FALCK RENEWABLES SpA

Annual report for the year ended 31 December 2017

Board of Directors' meeting

Milan, 8 March 2018

FALCK RENEWABLES SpA
Share capital EUR 291,413,891 fully paid
Direction and coordination by Falck SpA
Registered and fiscal address
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REA Milano 1675378
Milan Companies Register
03457730962
VAT and tax code 03457730962

Annual report for the year ended 31 December 2017

Contents

Chairman's letter to shareholders and stakeholders			page	4
Chief Executive Officer's to shareholders and stakeholders			page	5
1	***Notice of annual general meeting***		page	6
2	***Company officers***		page	10
3	***Group Structure***		page	11
4	***Consolidated financial highlights***		page	12
5	***Directors' report***			
	5.1	Economic framework	page	14
	5.2	Falck Renewables group operating and financial review		
	5.2.1	Falck Renewables group profile	page	20
	5.2.2	Regulatory framework	page	21
	5.2.3	Performance	page	32
	5.2.4	Non-financial performance indicators	page	37
	5.2.5	Share price performance	page	37
	5.2.6	Performance of the business sectors	page	38
	5.2.7	Review of business in 2017	page	43
	5.2.8	Employees	page	46
	5.2.9	Environment, health and safety	page	46
	5.2.10	Research and development activities	page	48
	5.2.11	Risks and uncertainties	page	48
	5.2.12	Significant events after the balance sheet date	page	62
	5.2.13	Management outlook and going concern	page	62
	5.3	Operating and financial review of Falck Renewables SpA		
	5.3.1	Financial highlights	page	63
	5.3.2	Performance and review of business	page	63
	5.3.3	Employees	page	63
	5.3.4	Capital expenditure	page	63
	5.3.5	Directors, statutory auditors, key managers and their interests	page	64
	5.3.6	Related party transactions	page.	64
	5.3.7	Direction and coordination activities	page	64
	5.3.8	Holding of own shares or parent company shares	page	64
	5.3.9	Purchase and sale of own shares or parent company shares or alienated by the company in the year	page	65
	5.3.10	Share schemes	page	65
	5.3.11	Corporate governance and Code of Self Discipline	page	65
	5.3.12	Participation in the opt-out regime	page	66
	5.3.13	Legislative decree 231/2001	page	66
	5.3.14	Proposed appropriation of profit for the year	page	66

Contents

6 ***Consolidated Financial Statements***

6.1	Balance sheet	page	68
6.2	Income statement	page	69
6.3	Statement of comprehensive income	page	70
6.4	Statement of cash flows	page	71
6.5	Statement of changes in equity	page	72
6.6	Explanatory notes	page	73
6.7	Additional disclosures on financial instruments in accordance with IFRS 7	page	130

7 ***Supplementary information to the consolidated financial statements***

7.1	List of investments in subsidiaries and associates	page	155

8 ***Falck Renewables SpA separate financial statements***

8.1	Balance sheet	page	158
8.2	Income statement	page	159
8.3	Statement of comprehensive income	page	160
8.4	Statement of cash flows	page	161
8.5	Statement of changes in equity	page	162
8.6	Notes to the financial statements	page	163
8.7	Additional disclosures on financial instruments in accordance with IFRS 7	page	202

9 ***Supplementary information to the separate financial statements of Falck Renewables SpA***

9.1	List of direct and indirect investments in subsidiaries and associates	page	212
9.2	Summary of significant financial data from latest financial statements of subsidiaries and associates	page	214

10 ***Certifications of the consolidated and separate financial statements pursuant to article 81- ter of Consob regulation no. 11971 dated 14 May 1999 as amended*** page 219

11 ***Report of the board of statutory auditors to the annual general meeting*** page 222

12 ***Independent Auditors' reports*** page 228

Chairman's letter to shareholders and stakeholders

In 2017, Falck Renewables recorded very strong performance, surpassing all the targets set by the Group, leading them to be raised for the 2017-2021 Business Plan.
I would like to emphasise that this Business Plan takes account of both the targets for growth and development, and the need to create value for all our stakeholders: everyone from employees to shareholders who has believed in us, and who will invest in the future, through to the local communities affected by our projects.

The Group's current situation inspires confidence in the future, especially considering the many opportunities offered by the sector that, thanks to our solidity and strong positioning, we can and will grasp.

It is no coincidence that in the World Energy Outlook 2017, the International Energy Agency speaks of a "Bright future for renewable energy"; a statement based on a very strongly supported analysis of the evolution of the global energy situation and its foreseeable future trends.
This is not the right place for a detailed analysis of the IEA's latest report, but I would nonetheless like to offer a brief summary that can help clarify - precisely because of the global context - the performance achieved by Falck Renewables and our potential for the future.
According to the IEA Outlook, from now up until 2040 global demand for energy will continue to rise - by at least 30% - thanks to average growth in the global economy of 3.4% per year, a global population that will increase from the current 7.4 billion to more than 9 billion by 2040, and a process of urbanisation that adds a city the size of Shanghai to the world urban population every four months.
In the same period, renewable energy is estimated to account for two thirds of global investment in the energy sector, and that renewables will generate 40% of total energy production.
In Europe - where renewable energy already represents 80% of new capacity - wind energy will become the main source of electricity from 2030.
This growth is drive not only by the "economic" reasons for which many countries see renewables as the cheapest way to produce energy among new generation methods; but above all - with the emblematic appeal by the Chinese President for an "energy revolution" and the "fight against pollution" - the need now felt by all countries for this economic growth to be sustainable and in line with climate stabilisation, allowing universal access to modern energy while reducing energy security risks.

In other words, it is clear that all the macro-conditions are in place for the Group's sector to see huge expansion, and for Falck Renewables, thanks to our hard work and results, to carve out an increasingly important leadership position.

The Chairman
Enrico Falck

Chief Executive Officer's letter to shareholders and stakeholders

Increasing installed capacity, record growth in Group and net revenues, higher investment and profitability. I think there is nothing better than this "sequence" to give us the immediacy and absolute objectivity of a "snapshot" of the extraordinary performance achieved by Falck Renewables in 2017; achievements obtained thanks to the increase in electricity produced, the rising energy prices, general and administrative cost cutting and the best practices introduced by management to improve the efficiency of our plants and cost profiles.

This is the kind of performance that, as the Chairman of Falck emphasised in his letter to shareholders, has led us to surpass the targets the Group set itself and confirms the soundness, and above all sustainability, of the strategic development choices made.
I am enormously satisfied by these results, and I would first of all like to thank everyone - at every organisational level - who enabled the Group to achieve them, showing their professionalism, dedication, and true passion. As I have often emphasised, we have the fortune and the privilege to operate in a sector - the clean energy sector - whose environmental and social impact see us involved not just as great professionals, but also as private citizens working to bring a positive contribution to quality of life in the communities where we work.

From a strictly "corporate" point of view, I must also draw attention to the fact that thanks to these results, Falck Renewables is now in a situation of strength and solidity that is simply unprecedented, allowing us to continue towards the growth targets in the Business Plan for 2021 with confidence.

Last December, we presented an updated Plan to the financial community, precisely thanks to the milestones we have reached in advance, highlighting that while our targets are certainly ambitious, they are also fully sustainable, matching the Group's potential then, and now. The results are therefore "doubly" satisfying, because the figures tell us that Falck Renewables has surpassed its growth targets, with high levels of investment and maintaining an entirely "physiological" level of debt, leading to profitability - or return on investment - perfectly in line with our forecasts.

The update to the Business Plan, as well as raising targets for 2021, marks an important shift towards service activities involving an expansion in our current organisation as well as new acquisitions.
This also implies a profound transformation of our corporate culture and managerial skills, where a reorganisation of human resources will take on an increasingly important role. The process of changing the organisation and its roles must match our Group values - recently refounded in the Refalck - Building a new Falck Group culture project.

The scenario outlined so far has considerably boosted the Group's credibility in the eyes of all our stakeholders, and above all our investors. From 1 January 2017 to the end of December the same year, the share's performance rose by around +141% (including dividends), well over the FTSE Italia All Share Index, which recorded around +19%. I see this as an important indicator of the consensus that we have gained for our project.

Another element of satisfaction is the interest shown by the communities near our plants in contributing to investment, a clear sign of appreciation for the way we operate locally.

The Chief Executive Officer
Toni Volpe

1 Notice of annual general meeting

Notice of annual general meeting

Shareholders entitled to vote are called to an ordinary assembly to be held at the offices of Mediobanca at 3 Via Filodrammatici, Milan, on **19 April 2018** at **3 pm** in first call, and if necessary in second call on 20 April 2018 at the same time and place, to discuss and pass resolutions on the following

Agenda

1. Approval of the draft financial statements at 31 December 2017 accompanied by the reports from the Board of Directors, Board of Auditors and External Auditors. Allocation of profit from the period, distribution of dividends to shareholders, and the related resolutions. Presentation of the consolidated financial statements at 31 December 2017.

2. Presentation of the Remuneration Report as per article 123-*ter* of Legislative Decree 58/98 and article 84-*quater* of CONSOB Regulation 11971/1999 and an advisory vote on "Section I" of the regulation by the Assembly.

Share capital and shares with voting rights (article 125-*quater* of Legislative Decree 58/98)

The share capital of FALCK RENEWABLES SpA (the "**Company**"), subscribed and paid in, is of EUR 291,413,891.00 divided into 291,413,891 shares with a face value of EUR 1 each. Each share carries the right to one vote in the Assembly. To date, the Company holds 1,510,000 treasury shares, with voting rights suspended.

Voting and speaking rights (article 83-*sexies* of Legislative Decree 58/98)

In relation to speaking and voting at the assembly, we provide the following information (in compliance with article 125-*bis* of the Consolidated Finance Code (TUF)):

– as per article 83-*sexies* of the TUF, shareholders' voting rights will be certified by their authorised intermediary in accordance with their accounting records. The intermediary will inform the Company of current holdings seven trading days before the date set for the Assembly in first call (the "record date", in this case 10 April 2018); anyone holding Company shares only after that date will not be able to vote at the Assembly. The Company must receive the communication from the intermediary at least three trading days before the date set for the Assembly in first call (i.e. 16 April 2018). If the communication arrives after this deadline, the right to vote will continue to be valid as long as it arrives before the Assembly is opened in each call;
– votes will not be accepted by correspondence or electronic means.

The right to speak at the Assembly is governed by the relevant laws and regulations, in addition to the Company By-laws and Assembly Regulations available on the Company's website at www.falckrenewables.eu in the Corporate Governance section.

Voting by proxy (article 135-*novies* of Legislative Decree 58/98)

In compliance with current legislation, anyone entitled to speak at the Assembly may be represented by written proxy. This can be done using the proxy form provided on the Company's website at https://www.falckrenewables.eu/corporate-governance/assemblee-degli-azionisti/19-aprile-2018. The proxy, with an attached copy of the delegator's identity document, can be sent to the Company by letter with recorded delivery at the offices at 16 Corso Venezia, Milan (20121), or to the certified email address FKR.societario@legalmail.it. Prior notification does not exempt the delegated party from the obligation to certify, when gaining access to the assembly and at their own liability, the identity of the delegator and the conformity of the proxy to the original.

The proxy granting instructions for voting on all or some of the proposals on the agenda may be submitted, at no expense for the delegating party (except for any courier expenses), to Società per Amministrazioni Fiduciarie Spafid S.p.A. with registered offices in Milan, as the Company's Appointed Representative in compliance with article 135-undecies of Legislative Decree 58/98. The proxy must contain instructions to vote on all or some of the proposals on the agenda and will be effective only for the items for which instructions to vote have been given. Spafid can only accept proxies in their capacity as Appointed Representative of the Company.
The proxy must be granted by signing the specific form, including the relative instructions for completing and submitting it, available from the Company's offices and online at https://www.falckrenewables.eu/corporate-governance/assemblee-degli-azionisti/19-aprile-2018.
The original copy of the proxy must be received by the Appointed Representative by the end of the second trading prior to the date set for the assembly in first and second call (i.e. 17 April 2018 and 18 April 2018 respectively), at the following address: Spafid S.p.A., 10 Foro Buonaparte, – 20121 Milan, Ref. "Delega Assemblea Falck Renewables S.p.A. 2018", delivered by hand in office hours (from 9 am to 5 pm), sent by letter with recorded delivery, or by courier. A copy of the proxy may also be sent by certified email to assemblee@pec.spafid.it, sending the original copy with the voting instructions as described above. Sending the proxy with a digital signature in compliance with current regulations to the certified email address above meets the requirement for written form.
The proxy and instructions can be revoked up until the end of the second open market day prior to the date set for the Assembly in first and second call (i.e. 17 April 2018 and 18 April 2018 respectively), by the same means described above.
The shares for which the proxy, or partial proxy, was granted count towards the threshold for the Assembly's formation; for items on the agenda for which no voting rights were granted, the shares will not count towards calculating the majority of the share capital required for resolutions to be passed.

Right to ask for items to be added to the agenda or new proposals to pass resolutions (article 126-*bis* of Legislative Decree 58/98)

In compliance with the law, anyone with at least a fortieth of the share capital, including jointly, can ask for an item to be added to the agenda for discussion up to ten days prior to the publication of this notification (i.e. within 30 March 2018). The request must indicate the additional items for discussion or proposals to pass resolutions on items already on the agenda.
Shareholders can request items or proposals for resolutions to be added to the agenda by notifying the Company through an intermediary authorised in compliance with current regulations.
The request - together with appropriate proof of ownership of the holding as described above - must be presented in writing, including by correspondence, at the Company's offices in Milan, Corso Venezia 16, or sent to the certified email address FKR.societario@legalmail.it.
Within the deadline for submitting the request and by the same means, the proposing Shareholders must also present a report describing the reasons for the proposed resolutions on the new items for discussion, or the additional items for the agenda.

Any additions to the list of items to be discussed by the Shareholders' Meeting or any other proposed resolutions on items already on the agenda will be notified by the Company, in the same way as indicated for the publication of this call, at least fifteen days before the date set for the Assembly in first call. The integration will be published at the same time, by the Company and in the same way, as a report drafted by the requesting voters, accompanied by any considerations by the Board of Directors.
Please note that integrations are not permitted for items on which the Shareholders' Assembly is legally required to pass resolutions on the proposal of the Directors or on the basis of a project or a report prepared by them, other than those referred to in article 125-*ter*, paragraph 1, of the TUF.

Right to ask questions on the items on the agenda (article 127-*ter* of Legislative Decree 58/98)

Those with voting rights may ask questions about the items on the agenda even before the Assembly, within 16 April 2018, by sending a letter with recorded delivery to the Company's registered offices in Milan (20121), Corso Venezia 16, or to the certified mail address FKR.societario@legalmail.it, accompanied by proof of share ownership from the intermediary; certification is not necessary if the communication is received by the Company from the same intermediary submitting the certification needed to speak at the Assembly. Questions received before the Assembly will be answered at the latest during the meeting. The Company is entitled to provide a single answer to questions with the same content.
Responses may also be provided on paper and made available to each person entitled to vote at the beginning of the Assembly.

Documentation

The documentation relating to the Assembly, as required by current legislation, will be made available to the public at the registered offices of the Company in Corso Venezia 16, Milan, on the Company's website at https://www.falckrenewables.eu/corporate-governance/assemblee-degli-azionisti/19-aprile-2018, and at the storage facility "eMarket STORAGE" (available at www.emarketstorage.com) by the following dates:
- the documentation relating to the matters referred to in the first item on the agenda, namely the Board of Directors' report including the related resolution, the draft financial statements for the year ended 31 December 2017, the performance report, the report on corporate governance and ownership structures in 2017, the report of the Board of Statutory Auditors and the report of the Independent Auditors, will be made available to the public by 28 March 2018, as indicated above;
- the report by the Board of Directors on the Remuneration Report as per the second item on the agenda drawn up pursuant to article 123-*ter* of the TUF will be made available to the public by 28 March 2018, as indicated above.

Those entitled to vote may obtain a copy of the documentation relating to the items on the agenda.

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Those entitled to attend the Assembly are invited to arrive some time before the meeting is scheduled for registration, which will start at 2.30 pm; they are also invited to show a copy of any communication issued by the appointed intermediary in order to facilitate certification.

***

This call notice is published today on the Company's website and at the "eMarket STORAGE" storage mechanism (available at www.emarketstorage.com) as well as in the "MF / Milano Finanza" newspaper.

1 Notice of annual general meeting

Milan, 20 March 2018

Chairman of the Board of Directors
Enrico Falck

The Chairman
Enrico Falck

On behalf of the Board of Directors

2 Company Officers

Board of Directors

Falck Enrico	Executive Chairman
Corbetta Guido	Deputy Chairman
Volpe Toni	Chief Executive Officer
Falck Elisabetta	Director
Falck Federico	Director
Marchi Filippo	Director
Caldera Elisabetta (*)	Director
Dassù Marta (*)	Director
Milone Libero (*)	Director
Poggiali Barbara (*)	Director
Pietrogrande Paolo (*)	Director
Grenon Georgina (*)	Director

(*) Independent members for Consolidated Finance Act and self-discipline purposes

The Board of Directors was nominated by the Shareholders' Meeting on 27 April 2017.

