0800

Consolidated cash flow statement

(in thousands of Euros)	Notes	2020	2019
Cash flow from operating activities			
Profit before taxes		**88,264**	**71,213**
Continuing operations		87,089	83,554
Discontinuing operations		1,175	(12,341)
Adjustments to earnings before taxes to obtain the cash flow from operating activities:			
Amortisation/Depreciation	10.6	101,846	96,709
Net allocations to provisions and write-downs of tangible and intangible assets	10.6	9,011	26,003
Net (Capital gains) Capital losses from disposals of tangible and financial assets		972	(2,297)
Net (gains) losses from discontinuing operations		240	0
Write-down of trade receivables	10.6	17,512	1,316
Gains (losses) on valuation of investments recognised in profit or loss	10.9	1,655	230
Fair value of hedging derivatives in OCI		12,036	(6,796)
Exchange rate effect	10.10	23	17
Net financial charges/(income)	10.10	12,156	10,316
Cash flow from operating activities before changes in working capital		**155,450**	**125,498**
Changes in working capital			
Inventories	9.7	(13,233)	(909)
Trade and other receivables	9.4, 9.5, 9.6, 9.9, 9.10	34,036	(32,943)
Trade and other payables	9.15, 9.16, 9.17	(89,630)	(3,280)
Cash flow from changes in working capital		**(68,827)**	**(37,132)**
Utilisations of provisions for risks and charges	9.12	(13,872)	(6,560)
Use of provisions for employee benefits	9.13	(2,073)	(3,437)
Net financial charges paid		(10,066)	(9,812)
Cash flow generated by operating activities (A)		**148,877**	**139,770**
discontinuing operations		3,749	(2,001)
Cash flow from investing activities			
Tangible, intangible and financial assets	9.1, 9.2	(116,842)	(139,406)
Net investments in companies (or business units) net of cash and cash equivalents acquired	2.4	(3,624)	(19,914)
Cash flow from disinvestment activities			
Tangible, intangible and financial assets	9.1, 9.2, 9.3	12,349	62,477
Cash flow generated by investing activities (B)		**(108,117)**	**(96,843)**
discontinuing operations		(240)	(3)
Cash flow from financing activities			
Change in net financial payables	9.14	(22,788)	(46,645)
Payment of dividends		(22,574)	(16,135)
Cash flow generated by financing **activities (C)**		**(45,362)**	**(62,780)**
discontinuing operations		0	(7,764)
Net cash flow for the year (A + B + C)		**(4,602)**	**(19,853)**
discontinuing operations		3,509	(9,768)
Cash and cash equivalents at the beginning of the year		171,935	181,861
Cash and cash equivalents arising from acquisitions described in section "2.4 Information required by International Accounting Standard IFRS 3"		1,243	9,927
Cash and cash equivalents at the end of the year		168,576	171,935

NOTES

1. General information

The Parent Company Alperia Spa (the "**Company**" or "**Alperia**" or "**Parent Company**") is a company incorporated under Italian law and domiciled and organised in Italy, with registered office in Bolzano/Bozen, Via Dodiciville no. 8.

At 31 December 2020, the Company's share capital was broken down as follows:

Description	Number of shares	Nominal value (Euro thousands)	% of share capital
Autonomous Province of Bolzano/Bozen	347,852,466	347,852	46.38%
Municipality of Bolzano/Bozen	157,500,000	157,500	21.00%
Municipality of Merano/Meran	157,500,000	157,500	21.00%
Selfin Srl-GmbH	87,147,534	87,148	11.62%
Total	**750,000,000**	**750,000**	**100.00%**

Alperia and its subsidiaries (the "**Alperia Group**" or the "**Group**") are engaged in five different operating segments, summarised below:

- Production (hydropower and photovoltaics);
- Sale and trading (electricity, natural gas, heat and various services);
- Networks (distribution and transmission of electricity, natural gas distribution);
- Heat and services (cogeneration, district heating and biomass plants);
- Smart Region (Smart Land and Dark Fiber areas as well as energy efficiency).

2. Summary of the accounting principles adopted

The accounting policies and principles applied in the preparation and drafting of the Group's Consolidated Financial Statements (the "**Consolidated Financial Statements**") are presented below. These accounting standards have been applied consistently in the periods presented in this document.

2.1 Basis of preparation

Regulation (EC) No 1606/2002 of 19 July 2002 introduced the obligation for companies with equity and/or debt securities listed in one of the regulated markets of the European Community to apply the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union ("EU IFRS" or "International Accounting Standards") in the preparation of their financial statements as of the 2005 financial year. On 23 June 2016, the Company approved a "Euro Medium Term Note Programme" ("EMTN") listed on the Irish Stock Exchange for a maximum amount of Euro 600 million. On 27 June 2016, the Company issued the first two tranches of Notes, for a nominal value of Euro 125 million and Euro 100 million, which were admitted to trading on 30 June 2016; on 23 December 2016, the Company issued the third tranche of Notes for a nominal value of Euro 150 million. During 2017, the company finally issued the fourth tranche of bonds for a value of NOK 935 million.

Since 2016, Alperia has qualified as a Public Interest Entity ("EIP") and is therefore required to prepare the separate and consolidated financial statements in accordance with EU IFRS.

However, the Company does not fall within the scope of Directive 2013/50/EU and is therefore not required to prepare its consolidated financial statements in the European Single Electronic

Format (ESEF), as it is the issuer of bonds with a denomination per unit of at least Euro 100 thousand in accordance with Directive 2004/109/EC, as implemented by Ireland in its capacity as the home Member State chosen by the Company.

These Consolidated Financial Statements have been prepared in accordance with the international accounting standards and on a going concern basis.

The EU IFRS are all the "International Financial Reporting Standards", all the "International Accounting Standards" (IAS), all the interpretations of the "International Reporting Interpretations Committee" (IFRIC), previously referred to as "Standing Interpretations Committee" (SIC) which, on the date of approval of the Consolidated Financial Statements, have been approved by the European Union in accordance with the procedure laid down in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002.

These Consolidated Financial Statements have been drawn up on the basis of the best knowledge of international accounting standards and in the light of the best academic writings on this matter; any future guidelines and updated interpretations will be reflected in subsequent years, in the manner as set out in the relevant accounting standards.

These Consolidated Financial Statements have been approved by the Company's Management Board on 31 March 2021 and will be submitted to the Supervisory Board of Alperia Spa for approval on 10 May 2021.

2.2 Statements

2.2.1 Form and content of the financial statements

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

i) the statement of financial position separately shows current and non-current assets and, likewise, represents current and non-current liabilities;

ii) the consolidated income statement shows a classification of costs and revenues by nature;

iii) the consolidated statement of comprehensive income includes, in addition to the result for the period, the changes in shareholders' equity related to income or cost items, which, by explicit provision of the International Accounting Standards, are recognised in equity; this statement is called Other Comprehensive Income or OCI;

iv) the consolidated cash flow statement is presented according to the indirect method;

v) the statement of changes in Consolidated Equity and in equity attributable to owners of the parent.

The formats used, as specified above, are those that best represent the Group's financial position and operating performance.

These financial statement have been drawn up in Euro, which is the functional currency of the Group. The amounts shown in the financial statements and in the detail tables included in the Notes are in thousands of Euro, unless otherwise stated.

The Consolidated Financial Statements are audited by the auditing firm PricewaterhouseCoopers Spa, which is the independent auditor of the Company and of the Group.

2.2.2 Method for presenting financial information

These Consolidated Financial Statements do not allow for a complete comparison of the statement of financial position and income statement balances at 31 December 2020 with those of the prior year, mainly due to:

- the reclassification of the balances relating to the Group company Biopower Sardegna Srl to *"Continuing operations"* in 2020, following changes in the outlook that make it no longer reasonably possible to sell the company;
- the sale of assets included in a business unit consisting of fibre optic systems of the Group companies Alperia Fiber Srl and Alperia Smart Services Srl. The counterparty in the transaction - which led to the recognition of a capital gain of Euro 30 thousand in the Consolidated Financial Statements - is Infranet Spa, a company controlled by the parent company's shareholder, the Autonomous Province of Bolzano/Bozen;
- the changes in the scope of consolidation of the Group, as explained in section "2.3 Scope of consolidation and changes" of these Notes;
- the acquisition by the Group company, Alperia Smart Services Srl, from Green Power Energy Spa of a business unit consisting of all the assets, liabilities, contracts and legal relations, both active and passive, relating to the management of the sale of electricity and gas to 3,352 customers. The transaction in question, which was financially settled in 2020, led, in addition to liabilities amounting to Euro 302,000, to the recognition in the financial statements of Alperia Smart Services Srl of goodwill amounting to Euro 449,000.

For a better comparability of the information in these Consolidated Financial Statements, some balances at 31 December 2019, as regards the financial position and operating performance, were reclassified; these changes are summarised in the paragraph below.

2.2.3 Reclassifications

The information required by paragraph 41 of IAS 1 in respect of reclassifications made during the year is set out below.

Balance sheet reclassifications

The fair value of commodity derivatives traded on the European Energy Exchange and subject to "cascading" (substitution of the same, on the last trading day prior to the next delivery period, with equivalent positions spread over subsequent months or quarters), classified in the balance sheet items "Other current receivables and financial assets" and "Current borrowings from banks and other lends" was offset against receivables from clearing houses recognised in the balance sheet item "Other current receivables and financial assets".

The effects of the restatement on the affected statement of financial position balances at 31 December 2019 are shown in the table below:

(in thousands of Euros)	2019	2019 restated	Difference
Other current receivables and financial assets	125,923	95,078	(30,845)
Current borrowings from banks and other lenders	68,863	38,018	(30,845)

Reclassifications of the consolidated income statement

- The positive net margin realised following the closing of the commodity derivatives with execution through delivery or receipt of the underlying asset, for speculative purposes, amounting in 2019 to Euro 15,802 thousand, was reclassified from the items "Revenues" and "Costs for raw materials, consumables and goods" to the item "Net income/(expenses) from commodity derivatives" in the consolidated income statement. All other realised and unrealised effects related to derivative financial instruments not recognised using the "Hedge accounting" method - amounting in 2019 to a net expense of Euro 20,858 thousand - were also reclassified from the "Financial result" section of the consolidated income statement to "Net income/(expenses) from commodity derivatives".

- The capitalised costs were broken down into tangible and intangible assets, which were previously recognised in full - for reasons of simplification - as a reduction in "Costs for raw materials, consumables and goods", in the relevant income statement items.

- The change in inventories of contract work in progress, previously classified as a deduction in "Costs for raw materials, consumables and goods", was reclassified to "Cost of services" in the consolidated income statement.

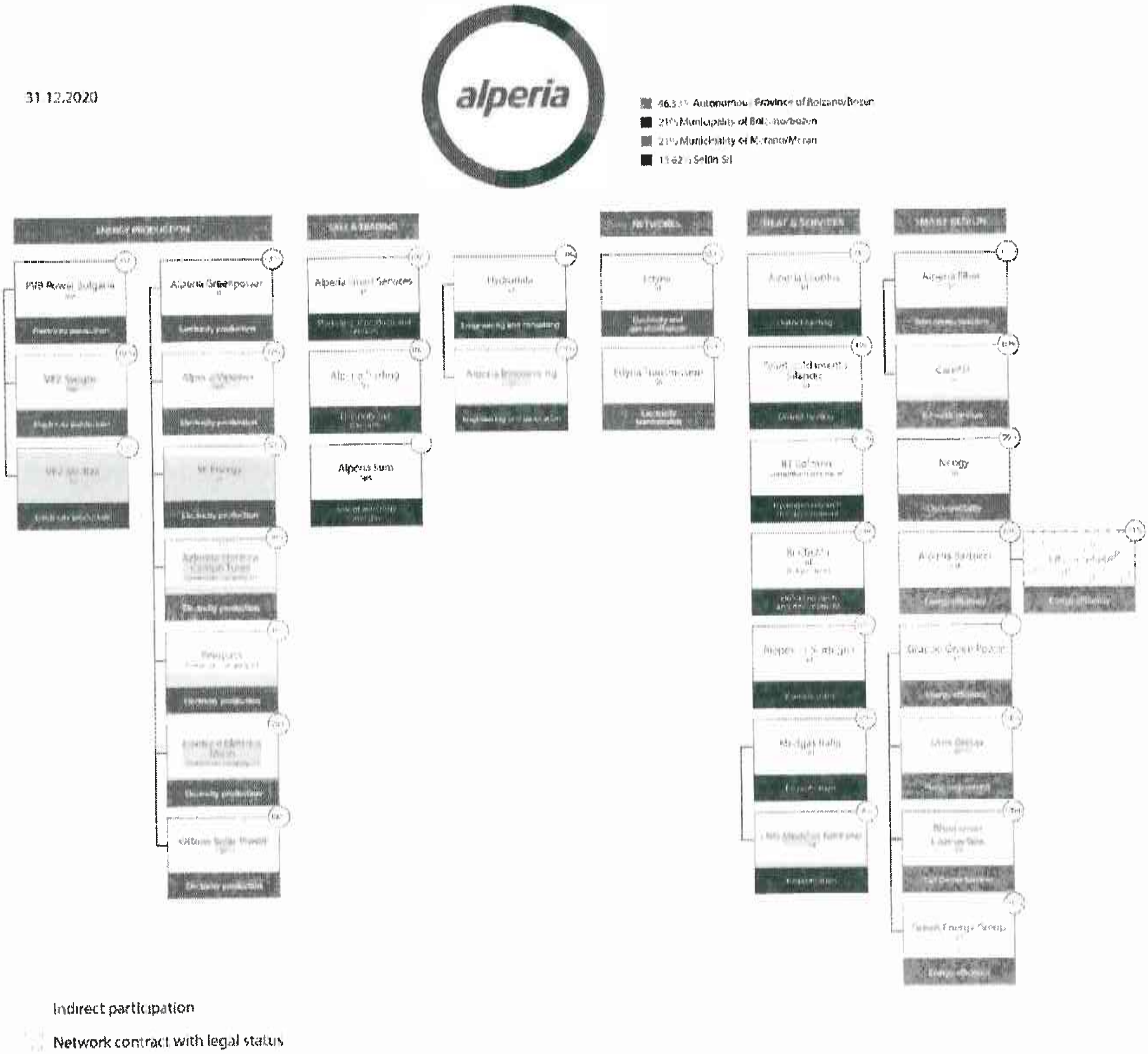
The effects of the restatement on the affected income statement balances at 2019 are shown in the table below:

(in thousands of Euros)	2019	2019 restated	Difference
Revenues	1,523,276	1,507,398	(15,878)
Costs for raw materials, consumables and goods	(579,546)	(645,340)	(65,794)
Cost of services	(661,116)	(605,011)	56,105
Personnel costs	(73,093)	(63,328)	9,765
Net income/(expenses) from commodity derivatives	0	(5,056)	(5,056)
Operating income	209,521	188,663	(20,858)
Financial income	32,296	4,107	(28,190)
Financial charges	(63,487)	(14,440)	49,047
Net financial income	(31,191)	(10,333)	20,858

2.3 Scope of consolidation and changes

The Consolidated Financial Statements include the statement of financial position and income statement of the Parent Company Alperia Spa for the year 2020 and its subsidiaries. These financial statements have been appropriately adjusted, where necessary, to align them to the Parent Company's accounting principles.

The corporate structure of the Alperia Group at 31 December 2020 is presented below.



As explained in the Report on Operations, the following changes in the scope of consolidation took place in 2020:

- the acquisition of the minority interest equal to 49.9% of the voting rights of the company Green Energy Group Srl by the company Gruppo Green Power Srl, which took place by deed dated 29 May 2020;

- the sale of all the interests held in Selsolar Rimini Srl and Selsolar Monte San Giusto Srl, which had been classified as "Discontinuing operations" in the Consolidated Financial Statements for the year ended 31 December 2019;
- the establishment, on 8 July 2020, by Alperia Bartucci Spa, together with a counterpart from outside the Alperia Group, of the EfficienteRete business network, aimed at implementing energy efficiency and seismic refurbishment works on buildings benefiting from deductions and incentives, throughout the territory. The entity in question, which has legal personality and is comparable to a company, is controlled by the Group by virtue of contractual clauses and, consequently, is subject to consolidation on a line-by-line basis;
- the acquisition by Alperia Spa of a majority stake equal to 50.51% of the voting rights of Hydrodata Spa, a leading national technical consulting company, followed by the incorporation, on 19 November 2020, of Alperia Innoveering Srl, a company owned 99% by Hydrodata Spa and 1% by Alperia Spa (and, consequently, indirectly controlled by the latter).

The complete list of companies included in the scope of consolidation at 31 December 2020 with information on the consolidation method used to prepare the Consolidated Financial Statements is set out in **Annex A** to this document.

Annex B instead has information on significant investees measured with the equity method, which are required by paragraphs B12 and following of IFRS 12 (the data are inferred from the financial statements of investees).

2.4 Information required by International Accounting Standard IFRS 3

Acquisition of a minority interest in Green Energy Group Srl

The completion of the acquisition of the entire shareholding in Green Energy Group Srl was part of rationalisation actions undertaken by the Group. The transaction took place for an amount comprising a fixed component of Euro 350 thousand and an earn-out component of Euro 100 thousand, both paid at the date of execution, as well as a contingent and deferred component of Euro 160 thousand, which will be paid to the seller subject to specific contractual obligations being met.

In accordance with paragraph B96 of IFRS 10, the difference between the adjustment to minority interests and the consideration paid was recognised in Group equity.

Acquisition of Hydrodata Spa

The acquisition of the majority of shares in Hydrodata Spa, completed on 8 October 2020, has enabled the Group to welcome a leading operator active in the development and provision of engineering services, technical-economic consulting and applied research in the field of water management.