Board of statutory auditors

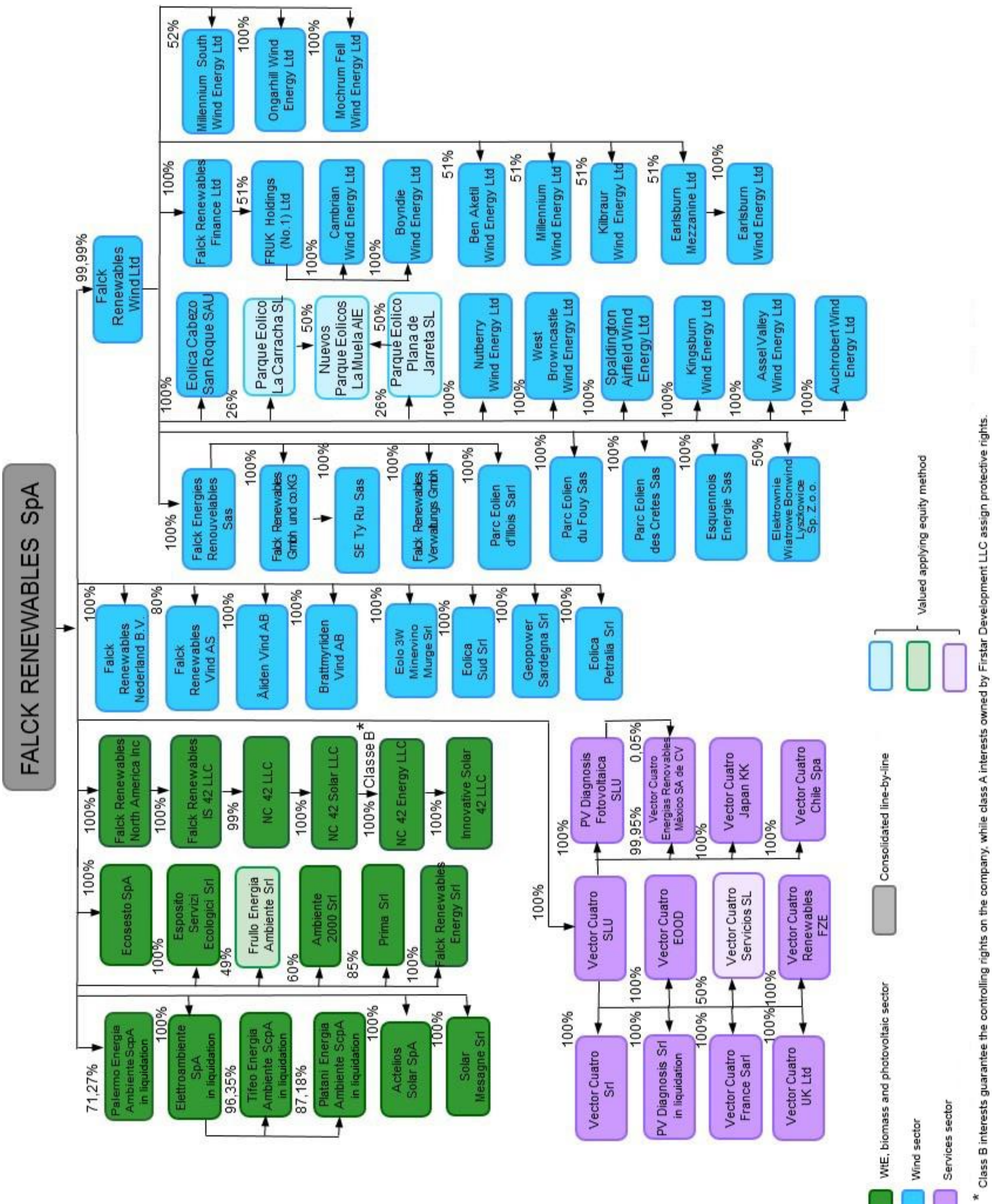
Scarpelli Massimo	Chairman
Conca Giovanna	Statutory auditor
Giussani Alberto	Statutory auditor
Caverni Mara Anna Rita	Substitute statutory auditor
Pezzati Gianluca	Substitute statutory auditor

The Board of Statutory Auditors was nominated by the Shareholders' Meeting on 27 April 2017.

Independent auditors

EY SpA

3 Group Structure



4 Consolidated financial highlights

(EUR thousands)

	2017	2016	2015	2014
Revenue	288,619	249,622	270,740	248,325
Gross profit	127,590	98,576	104,179	98,205
EBITDA (1)	149,366	136,292	152,375	135,292
Operating profit	75,364	59,644	66,313	70,702
Profit for the year	32,066	1,865	18,696	8,912
Falck Renewables SpA profit/(loss) for the year	20,350	(3,935)	5,275	3,300
Earnings per share (Euro) (2)	0.070	(0.014)	0.018	0.011
No. shares in circulation (annual average) in thousands	289,963	290,954	290,954	290,954
No. shares in circulation (end of the year) in thousands	289,904	290,954	290,954	290,954
- Net financial payables (credits)	(255,070)	(231,550)	(68,097)	(113,820)
- “non-recourse” Project financing	792,308	734,875	634,699	673,866
Total net financial position without derivatives (credits)	537,238	503,325	566,602	560,046
- Interest rate derivative financial instruments (credits)	46,569	58,791	62,153	77,788
- Foreign exchange derivative financial instruments (credits)	(90)	(160)	1,095	295
Total net financial position with derivatives (credits)	583,717	561,956	629,850	638,129
Equity	497,737	475,859	518,971	499,708
Falck Renewables SpA shareholders' equity	448,223	439,994	472,472	468,593
Shareholders' equity per share (Euro) (2)	1.546	1.512	1.624	1.611
Investments in property, plant and equipment and intangibles	28,038	92,464	60,042	57,791
Gross profit/Revenue	44.2%	39.5%	38.5%	39.5%
EBITDA/Revenue	51.8%	54.6%	56.3%	54.5%
Operating profit/Revenue	26.1%	23.9%	24.5%	28.5%
Profit for the year/Equity	6.4%	0.4%	3.6%	1.8%
Net financial position/Equity	1.17	1.18	1.21	1.28
Total number of group employees (no.)	351	329	305	297

(1) EBITDA = EBITDA is measured by the Falck Renewables Group as profit for the period before investment income and expenses, net Financial income/expenses, amortisation and depreciation, impairment losses, allocations to risk provisions and the income tax expense. This amount was calculated applying best market practice taking into consideration the Group’s most recent financing contracts. This definition was also used to calculate EBITDA in previous years.

(2) Calculated according to the average annual number of shares.

5. Directors'report

5 Directors' report

Dear Shareholders,

The parent company's separate financial statements and the consolidated financial statements for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS).

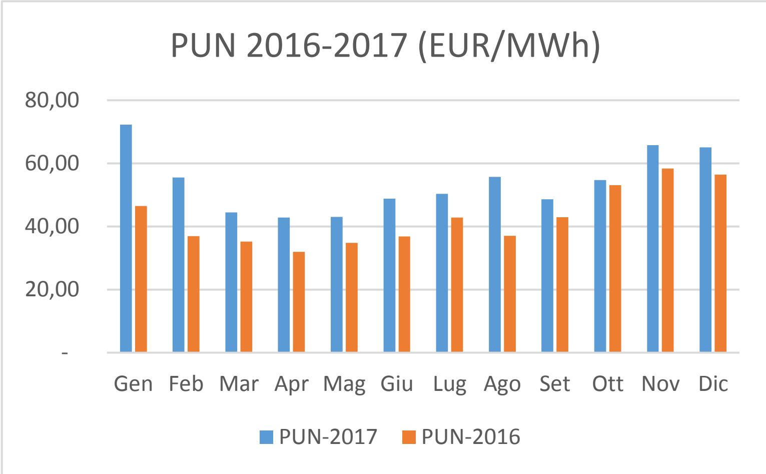
5.1 Economic framework

2017 saw strong growth in electricity prices in Europe.
The closure of some nuclear plants in France for the whole year led to a sharp rise in the cost of electricity throughout Europe. The French Nuclear Security Authority (ASN) closed 12 reactors at the end of 2016 in response to potential risks linked to anomalous carbon concentrations in some of the steel parts in the reactors. Following inspections, the reactors remained closed for the whole of 2017, effectively halving nuclear energy output in certain periods of the year (in October, 29 plants were closed at the same time). To make up for the reduced nuclear production, it was necessary to fall back on more expensive plants using fossil fuels, mainly gas and coal. This meant energy prices rose by approximately 20% in comparison to 2016.

Country	2017 price [EUR/MWh]	2016 price [EUR/MWh]	Delta
Italy	53.95	42.78	**26.11%**
UK	45.31	40.53	**11.79%**
Spain	52.24	39.67	**31.69%**
Nordpool	29.41	26.91	**9.29%**
France	44.97	36.75	**22.37 %**
Germany	34.19	28.98	**17.98 %**

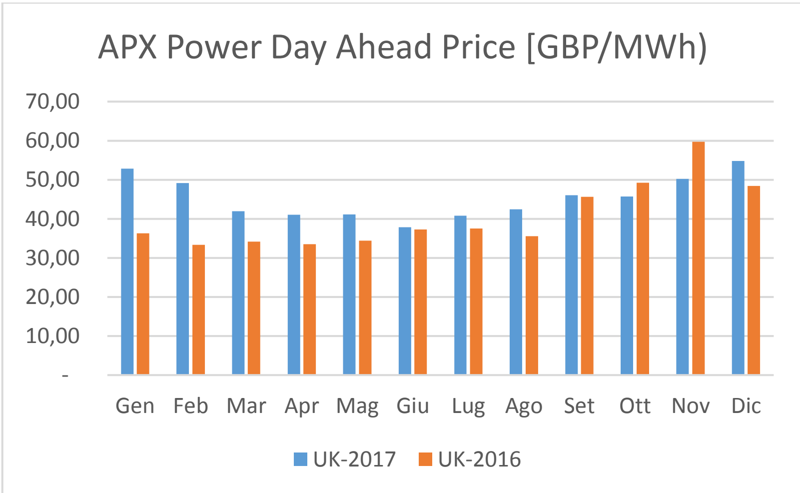
Source: GME and APX

In Italy, the average Single National Price (PUN) rose to 53.95 EUR/MWh in 2017, up by 26.11% on the prior year (42.78 EUR/MWh) and 3.14% on 2015 (52.31 EUR/MWh). January recorded the highest prices during the year (72.24 EUR/MWh), the highest seen since September 2012 (76.77 EUR/MWh). This price spike was caused, as mentioned above, by the lack of energy imports from France (around 60% lower than the same period in previous years). In the first quarter of 2017, PUN was of 57.48 EUR/MWh against 40.05 EUR/MWh in 2016 (+43.52%). This growth trend continued during the second quarter, due to lower production of hydroelectric power. Prices rose to 44.88 EUR/MWh in the second quarter, +30.09% on 2016 (34.50 EUR/MWh). In the third quarter of 2017, prices rose again following the particularly high temperatures in August, well over average, with days where the PUN topped 100 EUR/MWh; in the third quarter as a whole, PUN was of 51.59 EUR/MWh, up by 26.08% on 2016. In the last quarter of the year, the closure of more French reactors and cold weather combined to drive PUN up to 61.83 EUR/MWh. Electricity demand rose by 1.6% on 2016. The GRIN incentive (ex-Green Certificate) rose to 107.34 EUR/MWh, against 100.08 EUR/MWh the previous year.



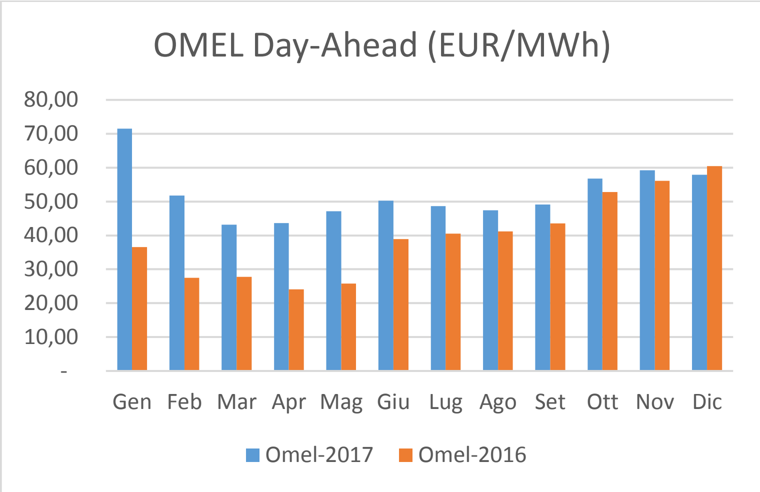
Source: GME

The UK market was also affected by the closure of the French plants. Electricity prices rose from 40.53 GBP/MWh in 2016 to 45.31 GBP/MWh in 2017 (+11.79%). The year's results were driven by the first quarter, which closed with a price of 48.49 GBP/MWh against 35.04 GBP/MWh (+38.38%). The second quarter saw this jump from 2016 figures fall slightly, with average prices settling at 40.04 GBP/MWh, up by 14.29% on 2016 (35.03 GBP/MWh). In contrast, the third (43.05 GBP/MWh) and fourth (50.27 GBP/MWh) quarters of 2017 were on a line with the previous year, up by +8.9 % and -4.11% respectively.



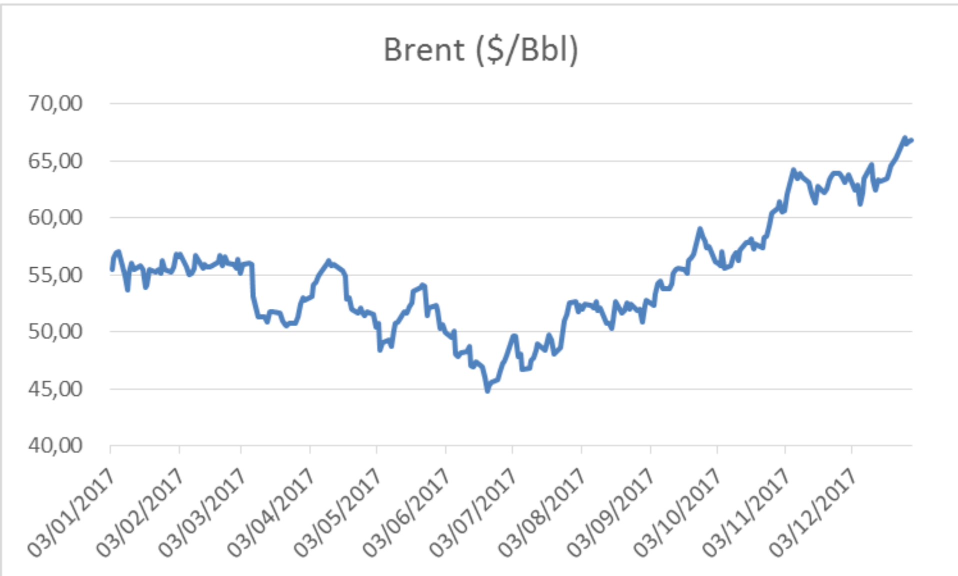
Source: GME

The electricity prices in Spain followed the same trend as elsewhere, with 2017 closing at 52.24 EUR/MWh (+31.69% on 2016). Given Spain's heavy reliance on energy imported from France during the winter, the first quarter saw prices considerably higher than 2016 (+81.07%); these prices later fell to prior-year levels in the following months.



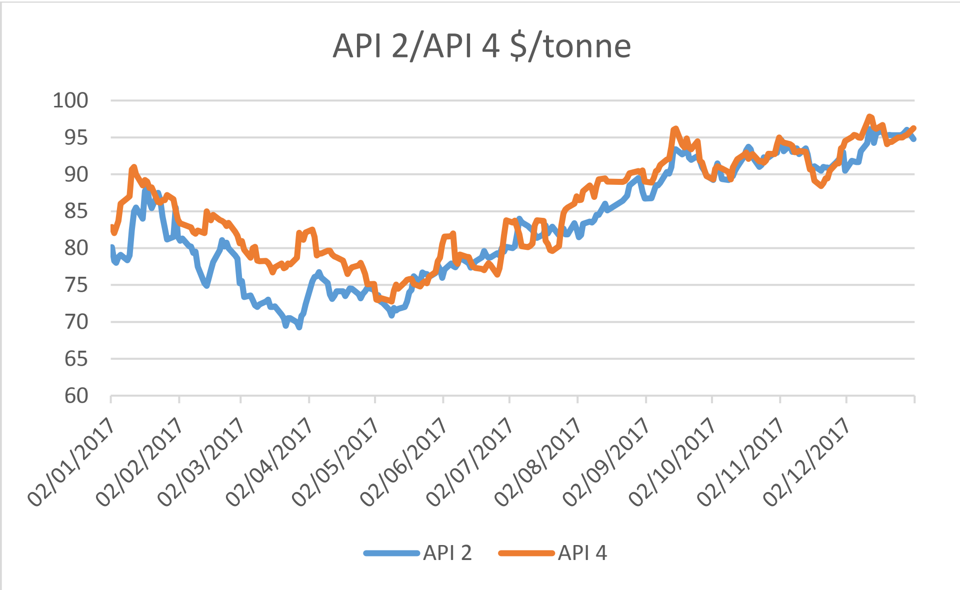
Source: GME

Turning to the performance of other commodities in Europe, Brent oil closed 2017 at an average of 54.7 USD/barrel, up by 9.6 USD/barrel on average prices in 2016 (+21%). Prices saw a particular spike in the second part of the year, reaching 66.4 USD/barrel on 29 December, the highest they've been since December 2014. The rise in Brent prices was in response to the continuing fall in supplies of oil and refined products. The EIA (Energy Information Administration) estimated that total supplies fell in 2017 by 0.4 million barrels/day, the first annual fall in supplies since 2013. Oil prices were also bolstered by OPEC's decision on 30 November 2017 to extend production cuts throughout 2018. Lastly, Brent prices rose at the end of December due to the shutdown of the largest North Sea oil pipeline, which can carry up to 60% of offshore oil production, for technical reasons. The EIA is forecasting an average Brent price of 60 USD/barrel in 2018 and 61 USD/barrel in 2019. After falling in 2017, supplies should increase by 0.2 million barrels/day in 2018 and 0.3 million barrels/day in 2019.



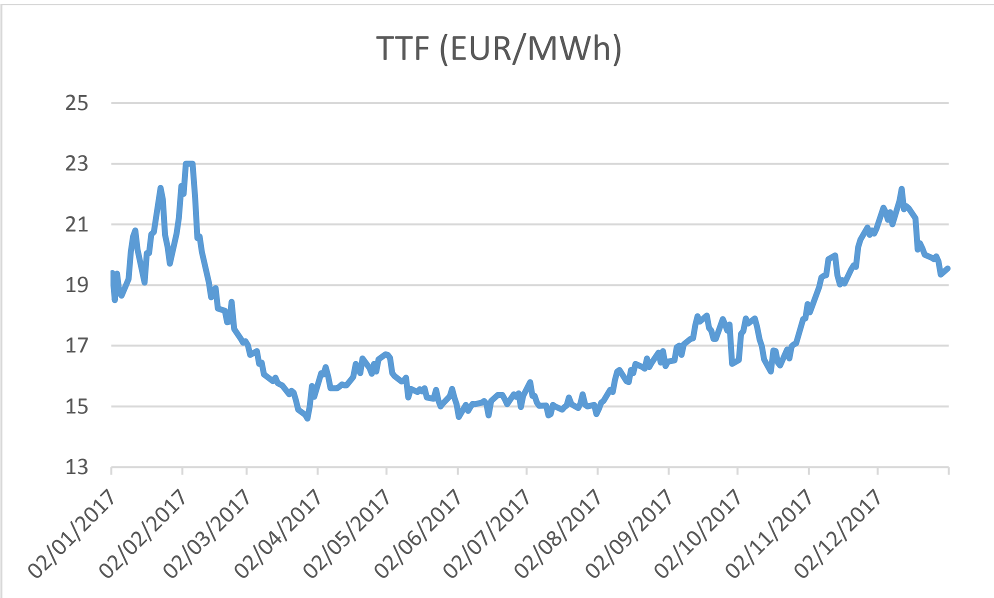
Source: Reuters

Turning to coal, API2 closed on an average of 73.6 USD/tonne in 2017, +37% on 2016 (53.7 USD/tonne) and +34% on 2015 (54.8 USD/tonne). The price peaked in December at its highest level in the last four years (90.5 USD/tonne). This spike was caused by growth in demand for coal in Asia and the Pacific, and particularly in China and India, where the IEA (International Energy Agency) forecasts electricity production from coal will rise by 4% per year up to 2022. Demand for coal also rose in Europe in response to the shutdown of the French nuclear plants. In fact, the dip in nuclear energy production was compensated by higher demand for energy from coal-fuelled plants.



Source: Reuters

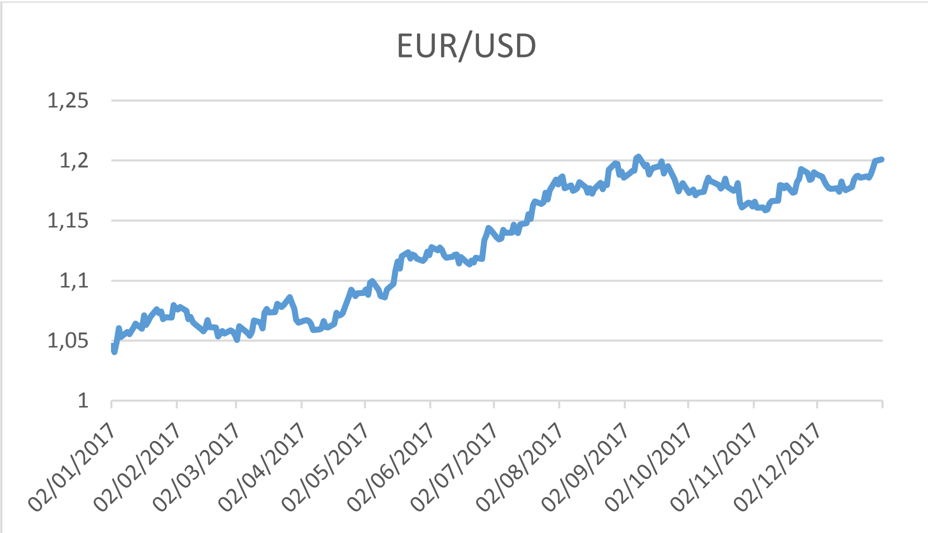
The price of gas also rose in 2017. In particular, the main European hub, TTF, closed 2017 with average spot prices up by 24% on the prior year. Spot prices were high in the first quarter, especially in response to the cold weather in January. Prices stabilised in the second quarter, before rising again in the last half of the year in line with the rise in oil prices, due to the numerous gas contracts index-linked to the price of oil. Initial estimates put gas use in Italy up by 4.3 billion m3, reaching 74.7 billion m3 per year. Electricity plants accounted for 1.8 billion m3 of this, as output was increased to compensate for the lack of nuclear energy from France.



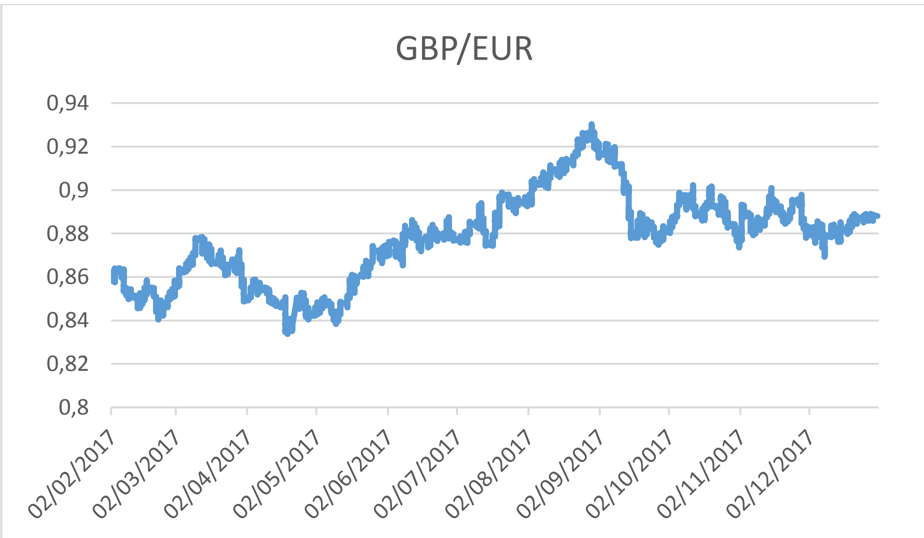
Source: Reuters

2017 was an important year for economic recovery. Initial ECB estimates show that EUR area GDP rose by 2.2%, against 1.9% the year before, and is expected to rise by +1.8% and +1.7% in 2018 and 2019 respectively. Inflation remained at +1.5% during 2017, according to the same source. On a global level, the World Bank revised growth estimates for 2017 to +3.6% and +3.7% for 2018. The risk outlook appears to be more balanced, although it

remains likely to worsen. Possible risks include financial tension, increasing protectionism and geopolitical tension.
The EUR/USD exchange range rose throughout 2017 on strong EUR area growth forecasts. It reached a peak of 1.20 in 2017, its highest value in the last three years. The EUR/GBP exchange, on the other hand, peaked in August 2017 in response to concerns over Brexit negotiations, before returning to an average value of 0.88 EUR/GBP.

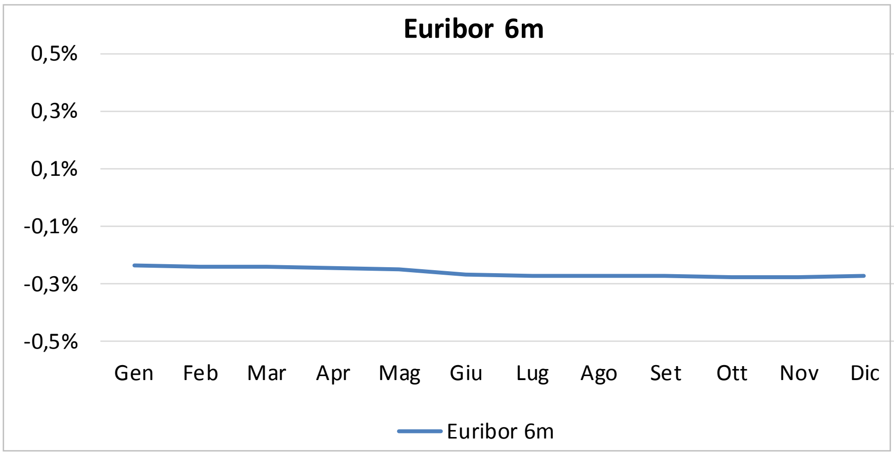


Source: Bloomberg



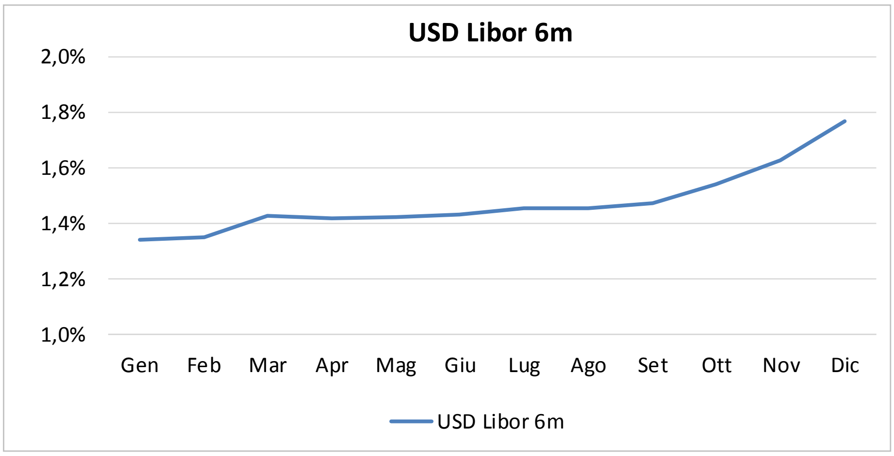
Source: Bloomberg

Looking at interest rates, the Euribor remained constantly negative during 2017, in line with the ECB's monetary policy aiming to support economic growth in the Euro area.



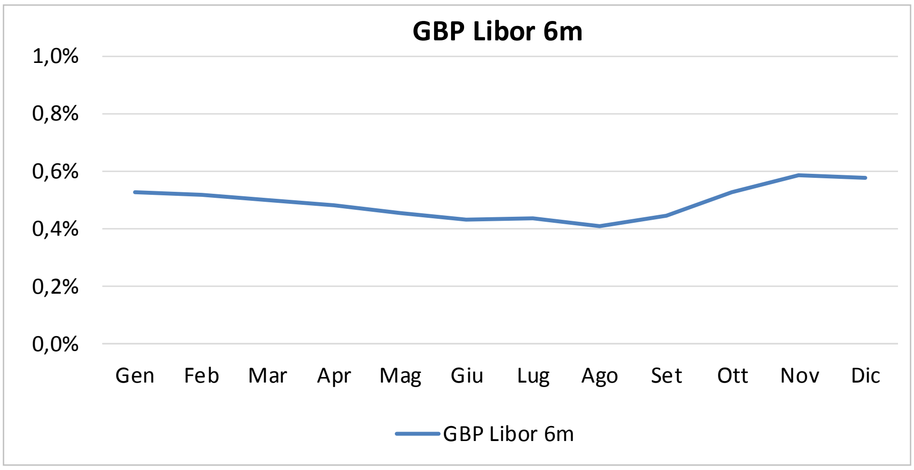
Source: Bloomberg

In contrast, US rates were affected by the FED increases during the year (the most recent, in December 2017, saw the FED raise rates to 1.50%) along with forecast interest rate rises; as a result, the USD Libor rose sharply in the last quarter.



Source: Bloomberg

In the UK, the Bank of England (BoE) caught markets by surprise, changing the short term interest rate and removing some monetary stimuli; in November 2017, the BoE raised the official interest rate from 0.25% to 0.50%; the GBP Libor had already anticipated the BoE's market moves, with short-term rates rising since August 2017.



Source: Bloomberg

5.2 Falck Renewables group operating and financial review

5.2.1 Falck Renewables group profile

Falck Renewables SpA is an Italian limited company with registered offices in Corso Venezia 16, Milan.

At 31 December 2017, Falck Renewables SpA and its subsidiaries (the "Group") mainly operates in Italy, the UK, Spain and France, along with recent acquisitions in the US; this is in addition to new construction-ready projects acquired in Norway and Sweden, while new plants are being developed in the Netherlands.
The Vector Cuatro group, a 100% subsidiary, also operates in Japan, Chile, the UAE, Mexico and Bulgaria.

The core business of the Falck Renewables Group is producing electricity from renewable sources through wind farms, WtE and biomass plants, and providing renewable energy plant management services.

The Falck Renewables Group mainly operates in the following business sectors:

- wind energy, which produces revenue from selling energy and from incentive tariffs applicable to the Group's wind farms;
- WtE, biomass and photovoltaic, which mainly earns revenue by selling electricity, treating and providing waste used to generate electricity in WtE plants. For photovoltaic plants, significant revenue also comes from incentives under the Energy Account in Italy and investment incentives in the US, while for biomass plants, revenues mainly come from applicable incentives (green certificates);
- the services sector, formed by the Spanish Vector Cuatro group acquired in September 2014, has a well-established business managing renewable energy power plants on an international scale. It also offers engineering and consulting services in the development of projects to generate electricity principally using solar and wind energy.

5.2.2 Regulatory framework

The European Union endorsed the Kyoto Protocol and has developed a specific energy strategy aimed at facilitating renewable energy use.
"Directive 2009/28/EC" set targets for the development of renewable sources for each member state and requires that each state develop its own National Renewable Energy Action Plan. Italy announced its National Renewable Energy Action Plan to the European Commission on 30 June 2010, pledging that by 2020 17% of gross domestic consumption, including 6.38% of energy consumption in the transport sector, 28.97% of electricity and 15.83% of heating and cooling, will be met through renewable energy.
At the World Climate Conference held in Paris, December 2015, delegates from 195 countries signed an agreement committing to reduce polluting emissions in order to maintain the increase in temperature under 2 degrees, and make efforts to keep it within 1.5 degrees, and stop the increase of greenhouse gas emissions as soon as possible, reaching the point when the production of new greenhouse gases will be low enough to be absorbed naturally in the second half of the century. They also agreed to monitor progress every five years at new Conferences, and lastly to invest 100 billion dollars every year in the poorest countries to help them develop less polluting sources of energy.

On 30 November 2016, the European Commission presented the so-called "energy package" containing the DG Energy proposals concerning renewables, energy efficiency, the internal electricity market, biofuels, Union energy governance, Acer and supply security, for the 2020-2030 period.
This package - named "Clean Energy for all Europeans" - will be up for discussion by the European Parliament and Council. A vote on the issue is likely to be held during 2018, after which Member States will be required to assimilate the Community measures into national law.

In recent years, new renewables incentive mechanisms and amendments to existing ones have been passed in the countries in which the Falck Renewables Group operates. The new regulatory framework in Italy highlights a significant reduction in incentives for plants that come on stream from 2013 onwards, while guaranteeing stable and longstanding incentive mechanisms for plants that commenced operations prior to 31 December 2012.

The renewables incentives system in Spain has been revised over the last few years and was applicable retroactively to existing operating plants. As detailed further below, the revision of the system of incentives that commenced in 2013 officially came into force in June 2014 with effect from the second half of 2013. Spain accounted for approximately 2.5% of Group production.