This acquisition is one of a series of initiatives designed to achieve the important goals outlined in the Alperia Group's 2020-2024 business plan.

The analysis carried out on the shareholders' agreement entered into between Alperia Spa and the minority shareholder of Hydrodata Spa in October 2020, pursuant to paragraph B3 of Appendix B to IFRS 10 confirmed that the transaction had resulted in the transfer of control of Hydrodata Spa to the Alperia Group, which has therefore consolidated it on a line-by-line basis starting from the second half of 2020.

Pursuant to IFRS 3, the acquisition of Hydrodata Spa was included in the financial statements of the Alperia Group, for a total of Euro 13,696 thousand, mainly referred to assets (Euro 2,519 thousand), inventories of contract work in progress (Euro 7,559 thousand), trade receivables (Euro 1,982 thousand), cash and cash equivalents (Euro 1,243 thousand) and liabilities (Euro 11,400 thousand), mainly attributable to miscellaneous provisions and payables; minority interests included in consolidated equity on first-time consolidation following the purchase price allocation amounted to Euro 1,137 thousand. At the time of the Purchase Price Allocation, goodwill of Euro 1,329 thousand was also recognised in the Consolidated Financial Statements.

Lastly, the consolidated income statement of the Alperia Group at 31 December 2020 includes revenues and other income, before consolidation adjustments, attributable to the company Hydrodata Spa for Euro 2,311 thousand, operating costs equal to Euro 2,161 thousand, as well as net profit of Euro 89 thousand, of which Euro 44 thousand attributable to minority interests.

2.5 Consolidation principles

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

Subsidiaries

Subsidiaries are those companies over which the Group has control. The Group controls a company when it is exposed to the variability of that company's profits and can influence such profits through its power over the company. Usually, control is presumed when the Company holds, directly or indirectly, more than half of the voting rights, taking also into account the potentially exercisable or convertible voting rights.

All subsidiaries are consolidated using the line-by-line method as of the date on which control was transferred to the Group. They are excluded from consolidation as of the date on which such control ceases.

Business combinations are accounted for using the acquisition method. According to this method:

i) The consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair value of the assets transferred and the liabilities assumed by the Group at the acquisition date and the equity instruments issued in exchange for control of the acquired company. Transaction charges are recognised in the income statement when they are incurred;

ii) At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at fair value at the acquisition date; as an exception, deferred tax assets and liabilities, assets and liabilities for employee benefits, liabilities or equity instruments related to share-based payments of the acquiree or share-based payments of the group issued in lieu of contracts of the acquired company, and assets (or groups of assets and liabilities) held for sale are instead valued according to their reference standard;

iii) Goodwill is determined as the excess of the sum of the consideration transferred to the business combination, the value of equity attributable to minority interests and the fair value of any investment previously held in the acquired company over the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets acquired and the liabilities assumed at the acquisition date exceeds the sum of the consideration transferred, the value of equity attributable to non-controlling interests and the fair value of any previously equity interests held in the acquired entity, that surplus is immediately recognised in the income statement as income from the completed transaction;

iv) Any conditional consideration provided under the terms of the business combination is measured at fair value on the acquisition date and included in the value of the consideration transferred to the business combination in order to determine goodwill.

In business combinations achieved in stages, the previously held equity interest in the acquiree is revalued at fair value at the date of acquisition of control and the resulting profit or loss is recognised in the income statement.

If the initial values of a business combination are provisional as at the reporting date of the period in which the business combination has occurred, the Group shall report the provisional amounts of the items for which the final accounting cannot be determined. These provisional amounts are adjusted during the measurement period to take account of new information obtained on facts and circumstances that existed at the acquisition date which, if known, would have had an impact on the value of the assets and liabilities recognised at that date.

Joint arrangements

Joint arrangements are accounted for in accordance with IFRS 11. In accordance with the provisions of IFRS 11, a joint arrangement can be classified as a joint operation or joint venture on the basis of a substantial analysis of the rights and obligations of the parties. Joint ventures are joint arrangements in which the joint venturers hold, inter alia, rights to the net assets of the arrangement. Joint operations are joint arrangements whereby the parties have rights to the assets and obligations for the liabilities, relating to the arrangement. Joint ventures are accounted for using the equity method, whereas investments in a joint operation involve the recognition of assets/liabilities and costs/revenues related to the arrangement on the basis of contractual rights/obligations regardless of the interest held.

Transactions in foreign currency

Transactions in currencies other than the functional currency are recognised at the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in currencies other than the Euro are subsequently adjusted according to the exchange rate prevailing at the reporting date. Any exchange differences arising from commercial and financial transactions are recorded in the income statement as "Financial charges" and "Financial income".

Non-monetary assets and liabilities denominated in currencies other than the Euro are recorded at historical cost using the exchange rate prevailing at the date of initial recognition of the transaction.

2.6 Measurement criteria

Concessions, Goodwill and Other Intangible Assets

Concessions and other intangible assets consist of non-monetary, identifiable and non-physical elements that are controllable and capable of generating future economic benefits, as well as goodwill when acquired for valuable consideration.

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

In the Consolidated Financial Statements, concessions were mainly recognised in relation to business combinations in the fair value measurement of transferred assets. The value is amortised according to the useful life of the asset. At year-end, or more frequently, the value of the asset is tested for impairment.

This test is performed by comparing the carrying amount of the asset or group of assets making up the cash-generating unit (CGU) with the recoverable amount of the asset, which is the higher of the fair value (net of any selling costs) and the value of the discounted net cash flows that are expected to be generated by the asset or group of assets making up the CGU (value of use), which have been identified in each individual power plant under concession.

For the impairment test, the cash flows for the term of the concession have been used, as extrapolated from the Group business plan, and the expected residual value of the works and assets constructed during the concession period, which the Group expects to obtain at the end of the concession.

The discount rate used to discount the cash flows (WACC), which reflects the market valuation of the cost of money and the specific business risks net of taxes, is 6.7% for the hydroelectric sector, which is the Group's main market.

The goodwill on business combinations is initially recognised at cost at the acquisition date. Goodwill is not amortised but is tested for impairment annually or more frequently if specific events or changed circumstances suggest the asset may have been impaired. After initial recognition, goodwill is recognised at cost net of any accumulated impairment losses.

With particular reference to "Software as a service" and applications managed through solutions that use "Infrastructure as a service", the Group:

- capitalises the costs of licences together with the internal and external costs incurred for their implementation and "customisation", if they meet the requirements of IAS 38;

- recognises, on an accrual basis, in the income statement, the periodic costs associated with the "Software as a service" and "Infrastructure as a service" services, using the deferral technique.

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

The useful life of concessions and other intangible assets has been estimated by the Group as follows:

	% rate
Concessions	Term of the concession
Industrial patents and software	20%

Tangible assets

Tangible assets are measured at purchase or production cost, net of accumulated depreciation and any impairment losses. The cost includes the expenses directly incurred to make the asset ready for use, as well as any dismantling and removal charges that will be incurred as a result of contractual obligations that require the asset to be returned in its original conditions.

Financial charges directly attributable to the acquisition, construction or production of an asset to be capitalised pursuant to IAS 23, are capitalised on the asset as part of its cost.

The costs incurred for ordinary and/or cyclical maintenance and repairs are directly charged to the income statement when incurred. The capitalisation of costs associated with the expansion, modernisation or improvement of structural elements owned by the entity or of third parties is carried out to the extent they meet the requirements for being separately classified as an asset or part of an asset.

Improvements on third party assets include the costs incurred for fitting and upgrading property held other than based on ownership.

Depreciation is charged on a straight-line basis using rates that enable the asset to be depreciated according to its useful life.

The useful life of each category of tangible assets has been estimated by the Group as follows:

Type of asset	% rate
Commercial and industrial equipment	5%-15%
Office furniture	6%-12%
Buildings used in operations	1.5% - 4%
Electronic machines	10% - 20%
Distribution network	2.86%
Gas meters	5% - 6.66%
District heating building	3.5% - 4%
District heating system	5% - 25%
District heating substations	7%-8%
Heat transmission network	3.33%
Measurement and control devices	5% - 6.66%
Hydroelectric plants	2.5%

Assets transferable at no cost are depreciated in accordance with the financial method over the period of time in which they are expected to give the related economic benefits, which coincides with the duration of the concession for the use of water for hydroelectric purposes.

Leased assets (IFRS 16)

The rules introduced by IFRS 16 have been applied prospectively during first time adoption, starting from 1 January 2019, adopting some simplifications allowed by the standard, whereby contracts with a duration of less than twelve months and some low-value contracts have been excluded from the measurement.

The standard defines "Leases" as contracts under which, for a fee, the lessee has the right to control the use of a specific asset for a specified period of time. The application of the standard to contracts identified as such results in the recognition of an asset, representing the right of use. This asset is depreciated over the shorter of the asset's economic/technical life and the remaining life of the contracts. The corresponding liability, recognised under financial liabilities, is equal to the present value of the minimum future compulsory lease payments to be made by the lessee and decreases as said payments are made. At the time of initial recognition of contracts, the right of use and the debt are measured by discounting future lease payments, throughout the duration of the contracts, taking into account the possibility of renewal or early termination, only in cases where the exercise of these options is reasonably certain. For discounting purposes, the explicit rate specified in the contract is generally used, where available. In its absence, the rate on the most recent bond debt is used.

Impairment of non-financial assets

At each reporting date, non-financial assets are analysed to assess whether there is any indication of impairment. When events occur that indicate a likely impairment of non-financial assets, the recoverability of those assets is verified by comparing the carrying amount with the recoverable amount which is the higher of fair value, net of selling costs, and the value in use. The value in use is determined by discounting the expected cash flows arising from use of the asset and, if significant and reasonably determinable, as of its disposal until the end of its useful life, net of disposal costs. Expected cash flows are determined on the basis of reasonable and demonstrable assumptions representative of the best estimate of future economic conditions that will occur during the residual useful life of the asset, giving greater importance to external indications. The expected future cash flows used to determine the value in use are based on the most recent business plan approved by management and containing revenue, operating cost and capital expenditure projections. For assets that do not generate highly independent cash flows, the recoverable amount is determined in relation to the cash generating unit of which they are part (that is, the smallest identifiable set of assets that generates autonomous revenue streams arising from continued use). Discounting is carried out at a rate that reflects current market valuations of the time value of money and the specific business risks that are not reflected in cash flow estimates. More specifically, the discount rate used is the Weighted Average Cost of Capital (WACC). The value in use is determined net of the tax effect as this method produces substantially equivalent amounts to those obtainable by discounting the cash flows before tax at a pre-tax discount rate obtained, iteratively, from the result of the after-tax evaluation. The evaluation is carried out for each asset or cash generating unit. When the reasons for the write-downs no longer apply, the asset value is restored and the adjustment is recognised in the income statement as value reversal. The value is reinstated at the lower of the recoverable amount and the carrying amount before the write-downs previously made, less the depreciation charges that would have been recognised if the write-down had not been made.

Trade receivables and other current and non-current receivables

Trade receivables and other current and non-current receivables are non-derivative financial instruments, mainly related to receivables from customers, not listed in an active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are recognised as current assets, except for those with a contractual maturity of more than twelve months from the reporting date, which are recognised as non-current assets.

These financial assets are recognised as assets when the Company becomes a party to the related contracts and are derecognised when the right to receive cash flows is transferred together with all the risks and rewards associated with the transferred asset.

Trade receivables and other current and non-current receivables are initially recognised at their fair value and subsequently at amortised cost, using the effective interest rate, reduced for impairment.

Impairment losses on receivables are determined as explained in the next section "Financial assets" of these Notes. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the expected future cash flows.

Receivables are stated in the financial statements net of the provision for bad debts.

Current and non-current trade and other receivables are derecognised when the right to receive cash flows is extinguished and all the risks and rewards of ownership of the asset are substantially transferred, or if the item is deemed to be definitively irrecoverable after all necessary recovery procedures have been completed.

Financial assets

Financial assets are initially recognised at fair value; they are subsequently classified under the following three categories:

- financial assets measured at amortised cost;
- financial assets measured at fair value recognised in other comprehensive income; and
- financial assets measured at fair value through profit or loss.

The classification within the three categories is based on the Group's business model and in relation to the characteristics of the cash flows generated by the assets themselves. In particular, a financial asset is measured:

- at amortised cost, if the Group's business model holds the asset to collect the relative cash flows and not to realise profit even from the sale and the characteristics of the asset's cash flows only correspond to the payment of principal and interest;
- at fair value with a balancing entry in the other components of the comprehensive income statement if it is held with the aim of both collecting contractual cash flows and being disposed of; and
- at fair value, with changes in value recognised in profit or loss, if the financial asset is held for trading and does not come under the previous two categories.

In the case of changes at a business model level, the Group reclassifies the financial assets under different categories, applying the effects of the reclassifications on a forward-looking basis.

The recoverability of financial assets not measured at fair value with effects in profit or loss is measured taking account of expected losses, where "Loss" means the present value of all future cash failures, suitably integrated to take account of future expectations *(so-called "Forward looking information")*. The estimate, initially made on the expected losses in the following twelve months, in consideration of any progressive deterioration of the receivable, must be adjusted to cover the expected losses over its entire life.

Financial assets are derecognised when the right to receive the related cash flows is extinguished and all risks and rewards of ownership are substantially transferred, or if the item is deemed to be definitively irrecoverable after all necessary recovery procedures have been completed.

Inventories

Inventories of raw materials, semi-finished goods and finished products are valued at the lower of weighted average cost and market value at the date of the closing of the accounts. The weighted average cost is determined for the reference period for each inventory code. The weighted average cost includes the direct costs of materials and labour and the indirect costs (variable and fixed). Inventories are constantly monitored and, if necessary, obsolete inventories are written-down with a contra-entry in the Income Statement.

In accordance with IAS 11, contract work in progress has been measured using the percentage of completion method and is therefore recognised on the basis of the contractual consideration accrued. If it is probable that the estimated total costs of an individual contract exceed the estimated total revenues, the contract is measured at cost (so as to eliminate any profit margin recognised in prior periods) and the probable loss on completion of the contract is recognised as a decrease in contract work in progress. If that loss exceeds the value of the work in progress, the contractor shall recognise a provision for risks and charges equal to the excess. A probable loss is recognised in the period in which it is expected based on an objective and reasonable assessment of existing circumstances. The loss is recognised regardless of the progress of the contract. The loss on one contract is not offset by expected positive margins on other contracts. For the purpose of loss recognition, orders are therefore considered individually.

Financial derivatives

All derivative financial instruments (including any embedded derivatives subject to separation) are measured at fair value.

Derivative financial instruments may be recognised according to procedures established for hedge accounting only when:

- the hedging relationship is documented and the hedge has been designated since its inception;
- the hedge is expected to be highly effective;
- the effectiveness can be reliably measured;
- the hedge is highly effective during the various accounting periods for which it is designated.

When derivative instruments meet the requirements to be accounted for under hedge accounting, the following accounting treatment applies:

i) Fair value hedge – if a derivative financial instrument is designated to hedge the exposure to changes in the fair value of a recognised asset or liability, the change in the fair value of the hedging derivative is recognised in the income statement, consistently with the fair value measurement of the hedged assets and liabilities;

ii) Cash flow hedge – if a derivative financial instrument is designated to hedge the exposure to the cash flow variability of an asset or liability or a highly probable transaction that could have an effect on the income statement, the effective portion of the gain or loss on the financial instrument is recognised in equity; the cumulative gain or loss is reversed from equity and recognised in profit or loss in the same period and in the same financial statement item in which the hedged transaction is recognised; the gain or loss associated with a hedge, or that part of the hedge that has become ineffective, is recognised in profit or loss when the ineffectiveness is detected.

If the conditions for *hedge accounting* are not met, changes in *the fair value* of derivative financial instruments relating to interest and/or exchange rates are recognised in the income statement under "Financial income" and "Financial charges"; effects related to relative closing are also included.

With regard to the accounting treatment of commodity derivatives, please refer to the next section of these Notes for further details.

Derivative financial instruments on commodities

The Group analyses each forward transaction for the purchase and sale of electricity or natural gas, in order to identify those transactions, which come under IFRS 9 and are considered as derivative financial instruments, and instead those which are excluded.

The derivative financial instruments in question are recognised at fair value.

The changes in fair value are recognised, based on the characteristics of the derivative and its designation:

- in the consolidated income statements, if relative to instruments not designated as hedging in the accounts. In particular, all changes are classified in the item "Net income/(charges) from commodity derivatives";
- directly to a positive or negative reserve of shareholders' equity, if, following specific effectiveness tests, the instrument covers the risk of changes in expected cash flows of an asset, a liability or a planned transaction that is highly likely which exposes the company to the risk of changes in future cash flows and is designated as hedging. This reserve is recognised in the consolidated income statement to the extent and in the times corresponding to the occurrence of the hedging transaction in the same item, affected by the transaction in question.

The effects related to the closure during the year of contracts not qualified for hedge accounting are recognised in the consolidated income statement under 'Net income/(charges) from commodity derivatives'.

Determination of the fair value of financial instruments

The fair value of financial instruments listed in an active market is based on market prices at the reporting date. The fair value of financial instruments not quoted in an active market is determined using valuation techniques that are based on methods and assumptions related to market conditions at the reporting date.

Cash and cash equivalents

Cash and cash equivalents include cash, bank current accounts, demand deposits and other short-term and highly liquid financial investments that are readily convertible into cash, or that can be converted into cash within 90 days of the original acquisition date and are exposed to a non-significant risk of a change in value.

Financial liabilities, trade payables and other payables

Financial liabilities (excluding derivative financial instruments), trade payables and other payables are initially recognised at fair value, net of direct ancillary costs and subsequently measured at amortised cost, applying the effective interest rate criterion. If there is a significant change in the expected cash flows, the liability value is recalculated to reflect this change on the basis of the present value of the expected new cash flows and the initial rate of return.

Financial liabilities are recognised as current liabilities unless the Group has an unconditional right to defer their payment for at least 12 months after the reference date.

Financial liabilities are derecognised when they are discharged and when the Group has transferred all the risks and charges related to the instrument.

Provisions for risks and charges

Provisions for risks and charges are recognised with respect to losses or charges of a definite nature, which are certain or probable, whose amount and/or date of occurrence cannot however be determin

Provisions are recognised only when there is a current (legal or implied) obligation for a future outlay as a result of past events and it is likely that such outlay is required to fulfil the obligation. This amount represents the best estimate of the cost for discharging the obligation. The rate used in determining the present value of the liability reflects current market values and takes into account the specific risk associated with each liability.

When the financial effect of time is significant and the payment dates of the obligations are reliably estimated, the provisions are measured at the present value of the expected outlay using a rate that reflects market conditions, the change in the cost of money over time and the specific risk associated with the obligation. The increase in the value of the provision determined by changes in the cost of money over time is accounted for as a financial expense.

Those risks for which the occurrence of a liability is only possible are indicated in the relevant information section on contingent liabilities and no provision is made for them.

Personnel provisions – Employee benefits

Personnel provisions include the following defined benefit plans:

- employee severance indemnities accrued prior to 31 December 2007, as governed by Article 2120 of the Italian Civil Code;
- additional four or five monthly payments, under the applicable National Collective Labour Agreement, for employees or former employees at the time they leave the company;
- company loyalty award, to be paid to employees who have been in service for more than 20 years.

With reference to defined benefit plans, the net liabilities of the Group are determined separately for each plan, estimating the present value of future benefits that employees have accrued in the current and previous financial years and deducting the fair value of any assets of the plan. The present value of the obligations is based on actuarial techniques that attribute the benefit deriving from the plan to the periods in which the payment obligation arises (Credit Unit Projection Method) and is based on actuarial assumptions that are objective and mutually compatible. Plan assets are recognised and measured at fair value.

If the calculation results in a potential asset, the amount to be recognised is limited to the present value of any economic benefit available in the form of future redemptions or reductions of future contributions to the plan (asset limit).

The cost components of defined benefits are recognised as follows:

- service costs are recognised in the income statement under "personnel costs" while
- net financial charges on the defined benefit asset or liability are recognised in the income statement as "financial income/(charges)" and are determined by multiplying the net liability/(asset) value by the rate used to discount the obligations, taking into account the payments of contributions and the benefits received during the period;
- the remeasurement components of net liabilities, which include actual gain and losses, the return on assets (excluding interest income recognised in profit or loss) and any change in the limit of the assets, are immediately recognised as Other total profits (losses). These components must not be reclassified to the income statement in a subsequent period.

Public grants

Public grants are recognised at their fair value when there is reasonable assurance that all the conditions necessary for their obtainment will be met and that they will be received.

Grants received for specific expenses are recognised as liabilities and credited to the income statement using a systematic criterion in the years in which they can be matched to the related expenses.

Grants received for capital expenditures are recognised as a decrease in the tangible assets to which they relate and are then recognised in the income statement as a reduction to the amortisation/depreciation charge.

Conversion of items expressed in foreign currencies

Transactions denominated in foreign currencies are converted into euros using the exchange rate on the date of the transaction. At the closing date of the financial year, monetary assets and liabilities are converted at the exchange rate at the end of the period. The resulting exchange rate differences are recognised in the income statement.

Assets and liabilities held for sale (Discontinuing Operations)

Non-current assets and current and non-current assets of disposal groups are classified as held for sale if the related carrying amount will be recovered principally through a sale. This condition is considered to be met when the sale is highly probable and the disposal group or asset is available for immediate sale under its current conditions. Non-current assets held for sale, current and non-current assets of disposal groups and the directly associated liabilities are recognised in the statement of financial position separately from other assets and liabilities.

Non-current assets held for sale are not depreciated and are valued at the lower of their carrying amount and the related fair value, net of selling costs.

Any difference between the carrying amount and the fair value less selling costs is recognised in the income statement as a write-down; any subsequent write-backs are recognised up to the amount of the previously recognised write-downs, including those recognised prior to the designation of the asset as held for sale.

Non-current assets and current and non-current assets of disposal groups classified as held for sale constitute a discontinuing operation if, alternatively:

- they constitute a significant autonomous business division or a significant geographical area of activity; or
- they are part of a divestment programme of a significant autonomous business division or a significant geographical area of activity; or
- they are a subsidiary exclusively acquired for the purpose of being sold.

The results of discontinuing operations as well as any gains/losses on disposal are shown separately in the income statement in a separate item, net of the related tax effects; the income statement values of discontinuing operations are also shown for comparative years.

If there is a plan to sell a subsidiary which results in loss of control, all assets and liabilities of that subsidiary are classified as held for sale.

In the absence of specific guidance in IFRS 5 and IFRS 10 on whether or not to derecognise intragroup transactions with companies subject to discontinuing operations and

- in the first case, concerning the manner in which such eliminations are to be made;

The Alperia Group has consistently adopted the following accounting policy:

- regular intra-group eliminations of assets and liabilities and profit and loss;

- reconciliation of the residual balances following the eliminations referred to in the previous point to the balance sheet items "Assets held for sale and discontinuing operations", "Liabilities held for sale and discontinuing operations" and "Net profit/(loss) from discontinuing operations".

Recognition of revenues

Revenues from the sales of goods are recognised in the income statement at the time the risks and benefits of the transferred product are transferred to the customer, which normally coincides with the delivery or shipment of the goods to the customer; revenues from services are recognised in the accounting period in which the services are rendered. Revenues from the sale of commodities are adjusted by the effects of contracts designated as hedging in the accounts.

Revenues are recognised at fair value of the consideration received. The Group recognises revenues when their amount can be reliably estimated and their future economic benefits are likely to be recognised.

Depending on the type of transaction, revenue is recognised on the basis of the following specific criteria:

i. revenues from the sale and distribution of electricity, thermal energy, gas, heat and steam are recognised upon transfer of ownership, which essentially occurs at the time of delivery or service, although not invoiced, and are determined by completing with appropriate estimates those obtained based on metered use;

ii. revenues from the sale of certificates are recognised at the time of sale;

iii. revenues from services are recognised when provided or according to contractual clauses;

iv. dividends of companies not included in the scope of consolidation are recognised when the Group has the right to collect them, which normally occurs in the year in which the shareholders' meeting of the investee company that approves the distribution of profits or reserves is held;

v. revenues for connection fees – starting from 2018, the year of the first-time adoption of IFRS 15 – are deferred based on the useful life of the reference assets.

Recognition of costs

Costs are recognised at the time of purchase of the good or service. Costs from the purchase of commodities are adjusted by the effects of contracts designated as hedging in the accounts.

Financial income and charges

Financial income and charges are recognised on an accrual basis. Value adjustments referred to derivative financial instruments, which are not designated as hedging in the accounts are recognised as described in the section in the section "Derivative financial instruments" and "Derivative financial instruments on commodities".

Taxes

Current taxes are calculated on the basis of taxable income for the year, by applying the tax rates applicable at the reporting date.

Deferred tax assets and liabilities are calculated on the basis of all the differences that arise between the tax value of an asset or liability and the related carrying amount. Deferred tax assets, including those relating to losses carried forward, for the portion not offset by deferred tax liabilities, are recognised to the extent that it is probable that future taxable income will be available through which they can be recovered. Deferred tax assets and liabilities are determined using the tax rates that are expected to apply in the years in which the differences will be recovered or paid, on the basis of the tax rates in force or substantially in force at the reporting date.

Current and deferred taxes are recognised in the income statement, except for those relating to items directly debited or credited to equity, in which case the related tax effect is also directly recognised in equity. Taxes are offset when they are levied by the same tax authority and there is a legal right to offset.

Segment information

Segment information was prepared in accordance with the provisions of IFRS 8 "Operating Segments", which require information to be presented in accordance with the methods adopted by management when making operating decisions. Therefore, the identification of the operating segments and the information presented are defined on the basis of the internal reporting used by management to allocate resources to the different segments and to analyse their performance.

IFRS 8 defines an operating segment as a component of an entity that: i) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); ii) whose operating results are audited regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; iii) for which discrete financial information is available.

The management has identified the following operating segments that encompass all the services and products supplied to customers:

- Production (hydropower and photovoltaics);
- Sale and trading (electricity, natural gas, heat and various services);
- Networks (distribution and transmission of electricity, natural gas distribution);
- Heat and services (cogeneration, district heating and biomass plants);
- Smart Region (Smart Land and Dark Fiber areas as well as energy efficiency).

3. Estimates and assumptions

3.1 General information

The preparation of financial statements requires the directors to apply accounting principles and methodologies that, under certain circumstances, are grounded on assessments and estimates based on historical experience and on assumptions that are from time to time considered reasonable and realistic depending on the relevant circumstances. The application of such estimates and assumptions affects the amounts reported in the financial statements and the information provided. The final results of financial statement items for which the above estimates and assumptions have been used may differ from those reported in the financial statements that reflect the effects of the estimated event, due to the uncertainty characterising assumptions and the conditions on which estimates are based.

The items that, in relation to the Group, require the greatest degree of subjectivity from the Directors in preparing the estimates, and for which a change in the underlying assumptions could have a significant impact on the Group's financial results are briefly listed below.

a) *Impairment testing*: the carrying amount of intangible and tangible assets, and especially of the concessions acquired through business combinations, is subject to periodic assessment and whenever the circumstances or events require more frequent verification. Goodwill is instead tested for impairment at the end of each reporting period.
   If it is considered that the carrying amount of a non-current asset group has been impaired, the group is depreciated to its recoverable amount, estimated by reference to its use (intended as the ability to generate income, e.g. from equity investments) or its future sale, in relation to the provisions of the most recent business plans. The estimates of such recoverable amounts are believed to be reasonable, but any variation in the estimate factors underlying the calculation of the recoverable values could result in different valuations.
b) Provisions for bad debts: the provision for bad debts reflects the best estimate of the directors regarding the losses of the portfolio of customer receivables. This estimate, in line with IFRS 9, is based on the Alperia Group's expected losses, determined on the basis of

past experience of similar receivables, current and historic past-due receivables, careful monitoring of credit quality and projections of economic and market conditions.

c) Deferred tax assets: deferred tax assets are accounted for on the basis of the expected taxable income in future periods necessary for their recovery. The assessment of the expected taxable income for the purposes of deferred tax asset recognition depends on elements that may vary over time and that may have significant effects on the recoverability of deferred tax assets.

d) Provisions for risks and charges: in relation to legal risks, provisions are recognised that represent the risk associated with an adverse outcome. The value of the provisions recognised in the financial statements in relation to these risks represents the best estimate to date made by the directors. This estimate is based on assumptions that depend on factors that may change over time and could therefore have a significant effect on the current estimates made by the directors in the preparation of the Alperia Group's financial statements.

e) Fair value of derivative financial instruments: the fair value measurement of non-listed financial assets, such as derivative financial instruments, is based on commonly used financial valuation techniques that require basic assumptions and estimates. These assumptions may not occur according to the expected timing and manner. As a result, the estimates made by the Alperia Group may differ from the final figures.

f) Financial assets: the financial receivable held by the Alperia Group vis-à-vis Terna Spa in relation to the ownership and use of the Merano/Meran-Bolzano/Bozen high-voltage transmission network (the "Network") was determined, pursuant to IFRS 16, based on estimates and assumptions that take into account, inter alia, the expected useful life of the network, as well as the maintenance costs to be incurred. During 2020, the Regulatory

Authority for Energy, Networks and the Environment (ARERA) published the document for consultation no. 336/2020/R/EEL relating to the formation of measures in the context of the procedure initiated with its resolution 126/2019/R/EEL, concerning measures relating to the interim updating of the regulation of electricity transmission, distribution and metering services. In the consultation document, ARERA explained its final guidelines on updating the remuneration of owners of portions of the national grid, which also includes the Alperia Group. While only partially having the information necessary to quantify, with reasonable reliability, the potential effects of the proposed change to the remuneration method for Network margins, for the purposes of preparing the Consolidated Financial Statements at 31 December 2020, the Group decided, on a prudential basis, to adjust the financial asset related to it, in the year under review, pending further developments that will allow for subsequent refinements of the estimate.

g) IFRS 16: the adoption of the International Accounting Standard in question implies a significant use of professional judgment as regards in particular contractual cases in the scope, and forward-looking considerations regarding these cases.

4. International accounting standards in force since 2020

The new International Accounting Standards that came into force in 2020 did not have a significant impact on the Company's Consolidated Financial Statements.

4.1 New International Accounting Standards and Amendments

The following is a preliminary list of the new International Accounting Standards and/or Amendments published during 2020:

- on 15 January 2020, the European Commission endorsed, through the publication of Commission Regulation (EU) 2020/34, the "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform" published on 26 September 2019. This amendment changes some of the requirements for hedge accounting, providing for temporary exemptions;
- on 22 April 2020, Commission Regulation (EU) 2020/551 was published to endorse the "Amendment to IFRS 3: Business combinations" published on 22 October 2018. In particular, the amendment revised the definition of "business", assuming that the identification of the acquired asset or group of assets as a "business" is a necessary condition for the application of IFRS 3.

5. International accounting standards with adoption after 2020

The European Commission published the following Regulations, the adoption of which is mandatory as from 1 January 2021:

- on 15 December 2020, Commission Regulation (EU) 2020/2097 concerning the endorsement of the "Amendment to IFRS 4 Insurance Contracts - Deferral of IFRS 9" was published, extending the temporary exemption from the application of IFRS 9 to financial years beginning before 1 January 2023;
- on 14 January 2021, Commission Regulation (EU) 2021/25 was published regarding the endorsement of the "Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2" aimed at regulating the recognition, for instruments measured at amortised cost, of changes in the basic parameter for determining contractual cash flows following the reform of interest rate benchmarks as

well as integrating the exceptions provided for by the previous amendment in terms of hedging accounting.

At present, the amendments introduced by the above Regulations may have significant impacts on the Company's financial statements.

6. Accounting standards not yet endorsed by the European Commission

The following accounting standards, which are not relevant to the preparation of the Consolidated Financial Statements at 31 December 2020, are set out in the table below, assuming that their application is subject to approval by the European Commission through the issue of specific EU Regulations.

Date of publication	Accounting standard IAS/IFRS or SIC/IFRIC interpretation	Subject matter
18 May 2017	IFRS 17	Insurance Contracts
25 June 2020	IFRS 17	Amendments to IFRS 17 Insurance Contracts
23 January 2020	IAS 1	Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
15 July 2020	IAS 1	Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - Deferral of Effective Date
14 May 2020	Amendments to IFRS 3 Business Combination; IAS 16 Property, plant and equipment; IAS 37 Provisions, contingent liabilities and contingent assets as well as Annual Improvements	IFRS 3, IAS 16, IAS 37

7. Information on financial risks

Within the scope of business risks, the following main risks are identified, monitored and, as far as specified below, actively managed by the Group:

- market risk (defined as interest rate risk and risk of change in commodity prices);
- credit risk (both in relation to normal business relationships with customers and financing activities);
- exchange rate risk (essentially with reference to the bullet bond denominated in Norwegian kroner and stipulated by the Parent Company);
- liquidity risk (with reference to the availability of financial resources and access to the credit market and the market of financial instruments in general);
- operating risk (with reference to the ability to produce products and services efficiently and effectively);
- regulatory risk (with reference to regulatory changes to the regulated services in which the Group is engaged).

The Group's objective is to maintain a balanced management of its financial exposure over time, to ensure its liabilities are in balance with respect to the composition of its assets and the group has the necessary operational flexibility through the use of liquidity generated from current operating activities and the use of borrowings from banks.

The management of the related financial risks is centrally guided and monitored. Specifically, the function in charge of assessing and approving expected financial requirements, monitors the progress and, if necessary, takes appropriate corrective actions.

The following section provides qualitative and quantitative information on how these risks affect the Group.

7.1 Market risk

7.1.1 Interest rate risk

The Group uses external financial resources in the form of debt and uses the liquidity on bank deposits. Changes in interest rates levels affect the cost and return of the various forms of financing and investments, thereby affecting the Group's financial charges and income. The Group, which is exposed to interest rate fluctuations that affect the extent of borrowing costs, regularly assesses its exposure to interest rate risk and manages it by using less costly forms of financing.

At 31 December 2020, the Group's financial debt consisted, inter alia, of four tranches of Notes issued under the EMTN programme, listed on the Irish Stock Exchange. The first tranche of Notes, admitted to listing on 30 June 2016 for a nominal value of Euro 100 million and expiring on 30 June 2023, has a fixed interest rate of 1.41%. The second tranche of Notes, admitted to listing again on 30 June 2016 for a nominal value of Euro 125 million and expiring on 28 June 2024, has a fixed interest rate of 1.68%. The third tranche of Notes, admitted to listing on 23 December 2016 for a nominal value of Euro 150 million and expiring on 23 December 2026, has a fixed interest rate of 2.50%. Finally, the fourth tranche of Notes, admitted to listing on 18 October 2017 for a nominal value of NOK 935 million and expiring on 18 October 2027, has a fixed interest rate of 2.204% as a result of hedging by a derivative.

In addition, the Group has floating rate loans in place, predominantly linked to the Euribor rate plus a spread, which depends on the type of credit line used. The spreads applied are comparable to the best market standards. In order to cope with the risk of interest rate fluctuations, the Group uses derivative instruments, mainly interest rate swaps, for some loans and finance leases;

the objective is to mitigate, at financially acceptable terms, the potential impact of interest rates fluctuations on profits.