Some changes were recently made to tax regulations in the main countries where the Group operates, as follows.

In Italy, the 2015 Stability Law (Law 190 dated 23/12/2014) extended the so-called "reverse charge" mechanism for gas and electricity sales to a taxable dealer, including the sale of so-called Green Certificates. This mechanism has limited the possibility for some Group companies in Italy to offset VAT payables and receivables; VAT receivables are currently collected by these companies by requesting refunds. In this respect, however, in compliance with Directive 2006/112/EC, the reverse charge mechanism will continue to apply to these operations up until 31 December 2018. It therefore appears likely that the mechanism will no longer apply from 1 January 2019.

In contrast, with effect from 1 January 2017, the 2016 Stability Law approved on 28 December 2015 reduced the ordinary corporate income tax rate ("IRES") from 27.5% to 24%. The impact of this reduction can already be seen on prepaid taxes in the financial statements at 31 December 2016. Lastly, the 2018 budget, approved on 23 December 2017 (Law 205 dated 27 December 2017) partly changed the rules on the deductibility of interest liabilities for Italian companies. Specifically, dividends received from holdings in non-resident companies are no longer included in EBIT; over time, this will reduce the Group's ability to deduct interest liabilities in Italy.

In the UK, a second and more far-reaching Finance Act 2017 (no.2) was approved in November 2017, introducing some retroactive changes. Key changes that will take effect from 1 April 2017 include a confirmed reduction of corporate income tax to 19%, new rules for interest liability deductions and the application of an exemption regime for corporate holdings.

The 2017 French budget approved on 29 December 2016 had already introduced a gradual tax reduction of taxable income brackets from 33.33% to 28%, applicable from 2017 on certain conditions.
The 2018 budget, introduced and published in December 2017, confirmed and updated the expected tax cuts announced in 2016, setting corporate income tax at 28% up to 2020, 26.5% in 2021 and 25% from 2022 onwards.

The US also passed an important tax reform on 22 December 2017 (Pub. L. No. 115-97), significantly reducing corporate income tax rates (CIT) from 35% to 21% from 2018. Among the numerous changes made, we were particularly interested in the introduction of limits to interest liability deductibility and the removal of the time limit for carrying over tax losses generated from 2018 onwards, although only up to 80% of taxable income. Moreover, the carryback option for tax losses was also removed. As above, the changes will not have any particular impact on our current investments in the US.

Lastly, the Norwegian 2018 budget also reduced the corporate income tax rate (CIT) from 24% to 23%, effective from 2018.

❖ *Italy: Regulation of the wind, WtE, biomass and photovoltaic sectors*

The regulations on incentives for the production of electricity from renewable sources comprises several mechanisms with different applications based on (i) the date the plant commenced operations, (ii) the type of renewable resource used, and (iii) the plant's capacity.
The principal incentives are as follows:

a) incentive tariffs, formerly Green Certificates (GC);
b) the Energy Account governing photovoltaic plants;
c) the Energy Account for solar thermodynamic plants.

Lastly, the Granarolo dell'Emilia plant owned by Frullo Energia e Ambiente Srl and in which the Group has a 49% holding, consolidated using the equity method, will continue to benefit from the incentive for so-called "avoided costs" under CIP 6/92 until December 2018.

a) Incentive tariffs, formerly Green Certificates (GC)

From 2001, the Bersani Decree has required entities importing or producing more than 100 GWh per year from conventional sources to feed into the grid (in the following year) not less than 2% of energy produced by renewable sources (minimum quota).

These emission quotas could have been met through the production of renewable energy or alternatively the purchase of GCs from other renewable energy producers.

As required by the Ministerial Decree of 6 July 2012, as of 2016 the Green Certificate mechanism was replaced by a new form of incentive that guarantees the payment of a fee in EUR by the GSE on net energy generation in addition to earnings from the exploitation of energy.

To qualify for the Incentive Fee, the GSE has established, for all IAFR plant owners, the obligation to sign the so-called GRIN Agreement (Incentive Recognition Management).
GRIN agreements have therefore been signed with entitled Group companies (except for Prima Srl, for which further investigations are under way since this company's WtE plant does not currently require the issuance of green certificates), accompanied by a reservation of rights letter.
On 20 June 2016, the appeal by those Group companies was notified and filed with the Lazio Regional Administrative Court, through the GRIN Agreement.
For the year 2017, the value of the Incentive Fee was set at EUR 107.34 per MWh.

The Ecosesto SpA biomass plant, on the other hand, is entitled to an incentive tariff as described above in addition to a coefficient applied on issuing MIPAF certification guaranteeing that the energy was produced within 70 km of the biomass used.

On 20 December 2017, the GSE published the operating procedures for "Managing plants for producing electricity from non-photovoltaic renewable sources eligible for incentives". The document is intended to encourage the production of energy from renewable sources, promote the extension of the useful life of plants beyond the incentive period, and reduce or simplify the requirements for operators.

b) Energy Account

The Energy Account is the incentive for photovoltaic plants and was originally introduced by Ministerial Decrees (MD) dated 28 July 2005 and 6 February 2006 (First Energy Account), subsequently amended by the MD of 19 February 2007 (Second Energy Account). With regard to plants that commenced operations between 1 January 2008 and 31 December 2010, the MD provides tariff-based incentives for the energy produced that vary based on the characteristics of the plants (integrated, partially integrated or non-integrated) and their nominal capacity (1 - 3 kW; 3 - 20 kW; over 20 kW). This incentive is provided by the GSE for a period of up to 20 years.
More specifically, under Legislative Decree 129 of 13 August 2010, the incentive tariffs under the Energy Account governed by MD of 19 February 2007 continue to apply to photovoltaic systems including those that commenced operations after 31 December 2010, provided that (i) by 31 December 2010 the photovoltaic system had been installed and the relevant authorities notified of the completion of work, and (ii) the facilities came into operation by 30 June 2011.

MD 06/08/10 (Third Energy Account) applies to plants that entered into service after 1 January 2011 with the exception of those governed by Law 129/2010. MD 12 May 2011 (Fourth Energy Account) established that the provisions of MD 6 August 2010 be applied to plants that entered into service by 31 May 2011. MD 5 July 2012 (Fifth Energy Account), redefines incentive tariffs commencing 27 August 2012 and sets the annual expenditure limit at EUR 6.7 billion.
Incentives under the Fifth Energy Account are no longer available to new installations as annual expenditure limits have been reached, consequently no incentives will be available to new photovoltaic installations.

All of the Group's photovoltaic plants fall within the scope of the First and Second Energy Accounts.

Law 116/2014 establishes that commencing January 2015, the incentive tariff for energy generated by plants with a nominal peak capacity exceeding 200 kW (essentially all of the Falck Renewables Group's plants), is to be revised by the operator based on the following options:

a) the incentive period is extended to 24 years commencing from the date the plant came on stream and is then recalculated applying the percentage reductions illustrated in the decree;
b) retaining the original 20 year incentive period, the tariff is recalculated based on an initial period whereby the incentive is lower than the current equivalent and a subsequent period with the incentive restated to the original amount. The reduction percentages will be determined by decree of the Minister of Economic Development and vary between 15% and 25% for the Group;
c) retaining the current 20 year incentive period, the tariff is reduced for the remaining incentive period by a percentage of the incentive awarded at the time the existing legislation came into force as follows:
    1) 6% for plants between 200 kW and 500 kW;
    2) 7% for plants between 500 kW and 900 kW;
    3) 8% for plants with nominal capacity in excess of 900 kW.

The Group has chosen option c) point 3.

Following an appeal filed by a number of operators, the Regional Administrative Court (TAR) questioned the constitutional legitimacy of Law 116/2014 in respect of the ruling that led to the above amendment to the incentive tariff regime, referring to the Italian Constitutional Court the possible violation of the principle of reasonableness and legitimate expectation and principle of independent management pursuant to Articles 3 and 41 of the Italian Constitution. On 7 December 2016, the council has declared the question of the constitutionality of Article 26, Paragraphs 2 and 3 set forth in competitiveness Legal Decree No. 91/2014 ungrounded.

On 21 February 2017, the GSE published "DTR" for plants receiving incentives under the Energy Account ("Procedures for managing maintenance and technological modernisation of plants"). The document aims to "reduce and simplify operator requirements" to the GSE and "make it easier to achieve general environmental sustainability objectives". It also opens new possibilities for revamping and repowering plants.

c) Feed-in tariff for solar thermodynamic plants

Ministerial Decree 6 July 2012 (Article 28) implementing Directive 2009/EC/28, extends MD 11 April 2008 "governing the criteria and procedures to promote the production of electricity from solar energy by way of thermodynamic cycles", which otherwise would have expired in 2013.
Ecosesto SpA has constructed a plant that meets these criteria, integrating it into the existing wood-fuelled biomass thermodynamic plant in Rende (CS). The plant was completed in December 2013. The relative agreement with the GSE was signed in early 2017, which entitles the plant to incentives of EUR 320/MWh.

Other major events affecting the regulatory framework governing renewable electricity production

National Energy Strategy (SEN)

An inter-ministerial decree was passed on 10 November 2017, bringing in the National Energy Strategy. Key points of the Strategy include bringing the coal phase-out forwards to 2025, developing energy efficiency and renewable energy. In particular, FER targets rose to 28% of total energy use and 55% of electricity use.
Essentially, in the run-up to 2020, the Strategy aims to promote new investment by incentivising production and expanding competitive auctions, taking a neutral stance on similar types of technology in terms of structures and costs in order to stimulate competition, with differentiated support provided for small plants and innovative technology.
From 2020, support mechanisms for renewable energy will evolve towards market parity, moving from direct production incentives to enabling policies and regulatory simplification.

New balancing regulations

In recent years, while awaiting the publication of the so-called European Balancing Network Code, the authority has repeatedly intervened in relation to actual imbalances.
Following consultation document 277/2017/R/eel, on 8 June 2017 the Authority issued resolution 419/2017/R/eel introducing the new system for calculating the aggregated zonal imbalances (as defined by Terna) from 1 September 2017, which effectively makes it difficult for operators to forecast the zonal sign, and therefore to use this forecast to their own advantage. The document also confirms the proposal to maintain the single price system for all non-enabled units from the same date, thereby confirming the calculation system for all the Group's plants. In contrast, from 1 July 2017 it also introduces macro zonal non-arbitrage fees designed to prevent distortions caused by fixing imbalance prices on a macro zonal level in the presence of market prices fixed on a zonal level.

Revision and reform of the Italian Electricity Market

The Authority, with Resolution 393/2015/R/eel, has initiated a process aimed at the formation of measures for the full reform of the dispatching service regulation, in accordance with the guidelines expressed by the Authority in the 2015-2018 strategic framework and with the relevant European legislation (EU Regulation 1222/15 - CACM, EU regulations on the so-called "balancing guidelines"); these procedures also included all activities and measures aimed at the implementation of the provisions of Decree 102/2014 regarding dispatching.
To this end, a specific inter-directional project was initiated (RDE-Electric Dispatching Reform) with the task, among others, to prepare all the deeds relating to dispatching regulation in order to replace Annex A of Resolution 111/06 with an integrated dispatching text.
On 9 June 2016 the AEEGSI published Consultation Document 298/2016/R/eel, containing proposals for the first market reform phase for dispatching service.

On 5 May 2017, the Authority published resolution 300/2017/R/eel entitled "*First opening of the market for dispatching services (MSD) for electricity demand and to non-enabled renewable energy production units and accumulation systems. Creation of pilot projects in view of drafting the Integrated Electricity Dispatching Text (TIDE) in line with the European Balancing Code*". The Authority thereby launched an initial pilot phase that will see consumers and non-enabled units (including storage) involved, as well as the use of accumulators together with the relevant enabled units in order to optimise the supply of dispatching resources. Terna (Italian grid operator for electricity transmission) therefore launched the first pilot project for the involvement of dispatching services in market demand.

Energy management

The implementation of more active Group energy management continued in 2017 with the main objective of mitigating and managing risk while maximising revenues. We therefore withdrew all the Group's plants from the energy purchase and resale scheme ("RiD") offered by the GSE, except for the Actelios Solar SpA photovoltaic plant installed at the Prima Srl WtE plant, for a total of 70 kW. While in 2016, after leaving the RiD scheme, the Group chose to stipulate annual contracts for selling the energy produced to private operators, in response to regulatory changes (in particular regarding imbalances[1]) and in line with the Business Plan, in 2017 the Group started selling energy produced by our plants directly through Falck Renewables Energy Srl, enabling dispatching with Terna and signing the relative infra-group contracts. In particular, from July 2017 the Solar Mesagne Srl and Ecosesto SpA plants began these activities, joined by the Prima Srl Wte plant in October 2017.
Continuing the multiyear strategy described above, and in line with the Business Plan, from 1 January 2018 the Energy Management Team began selling the energy produced by the Group's remaining plants on the energy market, except for Geopower Sardegna Srl and Eolica Sud Srl, which will begin internal sales management at a later date.
This will therefore lead to Falck Renewables Energy Srl taking an increasingly active role as Dispatching User, allowing the Group to become progressively more independent in the way it sells and exploits the electricity produced in its plants.

Lastly, as part of the optimisation of energy management and price variability mitigation, a policy was also defined and implemented to fix electrical energy sales prices if deemed appropriate. The goal of the policy is to make the prices applied to the production of electricity more stable and predictable throughout the year.

❖ ***Spain: regulatory framework in the wind sector***

In compliance with Directive 2001/77/EC, Spain established that 29% of gross electricity consumption be produced from renewable energy sources by 2020. The main regulations in Spain consist of the 436/2004 and 661/2007 Royal Decrees. New regulations were approved in July 2010 which do not significantly impact the Group's wind farms falling under the 436/2004 Royal Decree.
The 436/2004 Royal Decree established that electricity generated could be sold either at an all-inclusive price (Feed-In Tariff) or under a mechanism comprising a fixed element (or premium) and a variable element based on energy prices in the Spanish electricity market (Feed in Premium or Market Option).

The 436/2004 Royal Decree was superseded by the 661/2007 Royal Decree that maintains the feed-in tariff regime and introduces a new variable price regime (Market Option), which is subject to a floor and a cap to ensure wind farm owners are not under or over remunerated. The Group's wind farms decided to apply the Market Option established by the 436/2004 Royal Decree.
In 2010 the Spanish Government introduced two extraordinary measures in the electricity generation market for the period 2011-2013:

- electricity generators must pay a tax of EUR 0.5 for each MWh of electricity fed into the network;
- The incentive for solar plants and wind farms is limited to a maximum number of hours per year with any energy generated over this threshold to be valued at market prices. The threshold for wind energy is

[1] See paragraph on *"New balancing regulations"*

2,589 hours per year but is only applied where in a given year the threshold of the average number of production hours for the entire Spanish wind farm installed capacity is met (currently 2,350).

Royal Decree 1/2012 issued on 27 January 2012 temporarily suspended all economic incentives for the production of electricity from renewable sources in respect of projects not authorised at the date of issue of the decree as Spain had already exceeded the level of installed capacity set out in the plan issued by the Spanish Government. This suspension remained in force until a solution to the system's tariff deficit was found (Royal Decree 2/2013 detailed below) that defined a new renewable sources remuneration model.
In 2012, the Spanish government introduced a 7% tax on electricity production that came into effect in 2013 (Law 15/2012 and Royal Decree 29/2012).
Royal Decree 2/2013 (RD 2/2013) introduced urgent measures in respect of the electricity sector that resulted in the review of the incentives tariffs established under RD 661/2007 that had been applied up to this point albeit with the above-mentioned amendments. More specifically, the renewable premium allowed under the "variable tariff regime" (so-called "FIP" or "Market Option"), adopted by the Group's plants, was eliminated. This regime entitled the producer to sell electricity independently in the free market and receive an additional premium. Under the new RD 2/2013, plants operating under the FiP are allowed to transfer to the feed-in tariff regime (so-called "FiT", Feed-in Tariff"), outlined in RD 661/2007, which assigns a fixed tariff made up of the market price of electricity plus a premium. Commencing 2013, the Group's plants transferred from the FiP to the fixed tariff FiT regime.
Royal Decree 9/2013 (RD 9/2013) of 12 July 2013, which completes RD 2/2013, introduced new urgent measures to provide financial stability to the electricity market. RD 9/2013 envisages a new remuneration system for existing renewables plants. This reform came into effect on 14 July 2013 although it was not able to be applied until detailed further in RD 413/2014.
The RD 413/2014 published on 10 June 2014 redefines the system of remuneration incentives for existing plants, providing a contribution compared to market value of a minimum integration of non-recoverable costs arising from the market trading of electricity. The Salary Adjusted value is based on standard costs (CAPEX and OPEX) resulting from market averages and was designed to integrate plant revenues so that they can reach the so-called Reasonable Profitability, defined in the legislation and calculated on the basis of Spanish government bond yields. All plant revenue flows, even past, are taken into account at the end of the Adjusted Salary calculation. This approach therefore resulted in the fact that older plants (as a general reference those commissioned before 2005) are believed to have already reached Reasonable Profitability thanks to the incentives received in the past and, therefore, are not qualified to receive any Adjusted Salary. Thus, these plants only earn the market value of the energy produced as revenue. The Group's two Spanish plants came on stream in 2003 and 2004 and therefore fall within this category and ceased benefiting from any form of incentive and began selling electricity generated exclusively at market price in 2013.
The same scheme is applied to new plants with the only exception that the level of Reasonable Profitability is determined by the producers themselves in response to competitive auctions organised periodically by the Spanish government, providing maximum quotas (MW) to which the Regulated Remuneration incentives apply.