The main features of the interest rate swap subscribed by the Group at 31 December 2020 to hedge interest rate risk are summarised below:

(in thousands of Euros)	**At 31 December 2020**
Transaction date	11/03/2011
Maturity	30/12/2022
Notional amount	16,692
Floating rate	EURIBOR 6M
Fixed rate	3.35%
Negative fair value	*656*

Interest rate risk sensitivity analysis

The Group exposure to interest rate risk was measured through a sensitivity analysis that considered current and non-current financial liabilities and bank deposits. The assumptions were used to assess the impact on the Group's income statement and equity for the year ended 31 December 2020 of a hypothetical change in market rates that would respectively reflect an appreciation and a depreciation of 50 bps. The calculation method applied the hypothesis of a change in the precise balances of gross bank debt and the interest rate paid during the year to remunerate these liabilities at a variable rate. The analysis is based on the assumption of a general and instantaneous change in the level of the reference interest rates.

The results of this hypothetical, instantaneous and favourable (unfavourable) change in the level of short-term interest rates applicable to the Group's floating rate financial liabilities are shown in the table below:

(in thousands of Euros)	For the year ended 31 December 2020			
	Impact on profit net of tax effect		**Impact on equity net of tax effect**	
	- 50 bps	+ 50 bps	- 50 bps	+ 50 bps
Current and non-current bank loans	33	(33)	33	(33)
Total	**33**	**(33)**	**33**	**(33)**

7.1.2 Commodity risk

The *commodity price risk* associated with the price volatility of energy commodities (electricity, gas, fuel oil, etc.) and environmental certificates consists in the potential adverse effects that a change in the market price of one or more commodities may have on the Group's cash flows and expected profits.

The assessment of this risk involves managing and monitoring market and commodity risk, developing and evaluating structured energy products, proposing financial hedging strategies for energy risk, and supporting the management in defining appropriate management policies for this risk.

In addition, during the year the Alperia Group, through its subsidiaries Alperia Trading Srl and Alperia SUM Spa, entered into forward contracts for the purchase and sale of energy and natural gas both for trading purposes and to hedge the risk of fluctuations in energy and natural gas prices.

Accordingly, the Alperia Group recognised the total positive fair value of derivative contracts (forward contracts) as other receivables and current financial assets, and the total negative fair value of derivative contracts stipulated for trading or settlement (forward contracts) as current borrowings from banks and other lenders for Euro 9,834 thousand and Euro 14,820 thousand, respectively, with an overall net negative effect of Euro 4,986 thousand.

Forward contracts stipulated to meet requirements to purchase or sell energy/natural gas which would be executed, on expiry, through the delivery or receipt of commodities, pursuant to IFRS 9, were not considered as derivative contracts, but instead as contract commitments to hedge price fluctuation risk ("*Own use exemption*"). The relative net fair value at 31 December 2020 was positive (Euro 133,119 thousand) as regards contracts for the purchase and sale of electricity, and for Euro 582 thousand, as regards contracts for the purchase and sale of natural gas.

7.2 Credit risk

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

The Group manages this type of risk through appropriate procedures and ad hoc mitigation actions aimed at assessing in advance the counterparty's creditworthiness and at constantly verifying compliance with the exposure limit as well as through the request for adequate guarantees.

Trade receivables are recognised net of the provision for bad debt that is calculated on the basis of the counterparty's default risk, determined on the basis of the information available on customer solvency and on historical data.

The overall exposure to credit risk at 31 December 2020 is the sum of the financial assets recognised in the financial statements, which are summarised below:

(in thousands of Euros)	**At 31 December 2020**
Trade receivables	309,465
Other receivables and other assets (current and non-current)	147,171
Provision for bad debts and financial receivables	(21,784)
Total	**434,852**

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7.3 Exchange rate risk

Exchange rate risk is defined as the possibility that fluctuations in market exchange rates may produce significant changes, both positive and negative, in the value of the Group's assets.

The Group is mainly exposed to exchange rate risk only with reference to the bullet bond denominated in Norwegian kroner (NOK) issued on 18 October 2017 by the Parent Company Alperia Spa.

In order to completely neutralise the exchange rate risk relating to the aforementioned liability, on 11 October 2017 Alperia Spa stipulated a "Cross Currency Swap" derivative financial instrument, with effective date 18 October 2017. This instrument transforms – at the same due dates as the payments related to the bond issue – the coupon flows of the liability, due at a rate of 3.116% and the final flow related to the payment of the principal amount to be paid in Norwegian kroner for a total of NOK 935,000 thousand, respectively in coupon flows in Euro to be paid at 2.204% and in a final flow related to the payment of the principal amount of Euro

99,733 thousand. Owing to these characteristics, this derivative financial instrument, following the adequate preparation of the hedge documentation, was considered a hedge.

7.4 Liquidity risk

Liquidity risk may consist in the inability to find, at financially viable conditions, the financial resources necessary for the Group's operations. The two main factors influencing the liquidity of the Group are:

- the financial resources generated or absorbed by operating and investing activities;
- the maturities of financial debt.

Prudent management of liquidity risk arising from normal operations implies maintaining an adequate level of liquidity, short-term securities and the availability of funds that can be obtained through an adequate amount of credit lines. The Group's liquidity requirements are monitored by a central function to ensure efficient funding and adequate investment of/return on liquidity.

The Group's objective is to establish a financial structure that, consistent with business objectives, ensures an adequate level of liquidity, minimising its opportunity cost and maintaining a balance in terms of maturities and type of financing.

At July 2016, the Group has established a centralised treasury system with almost all subsidiaries.

The following table analyses the financial liabilities (including trade payables and other payables), the repayment of which is expected within or after the financial year:

(in thousands of Euros)	Type	
	Within the year	After the year
Borrowings from banks and other lenders	37,022	572,711
Trade payables	236,623	0
Other payables and other liabilities	46,075	54,715
Total	**319,721**	**627,426**

7.5 Operating risk

Operating risk is represented by the ability of Group companies to produce and offer their services and products on an ongoing basis and with high quality standards.

The Group seeks to ensure a high performance of its plants by adopting the most modern control methods.

The production of photovoltaic, but especially hydroelectric energy, is inevitably subject to weather conditions, and specifically to the rainfall and snowfall index that will characterise the coming years.

As for risks related to the continuing COVID-19 emergency, please refer to the section "Outlook" in the Report on Operations.

7.6 Regulatory risk

With reference to the regulated sectors in which the Group companies are engaged, there are specific functions dedicated to monitoring changes in sectoral legislation, to ensure its timely and correct application.

7.7 Fair value measurement

With regard to financial instruments measured at fair value, the following table provides information on the method chosen for determining the fair value. The applicable methods can be broken down in the following levels, which depend on the source of available information, as described below:

- level 1: fair value calculated on the basis of quoted prices (unadjusted) on active markets for identical financial instruments;
- level 2: fair value calculated using valuation techniques that make use of variables observable on active markets;
- level 3: fair value calculated using valuation techniques that make use of unobservable market variables.

The Group's financial instruments measured at fair value are classified in Level 2 and the general criterion used to calculate fair value is the present value of the expected future cash flows of the instrument being assessed.

The table below shows the assets and liabilities measured at fair value at 31 December 2020:

(in thousands of Euros)	At 31 December 2020		
	Level 1	Level 2	Level 3
Derivative financial instrument (interest rate swap)	0	(656)	0
Derivative financial instrument (cross currency swap)	0	(15,435)	0
Derivative financial instrument (call option)	0	3,114	0
Energy/natural gas financial instruments – net fair value	0	(4,986)	0
Non-Qualified Equity Interests	0	0	60

With reference to the above table:

- The first row refers to the only derivative financial instrument entered into by the company as part of a hedging transaction to hedge the interest rate risk arising from fluctuations in the variable rate (cash flow hedging) in relation to a loan granted to Alperia Spa by a leading bank;
- the second row refers to the only derivative financial instrument entered into by the Parent Company as part of a hedging transaction designed to hedge the exchange rate risk arising from fluctuations in the NOK quotation parameter (cash flow hedging) in relation to a bond issued by Alperia Spa and listed on the Irish Stock Exchange. Both the hedging item and the hedged item have a bullet profile;
- the third row refers to a call option of which the Alperia Group is a part, following a business combination completed in 2018;
- the fourth row relates to financial derivatives on commodities with fair value described in the previous section "7.1.2 Commodity risk".

Trade receivables and payables have been valued at carrying amount as it approximates the current value.

The following table provides a breakdown of financial assets and liabilities by category at 31 December 2020:

(in thousands of Euros)	Financial assets/ liabilities measured at fair value through profit or loss	Financial assets/ liabilities measured at fair value recognised in equity	Liabilities measured at amortised cost	Total
Current assets				
Cash and cash equivalents	0	0	168,576	**168,576**
Trade receivables	0	0	303,705	**303,705**
Other current receivables and financial assets	7,129	5,818	84,112	**97,059**
Non-current assets				
Other non-current receivables and financial assets	0	0	34,089	**34,089**
Current liabilities				
Trade payables	0	0	236,623	**236,623**
Current borrowings from banks and other lenders	9,862	4,958	22,202	**37,022**
Current tax liabilities	0	0	5,317	**5,317**
Other current payables	0	0	40,758	**40,758**
Non-current liabilities				
Non-current borrowings from banks and other lenders	0	16,091	556,620	**572,711**
Other non-current payables	0	0	54,715	**54,715**

The accounting model applicable to the Cross Currency Swap derivative financial instrument entered into by the Group to hedge the risk of exchange rate fluctuations and classified in the above table in the sub-item "Financial assets/liabilities measured at fair value recognised in equity" provides, since it is part of an effective "Cash flow hedging" relationship:

- the recording in profit or loss of the portion of the change in its fair value that corresponds to the – opposite sign – change highlighted following the conversion of the hedged bond at year-end exchange rates (also recorded in profit or loss);
- recognition in the cash flow hedging reserve of the remaining portion of the change in fair value.

8. Operating segment reporting

The identification of the operating segments and the related information contained in this paragraph was based on elements used by the management to make its operating decisions. Specifically, the internal reporting periodically reviewed and used by the Group's chief decision-makers refers to the following operating segments:

- Production (hydropower and photovoltaics);
- Sale and trading (electricity, natural gas, heat and various services);
- Networks (distribution and transmission of electricity, natural gas distribution);
- Heat and services (cogeneration, district heating and biomass plants);
- Smart Region (Smart Land and Dark Fiber areas as well as energy efficiency).

The operating segments performance is measured by analysing revenues and EBITDA, which is defined as profit for the period before amortisation/depreciation, provisions for risks, impairment of assets, financial income and charges and taxes. Specifically, the management believes that EBITDA provides a good indication of performance as it is not affected by tax legislation and amortisation/depreciation policies.

The income and cost information by operating segment regarding continuing operations is provided below:

(in millions of Euro)	**Energy production**	**Networks**	**Commercial and Trading**	**Heat and Services**	***Smart Region***	**Eliminations**	**Total**
Total revenues and other income	413.1	118.3	1,034.8	74.9	40.0	-243.4	**1,437.7**
EBITDA BY OPERATING SEGMENT	163.9	40.2	14.2	10.8	-0.1		**229.0**
% of revenues	39.7%	34.0%	1.4%	14.4%	-0.2%		15.9%

9. Notes to the Statement of Financial Position

9.1 Concessions, goodwill and other intangible assets

Changes in "Concessions", "Assets under construction and advances" and "Other intangible assets" for 2020 are shown below:

(in thousands of Euros)	Concessions	Goodwill	Assets under construction and advances	Other intangible assets	Right of Use IFRS 16	Total
Balance at 31 December 2019	**512,086**	**80,817**	**9,454**	**1,310**	62	**603,728**
Net increases/decreases - historical cost	1,462	(582)	17,031	792	0	**18,703**
Decreases – accumulated depreciation	410	0	0	159	0	**570**
Changes in the scope of consolidation	7	1,329	0	25	0	**1,360**
Reclassification of Biopower Sardegna Srl-GmbH to "Continuing operations"	0	2,317	0	0	0	**2,317**
Amortisation/Depreciation	(45,128)	(369)	0	(377)	(6)	**(45,881)**
Reversal of provisions for write-downs	2,554	0	0	0	0	**2,554**
Balance at 31 December 2020	**471,392**	**83,512**	**26,485**	**1,909**	55	**583,352**
Historical cost	710,096	172,798	26,485	4,499	68	913,946
Accumulated depreciation	(225,262)	(89,286)	0	(2,591)	(13)	(317,152)
Provision for bad debts	(13,442)	0	0	0	0	(13,442)

With reference to the table above, we point out that:

- the main changes in goodwill, in addition to the reclassification of Biopower Sardegna Srl under "*Continuing operations*" following the changed prospects that no longer make it reasonable to assume that the company in question could be sold, relate to the recognition of new goodwill in Alperia Smart Services Srl (Euro 449 thousand), the reduction in goodwill recognised in 2019 with reference to Gruppo Green Power Srl, resulting from the repayment of a portion of the price originally paid (Euro 1,031 thousand), as well as the acquisition of Hydrodata Spa described in section "2.4 Information required by International Accounting Standard IFRS 3" of these notes (Euro 1,329 thousand);

- the net increases in assets under construction and advances mainly refer to activities – started in 2018 at a Group level – to implement the new ERP "SAP S/4 HANA" and for digitalisation;
- for further information on the sub-item "Reversal of provisions for write-downs", see section 10.6. of these Notes.

9.2 Tangible assets

The changes in the items "Tangible assets" for the year 2020 are reported below:

(in thousands of Euros)	Land and building	Plants and machinery	Industrial and commercial equipment	Other assets	Tangible assets under construction and advances	Right of Use IFRS 16	Total
Balance at 31 December 2019	**146,512**	**576,729**	**1,841**	**7,407**	**70,471**	**45,656**	**848,615**
Net increases/decreases - historical cost	8,962	57,357	412	3,028	12,980	417	**83,155**
Decreases – accumulated depreciation	53	8,353	13	886	0	200	**9,505**
Changes in the scope of consolidation	2,351	68	30	0	0	37	**2,487**
Reclassification of Biopower Sardegna Srl-GbmH to "Continuing operations"	2,456	8,466	28	0	303	0	**11,253**
Amortisation/Depreciation	(4,758)	(44,743)	(388)	(2,257)	0	(3,818)	**(55,965)**
Impairment write-downs	(362)	(4,272)	0	(32)	0	0	**(4,666)**
Reversal of provisions for write-downs	0	446	0	0	0	0	**446**
Use of write-down provision	740	952	0	0	0	0	**1,692**
Balance at 31 December 2020	**155,954**	**603,356**	**1,935**	**9,032**	**83,753**	**42,492**	**896,523**
of which:							
Historical cost	251,281	1,839,270	8,185	35,233	83,753	49,618	2,267,340

Accumulated depreciation	(94,965)	(1,209,511)	(6,250)	(26,169)	0	(7,126)	(1,344,021)
Provision for bad debts	(362)	(26,402)	0	(32)	0	0	(26,796)

With reference to the table above, we point out that:

- the increases in tangible assets in 2020 mainly refer to renovation work on the hydropower power plants of Bressanone/Brixen, Cardano/Kardaun, Lasa/Laas and Santa Valburga/St. Walburg, undertaken by the company Alperia Greenpower Srl, as well as increases in the low and medium-voltage network of the company Edyna Srl;
- the decreases in accumulated depreciation basically refer to the disposal of assets replaced by the aforementioned renovation work;
- the changes in the scope of consolidation refer to the acquisition of Hydrodata Spa, described in section "2.4 Information required by International Accounting Standard IFRS 3" of these Notes;
- the write-downs are partly due to the outcome of the impairment testing on the assets of Alperia Fiber Srl (Euro 1,006 thousand), partly to the adjustment of the value of assets that are expected to be replaced by Alperia Greenpower Srl (Euro 1,576 thousand), Edyna Srl (Euro 1,720 thousand), Alperia Spa (Euro 3 thousand) and Alperia Ecoplus Srl (Euro 3 thousand) and, the remainder, to land owned by the investee Biopower Sardegna Srl;
- for further information on the sub-item "Reversal of provisions for write-downs", see section 10.6. of these Notes;
- the sub-item "Use of provisions for write-downs" refers to the use of provisions accrued in the past for the expected replacement of Group assets, at the same time as the occurrence of this event in 2020;

- the sub-item "Right of Use", which arose in the first half of 2019 as a result of IFRS 16 First Time Adoption, mainly relates to concessions for the large-scale use of hydroelectric power assigned to various companies of the Algeria Group following a tender, after their expiry. According to IFRS 16 First Time Adoption, the concessions in question qualify as contracts containing a lease component referring to "wet works", consisting of the collection and regulation works, penstocks and drainage channels which, on their original expiry, became the property of the grantor body, pursuant to Article 25(1) of Royal Decree 1775/1933.

9.3 Investments

The breakdown of the item "Investments" is provided below:

(in thousands of Euros)	At 31 December 2020	At 31 December 2019
Investments in associates or joint ventures	37,449	37,578
Investments in other companies	60	56
Total	37,509	**37,634**

The changes in investments in associates or joint ventures recognised using the equity method are reported below:

(in thousands of Euros)	% of share capital at 31 December 2020	Registered office	At 31 December 2019	Changes in the scope of consolidation	Payments for future capital increases	Measurement effect using the equity method (profit carried forward)	Valuation effect equity method (retained earnings)	At 31 December 2020
Teleriscaldamento di Silandro Srl – Fernwärme Schlanders GmbH	49.00	Bolzano/Bozen – Italy	4,560	0	0	0	470	5,030
LLT. Bolzano Scarl-LLT. Bozen Konsortial-GmbH	22.00	Bolzano/Bozen – Italy	318	0	0	0	7	325
SF Energy Srl-GmbH	50.00	Rovereto (Trento) – Italy	27,138	0	0	0	(713)	26,425
Azienda Elettrica Campo Tures Scarl –	49.00	Campo Tures/Sand in Taufer	257	0	0	0		257

Elektroverteiler-genossenschaft Sand in Taufers		(Bolzano/Bozen) – Italy						
Enerpass Scarl - Konsortial-GmbH	34.00	San Martino in Passiria -Moos in Passeier (Bolzano/Bozen) – Italy	3,938	0	0	0	441	4,379
Centrale Elettrica Moso Scarl – Wasserkraft Moos Konsortial-GmbH	25.00	(Bolzano/Bozen) – Italy	515	0	0	0	6	521
Neogy Srl-GmbH	50.00	Bolzano/Bozen – Italy	827	0	0	0	(823)	4
Alpen 2.0 Srl-GmbH	42.86	Turin - Italy	0	300	0	(111)	0	189
Care4U Srl-mbH	24.70	Bolzano/Bozen – Italy	25	0	300	0	(7)	318
Total			37,578	300	300	**(111)**	(619)	**37,449**

As shown in the table above, the changes in investments in associates or joint ventures measured using the equity method in 2020, relate to the following:

- the recognition of the interest in Alpen 2.0. Srl held by Hydrodata Spa, a company acquired by the Alperia Group during the year under review, as described in section "2.4 Information required by International Accounting Standard IFRS 3" of these Notes;
- a payment for a future capital increase reserved exclusively for Alperia Fiber Srl - the Alperia Group company that holds the interest in Care4U Srl, pursuant to a term sheet subscribed by the investee's shareholders;
- the effects of the measurement of individual investees using the equity method.

Instead, the following table shows the situation of investments in other companies:

(in thousands of Euros)	% of share capital at 31 December 2020	Registered office	At 31 December 2019	Changes in the scope of consolidation	Value adjustments	At 31 December 2020
Medgas Italia Srl	10.00	Rome – Italy	0	0	0	0
BIO.TE.MA Srl in liquidation	11.00	Cagliari - Italy	36	0	(36)	0
Banca Popolare Alto Adige – Volksbank	N.A.	Bolzano/Bozen – Italy	19	0	0	19
Conai	N.A.	Bolzano/Bozen – Italy	0	0	0	0
JPE 2010 Scarl	2.90	Turin - Italy	0	14	0	14

Art Srl	5.00	Parma - Italy	0	27	0	27
Total			**56**	**41**	**(36)**	**60**

As can be seen from the table above, the changes in investments in other companies during 2020 are as follows:

- the recognition of interest in JPE 2010 Scarl and Art Srl held by Hydrodata Spa, a company acquired by the Alperia Group during the year under review, as described in section "2.4 Information required by International Accounting Standard IFRS 3" of these Notes;
- the full write-down of the carrying amount of the interest held in BIO.TE.MA Srl - in liquidation.

9.4 Deferred tax assets and liabilities

The following table provides a breakdown of the items on which deferred tax assets and liabilities were calculated at 31 December 2020 and 2019:

(in thousands of Euros)	At 31 December 2020	At 31 December 2019	Economic effect 2020
Amortisation/Depreciation	20,750	19,996	
Provision for bad debts	1,314	804	
Performance bonus	1,132	1,085	
Provision for pension obligations	708	633	
Merger expenses	0	163	
Write-down of non-current assets	7,099	5,797	
Deferred income from connection fees	15,769	15,047	
Provisions for contracts for a consideration	0	1,307	
Provisions for risks and charges	8,308	8,053	
Other	1,464	1,444	
Deferred tax assets with a balancing entry in the income statement	***56,544***	***54,330***	***2,214***
Hedging derivatives	488	1,454	
Discounting of other provisions under IAS 19	369	235	
Impairment of receivables - FTA IFRS 9	249	249	
Amortised cost - FTA IAS/IFRS	43	43	

Staff provisions - FTA IAS/IFRS	197	240	
Other	161	1	
Deferred tax assets with a balancing entry in equity	***1,507***	***2,222***	
TOTAL DEFERRED TAX ASSETS	**58,050**	**56,552**	
Concessions	113,585	120,628	
Amortisation/Depreciation	11,592	12,697	
Other	2,475	3,558	
Deferred tax liabilities with a balancing entry in the income statement	***127,652***	***136,883***	***(9,231)***
Hedging derivatives	3,156	255	
TFR - FTA IAS/IFRS	28	41	
Deferred tax liabilities with a balancing entry in equity	***3,184***	***296***	
TOTAL DEFERRED TAX LIABILITIES	**130,836**	**137,179**	

9.5 Other non-current receivables and financial assets

The breakdown of the item "Other non-current receivables and financial assets" at 31 December 2020 and 31 December 2019 is provided below:

(in thousands of Euros)	**At 31 December 2020**	**At 31 December 2019**
Merano/Meran-Bolzano/Bozen high-voltage line (non-current portion)	30,844	30,007
Provision for impairment of the Merano/Meran - Bolzano/Bozen high-voltage line	(14,800)	0
Commodity derivatives account margin	7,968	7,182
Receivables from local authorities	1,698	1,658
Fair value call option	0	3,114
Financial receivables from associates	40	0
Financial receivables from other companies	8,010	182
Provision for other bad debts	(232)	(182)
Other receivables	1,552	1,210
Provision for other bad debts	(992)	(1,000)
Total	**34,089**	**42,171**

With reference to the above table:

- the sub-item "Merano/Meran-Bolzano/Bozen high-voltage line (non-current portion)" includes the estimate of the non-current receivable from Terna Spa for the ownership and use of the Merano/Meran-Bolzano/Bozen high-voltage line recognised in accordance with the provisions of International Financial Reporting Standard IFRS 16. The balance of this item was prudently written down in 2020, as discussed in more detail in section "3 Estimates and assumptions" of these Notes;

- the sub-item "Margin on derivatives" is entirely attributable to the margin deposit established with European Commodity Clearing for the fulfilment of the margin requirements required in relation to the commodity derivatives business of the Alperia Group companies Alperia Trading Srl and Alperia SUM Spa. It is pointed out that the possibility of disposing of these amounts is connected to the dynamics affecting the volume of derivative financial instruments stipulated by the company;
- the balance relating to the fair value of the call option held by the Alperia Group following a business combination completed in 2018 was adequately recognised under "Other current receivables and financial assets", as the period for the related part of the year will start in the first half of 2021, and therefore the balance is a short-term item.
- the increase shown by the balance of the sub-item "Financial receivables from other companies" is mainly due to the combined effect of the following transactions

  - ➢ the sale of the intercompany loan with Selsolar Monte San Giusto Srl to a counterparty outside the Group, which took place at the same time as the sale of the investment (see, in this regard section "2.3 Scope of consolidation and changes" of these Notes), with inflows at the end of 2024 in annual instalments with accrued interest;
  - ➢ the sale of the assets included in a business unit consisting of fibre optic plants of the Group companies Alperia Fiber Srl and Alperia Smart Services Srl - mentioned in section "2.2.2 Method for presenting financial information" of these Notes - of

which inflows will be received in instalments by the end of 2029 with accrued interest.

9.6 Trade receivables

The breakdown of the item "Trade receivables" at 31 December 2020 and 31 December 2019 is provided below:

(in thousands of Euros)	**At 31 December 2020**	**31 December 2019**
Trade receivables	298,652	287,624
Amounts due from associates	10,813	9,374
Provisions for bad debts	(5,760)	(3,432)
Total	**303,705**	**293,566**

Trade receivables, net of the provision for bad debts, mainly include receivables from customers and accruals for invoices and credit notes to be issued. The increase in 2020 is attributable to the Group's operations.

The criteria for adjusting receivables to their estimated realisable value take into account different valuations according to the state of the dispute, as well as the requirements of the International Accounting Standard IFRS 9, starting from 2018.

The provision for bad debts showed the following movements in 2020:

(in thousands of Euros)	**Provisions for bad debts**
At 31 December 2019	3,432
Change in the scope of consolidation	176
Provisions	2,604
Releases	(50)
Applications	(402)
At 31 December 2020	5,760

The item "Changes in the scope of consolidation" refers to the acquisition of Hydrodata Spa, described in section "2.4 Information required by International Accounting Standard IFRS 3" of these Notes;

9.7 Inventories

The breakdown of the item "Inventories" at 31 December 2020 and 31 December 2019 is provided below:

(in thousands of Euros)	**At 31 December 2020**	**At 31 December 2019**
Raw, ancillary and consumable materials	17,207	6,784
Contract work in progress	14,669	4,526
Finished products and goods	6,621	6,778
Provisions for inventory write-down	(133)	(517)
Total	**38,363**	**17,572**

Inventories of raw, ancillary and consumable materials, amounting to Euro 17,207 thousand, include stocks of consumables and minor equipment. The significant increase in 2020 is almost entirely attributable to the reclassification of Biopower Sardegna Srl to "Continuing operations", as previously discussed in section "2.2.2 Method for presenting financial information".

Contract work in progress, amounting to Euro 14,669 thousand, mainly refers to contracts for works planning and management. The significant increase in the balance during the year is due to the acquisition of Hydrodata Spa, described in the previous section "2.4 Information required by International Accounting Standard IFRS 3".

Finished products and goods include mainly inventories of Energy Efficiency Certificates and Certificates of Origin held by the Alperia Group companies Edyna Srl, Alperia Bartucci Spa and Alperia Trading Srl, as well as stocks of natural gas held by Alperia Trading Srl.

Provisions for the write-down of inventories relates to contract work in progress.

9.8 Cash and cash equivalents

The breakdown of the item "Cash and cash equivalents" at 31 December 2020 and 31 December 2019 is provided below:

(in thousands of Euros)	At 31 December 2020	At 31 December 2019
Bank and postal deposits	168,564	171,916
Cash on hand	12	19
Total	**168,576**	**171,935**

For further information, please refer to the statement of cash flows and description of the net financial position of the Group in section "9.14 Payables due to banks and other lenders (current and non-current)".

9.9 Other current receivables and financial assets

The breakdown of the item "Other current receivables and financial assets" at 31 December 2020 and 31 December 2019 is provided below:

(in thousands of Euros)	At 31 December 2020	At 31 December 2019
Value added tax credits, requested as refunds	5,835	6,901
Merano/Meran-Bolzano/Bozen high-voltage line (current portion)	1,492	1,492
Receivables from GSE for incentives and environmental certificates	12,037	2,555
Provision for bad debts of GSE for environmental incentives and certificates	(861)	0
Energy and Environmental Services Fund	14,167	5,892

Receivables from Edison Spa	5,733	5,733
Miscellaneous tax receivables	22,038	21,730
Prepaid hydroelectric and river fees	6,641	5,787
Advances and deposits to suppliers	7,302	5,925
Other accrued income and prepaid expenses	4,248	3,827
Derivative financial instruments on commodities	9,834	29,228
Deposits for derivative transactions	0	76
Fair value call option	3,114	0
Financial receivables from associates	1,250	1,250
Financial receivables from other companies	467	286
Other miscellaneous receivables	3,762	4,396
Total	**97,059**	**95,078**

With reference to the table above, we point out that:

- the increase in the amount of receivables from GSE for incentives and environmental certificates (Euro 9,482 thousand), relating to contributions due to the Group for the production of renewable energy, is due to the combined effect of the reclassification of Biopower Sardegna Srl under "Continuing operations" and the increase in incentivised production resulting from the excellent natural water supplies that characterised 2020. Moreover, during the year, a provision - previously recognised as a liability in the Consolidated Financial Statements - prudently set aside in the past due to a dispute with GSE Spa over a portion of past receivables was reclassified as a deduction;
- the increase in the balance of the sub-item "Energy and Environmental Services Fund" (Euro 8,275 thousand), mainly related to the operations of the Group company, Edyna Srl, is attributable to the effects of the COVID-19 emergency, which led to an increase in the amount of certain equalization payments, as well as delays in the procedure for the cancellation of the Energy Efficiency Certificates related to the 2019 obligation, postponed to January 2021;
- the receivable due from Edison Spa, amounting to Euro 5,733 thousand, refers to the amount withheld by that company in the context of a previous extraordinary transaction,

as explained further in the section "Contingent liabilities on extraordinary transactions" of the Report on Operations;

- prepayments for hydroelectric and river fees refer mainly to the portion for 2020 of fees paid in 2019 for various hydroelectric power plants operated by Alperia Greenpower Srl and Alperia Vipower Spa; the related increase is due to the Group's operations;
- the considerable increase reflected by the sub-item "Other accrued income and prepaid expenses" refers to the deferral of expenses for fees and licences related to the implementation of the new ERP "SAP S/4 HANA" and the digitalisation project started by the Company in 2018;
- the sub-items "Financial derivative assets" and "Deposits for derivative transactions" refer to the positive overall fair value of forward contracts to buy and sell energy and natural gas, as described in Section 7.1.2 "Commodity Risk" of these Notes and the countervalue of the relative margins; the change recorded in the year is closely related to the increase in operations of the European Energy Exchange;
- for further information on the "Fair value call option", please refer to section "9.5 Other non-current receivables and financial assets" in these Notes;
- the sub-item "Financial receivables from associated companies" refers entirely to an outstanding exposure with the company Neogy Srl;
- other miscellaneous receivables, amounting to Euro 3,762 thousand, mainly include receivables for security deposits, receivables from employees and social security institutes.

9.10 Assets and liabilities held for sale and Discontinuing Operations

The two items under review include the balances of the assets and liabilities, net of intercompany eliminations, of Ottana Solar Power Srl and PVB Power Bulgaria AD at 31 December 2020.

As stated in the Report on Operations, with reference to the first of the two companies, the Group signed a preliminary purchase and sale agreement on 31 December 2020, while the second company was sold in 2021.

The items at 31 December 2020 therefore break down as follows:

(in thousands of Euros)	**Ottana Solar Power Srl**	**PVB Power Bulgaria AD**	**Total**
Tangible and intangible assets	20,543	0	20,543
Investments	0	2,049	2,049
Other current and non-current assets	2,173	0	2,173
Total assets	**22,716**	**2,049**	**24,765**
Provisions for risks and charges	0	0	0
Other current and non-current liabilities	(609)	0	(609)
Total liabilities	**(609)**	**0**	**(609)**

The net carrying amounts of groups being disposed of are considered overall as being at least equal to the relative fair values net of costs to sell.

The decrease in both these items in 2020 is attributable to the sale of Selsolar Rimini Srl and Selsolar Monte San Giusto Srl, and to the reclassification of Biopower Sardegna Srl under "Continuing operations", which are discussed in sections "2.2.2 Method for presenting financial information" and "2.3 Scope of consolidation and changes" of these Notes.

9.11 Equity

The changes in equity reserves are presented in these Consolidated Financial Statements. At 31 December 2020, the share capital of the Parent Company Alperia Spa amounted to Euro 750 million, consisting of 750 million ordinary shares with a par value of Euro 1 each.

The following table shows the reconciliation between the equity and the result for the period of Alperia Spa and the equity and the result for the period of the Group at 31 December 2020.

(in thousands of Euros)	Profit (loss) for the period	Equity
Result for the period and equity Parent Company	**30,519**	**886,374**
Elimination of the carrying amount of consolidated investments		
Contribution value of investments in aggregate	104,655	1,095,501
Effects of elimination of investments and allocation of higher value	(13,697)	(843,967)
Effects on other investments		
Valuation of investments using the equity method	(611)	3,405
Adjustment in gains on disposal of investments	(429)	0
Elimination of the effects of transactions between consolidated companies		
Elimination of dividends	(49,524)	0
Elimination of gains from the sale of property realised in previous years	149	(6,759)
Elimination of the effects of intra-group financial derivatives	(17)	(0)
Elimination of capital gains from previous contributions	18	(765)
IAS/IFRS alignment effects		
Valuation of contributions on connections according to IFRS 15	(1,850)	(40,338)
Adoption of IFRS 16	(10,748)	4,853
Reversal of goodwill amortisation	3,663	16,038
Measurement of severance indemnities and employee benefits in accordance with IAS 19	6	(1,075)
Other effects arising from the adoption of IAS/IFRS	(259)	230
Other effects		
Put & call options on investments	(63)	(2,561)
Miscellaneous minor effects	137	14
Result for the period and consolidated equity	**61,949**	**1,110,950**
Result for the period and equity attributable to minority interests	1,912	29,671
Result for the period and equity attributable to the Group	60,037	1,081,279

9.12 Provisions for risks and charges

The item "Provisions for risks and charges" amounted to Euro 37,407 thousand at 31 December 2020; its breakdown is presented below:

(in thousands of Euros)	At 31 December 2020	At 31 December 2019
IMU/ICI/IMI Fund	571	682
Provision for environmental expenses	13,802	12,834
Performance bonus provision	4,091	3,857
Other provisions for risks and charges	18,943	25,126
Total	**37,407**	**42,499**

The "IMU/ICI/IMI Fund", amounting to Euro 571 thousand, was allocated to the subsidiary Alperia Greenpower Srl following the publication of Land Registry Circular 6/2012 of 30 November 2012 "Determination of land registry income of special and specialised property units: technical and estimate aspects", which redefined the criteria for estimating land registry income of facilities and buildings. Since the end of 2016, several South Tyrolean Municipalities have submitted assessment notices for previous years, against which, since the beginning of 2017, Alperia Greenpower Srl has promptly filed the necessary appeals or appeals/complaints for mediation purposes where required. In 2018 - 2020, the company settled its outstanding positions with various Municipalities and paid the agreed fees accordingly;

The "Provision for environmental charges", amounting to Euro 13,802 thousand, was set up mainly due to the commitments undertaken in the concession regulations signed between Alperia Greenpower Srl and Alperia Vipower Spa, on the one hand, and the Autonomous Province of Bolzano/Bozen and riverside/lakeside Municipalities, on the other, in terms of environmental improvement measures. These agreements provide that the works in question are partially carried out by the Companies, which retain the costs incurred for this purpose from the fee for environmental improvement measures paid annually to the coastal Municipalities.