❖ ***United Kingdom: regulatory framework in the wind sector***

The incentives system for the production of electricity from renewable sources is based almost entirely on the Renewable Obligation (RO), which gives rise to the ROC (Renewables Obligation Certificate) market. The ROC market mechanism replaced the previous "Feed-in Tariff" system (all-inclusive system covering energy and incentive), the so-called "NFFO" (Non Fossil Fuel Obligation).

In England and Wales the previous regime for the sale of electricity generated from renewable sources was regulated under the Electricity Orders (England and Wales) of 1994, 1997 and 1998 (the NFFOEW Orders). In Scotland this regime was governed by the Electricity Orders (Non Fossil Fuel Sources) of 1994, 1997 and 1999 (NFFOS Orders).

Although the underlying legislation has been repealed, projects which commenced during this regime will continue to benefit from these incentives until the expiry of the existing NFFO contracts (fixed price long-term sales contracts) with NFPA (Non Fossil Purchasing Agency). This regime no longer applies to any Group plant, since the Cefn Croes plant, which benefitted from the NFFO contract up until the end of 2016, now falls under the ROCs system.

All the Group's UK plants benefit from the incentive scheme for renewable energy in England, Wales and Scotland, which is based on Renewables Obligation Orders (ROs). The Renewables Obligation Order 2006 (England and Wales) and the Renewables Obligation Order 2007 (Scotland) impose obligations on electricity suppliers to demonstrate that not less than a stipulated percentage of electricity produced was generated from renewable sources.

The Office of Gas and Electricity Markets, (Ofgem), issues Renewable Obligations Certificates ("ROCs") and Scottish Renewable Obligations Certificates ("SROCs") on behalf of the Gas and Electricity Markets Authority ("GEMA"). The Renewables Obligations system was expected to expire at the end of March 2017, however, as a result of the approval of the 2016 Energy Act, the end of this incentive system for new wind power plants was anticipated in May 2016 including, in any case, a grace period (until 31 March 2017) for projects that were already authorised before the early closure of the Renewables Obligation was announced (which the Auchrobert plant benefitted from). Additional grace periods (related in certain limited circumstances) have been introduced and will be available until January 2019.

The ROs require electricity suppliers to source an increasing portion of their electricity supply from renewable sources. From 2009 the level of renewable energy is measured by the number of ROs per MWh of energy supplied and for the period 1 April 2016 to 31 March 2017 the minimum quota each supplier must meet is 0.348 ROCs per MWh of energy distributed in Great Britain (England, Scotland and Wales) and 0.142 in Northern Ireland.
Compliance under the ROs scheme is regulated through a certification system using ROCs and SROCs. Renewable energy generators receive ROCs or SROCs for each MWh of electricity generated depending on the technology and source of energy employed.
New ROC levels were introduced in late July 2012 in respect of new plants that will enter into service from April 2013. Onshore wind farms that commenced operations after April 2013 will be awarded 0.9 ROCs for each MWh produced.

ROCs and SROCs are tradable (and can take part in auctions organised by the NFPA), are priced in the market and traded at a premium compared to the market price of a similar quantity of energy ("Feed-in Premium" mechanism).

Wind farms connected to the local distribution grid (therefore all of the Group's wind farms with the exception of Kilbraur and Millennium) are also usually entitled to receive other incentives, known as "Embedded Benefits". In fact, since these plants are connected to the low voltage regional electricity distribution network rather than to the high voltage transmission network operated by the National Grid Electricity Transmission (NGET), they avoid (or reduce) the charges imposed to access the national transmission network TNUoS (Transmission Network Use of System).
It is worth noting that in England and Wales, grids up to 132 kV are considered distribution grids, while the connections above 132 kV are considered as belonging to the transmission grid. The situation is different in Scotland where 132 kV grids are considered transmission grids, which also are more common in Scotland than they are in England and Wales. Furthermore, it is also of note how the transmission grids in Scotland are owned by two companies (Scottish Hydro Electricity Transmission Ltd - SHETL - and Scottish Power Transmission Ltd - SPT -) depending on the geographical location, but with the Scottish transmission system managed by NGET.

Furthermore, in order to access the electricity market the generator must enter into a Power Purchase Agreement (PPA) with an electricity supplier which collects electricity generated and sells it directly to the distribution network thus avoiding the requirement to procure electricity through the transmission network. The costs avoided by the supplier (and other costs arising from the current balancing mechanism and losses through the network) are allocated in part to the generating plant and defined Embedded Benefits (benefits arising from inclusion in the distribution network).

NGET and OFGEM held an organised consultation process to assist the overhaul of the entire tariff system and determination of Embedded Benefits, in which Falck took part. OFGEM recently confirmed that Embedded

Benefits relating to "TRIAD" payments will be gradually reduced over the next three years. Given that Falck only receives TRIAD benefits if the plants produce energy during a TRIAD period, this is an uncertain source of income whose drastic reduction would in any case be negative.

The reform of the incentives schemes available to renewable energy producers in the UK envisages the introduction of:

- **Feed-in Tariff by means of Contracts for Difference (FiT-CfD)** for new plants that would benefit from ROCs or SROCs, the reform introduces a new incentive system (replacement of ROC and SROCs) which provides a Feed-in Tariff (FiT). The FiT value is established as a result of competitive bidding and is named Strike Price. This value should reflect the appropriate return on the investment cost of the technology used. Once entitled to the right to FiT, the plant is required to sell the electricity on the market. If the average market price of wholesale electricity in the UK (Reference Price) is lower than the Strike Price, the plant receives a FiT to integrate electricity sales revenues, otherwise, if it is higher, the plant must return the difference.
- **Capacity Market** that is designed to guarantee a sufficient level of global investment in programmable generating capacity required to ensure security of electricity supply. The Capacity Market works by providing constant payment to suppliers of reliable sources of capacity in order to ensure supply meets demand.
- **Emission Performance Standard (EPS):** limits the level of carbon emissions from new fossil fuel plants. The level introduced will favour stations that are equipped with carbon capture and storage facilities.
- **Carbon Price Floor**: sets a floor price for carbon emissions, integrating the European Emission Trading System price in the form of a tax (Carbon Price Support) on fossil fuels used to generate electricity.

A single tender has been launched to date for the allocation of CfD to onshore wind farms and other "mature renewable technologies" (CfD POT 1). This occurred at the end of the year 2014, and CfD were awarded to numerous wind farms. None of the projects in development by the Falck Group participated in this tender.

A subsequent CfD tender was held in 2017, although as expected, there were no allocations to onshore wind farms; on the contrary, the auction was only open to so-called "less mature renewable technologies" (CfD POT 2), such as offshore wind farms. If or when a tender will be held for onshore wind farms is not known.

❖ ***France: regulatory framework in the wind sector***

At the beginning of the 2000s, the French government published many regulations with decrees and associated directives, specifically (i) Law 108/2000 of 10 February 2000 regarding the upgrade and development of public services and electricity (and ensuing amendments under the Laws of 3 January 2003 and 15 July 2003 - the French Electricity Law) and Decree 410/2001 of 10 May 2001, which require *Electricité de France* ("EDF") and local distributors to purchase electricity generated by producers of energy from renewable sources under a 15 or 20 year purchase agreement (Feed in Tariffs – FiTs).

This incentive system is no longer in force in the wind power sector; nonetheless, wind farms that had entered into a 15-year FiT contract (prior to the elimination of the FiT incentive system) will continue to enjoy the benefits until the expiry of their contracts.
The Energy and Transition Act published by the French government on 18 August 2015 in line with European guidelines on state aid, introduces a series of changes aimed at the progressive integration of renewables plants to the wider electricity market. This measure envisages the gradual transition for new plants from the current incentive system (FiT) to a new regime based on so-called "Contract-for-Difference" (CfD). This incentive scheme provides that plants must therefore sell the electricity they produced on the market directly or through an aggregator, and then benefit from an additional remuneration, a premium, paid on the basis of a contract with an obligated off-taker. This additional remuneration is paid based on the M0 index, calculated each month on EPEX prices and the national wind power production profile and published by the Commission de Régulation de l'Energie, the French commission responsible for energy regulations.
On 27 and 28 May 2016 two decrees complementary to the Energy and Transition Act (published on 18 August 2015), were published relating to the implementation of FiT and CfD. These decrees define the general legal

framework and represent a set of rules that allow for an appropriate and complete implementation of the Energy and Transition Act.
With regard to onshore wind farms, the French government published a decree on 13 December 2016 which marks the end of the FiT system and the benefits derived from the CfD system; despite this, plants that had submitted a request for FiT by 1 January 2016 will continue to enjoy the benefits of the FiT systems as determined by the decree of 17 June 2014. Therefore, the following regime will apply for all plants that applied for the incentives system before 31 December 2016:

- *CfD* – according to the decree of 13 December 2016 – The decree establishes a base level for the tariff, subject to annual indexing amounting to 82 EUR/MWh for the first ten years of energy production, while the tariff for the last five years of the contract is related to the amount of energy produced in the first ten years. Low-wind sites (less than 2,400 hours of generation per year) will continue to benefit from the same tariff for the full 15 year period, whereas mid and high-wind speed sites will see a decrease in the applicable tariff in the last 5 years. In addition, the decree provides, during the 15 years of the contract, a 2.8 EUR/MWh management premium, which mainly aims to cover the variable and fixed costs related to market access and to the capacity market.
- *FiT* – as per the decree dated 17 June 2014 - The decree specifies a fixed tariff regime (82 EUR/KWh subject to annual indexation) for the first ten years of generation, while the tariff for the last five years of the contract is linked to the volume of energy produced in the first ten years. Low-wind sites (less than 2,400 hours of generation per year) will continue to benefit from the same tariff for the full 15 year period, whereas mid and high-wind speed sites will see a decrease in the applicable tariff in the last 5 years.

From 2017 (as of the application date for the incentive system), these plants were only subject to a "CfD" system following the publication of (i) a decree on 10 May 2017 and (ii) a multi-year tender plan for onshore wind farms published on 5 May 2017. Given the contents of these two publications, each wind farm will benefit from the CfD system (as described above). The characteristics of this CfD regime depend on (i) the number of turbines and (ii) the nominal capacity of the turbines in the farm, as follows:

1) plants with a maximum of 6 turbines, each with a maximum nominal capacity of 3 MW.
   The decree published on 10 May 2017 will be applied and incur benefits according to the following CfD regime:
   a. A basic level for the tariff, based on the diameter of the turbine's largest rotor, as follows:
      i. Rotor diameter ≤ 80 m – 74 EUR/MWh
      ii. Rotor diameter ≥ 100 m – 72 EUR/MWh
      iii. Rotor diameter from 80 to 100 m – On a linear scale from 74 EUR/MWh to 72 EUR/MWh;
   b. The basic level of the tariff is capped at 40 EUR/MWh, applied if the plant's annual production exceeds a certain threshold (also depending on the rotor diameter). This cap applies only to production over the established production ceiling;
   c. The CfD contract has a 20 year duration;
   d. The basic level of the tariff is subject to annual indexing;
   e. A management premium of 2.8 EUR/MWh (not subject to indexing), designed to cover fixed and variable costs for accessing the market and capacity market.

2) Wind farms with a minimum of 7 turbines.
   The multi-year tender program for onshore wind farms will be applied and incur benefits according to the following CfD regime:
   a. A basic level for the tariff, as established and presented by the owner of the project for the wind farm participating in the tender. Based on the plan, the tariff will have a maximum value of 74.8 EUR/MWh;
   b. If the project involves local community participation or individual investments (with a minimum holding of 20%), the basic tariff will be increased as follows:
      i. 20% shares: 2 EUR/MWh
      ii. 40% shares: 3 EUR/MWh
      iii. From 20% to 40% shares: linear scaling;

c. The CfD contract has a 20 year duration;
d. The basic level of the tariff is subject to annual indexing.

The multi-year tender program for onshore wind farms published on 5 May 2017 aims to incentivize 3GW of aggregated capacity from December 2017 to June 2020, with 500 MW tranches every six months.

On 24 April 2016 and 27 October 2016, the French government issued the so-called "Renewables Target Development Decree" and "Energy Multi Annual Programming Decree" respectively, defining the objectives for 2018 and 2023 in terms of renewable energy. Given the contents of the above decrees, the installed capacity target with regard to onshore wind is expected to reach 15 GW in 2018 and a value between 21.8 GW and 26 GW by 2023. At 31 December 2017, the onshore wind capacity installed in France is equal to 13.7 GW.

❖ ***USA - North Carolina: regulatory framework in the photovoltaic sector***

The Falck Renewables Group has been operating in North Carolina (USA) with a 92 MWd photovoltaic plant since December 2017.
Federal policies, such as tax credits on solar investments (Solar Investment Tax Credit - ITC), aim to promote energy production from renewable sources.
On a state level, Renewables Portfolio Standards (RPS), now available in 29 states and the District of Colombia, also require utilities to guarantee a certain percentage of energy use from solar, wind or other renewable sources. Specifically, the RPS in North Carolina requires 11.9% of total energy use to be from renewable sources by 2020. 88% of this new RPS required capacity will presumably come from solar power, while the remaining percentage will be covered by new wind farms. In particular, 2016 estimates (the latest available) put wind and solar capacity as required by the RPS at 243.3 and 2407 MW respectively.

RECs
The North Carolina RPS specifies that public utilities may purchase RECs (Renewable Energy Certificates) in order to meet the RPS requirements. In fact, in the US, energy from renewable sources is sold to utilities by the producers at the price that it would cost users to generate the same amount of energy (so-called avoided cost). Every MWh of qualifying renewable energy receives three types of payment: an energy quota, a capacity quota and the relative Renewable Energy Certificate. The cost of the RECs are therefore transferred to taxpayers.
The North Carolina Utilities Commission has set up the North Carolina Renewables Tracking System (NC-RETS) for issuing and monitoring the RECs. North Carolina utilities use the NC-RETS to demonstrate compliance with the RPS.
The REC market is in fact mainly driven by RPS compliance.
Renewable energy producers can register their plants with the commission. If approved, they can use NC-RETS to create RECs and thereby meet the obligatory quota. NC-RETS uses energy production data that can be verified by the participating structures to generate a digital certificate for each MWh produced.
NC-RETS and all the relative FER energy production records are controlled by the Public Staff of the North Carolina Utilities Commission.

Solar Investment Tax Credit (ITC)
The Solar Investment Tax Credit (ITC) is one of the key mechanisms in federal policy supporting the uptake of solar power in the US. The existence of the ITC up until 2021 offers companies a guaranteed long-term market for developing investments to drive competition and technological innovation, and in turn reducing costs for consumers.
The tax credit on investments (ITC) is a federal credit worth 30% of the investment for solar power producers.
The ITC can be used to offset, dollar for dollar, income tax otherwise due to the federal government from a person or company. The ITC is based on the percentage invested in solar properties: both residential and commercial ITCs are worth 30% of the base invested in suitable properties under construction up until 2019. The ITC will then fall to 26% in 2020 and 22% in 2021. After 2021, the commercial and utility credits will fall to a fixed 10%. The North Carolina plant purchased in December 2017 earns ITCs of 30%.

Utility scale projects that begin construction before 31 December 2021 will continue to earn 30%, 26% or 22% ITCs if they commence activities before 31 December 2023.