The "Provision for performance bonuses", equal to Euro 4,091 thousand, was set aside to cover the estimate for employee bonuses for 2020.

"Other provisions for risks and charges", amounting to Euro 18,943 thousand, mainly include:

- Euro 6,000 thousand, related to the previous write-down of the receivable with Edison Spa - as described in greater detail in the section "Potential liabilities on contingencies" of the Report on Operations;
- Euro 3,734 thousand, referring to the negative balance for 2018 and 2019 concerning the reinstatement of generation costs pertaining to Alperia Trading Srl as user of the dispatching of the plant located in Ottana (Nuoro) owned by the Alperia Group company, Biopower Sardegna Srl, pursuant to ARERA Resolution 111/2006 (as amended);
- Euro 800 thousand, corresponding to the estimated impairment loss reasonably foreseeable in relation to the Group's dark fibre business;
- Euro 1,000 thousand, in anticipation of the recapitalisation of the joint venture Neogy Srl;
- Euro 1,539 thousand, related to the recognition of district heating green certificates by GSE Spa;
- Euro 500 thousand, allocated to cover the best estimate of the charges expected in relation to the initiative adopted by Alperia Smart Service Srl to support customers on the free market of the Alperia Group affected by unemployment or redundancy, which provides for the payment of a bonus on the bill of Euro 50 to each applicant.

The changes in this item during 2020 are summarised in the table below:

(in thousands of Euros)	Provisions for risks and charges
At 31 December 2019	42,499
Reclassification of Biopower Sardegna Srl-GmbH to "Continuing operations"	1,820
Provisions	12,654
Reclassifications	(885)
Releases	(4,808)
Applications	(13,872)
At 31 December 2020	**37,407**

With reference to the above table:

- the provisions made in 2020 mainly relate to employee bonuses accrued in the period, allocations to the provision for environmental expenses made by Alperia Greenpower Srl and Alperia Vipower Spa, the provision for cyclical maintenance of Biopower Sardegna Srl, and the abovementioned provision relating to the need to recapitalise the joint venture Neogy Srl (it should be noted that, where possible, these provisions are allocated by nature in items of the income statement of the Consolidated Financial Statements in relation to the reasons for which they were made and only residually in the item "Depreciation, amortisation, provisions and write-downs");
- the reclassifications essentially refer to the deduction of Euro 861 thousand of assets, connected to a potential dispute (for further information, please refer to section "9.9 Other current receivables and financial assets" of these Notes);
- releases relate to various provisions for risks and charges set aside in previous years; the main releases relate to the provision set aside in 2019 for expected impairment losses in relation to the effects of the COVID-19 emergency on several of the Group's businesses and the provision recognised in the Purchase Price Allocation in relation to a previous acquisition;
- uses in 2020 mainly refer to the provisions set aside in 2019 in relation to the foreseeable presence of drops in consumption related to the COVID-19 emergency, due to the purchase of electricity and natural gas at a fixed price with consequent surplus commodities that the Group had to resell on the market realising negative margins (offset by the use of the provisions mentioned above), as well as the provision for environmental expenses described above.

9.13 Employee benefits

The item "Employee Benefits" at 31 December 2020 includes Euro 11,714 thousand of the provision for Employee Severance Indemnities and Euro 3,328 of the provision for personnel expenses that covers the actuarial valuation of liabilities associated with defined benefit plans within the Group relating to: (i) a loyalty bonus, due to employees who remain in service for a certain number of years, and (ii) additional monthly payments, due to employees hired before 24 July 2001.

The changes in the provision for Employee Severance Indemnities at 31 December 2020 are presented below:

(in thousands of Euros)	**At 31 December 2020**
At 31 December 2019	10,611
Provisions	347
Changes in the scope of consolidation	1,886
Applications	(1,408)
Actuarial (profits) / losses	278
Total	**11,714**

The item "Changes in the scope of consolidation" refers to the acquisition of Hydrodata Spa, described in section "2.4 Information required by International Accounting Standard IFRS 3" of these Notes.

The table below contains the detailed economic and demographic assumptions used for the actuarial valuations of the employee severance indemnities:

Annual technical discount rate	0.34%
Annual inflation rate	1.00%
Mortality tables	State General Accounting Department RG48 Mortality Table
Annual rate of overall salary increase	2.50%
Annual rate of increase in employee severance indemnity	2.25%

The table below contains a sensitivity analysis of the liability at 31 December 2020, in which the above assumptions are taken as the base scenario and a 0.5% increase and a 0.25% decrease in the inflation rate and discount rate are, subsequently applied. The results obtained are summarised in the following tables:

(in thousands of Euros)	At 31 December 2020	
	Inflation rate	
	0.25%	-0.25%
Provision for post-employment benefits	11,906	11,640

(in thousands of Euros)	At 31 December 2020	
	Discount rate	
	0.5%	-0.5%
Provision for post-employment benefits	11,264	12,319

The changes in the provision personnel expenses at 31 December 2020 are presented below:

(in thousands of Euros)	At 31 December 2019	Provisions	Applications	Discount effect	Releases	At 31 December 2020
Loyalty bonus	1,117	104	(89)	38	0	1,170
Additional monthly payments	2,409	95	(385)	(13)	0	2,106
Electricity discount for the retired	239	0	(191)	0	(49)	0
Provision for indemnities	49	3	0	0	0	52
Total	**3,814**	**202**	**(665)**	**25**	**(49)**	**3,328**

The zeroing of the electricity discount fund is due to the completion of the operation, started in 2019, which was valued.

9.14 Borrowings from banks and other lenders (current and non-current)

The table below shows the current and non-current financial liabilities at 31 December 2020 and 31 December 2019:

(in thousands of Euros)	At 31 December 2020			At 31 December 2019		
	Current	Non-current	Total	Current	Non-current	Total
Borrowings from banks and other lenders	15,911	51,385	67,295	15,585	65,894	81,479
Debenture loan	2,395	461,701	464,096	2,429	465,825	468,254
Financial derivative contracts	14,820	16,091	30,911	15,705	14,566	30,271
Liabilities due to the adoption of IFRS 16	3,074	40,485	43,560	3,239	43,019	46,258
Other financial liabilities	823	3,049	3,872	1,060	3,088	4,148
Total	**37,022**	**572,711**	**609,734**	**38,018**	**592,392**	**630,410**

Borrowings

The breakdown of borrowings from banks at 31 December 2020 with reference to both the non-current and the current portion is presented below:

(in thousands of Euros)	Date taken out	Maturity date	Rate	Spread	Amount disbursed	At 31 December 2020
EIB	21/10/2014	21/10/2026	1.80%		25,000	18,102
EIB	21/10/2014	21/10/2025	2.00%		50,000	30,549
CDP	30/06/2011	30/06/2023	Euribor 6 M	0.38%	80,000	16,000
Unicredit Leasing	26/02/2015	30/01/2030	Euribor 3 m end-of-period	2.30%	2,240	1,488
Banca Intesa	15/11/2017	18/10/2027	1.97%		600	420
Banca del Piemonte	23/12/2020	01/01/2022	1.50%		300	300
Banca Passadore	31/10/2018	01/01/2023	Euribor 3 M	1.50%	300	160
Other payables						408
Total						**66,427**
Incidental expenses on loans (amortised cost)						(132)
Borrowings from banks and other lenders (current and non-current)						**67,295**

In line with commonly accepted market practice, some financial liabilities provide for financial covenants, constraints and obligations to be complied with by the Group, mainly related to the change in control over Alperia, the issue of negative pledges or constraints on the sale of business assets, which in case of breach would entail their early repayment. At the date of preparation of these Consolidated Financial Statements, no issues with respect to these requirements had been identified and, at the monitoring date of 31 December 2020, the covenants were complied with. Based on the 2021 budget, formerly approved by the relevant bodies, the covenants are complied with also prospectively.

Debenture loan

At 31 December 2020, the Parent Company issued bonds for a total amount of about Euro 475 million. At the same maturity date, the company of the Hydrodata Spa Group also had a debenture loan of Euro 750 thousand. The bond issues in question are summarised in the table below.

(in thousands of Euros)	Date taken out	Maturity date	Rate	Amount
Tranche 1 (Alperia Spa.AG)	30/06/2016	30/06/2023	1.41%	100,000
Tranche 2 (Alperia Spa-AG)	30/06/2016	28/06/2024	1.68%	125,000
Tranche 3 (Alperia Spa-AG)	23/12/2016	23/12/2026	2.50%	150,000
Tranche 4 (Alperia Spa-AG)	18/10/2017	18/10/2027	2.20%	99,920
Tranche 5 (Hydrodata Spa-AG)	30/06/2020	31/12/2025	variable	750
				475,670
Incidental expenses (amortised cost)				(955)
Foreign exchange effect (*)				(10,619)
				464,096

(*) The fourth bond issue carried out in October 2017 by Alperia Spa as part of the current EMTN programme took place in Norwegian kroner (NOK). As described in section "7.3 Exchange rate risk" of this report, the risk of fluctuations in the issue exchange rate of the tranche in question and therefore the impact on the income statement of the Company deriving from the translation of the liability due to fluctuations in the Norwegian krone have been neutralised by subscription of a Cross Currency Swap derivative financial instrument.

Financial derivative contracts

Financial derivative contracts with a negative fair value can be broken down as follows:

- financial instruments on commodities (Euro 14,820 thousand);
- a Cross Currency Swap to cover the bond in NOK issued by the Parent Company Alperia Spa (Euro 15,435 thousand) and an Interest Rate Swap to hedge a loan of the Parent Company Alperia Spa (Euro 656 thousand).

For further information, see section "7.1.1 Interest rate risk" of these Notes.

Liabilities due to the adoption of IFRS 16

This sub-item arose in the first half of 2019 as a result of IFRS 16 First Time Adoption and relates to the outstanding liability for *leases* arising from the obligation to pay the respective lease payments, which is offset by the leased asset recognised in assets (defined as the *Right of Use*).

Other financial liabilities

This sub-item is mainly due to the accounting treatment of put and call options on minority interests related to a business combination carried out by the Alperia Group in the first half of 2019.

Net debt

The composition of the Alperia Group's consolidated net financial debt at 31 December 2020 and 2019 is detailed below:

(in thousands of Euros)	31 December 2020	*31 December 2019 restated*	*Restatement*	31 December 2019
A. Cash	12	19	0	19
B. Other cash equivalents	168,564	171,916	0	171,916
C. Securities	531	531	0	531
D. Liquidity (A+B+C)	**169,107**	**172,466**	**0**	**172,466**
E. Current financial receivables (including the fair value of positive derivative financial instruments)	**15,890**	**32,065**	**(19,940)**	**52,005**
E. (of which assets due to the adoption of IFRS 16)	***1,492***	***1,492***	***0***	***1,492***
F. Current borrowings from banks and other lenders	(18,350)	(19,074)	0	(19,074)
G. Current portion of non-current debt	0	0	0	0
H. Other current financial payables	(4,563)	0	0	0
H1. Fair value of negative derivative financial instruments	(14,820)	(15,705)	30,845	(46,550)
H2. Current liabilities due to the adoption of IFRS 16	(3,074)	(3,239)	0	(3,239)
I. Current debt position (F + G + H)	**(40,807)**	**(38,018)**	**30,845**	**(68,863)**
J. Net current financial position (D+E+I)	**144,189**	**166,513**	**10,905**	**155,608**
L. Non-current borrowings from banks and other lenders (including the fair value of negative derivative financial instruments)	(70,524)	(83,547)	0	(83,547)
M. Bonds issued	(461,701)	(465,825)	0	(465,825)
N. Other non-current payables	0	0	0	0
N1. Non-current liabilities due to the adoption of IFRS 16	(40,485)	(43,019)	0	(43,019)
O. Non-Current debt position (L+M+N+N1)	**(572,711)**	**(592,391)**	**0**	**(592,391)**
P. Net financial position prior to non-current financial receivables (J+O)	**(428,522)**	**(425,878)**	**10,905**	**(436,783)**
Q. Non-current financial receivables (including the fair value of positive derivative financial instruments)	**33,528**	**41,960**	**984**	**40,977**
Q. (of which assets due to the adoption of IFRS 16)	***16,044***	***30,007***	***984***	***29,023***
P. Net non-current financial position (O+Q)	**(539,183)**	**(550,431)**	**984**	**(551,414)**
Q. Net financial position (P+Q)	**(394,994)**	**(383,918)**	**11,889**	**(395,807)**

The Alperia Group's net financial position at 31 December 2019 was restated due to the reclassifications indicated in section "2.2.3 Reclassifications" of these Notes; it also includes the balance of deposits, positive or negative, for derivative transactions.

It should also be noted that the data in this report do not include the financial balances related to discontinuing operations of Ottana Solar Power Srl, corresponding to cash and cash equivalents of Euro 280 thousand.

The statement required by paragraph 44B of IAS 7 is set out below.

(in thousands of Euros)	Current	Non-current	Total
Net financial debt at 31/12/2019 (restated)	**166,513**	**(550,431)**	**(383,918)**
Changes in cash flows from financing activities	(25,683)	(19,680)	(45,362)
Changes resulting from obtaining or losing control of subsidiaries or other companies	1,224	219	1,443
Changes in fair value	9,510	3,899	13,409
Other changes	(7,375)	26,809	19,434
Net financial debt at 31/12/2020	**144,189**	**(539,183)**	**(394,994)**

9.15 Other payables (current and non-current)

The breakdown of the item "Other payables – current and non-current" at 31 December 2020 and 31 December 2019 is provided below:

(in thousands of Euros)	At 31 December 2020			At 31 December 2019		
	Non-current	Current	Total	Non-current	Current	Total
Dividend payables to shareholders	0	3,785	3,785	0	0	0
Payables to Energy and Environmental Services Fund	0	4,402	4,402	0	5,791	5,791
Tax payables	0	5,008	5,008	0	9,869	9,869
Payables to employees	0	5,824	5,824	0	5,257	5,257
Payables to pension and social security institutions	0	3,041	3,041	0	2,765	2,765
Accrued liabilities and deferred income	54,104	3,009	57,113	51,378	2,690	54,068
Other	611	15,689	16,300	901	17,042	17,943
Total	**54,715**	**40,758**	**95,473**	**52,279**	**43,415**	**95,694**

With reference to the table above, it should be noted that:

- dividends payable to the shareholders the Municipality of Bozen/Bolzano and the Municipality of Meran/Merano refer to the shareholder the Autonomous Province of Bozen/Bolzano delegating the payment of the dividend for 2019 to these two local authorities;
- current payables to the Energy and Environmental Services Fund, amounting to Euro 4,402 thousand at 31 December 2020, mainly relate to the equalisation regime in the electricity sector; the relative fluctuation is connected to the Group's operations;
- the decrease in the sub-item "Tax payables" is mainly attributable to the gradual payment of the substitute tax in 2019 following a tax redemption operation;
- the sub-item "Accrued liabilities and deferred income" refers nearly entirely to the current and non-current portion of deferred income on connection fees recognised in the income

statement pursuant to IFRS 15, based on the useful life of the reference assets, as described in greater detail in section "2.6 Measurement criteria" of these Notes;

- the sub-item "Other" nearly entirely comprises the payables relating to the payment of the State fees as per the concession regulations signed by the companies Alperia Greenpower Srl and Alperia Vipower Spa, as well as the payable for RAI fees charged to customers to be paid to the tax authorities by the companies Alperia Smart Services Srl and Alperia SUM Spa.

9.16 Trade payables

The item "Trade payables" includes payables for the supply of goods and services amounting – at 31 December 2020 – to Euro 236,623 thousand (Euro 250,622 thousand at 31 December 2019).

The decrease in 2020 is mainly due to the Group's operations.

9.17 Current tax liabilities

This item, amounting to Euro 5,317 thousand at 31 December 2020, includes the balance due to the Tax Authorities relating to IRES and IRAP, which is Euro 4,585 thousand lower than in the previous year, essentially due to the different trend of advances paid in 2020 compared to 2019.

10. Notes to the Income Statement

10.1 Revenues

With regard to the breakdown of total revenues and income by business area, see the contents of section 8 of these Notes.

The total value of revenues, which amounted to Euro 1,351,901 thousand in 2020, represented a decrease (-10%) on the figure of the previous year (Euro 1,507,398).

The reason for the decrease is mainly due to the reduction in revenues from the sale of electricity and natural gas, which in turn is linked to the drop in the overall volumes sold by the Group and the price dynamics of both commodities, which were particularly penalising in the year in question (although mitigated by the effects of the hedging adopted by the Group), as described in the Report on Operations. This trend was however partly offset by the significant growth in turnover of the subsidiary Alperia Bartucci Spa, with particular reference to the "Building efficiency solution" sector, driven by the new tax breaks introduced at regulatory level and described in the section on the "Sector framework" of the Report on Operations.