❖ ***Sweden and Norway: regulatory framework in the wind sector***

The Group has been present in Sweden and Norway since September 2017 with investments in "ready for construction" wind farms.
Based on an agreement signed in 2011 (*"Agreement between the Government of the Kingdom Of Norway and the Government of the Kingdom Of Sweden on a Common Market For Electricity Certificates" – cd. "Electricity Certificate Act"*) between Sweden and Norway, since 1 January 2012 the two countries have set up a shared funding system for producing renewable energy, using a green certificate system.
The agreement sets a shared target of 28.4 TWh by 2020 (15.2 from Sweden and 13.2 from Norway) to be achieved using a TGC (Tradable Green Certificate) system: one certificate for each new FER MWh for 15 years, regardless of the technology used, with a value in addition to the wholesale energy price.
On 19 April 2017, the Swedish government presented a bill to parliament intended to change the certificate system. In general, the proposal would increase the target quota with an extra 18 TWh by 2030 (in addition to the 2020 target) and extend the system up to 2045 (instead of 2035).
This proposal by the Swedish government was expected following the bipartisan "Agreement on Swedish Energy Policy" reached by the government in June 2016 with moderates, centre and Christian democrat parties. The agreement sets out a shared road map towards a system entirely based on renewable energy, with a target of 100% FER by 2040.
As the certificate system is covered by the treaty with Norway, and the market is bilateral, any changes to the current system must also be approved by the Oslo government.
An agreement was therefore reached with the Norwegian government in mid-2017 ("Agreement in principle on Swedish expansion of the Electricity Certificate Regime"), stating that (i) the new target of 18 TWh by 2030 will be in addition to the target of 15.2 TWh by 2020, but that Norway will not contribute to funding this additional quota and will maintain the 13.2 TWh target in the current regime; (ii) the obligatory quota of Swedish certificates for end users will be raised between 2018 and 2020, in order to increase demand immediately; (iii) the target of 18 TWh must be achieved with a linear increase on the quota curve of 2 TWh per year from 2022 to 2030; (iv) both Swedish and Norwegian certificates must be traded on the common market up until 1 April 2046; (v) Norwegian projects must qualify by 31 December 2021 in order to be included in the regime, although they will not receive certificates after 2035; (vi) by 2020, Sweden must propose a mechanism for supporting the new 18 TWh target and guarantee operators the mechanism's continuation and stability after 2030; (vii) production of renewable energy that must be declared under the renewable energy directive 2009/28/EC must be divided equally between Norway and Sweden, until Norway achieves the 13.2 TWh target. Any surplus production capacity over the target will be attributed to Sweden.
These amendments to the Electricity Certificate Act came into effect on 1 January 2018.

❖ ***Netherlands: regulatory framework in the wind and solar sectors***

The Group is developing some renewable energy plants in the Netherlands.
In the autumn of 2012, the Rutte-Asscher government tried to set more ambitious targets than those in the EU agreement, with renewable energy penetration of 16% by 2020.
The September 2013 Energy Agreement reflected this drive to increase FER use in the country, setting a target of 6,000 MW installed by 2020 (including the current 2,500 MW), while confirming the EU commitment of 14% by 2020 and aiming to achieve 16% by 2023. The Energy Agreement confirmed the SDE+ regime as the main tool for supporting renewables and promoting a more stable investment policy.
The SDE+ system provides energy producers with financial compensation for renewable energy generated, calculated on the difference between the cost of renewable and fossil fuel energy. SDE+ compensates producers for this difference for a certain number of years, according to the type of technology used and the location of the project. This means that the SDE+ contribution also depends on the performance of energy prices.
On 30 November 2016, given the considerable delay in achieving national emission reduction targets set by the EU, the government proposed a 33% increase in the annual budget for supporting renewable energy projects.

5.2.3 Performance

The Group uses the following alternative performance indicators:

a) EBITDA is measured by the Group as profit for the period before investment income and costs, net finance income/costs, amortisation and depreciation, impairment losses, charges to risk provisions and the income tax expense;
b) Net financial position is defined by the Group as total cash and cash equivalents, current financial assets including shares available for sale, financial liabilities, fair value of financial hedging instruments and other non-current financial assets.

The accounting standards and concepts applied in the preparation of the 2017 Annual Report are in line with those adopted for the preparation of the previous year-end financial statements, with the exception of the adoption of new standards, amendments and interpretations that became effective from 1 January 2017 but do not have a material impact on the consolidated financial statements.

The Group's financial results at 31 December 2017 showed strong growth, thanks to (i) the increase in the amount of electricity produced; (ii) the rise in energy prices; and (iii) management's work to improve plant efficiency and cut costs.

The guidance on EBITDA, communicated to the market in early 2017, amounting to "more than 147 million" EUR was exceeded by approximately 2%, and the net financial position (both including and excluding the fair value of derivatives) was higher than expected.

Consolidated revenues grew by EUR 38,997 thousand on the prior year (approx. +15.6%).

Annual electricity production reached 2,043 GWh, in comparison to 1,866 GWh in 2016 (+9.5%), also thanks to the increased average installed capacity.

The increase in **revenues** is mainly due to the significant rise in average energy prices in Italy, Spain and the UK, although with reference to UK production it was partly reduced by the 6.5% devaluation of the GBP against the EUR in comparison to 2016. In France, the rise in energy prices did not result in any additional contribution, given that the Group's plants benefit from a fixed rate.

The following EUR-GBP exchange rates were used in conversions:

	EUR/GBP
End of period exchange rate 31 December 2017	0.8872
End of period exchange rate 31 December 2016	0.8562
Average exchange rate 31 December 2017	0.8767
Average exchange rate 31 December 2016	0.8195

2017 saw higher electricity sale prices in Italy than the previous year, including incentives: 13% higher for wind farms, 13% for WtE plants and 2% for solar plants.
We remind you that, with reference to the Ecosesto SpA biomass plant, starting 1 January 2016 and up until 30 June 2016, a fixed value was used resulting in a value for a green certificate of EUR 80.3; however, the decree published by the Italian Ministry of Economic Development on 23 June 2016 permitted operators to opt for the general regime, thereby restoring, starting from 1 July 2016, the value of the incentive tariff according to the formula used for wind farms with significant advantages for the Group given that the incentive increased in the second half of 2016 from EUR 80.3 to EUR 100.1 per MWh. In 2017, the incentive amounted to EUR 107.3 per MWh, which, together with the rising energy price, contributed to a 15% increase in the produced energy sales price for the biomass plant in comparison to the same period in 2016.
In Spain and the United Kingdom, prices for the sale of electricity from wind power rose by 68% (the incentive component is no longer present in Spain) and 16% respectively, while in France, the feed-in tariff mechanism neutralised these increments.

		31.12.2017	31.12.2016
			(EUR thousands)
Revenue		288,619	249,622
Cost of sales		(161,029)	(151,046)
Gross profit		**127,590**	**98,576**
Operating profit		**75,364**	**59,644**
EBITDA		**149,366**	**136,292**
Profit for the year		**32,066**	**1,865**
Profit for the year attributable to owners of the parent		**20,350**	**(3,935)**
Invested capital net of provisions		1,081,454	1,037,815
Total Group and third party equity		497,737	475,859
Net financial position - indebtedness/(asset)		**583,717**	**561,956**
- of which "non-recourse" Project financing		792,308	734,875
Investments		**28,038**	**92,464**
Employees at the period-end	(no.)	351	329
Ordinary shares	(no.)	291,413,891	291,413,891

Revenue in 2017 may be analysed by sector as follows:

	2017	%	2016	%
				(EUR thousands)
Sale of electricity and thermal energy	255,307	88.5	216,776	86.8
Waste treatment and disposal	19,820	6.9	20,114	8.1
Operation and management of renewable power plants	11,178	3.9	9,775	3.9
Other operating income	2,314	0.8	2,957	1.2
Total	**288,619**	**100**	**249,622**	**100**

Revenues from Services and renewable energy plants were mainly generated by the Vector Cuatro Group.

Gross profit totalled EUR 127,590 thousand, an increase of EUR 29,014 thousand on 2016, the equivalent of 44.2% (39.5% in 2016) of revenue.

Depreciation amounted to EUR 59,363 thousand compared to EUR 64,947 thousand in the previous year.

As of 1 January 2017, following an analysis by independent technical consultants, taking account of current contractual limitations (mainly leasings/rights to use land and authorisations/grants) and in line with market practice, the Group companies updated the estimated useful life of wind and photovoltaic plants. This update led to the average useful life for wind and photovoltaic plants being increased from 20 to 22.5 years, leading to EUR 8.7 million in lower depreciation/amortization rates for 2017. This was partly offset by the increase in depreciation due to the increased installed capacity and the Group's plants that came into operation during 2017 (mainly Auchrobert, and to a lesser extent Innovative Solar 42), in addition to those that were initially brought into operation during 2016 but contributed to production throughout 2017 (Spaldington Airfield, Kingsburn and Assel Valley).

Other profits fell by EUR 2,583 thousand, mainly due to lower insurance payouts and contractual penalties, as well as the capital contributions required by Law 488 which were completed in 2016.

As a result, EBITDA reached EUR 149,366 thousand (EUR 136,292 thousand in the same period of 2016), corresponding to 51.8% of revenue (54.6% in 2016). EBITDA increased compared to 2016 (+EUR 13,074 thousand), mainly due to the higher sales prices achieved during the period in question and an increase in energy produced thanks to the rise in installed capacity, despite the marked devaluation of GBP currency.

Operating profit amounted to EUR 75,364 thousand, an increase of EUR 15,720 thousand over 2016 and corresponds to 26.1% of revenue (23.9% in 2016).

Operating profit was impacted by around EUR 14 million in allocations to reserves: (i) 5 million were set aside against future extraordinary maintenance costs for Ecosesto SpA; (ii) 2 million to a fund for litigation arising from the current or previous years regarding discussions with the Electricity, Gas and Water Authority over the reimbursement of incentives, which the Group has proposed appealing to the regional court (TAR); (iii) approximately 7 million for updating liability estimates for past and current litigation, including with employees, and VAT credits.

In 2016, operating profit was affected by allocations to the risk fund and bad debt provision, for a total of approximately EUR 12 million.

Following the impairment test carried out in 2017, we wrote down the value of (i) the Esposito Servizi Ecologici grants and plant by EUR 1,203 thousand and 466 thousand respectively; (ii) the Vector Cuatro contract portfolio, following the termination of some multi-year contracts, by EUR 1,750 thousand; (iii) the Eolica Cabezo San Roque plant by 520; and (iv) the Rende hybrid plant by EUR 3,179 thousand and the Solar Mesagne photovoltaic plant by EUR 324 thousand. The net impact of these write-downs amounted to EUR 436 thousand.

Net financial charges rose by EUR 6,109 thousand on the previous year, due to: (i) management's efforts to cut the cost of debt by renegotiating some project financings; (ii) exchange rate earnings; and (iii) fewer interest liabilities for litigation compared to 2016. In fact, during 2016 interest liabilities added up to EUR 2,480 thousand, following a settlement over tax litigation, and EUR 534 thousand imposed by the French government on the owners of onshore wind farms that benefitted from FiT incentives that were held to be illegitimate from their implementation up until April 2014.
The lower financial expenses more than compensated for the fall in interest earnings on the Group's cash holdings following the increase in project financings and fair value debt of royalty instruments.

Income tax as of 31 December 2017 amounted to EUR 10,362 thousand (EUR 17,486 thousand the previous year).

This figure was reduced thanks to (i) EUR 2.7 million recorded as consolidation revenues by the Italian companies included in the tax consolidation regime; (ii) prepaid taxes recorded following the review of the useful life of wind and solar plants, which in Italy resulted in a positive effect worth EUR 1.5 million; (iii) the structural reduction, from the 2017 tax year onwards, of the corporate income tax rate in Italy from 27.5% to 24%, and in the UK (as of 1 April 2017) from 20% to 19%; and (iv) the increase in electricity production and the significant growth in results seen in the UK in comparison to the previous tax year.

With reference to 2016 taxes, we also remind you of the negative impact of the settlement closing the tax litigation relating to 2009 and 2010, which saw the Company recording EUR 12.6 million in extra tax during the 2016 period. This was partly offset by EUR 4.9 million from the tax consolidation regime, which we became eligible for in 2016.

As a result of the above factors, **Net profits** posted a positive balance of EUR 32,066 thousand, equal to 11.1% of revenue. Minorities are up (+ EUR 5,916 thousand), thanks to increased profits earned by plants located in the United Kingdom due to more wind and higher electricity prices compared to 2016.

2016 net profit, adjusted due to the settlement with the tax authorities described, amounted to EUR 16.9 million, while the Group's income amounted to EUR 11.1 million.

The **net financial position, net of the fair value of derivatives**, posted net indebtedness of EUR 537,238 thousand, up from net indebtedness of EUR 503,325 thousand at 31 December 2016, due to increased investment for the acquisitions in Sweden, Norway and the UK.

The **net financial position including the fair value of derivatives (NFP)** totalled EUR 583,717 thousand at 31 December 2017 (EUR 561,956 thousand at 31 December 2016).

The following components affected the variation in NFP: cash generated from operating activities, amounting to approx. EUR 89.1 million, offset by net investment, including the change in the consolidation perimeter, worth

EUR 154.3 million in 2017, from the purchase of treasury shares and EUR 22.8 million in dividends distributed. The devaluation of the GBP against the EUR had a positive effect worth EUR 10.7 million on net financial debt in GBP, while the variation in fair value for derivatives positively affected the net financial position by EUR 12.3 million. Moreover, the investment by minorities in the acquisitions in Sweden and the US resulted in a EUR 43.2 million increase in NFP.

Lastly, the financial position comprises non-recourse project financing ("Project Gross Debt") for an amount at 31 December 2017 of EUR 792,308 thousand (EUR 734,875 thousand at 31 December 2016), an increase of EUR 57,433 thousand following project financings in 2017, mainly for the Auchrobert wind farm, the Geopower wind farm (new tranche), and the solar plant in North Carolina (which joined the Group in December 2017).

The net financial position includes net borrowings of EUR 11,920 thousand relating to construction projects that were not revenue generating at 31 December 2017. Net of this amount and the fair value of the derivatives, the net financial position would be EUR 525,318 thousand.

The net financial position of the project companies (Project NFP) including Project Gross Debt, the fair value of derivatives used to hedge interest rate variations for the debt and the liquidity of the financing projects themselves is EUR 740,112 thousand.

Moreover, Project Gross Debt is hedged, using interest rate swaps, against interest rate variations for a total of EUR 653,531 thousand, equal to 82% of the debt.

As a result of these factors, even the net financial position of EUR 537,238 thousand (excluding the fair value of derivatives) is also hedged against interest rate variations using interest rate swaps or fixed rate loans for a total of more than 122% of the financial debt. This high percentage is due to the fact that, with gross financial debt hedged against interest rate, the Group has a total liquidity, including that of the companies in project financing for EUR 98,775 thousand, equal to EUR 261,517 thousand which is obviously not hedged against interest rate.

The following table shows a series of information designed to illustrate the composition and policy of the Falck Renewables Group interest rate hedges:

	(EUR thousands)
	31.12.2017
Total NFP without Fair Value of Derivatives	537,238
Total hedged against interest rate fluctuations	653,531
% Hedged/NFP net of derivatives	122%
Total Gross Debt with Fair Value of Derivatives (GD+FVD)	859,205
of which Project Gross Debt + Fair Value of Project Derivatives on interest rates	838,867
% Project GD with FV of Derivatives/(GD+FVD)	98%
Total Gross Debt without Fair Value of Derivatives (GD)	811,624
of which Project Gross Debt (Project GD)	792,308
%Project GD/GD	98%
Project Gross Debt (Project GD)	792,308
Total hedged against interest rate fluctuations	653,531
% Hedged/Project GD	82%
Total Gross Debt without Fair Value of Derivatives (GD)	811,624
Total hedged against interest rate fluctuations	653,531
% Hedged/GD	81%
Total net financial position with Fair Value of Derivatives (NFP)	583,717
of which Project Financing Net Debt (Project NFP) (*)	740,112
% Project NFP/NFP	127%

(*) Project NFP = Project Gross Debt + Fair value of Project Derivatives - Project Liquidity

Capital expenditure in the period, which amounted to EUR 28,038 thousand, represents the Group's financial commitment in relation to wind farms, the purchase of authorisations/grants in the wind sector, and improvements to operating plants. In the period in question, investment in tangible assets mainly involved the construction of wind farms in Auchrobert (EUR 8,676 thousand), Brattmyrliden (EUR 2,117 thousand), Aliden (EUR 1,158 thousand), Falck Renewables Vind (EUR 1,791 thousand) and Assel Valley (EUR 192 thousand), the price adjustment of the Eolo 3W Minervino Murge wind farm (EUR 1,524 thousand), the improvements to the Eolica Sud (EUR 155 thousand) and Eolo 3W Minervino Murge Srl (EUR 159 thousand) wind farms, improvements to the Ecosesto (EUR 220 thousand) and Prima plants (EUR 1,333 thousand), the IT investments for the Vector Cuatro group (EUR 96 thousand) and other minor investments (EUR 644 thousand).

Investment in property, plant and equipment amounted to EUR 9,973 thousand, mainly relating to the purchase of grants/authorisations for the construction of wind farms in Sweden (EUR 3,351 thousand) and Norway (EUR 5,888 thousand) and other minor investments.

<u>Other investments (variation in the consolidation perimeter)</u>

The following companies were acquired during 2017, and consolidated line-by-line from the date of their acquisition:
- Falck Renewables Vind AS, 80% held by Falck Renewables SpA;
- Aliden Vind AB, 100% held by Falck Renewables SpA;
- Brattmyrliden Vind AB, 100% held by Falck Renewables SpA;
- NC 42 LLC, 99% held by Falck Renewables IS 42 LLC;
- NC 42 Solar LLC, 100% held by NC 42 LLC;
- NC 42 Energy LLC, 100% held (Class B shares) by NC 42 Solar LLC;
- Innovative Solar 42 LLC, 100% held by NC 42 Energy LLC.

Investment in the acquisitions, recorded as a variation in the consolidation perimeter, amounted to EUR 126,900 thousand (including third party and acquired net financial position), in addition to investment in tangible and intangible assets described above.

For more details, please refer to the Notes to the Consolidated report.

Installed capacity, analysed by technology, is illustrated in the table below.

(MW)

Technology	31 December 2017	31 December 2016
Wind	769.9	733.9
WtE	20.0	20.0
Biomass	15.0	15.0
Photovoltaic	108.1	16.1
Total	**913.0**	**785.0**

In December 2017, Innovative Solar 42 LLC was brought into the Group perimeter. This company owns the 92 MW solar farm in North Carolina, USA.
Moreover, during 2017 the Auchrobert wind farm in the UK, which has 12 turbines for an installed capacity of 36 MW, was also powered up.

Reconciliation of equity attributable to owners of the parent and profit for the year

The consolidation reserve includes the differences arising from the elimination of the book value of consolidated investments against the related share of net equity.
As a result the other equity headings correspond to the amounts disclosed in the parent company's financial statements.

The reconciliation of equity and the profit for the year, as at 31 December 2017, may be summarised as follows:

(EUR thousands)

	Share capital and reserves	Profit for the year	Total Group equity
Falck Renewables SpA financial statements	**458,494**	**27,850**	**486,344**
- Difference between adjusted equity of consolidated entities and carrying value of related investments	(113,060)	62,645	(50,415)
- Write-off of dividends from consolidated entities	72,573	(72,573)	
- Realized profits on sale of assets between Group companies, net of depreciation and amortisation	(1,229)	144	(1,085)
- Investments valued applying equity method	11,095	2,284	13,379
Group profit and equity	**427,873**	**20,350**	**448,223**

Note: the amounts are stated net of tax.

5.2.4 Non-financial performance indicators

The key non-financial indicators are as follows:

	Unit of measurement	31.12.2017	31.12.2016
Gross electricity generated	GWh	2,043	1,866
Total waste treated	tonn.	260,331	263,123

The "Total waste treated" figure also includes intermediate waste.

5.2.5 Share price performance

The performance of the Falck Renewables SpA share price, which is listed on the STAR segment, is illustrated below.

During 2017, the share rose strongly (135%) in comparison to the end of 2016, thanks to the Group's excellent results and in particular the warm reception of the updated business plan by investors, presented to the market on 12 December 2017. The company updated the market on our growth strategy, already presented in November 2016, confirming our focus on developing core activities (developing, building and managing onshore wind and solar farms) while also stepping up our service activities (in particular asset management, energy management

and energy efficiency), where the Group currently operates through Vector Cuatro: growth in both sectors, and the Group in general, showed financial sustainability. Regarding our activities in the UK, some potential uncertainty was caused by the difficult negotiations between the UK and the EU, as described in paragraph *4.1.10. f Risks and uncertainties "Risks relating to the result of the British referendum on remaining in the European Union ("Brexit")*". The depreciation of the GBP against the EUR (in addition to other currencies) has greatly influenced market volatility: please note that the EUR/GBP exchange rate was equal to 0.8195 in 2016 while it was 0.8767 in 2017 with a depreciation of approximately 6.5% during the period.
During 2017, we paid particular attention to keeping the market informed of the main themes of the business plan and the management of existing assets, promptly announcing the opening of the Auchrobert wind farm in Scotland, the acquisition of the new projects in Northern Europe and the US, and the expansion of our organisational structure, to the financial community, in line with the strategic objectives communicated to the market. These announcements were mainly made through the usual meetings with the financial community and press releases.
Furthermore, the first half of 2017 was characterised by a series of important meetings with the financial community both during roadshows (held in Milan, London, Helsinki and Zurich) and through numerous telephone meetings with the main global brokers.
Attendance at the Italian Investment Conference organised by Kepler Chevreaux and Unicredit at the end of May was particularly important, and the company met some high profile institutional investors.

Together with this strategic goal communication activity, usual activities dedicated to shareholders or prospective shareholders have nevertheless proceeded throughout the year: an approach based on one-to-one meetings and sending notices and information by e-mail or telephone contact was privileged. The Company also attends conventions and discussions both regarding financial matters organised by Borsa Italiana, enterprises or financial institutions and concerning the regulatory framework to contribute in better organising the renewables sector.

Particular care is taken by the Company to ensure that all communications are transparent and timely, also through quarterly, six-monthly and annual earnings conference calls.
In addition to the website www.falckrenewables.eu, which meets all of the criteria for companies listed on the STAR segment, from 2012 the Company is also active on Twitter with the account @falckrenewables which provides the latest news regarding the Group in real-time.

5.2.6 Performance of the business sectors

The Falck Renewables Group operates in the following business sectors:

- the WtE and waste treatment, biomass and photovoltaic sector;

- wind sector;

- the services sector under the helm of Vector Cuatro SLU and its subsidiaries.

This paragraph therefore illustrates the principal results of operations, net assets and financial data of the Group's sectors, supported by a brief commentary, while the notes to the financial statements report the full results of operations and net assets of the sectors with separate disclosure of the amounts relating to Falck Renewables SpA which are commented on in a separate note.

❖ **WtE, biomass and photovoltaic sector**

This sector focuses on electricity production from renewable sources in particular through the conversion of urban waste to energy (WtE) and from biomass and solar power.
The strategy is developed through the management of operating power plants and the development of new projects, either directly or through joint ventures with leading industrial enterprises.

On 1 December 2017, Falck Renewables IS42 LLC (a 100% subsidiary) purchased 99% of the shares in Innovative Solar 42 from Recurrent Energy LLC (a 100% subsidiary of Canadian Solar Inc.). The plant has a total capacity of 92 MW and is located in North Carolina. The plant contributed to our financial results for one month, and it is fully consolidated. Both its financial results and assets are subject to purchase price allocation under IFRS 3, which must be completed within 12 months of acquisition.

The key financial highlights of this sector may be summarised as follows:

			(EUR thousands)
		31.12.2017	31.12.2016
Revenue		60,728	53,689
Cost of sales		(49,008)	(43,842)
Gross profit/(loss)		**11,720**	**9,847**
Operating profit/(loss)		**56**	**(3,857)**
EBITDA		**18,016**	**13,674**
Profit/(loss) for the period		**(644)**	**(1,265)**
Group profit/(loss)		**(182)**	**(858)**
Intangible assets			**1,292**
Property, plant and equipment		**205,775**	**89,925**
Net financial position - indebtedness/(asset)		**150,922**	**137,073**
- of which non-recourse Project financing		59,035	28,338
Investment in fixed assets during the year		**1,702**	**1,287**
Employees at the period-end	(no.)	85	82

The WtE, biomass and solar sector showed a EUR 7,039 thousand increase in revenues compared to 2016, mainly due to the sale price of electricity, including the incentive component, up from 2016 by 13% for WtE plants and 2% for solar plants. Revenues were also affected by the increase in waste treated in the Gorle plant, along with the improved performance of the Ecosesto SpA biomass plant, which saw production rise by approximately 12% also thanks to the planned downtime in the first half of 2016 and the increase in installed capacity of the solar plants. Moreover, we remind you that with reference to the biomass plant, starting 1 January 2016 and up until 30 June 2016, a fixed value was used resulting in a value for a green certificate of EUR 80.3; however, the decree published by the Italian Ministry of Economic Development on 23 June 2016 permitted operators to opt for the general regime, thereby restoring, as of 1 July 2016, the value of the incentive tariff according to the formula used for wind farms with significant advantages for the Group given that the incentive increased in the second half of 2016 from EUR 80.3 to EUR 100.1 per MWh. In 2017, the incentive amounted to EUR 107.3 per MWh, which, together with the rising energy price, contributed to a 15% increase in the produced energy sales price for the biomass plant in 2017 over the same period last year.

These factors contributed to raising EBITDA by EUR 4,342 thousand from the previous year, to a total of EUR 18,016 thousand.

Operating profit improved by EUR 3,913 thousand to EUR 56 thousand.

As of 1 January 2017, following an analysis by independent technical consultants, taking account of current contractual limitations (mainly leasings/rights to use land and authorisations/grants) and in line with market practice, the Group companies updated the estimated useful life of wind and photovoltaic plants. This update led to the average useful life for wind and photovoltaic plants being increased from 20 to 22.7 years, leading to EUR 0.6 million in lower depreciation/amortization rates for 2017.

Operating profit was impacted by around EUR 11 million in allocations to reserves: 5 million were set aside against future extraordinary maintenance costs for Ecosesto SpA; 2 million to a fund for litigation arising from the current or previous years regarding discussions with the Electricity, Gas and Water Authority over the reimbursement of incentives, which the Group has proposed appealing to the regional court (TAR); approximately 4 million for updating liability estimates for past and current litigation, including with employees, and VAT credits.

Following the impairment test carried out in 2017, we wrote down the value of the Esposito Servizi Ecologici grants and plant by 1,203 thousand and EUR 466 thousand respectively, the Rende hybrid plant by EUR 3,179 thousand and the Solar Mesagne photovoltaic plant by EUR 324 thousand.
Please note that the provisions set aside in 2016 totalled EUR 8,442 thousand and write-downs in 2016 were equal to EUR 273 thousand.

The net financial position, a net indebtedness of EUR 150,922 thousand, fell compared to the balance at 31 December 2016 (EUR 137,073 thousand), mainly due to the financing of the solar project in North Carolina, worth EUR 32,993 thousand. Net of fair value derivatives worth EUR 3,447 thousand, the net financial position would be EUR 147,475 thousand (EUR 132,751 thousand at 31 December 2016).

The net financial position comprises non-recourse financing of EUR 59,035 thousand (31 December 2016: EUR 28,338 thousand).

Investment in tangible and intangible assets in the period amounted to EUR 1,702 thousand, mainly for improvements to the thermovalorisation plant in Trezzo sull'Adda and the biomass plant in Rende.
Moreover, as mentioned above, in December 2017 we purchased 99% of the solar farm in North Carolina for an investment of approximately EUR 120 million, recorded under "variation in the consolidation perimeter".

- **Wind sector**

This sector focuses on electricity production through the construction and management of plants that generate electricity using wind energy and the development of new plants.

The key financial highlights of this sector may be summarised as follows:

			(EUR thousands)
		31.12.2017	31.12.2016
Revenue		216,759	186,206
Cost of sales		(101,357)	(98,568)
Gross profit/(loss)		**115,402**	**87,638**
Operating profit/(loss)		**99,103**	**78,550**
EBITDA		**149,987**	**135,781**
Profit/(loss) for the period		**47,477**	**8,328**
Group profit/(loss)		**35,299**	**2,121**
Intangible assets		**96,281**	**82,156**
Property, plant and equipment		**819,565**	**868,097**
Net financial position - indebtedness/(asset)		**570,956**	**755,881**
- of which non-recourse Project financing		733,273	706,537
Investment in fixed assets during the year		**25,830**	**90,083**
Employees at the period-end	(no.)	41	38

The 16.4% increase in revenues (+ EUR 30,553 thousand in comparison to the same period in 2016) is mainly due to the significant increase in electricity prices in Italy, Spain and the United Kingdom, as well as the 10% growth in production on the same period in 2016, in turn due to the increase in average installed capacity.

The annual production of electrical energy was equal to 1,789 GWh compared to 1,626 GWh for the year 2016.

The increase in revenues was partially offset by the depreciation of the GBP on the EUR by 6.5% with reference to production in the United Kingdom.

2017 was characterised by electricity sale prices, including the incentive component, up from the first half of 2016, by 13% in Italy, 68% in Spain (where the incentive component is no longer present) and 16% in the United Kingdom, while in France the feed-in tariff mechanism balanced out these increases.

Gross profit rose by EUR 27,764 thousand, corresponding to 53.2% of revenue (47.1% at 31 December 2016).

As of 1 January 2017, following an analysis by independent technical consultants, taking account of current contractual limitations (mainly leasings/rights to use land and authorisations/grants) and in line with market practice, the Group companies updated the estimated useful life of wind and photovoltaic plants. This update led to the average useful life for wind and photovoltaic plants being increased from 20 to 22.5 years, leading to EUR 8.1 million in lower depreciation/amortization rates for 2017.

EBITDA amounted to EUR 149,987 thousand, up by EUR 14,206 thousand, along with strong growth in operating income in comparison to 2016 (+ EUR 20,553 thousand).

Following impairment tests run in 2017, we wrote down the Eolica Cabezo San Roque plant by EUR 520 thousand.

In 2016, net profits were negatively affected by the settlement reached to close tax litigation in Italy relating to the 2009 and 2010 tax years, resulting in the Company recording prior-year taxes for a total of EUR 12,572 thousand in 2016.

The net financial position totals EUR 570,956 thousand, including non-recourse project financing for an amount of EUR 733,273 thousand and the fair value of derivatives to hedge interest rate exposure for EUR 43,122 thousand, showing an improvement of EUR 184,925 thousand compared to 31 December 2016, thanks to the EUR 147,797 thousand gained from the sale of the Italian wind farms.

Investments in the period amounted to EUR 25,830 thousand, with reference to:

(EUR thousands)	Property, plant and equipment	Intangible assets	**Total**
Auchrobert wind farm	8,681		**8,681**
Okla and Hennøy wind farm	1,791	6,261	**8,052**
Brattmyrliden wind farm	2,117	3,070	**5,187**
Eolo 3W Minervino Murge wind farm	1,683		**1,683**
Aliden wind farm	1,158	281	**1,439**
Assel Valley wind farm	192		**192**
Eolica Sud wind farm	155		**155**
Other smaller wind farms	441		**441**
Total	**16,218**	**9,612**	**25,830**

Investment in intangible assets include the preliminary allocation of grants for the construction of wind farms in Sweden at Brattmyrliden and Aliden (EUR 3,351 thousand) and Norway at Okla and Hennoy (EUR 5,888 thousand) and other minor investments.

Borea transaction: *Earn-out and Derisking*

The 2014 agreement with CII Holdco for the sale of 49% of the "Target Companies" based in the UK (Ben Aketil Wind Energy Ltd, Millennium Wind Energy Ltd, Cambrian Wind Energy Ltd, Boyndie Wind Energy Ltd, Earlsburn Wind Energy Ltd, Kilbraur Wind Energy Ltd) envisages a further deferred amount payable to the Falck Renewables Group based on the actual performance of the wind farms at the Target Companies (in terms of GWh generated) compared to a pre-determined target for the 2014–2018 period, to be settled in cash at the end of this period applying an earn-out mechanism capped at GBP 10 million. If, on the other hand, the Target wind farms performance is below the pre-determined target, the Falck Renewables Group is under no obligation to compensate CII HoldCo Ltd.
Considering the production results from the first four years (2014-2017), it seems unlikely that the target will be reached, and the Group has therefore not recorded any assets for the earn-out clause in the contract.

The Agreement also establishes that CII HoldCo Ltd has the right to a reduction in the transfer price (De-risking) payable in 2021 based on the difference, where negative, between the average annual electricity price in the UK for the period 2014-2020 and 25 GBP/MWh (nominal not adjusted for inflation), multiplied by actual annual production in MWh in the same period for each wind farm involved in the transfer, multiplied by CII Holdco's interest in each target company for each year of the period under review (capped at 49%, representing the current percentage ownership in each target company) and taking into consideration the time factor applying an interest rate of 10% ("the Formula"). Any amount due will be paid by the Falck Renewables Group to CII HoldCo up to the amount of dividends, interest and loan repayments paid by the Target Companies to the Group. The potential price reduction for the Group will therefore be limited to the cash distributable by the Target Companies from 2021.

This price reduction clause will be cancelled with immediate effect in the event that in any year of the period under review CII HoldCo Ltd sells its entire stake in the Target Companies to third parties. In the event that the resulting difference is positive, CII HoldCo Ltd will not be required to compensate the Falck Renewables Group. The Group has appointed an independent expert to calculate the potential sum payable in relation to the Formula. The expert performed a series of simulations based on stress scenarios compared to forecast energy curve prices in the UK from 2016 to 2020, taking the following average prices per MWh into account: GBP 41.83 in 2014; GBP 40.25 in 2015; GBP 40.76 in 2016; and GBP 45.33 in 2017. The estimates, based on the results to date, show that the possibility of a price adjustment in favour of CII HoldCo Ltd is very unlikely.

- **Services sector**

This sector is made of the Spanish group Vector Cuatro. This sector is active in the services and management of renewable energy production facilities, with a strong and extensive international presence with offices in Spain, Italy, France, Chile, Japan, Mexico, the United Kingdom, UAE and Bulgaria.
Vector Cuatro also offers engineering and consulting services in the development of projects to generate electricity principally using solar and wind energy.

The key financial highlights of this sector may be summarised as follows:

			(EUR thousands)
		31.12.2017	31.12.2016
Revenue		12,103	10,000
Cost of sales		(11,347)	(9,221)
Gross profit/(loss)		**756**	**779**
Operating profit/(loss)		**(843)**	**1,470**
EBITDA		**1,968**	**2,309**
Profit/(loss) for the period		**(854)**	**1,029**
Group profit/(loss)		**(854)**	**1,029**
Intangible assets		**9,411**	**11,517**
Property, plant and equipment		**633**	**743**
Net financial position - indebtedness/(asset)		**(2,109)**	**(1,586)**
- of which non-recourse Project financing			
Investment in fixed assets during the year		**217**	**271**
Employees at the period-end	(no.)	131	119

Revenues increased by EUR 2,103 thousand, mainly due to higher revenues from transactions, engineering and asset management services in Spain, the United Kingdom, Japan and Italy.