10.2 Other revenues and income

The breakdown of the item "Other revenues and income" for the year 2020 and 2019 is provided below:

(in thousands of Euros)	2020	2019
Non-recurring income	299	975
Sale of materials	623	422
Leases	638	1,305
Revenues from incentive tariffs	58,036	16,042

Chargeback of expenses and bills	888	1,030
Revenues from environmental certificates	6,764	5,413
Capital gains from disposals of tangible assets	449	1,310
Capital gains from disposals of investments	0	987
Compensation for damages	9,913	5,851
Release of funds	4,808	1,672
Other	3,400	4,475
Total	**85,818**	**39,481**

With reference to the above table, please note that:

- the decrease in contingent assets is due to the company's operations;
- the decrease in revenues from rents and leases is mainly attributable to the termination, announced in the second half of 2020, by Eisackwerk Srl-GmbH to the Group company, Alperia Greenpower Srl, of the lease agreement for part of the assets related to the Sant'Antonio/St. Anton hydroelectric plant;
- the significant increase of the sub-item "Revenues from incentive tariffs" is strictly related to the combined effect of the reclassification of Biopower Sardegna Srl under "Continuing operations", and the increase in incentivised production resulting from the exceptional natural water supplies in 2020;
- the increase in the balance of the sub-item "Revenues from environmental certificates", essentially due to the process to cancel the Energy Efficiency Certificates that the Alperia Group company, Edyna Srl, is required to purchase pursuant to current legislation, is related both to the trend of the consideration recognised in this sense by GME Spa, and to the greater quantity of certificates subject to cancellation;
- the decrease in capital gains from the sale of tangible assets is due to the absence of the sale of most of a property situated in Via Rovereto in Bolzano/Bozen, which took place in 2019;

- the sub-item "Gains on disposal of investments", which at 31 December 2019 was entirely attributable to the partial sale of the interest held in Neogy Srl, was reset to zero at 31 December 2020 (the losses realised on the sale of Selsolar Rimini Srl and Selsolar Monte San Giusto Srl in 2020 - as they related to investments previously classified as "Discontinuing operations" - were classified in the consolidated income statement item "Net profit/(loss) (B) from Discontinued Operations);
- the significant increase in compensation received for damages is mainly attributable to insurance payouts for damage caused by 2019 weather events and repayments from the Electrical Sector Compensation Fund, recognised by the Alperia Group company Edyna Srl;
- the sub-item "Release of provisions" includes the releases in section "9.12 Provision for risks and charges" of these Notes;
- the sub-item "Other" mainly refers to various fees and revenues.

10.3 Costs for raw materials, consumables and goods

The breakdown of the item "Costs for raw materials, consumables and goods" for the year 2020 and 2019 is provided below:

(in thousands of Euros)	2020	2019
Electricity	370,380	503,441
Natural gas	87,606	122,363
Fuels and lubricants	39,609	1,428
Energy savings certificates or similar (includes the change in related inventories)	7,314	11,282
Consumables	43,145	25,568
Costs of raw materials, consumables and goods capitalised under assets	(21,125)	(17,526)
Change in inventories and internal works to order	2,686	(1,215)
Total	**529,615**	**645,340**

In relation to the above table, please note the following:

- the decrease in costs related to the purchase of electricity and natural gas is strictly related to the trend of revenues arising from the sale of the two commodities, commented in section "10.1 Revenues" of these Notes;
- the significant increase in the sub-item "Fuels and lubricants" is almost entirely attributable to the reclassification of Biopower Sardegna Srl under "Continuing operations";
- the decrease in the sub-item "Energy saving certificates and similar" (including changes in related inventories) is mainly attributable to the significant reduction in the price of Certifications of Origin that occurred in 2020;
- the increase in costs of raw materials, consumables and goods capitalised in assets is attributable to the company's operations.

10.4 Cost of services

The breakdown of the item "Cost of services" for the year 2020 and 2019 is provided below:

(in thousands of Euros)	**2020**	**2019**
Electricity transport	344,298	379,998
Electricity unbalancing and dispatching costs	65,011	53,322
Fees and additional fees	58,991	59,434
IT, management and industrial services	24,904	7,504
Natural gas transport	20,869	25,136
Professional, legal and tax services	15,553	11,385
Natural gas storage	9,949	7,107
Natural gas unbalancing	7,685	5,604
Insurance	4,900	3,908
Advertising, marketing and sponsoring expenses	4,561	4,077
Commercial services	5,974	4,642
Recruiting, training and other personnel expenses	2,672	3,505
Rentals	1,965	2,269
Leases	1,717	1,837

Charges and commissions for banking services	1,071	1,317
Remuneration of corporate bodies	1,847	1,818
Post, telephone and internet expenses	1,410	1,129
Cost of services capitalised under assets	(60,283)	(56,825)
Change in contract work in progress	(3,237)	720
Other	86,690	87,124
Total	**596,549**	**605,011**

With reference to the table above, we point out that:

- The fluctuations that affected the sub-items (mainly, "pass-through" items) "Electricity transmission", "Natural gas transmission", "Electricity unbalancing and dispatching costs", "Natural gas unbalancing", as well as "Natural gas storage" are strictly related to the trend of company operations, to the increase in dispatching fees, as well as, in part, also to the effects on consumption caused by COVID-19;
- The increase shown by the sub-item "IT, management and industrial services" is mainly attributable to the implementation of the new ERP "SAP S/4 HANA" and connected to the digitalisation of the Alperia Group; however, this was partly reflected in the increase in service costs capitalised in assets;
- the sub-item "Fees and surcharges", amounting to Euro 58,991 thousand, mainly refers to State fees, surcharges relating to mountain catchment areas, surcharges due to coastal Municipalities and other charges connected with the production of hydroelectric energy;
- the increase in the sub-item "Insurance" is mainly attributable to the stipulation - in 2020 - of credit insurance by Alperia Smart Services Srl and Alperia SUM Spa, as well as the effects of the reclassification of Biopower Sardegna Srl under "Continuing operations";

- the increase in the sub-item "Advertising, marketing and sponsoring expenses" refers to the initiatives taken in the context of the new strategic plan adopted by the Group from 2020;
- the sub-item "Other", equal to Euro 86,690 thousand, mainly includes expenses for maintenance works (mainly for ordinary works and maintenance on plants, works related to hydroelectric power plants, vehicle maintenance, software upgrades and expenses for plant and network maintenance services). The portion of long-term charges of these costs was capitalised.

10.5 Personnel costs

The breakdown of the item "Personnel costs" for the year 2020 and 2019 is provided below:

(in thousands of Euros)	**2020**	**2019**
Salaries and wages	54,532	51,630
Social security contributions	17,690	16,873
Provision for employee severance indemnities and pensions	3,843	3,517
Other costs	1,004	1,073
Staff costs capitalised under assets	(9,904)	(9,765)
Total	**67,165**	**63,328**

The increase in this item recognised in 2020 is mainly due to the higher average number of Group employees, going up from 1,006 in 2019 to 1,035 in 2020, which in turn is mainly attributable to the integration of the company Hydrodata Spa described in section "2.4 Information required by International Accounting Standard IFRS 3" of these Notes.

10.6 Amortisation/depreciation, provisions and write-downs

The breakdown of the item "Amortisation/depreciation, provisions and write-downs" for the year 2020 and 2019 is provided below:

(in thousands of Euros)	2020	2019
Amortisation of intangible assets	45,881	46,273
Reversal of provisions for write-downs of intangible assets	(2,554)	(2,554)
Depreciation of tangible assets	55,965	51,945
Reversal of provisions for write-downs of tangible assets	(446)	(173)
Write-down of non-current assets	4,666	9,013
Provision to reserve for risks for financial charges	7,079	15,882
Write-downs of trade receivables	17,512	1,316
Total	**128,101**	**121,701**

With reference to the table above, we point out that:

- the sub-items "Reversal of provisions for write-downs of intangibles" and "Reversal of provisions for write-downs of tangible assets" mainly represent the gradual release of provisions for write-downs of assets recognised in 2017 following an impairment test; these releases are in proportion to the accrual of depreciation of the assets concerned;
- the increase in the sub-item "Depreciation of tangible assets" is mainly attributable to the reclassification of Biopower Sardegna Srl under "Discontinuing operations";
- the balance of the sub-item "Write-down of non-current assets" at 31 December 2020 is indicated in section "9.2 Tangible assets" of these Notes;
- the breakdown of the sub-item "Allocations to provisions for risks and charges" is explained in section "9.12 Provisions for risks and charges" of these Notes;
- the write-downs of trade receivables mainly refer to the value adjustment of Euro 14,800 thousand related to the receivable connected with the Merano/Meran-Bolzano/Bozen

high-voltage line, referred to in section "3. Estimates and assumptions" of these Notes, and, for the remaining part, to the value adjustment of other trade receivables.

10.7 Profit / (loss) arising from the fair value measurement of investments in associates and joint ventures

At 31 December 2020, no amounts were to be reported in this regard.

10.8 Other operating costs

The breakdown of the item "Other operating costs" for the year 2020 and 2019 is provided below:

(in thousands of Euros)	**2020**	**2019**
Contingent liabilities	457	84
Taxes on real estate property	2,634	2,573
Donations	1,284	269
Other tax charges	404	357
Capital losses on disposals of assets	1,421	2,406
Registration tax	726	817
Contribution to the authorities	769	578
Membership costs	465	482
Fees for occupation of public land	247	194
Other licenses and fees	579	685
Other	3,717	3,879
Total	**12,703**	**12,325**

As can be inferred from the table above, the overall increase in the balance of the item in question is mainly due to the opposite effect of the greater donations made in 2020 by the Group to associations involved in the management of the epidemiological emergency caused by COVID-19 and the decrease in capital losses from the sale of assets.

The sub-item "Other" mainly refers to repayments and other charges, other duties and taxes, charges for the purchase of European Emission Allowances, as well as charges related to the provision for exceptional events charged to the company Edyna Srl.

10.9 Net income/(expenses) from commodity derivatives

This item, recognised for the first time in 2020 as described in section "2.2.3 Reclassifications" of these Notes, includes the economic impacts, in terms of measurement and implementation, of commodity derivatives not recognised on a hedge accounting basis. In particular, these transactions are carried out for speculative purposes or with the objective of hedging prior, however, to the implementation of the hedge accounting model.

The composition of the item and the related comparison with 2019 are shown in the table below:

(in thousands of Euros)	**2020**	**2019**
Measurement effects	(2,351)	1,925
Implementation effects	(313)	(6,981)
Total	**(2,664)**	**(5,056)**

10.10 Gains (losses) on valuation of investments

This item, which shows a negative balance of Euro1,655 thousand at 31 December 2020, includes the net result arising from the measurement of investments - detailed in the tables in section "9.3 Investments" of these Notes - and, specifically:

- Negative adjustments for a total of Euro 1,579 thousand;
- Positive adjustments for a total of Euro 924 thousand.

In addition to the net negative adjustments mentioned above, a provision of Euro 1,000 thousand was made in 2020 for the recapitalisation of the joint venture Neogy Srl.

10.11 Financial income and charges

The breakdown of the item "Financial income" and "Financial charges" for the year 2020 and 2019 is provided below:

(in thousands of Euros)	2020	2019
Interest income on government bonds	32	32
Interest income from associates	11	6
Interest income on trade receivables	147	86
Interest income on current accounts	273	326
Foreign exchange gains	5,495	805
Other financial income	962	2,851
Total financial income	**6,920**	**4,107**
Interest expense on loans	(1,336)	(1,281)
Negative differentials on derivative financial instruments to hedge interest rates	(680)	(933)
Value adjustments on financial receivables	(50)	0
Interest on debenture loans	(10,087)	(10,060)
Interest expense due to the adoption of IFRS 16	(1,117)	(1,142)
Charges on foreign exchange differences	(5,517)	(822)
Other	(312)	(201)
Total financial charges	**(19,098)**	**(14,440)**

With reference to the above table:

- the sub-items "Foreign exchange gains" and "Charges on foreign exchange differences" essentially refer to the negative exchange rate difference recorded during the conversion of the last tranche of bond issues issued by the Parent Company Alperia Spa in NOK, at year-end exchange rates, and to the specular trend of the effective portion of the change in the fair value of the related cross currency swap hedging derivative financial instrument recorded in 2020;

- the decrease in the sub-item "Other financial income" is mainly due to the absence of the effect of an alignment of the discount rates used in conjunction with IFRS 16 First Time Adoption in 2019.

10.12 Taxes

The cost for taxes recognised at 31 December 2020 amounts to Euro 26,315 thousand and includes:

- charges for current IRES taxes, for Euro 33,332 thousand;
- charges for current IRAP taxes, for Euro 4,735 thousand;
- net income for deferred IRES and IRAP taxes, for Euro 11,444 thousand;
- charges for taxes related to previous years, for Euro 308 thousand.

The overall tax rate at 31 December 2020 was therefore equal to approximately 30% compared to 17% in 2019. The increase in this indicator is due to the absence of the positive impact on taxes resulting from a tax redemption operation carried out in 2019.

10.13 Net profit/(loss) from Discontinuing operations

In compliance with IFRS 5, this item comprises the balances referred to net assets and liabilities classified as Discontinuing operations, or which were sold in the year, net of intra-group eliminations.

The following table shows the breakdown at a single group level of "discontinuing" or "discontinued" operations:

(in thousands of Euros)	*Discontinuing Operations*	*Discontinued Operations*			Total
	Ottana Solar Power Srl	**Selsolar Monte San Giusto Srl**	**Selsolar Rimini Srl**	**Fibre business unit**	
Revenues	4,277	0	0	0	4,277
Cost of production	(2,315)	0	0	0	(2,315)
EBITDA	**1,963**	**0**	**0**	**0**	**1,963**
Financial management result	1	(25)	(215)	30	(210)
Profit before taxes	**1,964**	**(25)**	**(215)**	**30**	**1,753**
Taxes	(578)	0	0	0	(578)
Profit after tax	**1,386**	**(25)**	**(215)**	**30**	**1,175**

The decrease in this item is mainly due to the reclassification of Biopower Sardegna Srl under "Continuing operations"

10.14 Impacts on the income statement related to the adoption of IFRS 16

The impacts on the 2020 consolidated income statement resulting from the adoption of IFRS 16 are shown in the table below.

(in thousands of Euros)	2020
Reversal of fees	4,470
Impact on EBITDA	**4,470**
Recognition of depreciation	(3,825)
Impact on operating income	**645**
Financial charges	(1,117)
Impact on profit before taxes	**(471)**
Taxes	126
Impact on the net result of continuing operations	**(345)**
Impact on the net result of discontinuing operations	0
Impact on the result for the period	**(345)**

11. Commitments and guarantees

This item includes the patronage issued by the Parent Company to third parties in the interest of associates, for a total amount of Euro 15,009 thousand.

The item also includes bank and insurance guarantees issued to third parties in the interest of Group companies for Euro 56,360 thousand.

It should also be noted that, at 31 December 2020, the company Biopower Sardegna Srl had entered into contracts for the purchase of a total of 53,000 metric tonnes of palm oil for the first eleven months of 2021, at the stock exchange price in effect at the end of each month of supply, plus a mark-up.

For commitments related to forward purchase/sale transactions of commodities that qualify as "Own use exemption", please refer to section "7.1.2 Commodity risk" of these Notes.

12. Transactions with related parties

Related parties are those that share the same controlling entity with the Group, the companies that directly or indirectly control it, are controlled, or are jointly controlled by the Parent Company and those in which the Parent Company holds a stake enabling it to exercise a significant influence.

In accordance with the provisions of IAS 24, "Disclosure on Related Party Transactions", paragraph 25, the Company is exempted from the information requirements set out in paragraph 18 (according to which the Company must specify the nature of the relationship with the related party, in addition to providing information on such transactions, on outstanding balances, including commitments, which is necessary for financial statements users to understand the potential effects of those transactions on the financial statements) in case it carries out transactions with another entity that is a related party because the same local public entity has a considerable influence over the entity that prepares the annual accounts and the other entity.

In the 2020 financial year, the main transactions with related parties regarded dividends resolved in favour of shareholders for Euro 26,000 thousand, as well as the sale of a business unit to Infranet Spa, which is reported in section "2.2.2 Method of presenting financial information" of these Notes.

13. Directors' and Statutory Auditors' remuneration

The following table details the remuneration of directors and statutory auditors of Group companies consolidated on a line-by-line basis for 2020 (gross amounts):

(in thousands of Euros)	**2020**
Administrative bodies	722
Control bodies	518
Total	**1,240**

14. Remuneration of Key Managers

The overall remuneration paid to Key Managers for the duties performed in 2020 amounted to approximately Euro 699 thousand (taxable amount); the amount referred to 2019 was equal to Euro 695 thousand.

No short-term or long-term benefits accruing over time are currently envisaged for the above Key Managers, with the exception of some executives who have signed a non-competition agreement for an amount of approximately Euro 150 thousand. There are no stock-based payments (stock options).

15. Remuneration of the independent auditors

The table below shows the fees received by the independent auditor PricewaterhouseCoopers Spa for auditing and accounting control services provided for both the separate and Consolidated Financial Statements at 31 December 2020, as well as for other services.

Company providing the service	Entity receiving the service	Type of services	Fees for 2020 (in thousands of Euros)
PwC Spa	Alperia Spa-AG	Auditing of the financial statements	19
		Auditing of the consolidated financial statements	24
PwC Spa	17 Subsidiaries	Auditing of the financial statements and of the Group Reporting Package of **17 companies**	293
PwC Spa	Gruppo GGP Srl-GmbH	Auditing of the GGP Group consolidated financial statements	3
PwC Spa	Alperia Spa-AG	Limited auditing of the 2020 consolidated interim report	14
PwC Spa	16 Companies	Limited auditing of the 2020 interim Group Reporting Package	19
Total audit services provided in 2020 for the Alperia Group by the Independent Auditors			**372**
PwC Spa	Alperia Spa-AG	Limited auditing of the Consolidated Non-Financial Statement	32
PwC Spa	Alperia Spa-AG	Auditing of separate financial statements (Unbundling of accounts)	5
PwC Spa	9 Subsidiaries	Auditing of separate financial statements (Unbundling of accounts)	25
PwC Spa	6 Subsidiaries	Auditing of Receivables and Payables pursuant to Article 11 of Legislative Decree 118/11	2
PwC Spa	Alperia Bartucci Spa-AG	Auditing of 2020 research and development costs for tax credits pursuant to Law 145/18	3
PwC Spa	Alperia Trading Srl-GmbH	Agreed auditing procedures pursuant to paragraph 65.30 ARERA Resolution 111/06 (essential production advance)	6
Total other audit services provided in 2020 for the Alperia Group by the Independent Auditors			**73**

16. Subsequent events

See the Report on Operations for disclosure on "Subsequent events" and the progress of pending disputes.

17. Information pursuant to Article 1, paragraph 125, of Law 124/2017

In 2020, the Group received the following public grants shown in the table.

PAYING AGENCY	BENEFICIARY COMPANY	TYPE	AMOUNT COLLECTED IN EUROS IN 2020
European Union	Alperia Spa-AG	"Life4Heat" Project	6,863
European Union	Alperia Spa-AG	SECLI FIRM	26,384
European Union	Alperia Spa-AG	STORAGE4GRID	29,480
Fundacion Circe	Edyna Srl-GmbH	"Prefinancing flexigrid project"	63,254
			125,980
Invitalia	Alperia Spa-AG	COVID-19 safety contribution	129,999
Invitalia	Alperia Greenpower Srl-GmbH	COVID-19 safety contribution	90,893
			220,892
Autonomous Province of Bolzano/Bozen	Alperia Spa-AG	Kindergartens	14,671
Autonomous Province of Bolzano/Bozen	Alperia Smart Services Srl-GmbH	Contribution to miscellaneous facilities/day care for children	11,470
Autonomous Province of Bolzano/Bozen	Edyna Srl-GmbH	Kindergartens	5,216
			31,357
Autonomous Province of Bolzano/Bozen	Alperia Spa-AG	Training	21,250
Autonomous Province of Bolzano/Bozen	Alperia Spa-AG	Innovation	28,154
Autonomous Province of Bolzano/Bozen	Alperia Ecoplus Srl-GmbH	Energy saving	9,803
			59,207
Autonomous Province of Bolzano/Bozen	Alperia Ecoplus Srl-GmbH	Grant for installations	1,426,335
Autonomous Province of Bolzano/Bozen	Alperia Trading Srl-GmbH	Grant for installations	59,672
Autonomous Province of Bolzano/Bozen	Edyna Srl-GmbH	Grant for installations	167,379
Autonomous Province of Bolzano/Bozen	Edyna Srl-GmbH rl	Grant for installations	51,306
Autonomous Province of Bolzano/Bozen	Edyna Srl-GmbH	Grant for installations	54,711
Autonomous Province of Bolzano/Bozen	Edyna Srl-GmbH	Grant for installations	42,297
			1,801,700
Revenue Agency	Alperia Ecoplus Srl-GmbH	Carbon tax – biomass	191,939
Revenue Agency	Alperia Ecoplus Srl-GmbH	Carbon tax – biomass	310
Revenue Agency	Alperia Ecoplus Srl-GmbH	Carbon tax – biomass	560,679
			752,928
Fondimpresa	Alperia Spa-AG	Reimbursement of personnel training	24,742

Fondimpresa	Edyna Srl-GmbH	Reimbursement of personnel training	28,221
			52,963
Electricity sector compensation fund	Edyna Srl-GmbH	Reimbursement of costs incurred for rebranding	193,161
			193,161
GSE Spa	Alperia Ecoplus Srl-GmbH	Photovoltaic feed-in tariff	1,302
GSE Spa	Alperia Ecoplus Srl-GmbH	Photovoltaic feed-in tariff	22,913
GSE Spa	Alperia Ecoplus Srl-GmbH	Photovoltaic feed-in tariff	232,399
GSE Spa	Alperia Ecoplus Srl-GmbH	Photovoltaic feed-in tariff	4,826
GSE Spa	Alperia Greenpower Srl-GmbH	Photovoltaic feed-in tariff	18,929
GSE Spa	Alperia Greenpower Srl-GmbH	Photovoltaic feed-in tariff	27,716
GSE Spa	Alperia Greenpower Srl-GmbH	Photovoltaic feed-in tariff	24,903
GSE Spa	Alperia Greenpower Srl-GmbH	Photovoltaic feed-in tariff	10,054
GSE Spa	Alperia Greenpower Srl-GmbH	Photovoltaic feed-in tariff	9,056
GSE Spa	Alperia Greenpower Srl-GmbH	Photovoltaic feed-in tariff	22,485
GSE Spa	Ottana Solar Power Srl	Photovoltaic feed-in tariff	3,806,058
			4,180,641
GSE Spa	Alperia Greenpower Srl-GmbH	GRIN	2,889,062
GSE Spa	Alperia Greenpower Srl-GmbH	GRIN	4,681,115
GSE Spa	Alperia Greenpower Srl-GmbH	GRIN	3,214,444
GSE Spa	Alperia Greenpower Srl-GmbH	GRIN	656,493
GSE Spa	Alperia Greenpower Srl-GmbH	GRIN	1,885,428
GSE Spa	Biopower Sardegna Srl	GRIN	41,578,300
			54,904,842
GSE Spa	Alperia Greenpower Srl-GmbH	FER003974	437,016
GSE Spa	Alperia Greenpower Srl-GmbH	FER005410	153,764
GSE Spa	Alperia Greenpower Srl-GmbH	FER102759	125,121
			715,901
GSE Spa	Alperia Greenpower Srl-GmbH	RID000260	98,307
GSE Spa	Alperia Greenpower Srl-GmbH	RID066142	300,717
GSE Spa	Alperia Greenpower Srl-GmbH	RID000243	126,160
GSE Spa	Alperia Greenpower Srl-GmbH	RID002256	2,722
GSE Spa	Alperia Greenpower Srl-GmbH	RID002258	711
GSE Spa	Alperia Greenpower Srl-GmbH	RID003279	2,451
GSE Spa	Alperia Greenpower Srl-GmbH	RID003665	2,185
GSE Spa	Alperia Greenpower Srl-GmbH	RID003667	448
GSE Spa	Alperia Greenpower Srl-GmbH	RID066139	234,153
			767,855

GSE Spa	Alperia Bartucci Spa-AG	Energy Efficiency Certificates	21,635,017
GSE Spa	Edyna Srl-GmbH	Energy Efficiency Certificates	5,763,944
			27,398,961

GSE Spa	Alperia Ecoplus Srl-GmbH	European Union Allowance	365,374
			365,374

Enerpass Scarl	Alperia Greenpower Srl-GmbH	GRIN_001496	3,342,906
Tauferer Elektrowerk Scarl	Alperia Greenpower Srl-GmbH	GRIN_000588	1,337,970
Energie Schnals Scarl	Alperia Greenpower Srl-GmbH	GRIN	595,726
			5,276,602

For any other information, reference can be made to the National Register of State Aid.

Bolzano/Bozen, 31 March 2021

The Chairman of the Management Board

Flora Emma Kröss

Annex A to the Consolidated Financial Statements – Scope of Consolidation

Company name	% of ownership	Country	Registered office	Currency	At 31 December 2020 (in thousands of Euros)		Method of consolidation	Reporting date
					Profit (loss) for the year	Equity		
Parent Company								
Alperia Spa-AG			Via Dodiciville-Zwölfmalgreiener Straße 8, 39100 Bolzano/Bozen					
Subsidiaries								
Alperia Greenpower Srl-GmbH	100%	Italy	Via Dodiciville-Zwölfmalgreiener Straße 8, 39100 Bolzano/Bozen	Euro	7,080	402,390	Line-by-line	31/12/2020
Alperia Vipower Spa-AG	77%	Italy	Via della Rena/Sandenweg 8, 39020 Castelbello-Ciardes/Kastelbell-Tschars (Bolzano)	Euro	1,135	100,691	Line-by-line	31/12/2020
Ottana Solar Power Srl-GmbH (**)	100%	Italy	Via Dodiciville-Zwölfmalgreiener Straße 8, 39100 Bolzano/Bozen	Euro	1,203	9,335	The lesser of the carrying amount and fair value	31/12/2020
Alperia Fiber Srl-GmbH	100%	Italy	Via Dodiciville-Zwölfmalgreiener Straß 8, 39100 Bolzano/Bozen	Euro	(1,681)	453	Line-by-line	31/12/2020
Alperia Smart Services Srl-GmbH	100%	Italy	Via Dodiciville-Zwölfmalgreiener Straße 8, 39100 Bolzano/Bozen	Euro	10,702	57,639	Line-by-line	31/12/2020
Edyna Srl-GmbH	100%	Italy	Lungo Isarco Sinistro/Linkes Eisackufer 45/A, 39100 Bolzano/Bozen	Euro	13,890	320,749	Line-by-line	31/12/2020
Alperia Bartucci Spa-AG	60%	Italy	Via Dodiciville-Zwölfmalgreiener Straße 8, 39100 Bolzano/Bozen	Euro	3,883	7,481	Line-by-line	31/12/2020
EfficienteRete	30.6%	Italy	Corso V. Emanuele II 36, Soave (Verona)	Euro	127	77	Integral (control under contractual clauses)	31/12/2020
Alperia Trading Srl-GmbH	100%	Italy	Via Dodiciville-Zwölfmalgreiener Straße 8, 39100 Bolzano/Bozen	Euro	73,160	117,370	Line-by-line	31/12/2020
Edyna Transmission Srl-GmbH	100%	Italy	Via Dodiciville-Zwölfmalgreiener Straße 8, 39100 Bolzano/Bozen	Euro	367	10,038	Line-by-line	31/12/2020
Green Power Group Srl-GmbH	100%	Italy	Via Dodiciville-Zwölfmalgreiener Straße 8, 39100 Bolzano/Bozen	Euro	(8,224)	326	Line-by-line	31/12/2020
Unix Group Srl	100%	Italy	Via Varotara 57 - 30035 Mirano (Venice)	Euro	(879)	(869)	Line-by-line	31/12/2020
Bluepower Connection Srl	100%	Romania	Str. Diaconu Coresi nr 31, jud Timis – Timisoara	Leu	(705)	135	Line-by-line	31/12/2020
Green Energy Group Sl	100%	Italy	Viale Fiume, 23 35042 Este (Padova)	Euro	(1,054)	(756)	Line-by-line	31/12/2020
Alperia Ecoplus Srl-GmbH	100%	Italy	Via Dodiciville-Zwölfmalgreiener Straße 8, 39100 Bolzano/Bozen	Euro	596	53,473	Line-by-line	31/12/2020

Alperia SUM Spa-AG	70%	Italy	Via Dodiciville-Zwölfmalgreiener Straße 8, 39100 Bolzano/Bozen	Euro	490	7,171	Line-by-line	31/12/2020
Biopower Sardegna Srl-GmbH	100%	Italy	Via Dodiciville-Zwölfmalgreiener Straße 8, 39100 Bolzano/Bozen	Euro	2,161	4,872	Line-by-line	31/12/2020
Hydrodata Spa	50.51%	Italy	Via Pomba, 23, 10123 Torino	Euro	226	2,761	Line-by-line	31/12/2020
Alperia Innoveering Srl-GmbH	51%	Italy	Via Dodiciville-Zwölfmalgreiener Straße 8, 39100 Bolzano/Bozen	Euro	*The company will end its first year on 31/12/2021*			
Joint associates / subsidiaries								
Azienda Elettrica Campo Tures Scarl-Elektroverteiler-genossenschaft Sand in Taufers	49%	Italy	Via Von Ottental-Straße 2/C, 39032 Campo Tures /Sand in Taufer (Bolzano/Bozen)	Euro	0	525	Equity	31/12/2020
Neogy Srl-GmbH (*)	50%	Italy	Via Dodiciville-Zwölfmalgreiener Straße 8, 39100 Bolzano/Bozen	Euro	(1,813)	(159)	Equity	31/12/2020
Enerpass Scarl-Konsortial GmbH	34%	Italy	Via Pianlargo/ Breitebner Straße 2/B, 39010 San Martino in Passiria/St. Martin in Passeier (Bolzano/Bozen)	Euro	0	1,000	Equity	31/12/2020
SF Energy Srl-GmbH (*)	50%	Italy	Via Dodiciville-Zwölfmalgreiener Straße 8, 39100 Bolzano/Bozen	Via Dodiciville-Zwölfmalgreiener Straß 8, 39100 Bolzano/Bozen	211	18,777	Equity	31/12/2020
Centrale Elettrica Moso- Scarl-Wasserkraft Moos Konsortial-GmbH	25%	Italy	Aue 129/A, 39013 Moso in Passiria/Moos in Passeier (Bolzano/Bozen)	Euro	0	100	Equity	31/12/2020
Teleriscaldamento Silandro Srl-Fernwärme Schlanders GmbH	49%	Italy	Via Dodiciville-Zwölfmalgreiener Straße 8, 39100 Bolzano/Bozen	Euro	960	10,263	Equity	31/12/2020
IIT Bolzano Scarl-Bozen-Konsortial-GmbH	43.97%	Italy	Via Enrico Mattei-Straße 1, 39100 Bolzano/Bozen	Euro	17	741	Equity	31/12/2020
Care4U Srl	24.7%	Italy	Via Luigi Negrelli-Straße 13 Bolzano/Bozen	Euro	(28)	372	Equity	31/12/2020
Alpen 2.0 Srl	42.86%	Italy	Via Pomba, 23, 10123 Torino	Euro	(8)	441	Equity	31/12/2019
PVB Power Bulgaria AD (**)	23.13%	Bulgaria	Abacus Business Center, 118 Blvd., Sofia	Leva	209	62,522	The lesser of the carrying amount and fair value	31/12/2019
VEZ Svoghe AD (**)	23.13%	Bulgaria	Yastrebets str. 9, Sofia	Leva	(1,294)	62,473	The lesser of the carrying amount and fair value	31/12/2019
VEZ Maritza AD (**)	23.13%	Bulgaria	Yastrebets str. 9, Sofia	Leva	32	883	The lesser of the carrying amount and fair value	31/12/2019
Other companies								
Bio.Te.Ma Srl in liquidation	11.43%	Italy	Via Malpighi 4, 09126 Cagliari	Euro	(2)	215	Fair value through profit or loss	31/03/2019
Medgas Italia Srl	9.61%	Italy	Via del Seminario 113, 00186 Rome	Euro	(17)	4,341	Fair value through profit or loss	31/12/2019
LNG MedGas Terminal Srl	2.81%	Italy	Via Barberini 47, 00187 Rome	Euro	(53)	16,164	Fair value through profit or loss	31/12/2019

JPE 2010 Scrl	2.9%	Italy	Corso Re Umberto 56, 10128 Torino	Euro	118	373	Fair value through profit or loss	31/12/2019
Art Srl	5%	Italy	Strada Pietro Del Prato 15/A, 43121 Parma	Euro	50	725	Fair value through profit or loss	31/12/2019

(*) Jointly controlled company on the basis of the articles of association and/or specific shareholders' agreements.

(**) Companies/activities under discontinuing operations.

Annex B to the Consolidated Financial Statements – Information on significant investees measured with the equity method

(in thousands of Euros)	**SF Energy Srl (*)**	**Neogy Srl**
Non-current assets	7,327	2,914
Current assets	15,528	2,733
Of which cash and cash equivalents	*7,056*	*69*
Non-current liabilities	0	0
Of which financial liabilities	0	0
Provisions for risks and charges	(717)	(99)
Current liabilities	(3,362)	(5,540)
Of which financial liabilities	*0*	*(2,500)*
Revenues	11,318	2,349
EBIT	135	(1,618)
Interest income	13	0
Interest expense	0	(24)
Income tax and tax income	63	(4)

(*) The Group has made a contractual commitment to purchase a quota, equal to 50% of the electricity produced overall by the investee, based on a predetermined amount.

MARCA DA BOLLO
Ministero dell'Economia e delle Finanze
Agenzia Entrate
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15.05.2021

TRIBUNALE ORDINARIO DI MILANO

Verbale di giuramento traduzione stragiudiziale

Modulo per traduttori iscritti all'Albo

Traduttore iscritto all'Albo del Tribunale di Milano ________________________________

In data 14 /05 /_2021, nella Cancelleria del Tribunale Ordinario di Milano, avanti al sottoscritto Cancelliere è personalmente comparsa __la__ Signora _MARY' CARLA MICHAELIDES ___

identificato con documento CARTA D'IDENTITA'________________n° AX7290025______

rilasciato da _COMUNE DI MILANO________________________ il 08/ 02/ 2016_

iscritto nell'Albo dei Traduttori del Tribunale di MILANO_al n° 6897 per la/e lingua/e tedesca e all'Associazione ANITI N. 3476 per le lingue tedesco/inglese/francese

__la_ quale esibisce la traduzione dalla lingua _ italiana ________________________

alla lingua _ inglese_____________ da lui/lei effettuata in data 13/05/2021 e chiede di poterla giurare ai sensi di legge.

Dichiara, altresì, che il documento tradotto è in copia.

Ammonito ai sensi dell'art. 193 c.p.c. e dall'art. 483 c.p.[1] _il_ comparente presta il giuramento ripetendo le parole "Giuro di aver bene e fedelmente proceduto alle operazioni e di non aver avuto altro scopo che quello di far conoscere la verità".

Si raccoglie il presente giuramento di traduzione stragiudiziale per gli usi consentiti dalla legge. [2]

Letto, confermato e sottoscritto.

Il dichiarante

IL FUNZIONARIO GIUDIZIARIO
dr.ssa Anna PRATICO'

NOTA BENE:
L'ufficio non assume alcuna responsabilità per quanto riguarda il contenuto della perizia asseverata con il giuramento di cui sopra.

[1] " Falsità ideologica commessa dal privato in atto pubblico".

[2] R.D. 1366/1922; D.P.R. 396/2000; D.P.R. 445/2000.