EBITDA amounted to EUR 1,968 thousand, up by EUR 341 thousand and equal to 16.3% of revenues (23.1% at 31 December 2016).

Following the impairment tests run in 2017, we wrote down the Vector Cuatro contract portfolio by EUR 1,750 thousand due to the termination of some multi-year contracts.
On the other hand, the clients were asked to pay a penalty of EUR 214 thousand, which was recorded in the first half of 2017.

Net financial position of EUR 2,109 thousand was up on EUR 1,586 thousand at 31 December 2016.

Investments in the sector for EUR 217 thousand primarily refer to the new management system and investment in hardware.

Vector Cuatro integration activities have continued throughout 2017 and allowed, on the one hand, Vector Cuatro Group to increase knowledge on the wind sector and, on the other, Vector Cuatro has also rendered development services to the parent company by providing its own know-how and its relationships with key investors in renewable assets.

The improved results were influenced by this impulse given the exchange of know-how within the Group.

5.2.7 Review of business in 2017

Authorisation by the Shareholders' Meeting to purchase and distribute treasury shares and start the treasury share buyback program

The Shareholders' Meeting of Falck Renewables SpA on 16 January 2017 authorised the purchase and distribution of treasury shares and start of the share buyback program.
The company may purchase a maximum of 5,828,277 ordinary shares in Falck Renewables, corresponding to 2% of the share capital, taking into account the treasury shares held by the company on 16 January 2017 (460,000 corresponding to 0.1579% of the share capital) in compliance with legal and regulatory requirements as well as market practices currently in force, as applicable.
The purchases of treasury shares will aim: i) to establish a supply of stocks that can be employed in any extraordinary/strategic share/financing operation, ii) to complete activities in support of liquidity and share stabilisation, facilitating trade and encouraging the standard negotiations iii) to future incentive plans.
The Company may purchase treasury shares, in one or more times, until 16 July 2018 (i.e. eighteen months from the authorisation resolution).
During 2017, a total of 1,050,000 shares were purchased, corresponding to 0.3603% of the share capital. In total, 1,510,000 shares are held, corresponding to 0.5182% of the share capital, for an average cost of EUR 0.9524 per share.

2017-2019 stock grant plan

The Shareholders' Assembly on 27 April 2017 approved, at the end of a process that also involved its human resources committee, the "2017-2019 stock grant plan" (the "Share Plan") addressed to the Chief Executive Officer and to managers and employees with key roles within the Company and its subsidiaries as per art. 114-bis of Leg. Dec. of 24 February 1998, no. 58 ("TUF").
The Share Plan, with a duration of three years, is intended for the free assignment of a maximum no. 1,500,000 ordinary company shares to beneficiaries, equal to a maximum of about 0.515% of the Company's share capital, subject to the acceptance of two conditions (i) performance related to the sustainability of the Group's balance sheet expressed by the relationship between Net Financial Position and EBITDA (ii) the existence of the relationship between the beneficiary and the company.
The Share Plan, which is part of the Long Term Incentive Plan[2] along with the Cash Plan, is in line with that announced during the Capital Markets Day on 29 November 2016, and was confirmed in the business plan presented to the market on 12 December 2017. It aims to encourage beneficiaries to pursue medium-long term earnings and align the interests of beneficiaries with those of the Company and other shareholders.
The plan will be implemented with company treasure shares already in the portfolio or purchased under art. 2357 of the Italian Civil Code.
In April 2017, the incentive plan for the CEO of Falck Renewables SpA was put into effect with 591,000 shares. In the following months, some Group managers were also granted a total of 478,986 shares.

[2] For further information, refer to paragraph "5.2.11 Risks and uncertainties - d) strategic risks".

Renegotiation of the Geopower Sardegna project financing

Geopower Sardegna Srl renegotiated their EUR 168.1 million project financing, adding a further EUR 26.9 million, bringing the total to EUR 195 million. The renegotiation of the project financing contract (the "refinancing") involved a pool of twelve banks: Banca Popolare di Sondrio ScpA, Banco BPM SpA, BNP Paribas (Italian branch), Crédit Agricole Corporate and Investment Bank (Milan Branch), Crédit Agricole Cariparma SpA, Credito Valtellinese SpA, ING Bank N.V. (Milan branch), MPS Capital Services Banca per le Imprese SpA, Société Générale (Milan branch), The Bank of Tokyo-Mitsubishi UFJ Ltd, UBI Banca SpA and UniCredit SpA.
The refinancing is due to expire in June 2027, and has better conditions: the interest rate margin was reduced by 40% and will create savings of around EUR 5.6 million for the entire duration of the loan, even taking the higher amount into account.

Auchrobert Wind Energy Ltd financing

On 22 December 2017, an agreement was signed with Auchrobert Wind Energy Ltd as borrower, and MUFG banking group (core banking unit), Barclays Bank Plc and Banco de Sabadell as lenders, for a project financing loan without recourse for a total of GBP 49.3 million, in relation to the Auchrobert (Scotland) wind farm, which has been operating since April 2017.
The financing contract has an 18 year duration and the final payment is due in December 2035. It was agreed at particularly favourable conditions, reflecting the wind farm's high production forecasts and the Group's financial stability.

Earlsburn Mezzanine Ltd financing

On 20 December 2017, an agreement was signed with Earlsburn Mezzanine Ltd as borrower, and MUFG banking group (core banking unit) and Banco de Sabadell as lenders, for a project financing loan without recourse for a total of GBP 21 million.
The financing contract will run up until March 2026, and was agreed at particularly favourable conditions, in consideration of the Group's financial stability.

Changes to project financing conditions

Eolica Sud

With reference to the project financing for the Eolica Sud Srl plant, the company agreed certain technical modifications to the financing contract with the banks involved. Among other things, this included the acknowledgement of the settlement reached with the Italian Tax Office in relation to the tax litigation relating to the 2009 and 2010 tax years. Thanks to the changing conditions in the financial markets and our risk profile, the banks also agreed to reduce the margin from 24 December 2017 onwards in exchange for a one-off waiver fee.

Eolica Petralia

With reference to the project financing for the Eolica Petralia Srl plant, the company obtained the consent of the banks to reduce the margin on the loan from 2.75% to 1.85%, effective from 1 January 2017. As part of the same waiver, the banks also agreed to replace the DSRA reserve account with a credit note at the care and expense of Falck Renewables SpA, on payment of the periodic commission sustained by them and the fee margin.

Eolo 3W Minervino Murge

With reference to the project financing for the Eolo 3W Minervino Murge plant, the company has agreed with the banks to change the repayment schedule (without affecting the expiry on 31 December 2023) in order to tailor it to the cash flow generated by the project, also in consideration of the change in the incentive payment schedule from that originally forecast in the financial plan when the financing was arranged, as well as the impact of the issue of definitive terms for paying the contributions as per Law 488. The revision of the repayment plan was also backed by a payment from Falck Renewables SpA of approximately EUR 1.34 million on a reserve account covering the company's debt, increasing the subordinated loan, on 29 June 2017.

Increase in installed capacity

The Auchrobert wind farm in the United Kingdom began operation in April 2017. It is composed of 12 turbines for a total installed power of 36 MW.

Co-development agreement in the Netherlands

Falck Renewables SpA has entered the Dutch market through an agreement with Kemperman & Partners Projecten B.V. (K&P), a consolidated local developer based in Dronten that has been operating in the wind sector since 2002.
The agreement, which involves the co-development of an initial pipeline for approximately 150 MW, as well as the identification of new long-term opportunities in the onshore wind and solar sectors in the Netherlands, represents an additional contribution to achieving the long-term goals of the Falck Renewables SpA Business Plan presented in November 2016.
K&P and Falck Renewables SpA will concentrate on sustainable projects with a strong focus on local communities, continuing the approach that Falck Renewables SpA began with its activities in Scotland. The Netherlands, which has not yet achieved its EU 2020 renewable energy development targets, has a stable and well-functioning regulatory framework, in which support for renewable energy is regulated by the SDE+ system (*Stimulering Duurzame Energieproductie*[3]).

Entering the Norwegian market

On 1 September 2017, Falck Renewables SpA purchased a majority holding in Vestavind Kraft AS (now Falck Renewables Vind AS), which owns two authorised wind power projects in Norway (Hennøy and Okla), with a total capacity of around 70 MW. The purchase was agreed with Svelgen Kraft Holding AS, a Norwegian energy company with a considerable track record in the renewable energy sector.

By purchasing an 80% share in Vestavind Kraft AS, Falck Renewables SpA has acquired the control of the Hennøy and Okla projects from Svelgen Kraft Holding. Svelgen Kraft Holding will stay on as a minority shareholder, sharing its knowledge of the local market and energy production know-how. The projects will not be energised before 2019.

The price was established as approximately EUR 2.2 million, plus a potential earn-out worth approximately EUR 4 million after the final investment decision.
In November 2017, we decided to invest in the Hennoy wind farm. We therefore paid an EUR 2.4 million earn-out held against future capital injections, which must be signed by the minority shareholder.
The operation will include an option for Falck Renewables SpA on a further 125 MW in wind projects developed by Svelgen Kraft Holding in Norway.

Entering the Swedish market

On 22 September 2017, Falck Renewables SpA purchased from E.ON Wind Sweden AB (E.ON Group) 100% of two companies (Åliden Vind AB and Brattmyrliden Vind AB) which own two wind farm projects ready for construction in Sweden, for a total capacity of approximately 115 MW (of which 43.2 MW for Åliden and 72 MW for Brattmyrliden).
The two wind farms are located in the municipality of Örnsköldsvik, on the eastern coast of Sweden, around 500 km north of Stockholm. The projects were developed by E.ON Sweden AB, which will continue to support Falck Renewables SpA in development activities and will provide O&M services once the farms have come into operation.

[3] Sustainable energy incentive

The purchase price was of EUR 7 million, in addition to a potential earn-out for the seller, in exchange for additional benefits for Falck Renewables SpA.

Entering the US market

Falck Renewables North America Inc. was incorporated in the state of Delaware in February 2017 as a business start-up in the United States. On 1 December 2017, Falck Renewables IS42 LLC (a 100% subsidiary of Falck Renewables North America Inc) purchased from Recurrent Energy LLC (a 100% subsidiary of Canadian Solar Inc.) a 99% share in the Canadian Solar IS-42 photovoltaic project, with a total capacity of 92 MW, located in North Carolina.
The price agreed for the share was approximately USD 43 million.
Construction is completed on the plant, and it will benefit from a power purchase agreement. The plant came into operation in September 2017. Project financing has been arranged with Prudential Capital Group and a tax equity investment together with Firstar Development LLC, part of the US Bancorp group.

Internal group restructuring not affecting the consolidation perimeter
In 2017, the following companies were transferred from Falck Renewables Wind Ltd to Falck Renewables SpA:

- Eolo 3W Minervino Murge Srl
- Eolica Sud Srl
- Geopower Sardegna Srl
- Eolica Petralia Srl

This operation was part of the Business Plan, and aims to simplify the chain of control.

Moreover, on 21 December 2017, as part of a Group reorganisation, CII Holdco exchanged a 49% holding in Earlsburn Wind Energy Ltd for a 49% holding in Earlsburn Mezzanine Ltd. This reorganisation did not have any significant impact on the consolidated financial reports.

5.2.8 Employees

The number of Group employees at the year-end was 351 and comprised:

			(Number)
	31.12.2017	31.12.2016	Change
Managers	38	36	2
White-collar staff	264	244	20
Blue-collar staff	49	49	0
Total employees in consolidated entities	**351**	**329**	**22**

The increase is mainly attributable to the Services sector (12 employees), the Wind sector (3 employees), the WtE, biomass and photovoltaic sector (3 employees) and Falck Renewables SpA (4 employees), which are expanding their business.

5.2.9 Environment, health and safety

During 2017, the Group continued its commitment to meet and improve adequate environmental, safety and quality standards that are consistent with its mission statement, through important activities such as:

- developing greater integration of Company management procedures relating to quality, environment and safety, by capitalising on synergies in these areas;
- periodic training of employees in relation to health and safety in the workplace and increasing awareness regarding the protection and safeguarding of the environment while carrying out their work;
- implementation of internal monitoring and specific proactive measures focusing on continuous improvement.

Periodic inspections were successfully carried out on the Group companies' Certified Management Systems by the competent certifying bodies.

The parent company and the principal Group subsidiaries operating in the WtE, biomass and photovoltaic sector had the following certified management systems in place:

Company	Management system	Location
Falck Renewables SpA	Safety management system OHSAS 18001-2007	- Headquarters
Ambiente 2000 Srl	Quality management system UNI EN ISO 9001:2008 Environmental management system UNI EN ISO 14001:2004 Safety management system OHSAS 18001-2007 Certificate of Excellence (Quality, Environment and Safety)	Trezzo sull'Adda WtE plant
Prima Srl	Quality management system UNI EN ISO 9001:2008 Environmental management system UNI EN ISO 14001:2004 EMAS registration	Trezzo sull'Adda WtE plant
Esposito Servizi Ecologici Srl	Quality management system UNI EN ISO 9001:2008	Gorle plant: a) treatment and recovery of non-hazardous waste principally from street sweeping and land reclamation b) selection and adjustment of volume of non-hazardous waste Waste collection and transport
	Environmental management system UNI EN ISO 14001:2004	Gorle plant: sections a) and b)
	EMAS registration	Gorle plant: sections a) and b)

In Italy, companies Eolica Sud Srl and Eolo 3W Minervino Murge Srl have Environmental Management Systems certified according to UNI EN ISO 14001: 2004 and, for Eolo 3W Minervino Murge Srl, also with EMAS registration, namely:

Company	Management system	Location
Eolo 3W Minervino Murge Srl	Environmental management system UNI EN ISO 14001:2004 EMAS registration	- Minervino Murge wind farm
Eolica Sud Srl	Environmental management system UNI EN ISO 14001:2004	- San Sostene wind farm

With regard to accidents in the parent company and all of the Group companies operating in the biomass, WtE, photovoltaic, wind and services sectors, 4 accidents involving employees took place in 2017 (1 of which while travelling). Consequently, the Group's total accident frequency rate for 2017 was 5.03, while the criticality rate was 1.61.

5.2.10 Research and development activities

The Falck Renewables Group did not carry out any research and development activities in 2017.

5.2.11 Risks and uncertainties

The main risks and uncertainties facing the Falck Renewables Group are analysed according to business area below. Please note that, under the Risk Management project, the Falck Renewables Group continues to analyse and manage risk on a group-level. The main activities performed include: (i) sharing Group risk identification and monitoring methods; (ii) forecast data risk analysis; (iii) sharing the Risk Assessment analysis (and updates) with Group management; (iv) the introduction by the Falck Renewables SpA Board of directors of a Risk Appetite Framework, setting out the risk level that the Group is prepared to accept in order to pursue its goals.

a) Financial

1. Credit risk

Credit risk represents both potential losses from non-settlement of receivables and the counterparty risk linked with the negotiation of other financial assets. The credit risk exposure of the Falck Renewables Group is very limited in respect of both commercial customers and financial counterparties. In relation to commercial customers, their nature that determines a low level of risk should be highlighted: most of the exposure to third parties (not related parties) is, in fact, with high standing electric or utility service providers. The degree of concentration of customers is medium-high, however they have a high credit rating. The credit risk attributable to the counterparties with which the derivative financial instruments are negotiated is also contained as the derivatives are negotiated with leading financial institutions.
With regard to the Group's liquidity position, the liquidity subject to project financing conditions is normally deposited with one of the project financing lending institutions as required by the finance contract, while the rest of liquidity is generally placed on short-term deposit with local banks. With particular reference to the situation of some Italian and foreign banks, it should be noted that the Group closely monitors the creditworthiness trends of these banks, limiting credit exposure due to cash deposited to a minimum.
Although the Spanish group Vector Cuatro has a widespread third party customer base, this has not altered the Group's trade credit risk profile.
Lastly, we note that the Group has credit risk mitigation instruments (guarantees and parent company guarantees) with most of the off-takers that cover part of our annual revenues.

2. Liquidity risk

The Falck Renewables Group has a group treasury department that employs a "domestic" cash pooling system between Falck Renewables SpA and all of the Group's Italian subsidiaries that do not have project financing (the latter may not participate in the system due to the "without recourse" financing mechanisms).
The Group also carries out netting of opposing balances through the use of specific intercompany corresponding accounts. The Falck Renewables Group prepares a monthly updated cash flow statement and cash budget, in which the actual data for the period are supported by a summary evaluation and commentary by both sector and for the entire Group. On 12 June 2015 Falck Renewables SpA entered into a revolving loan agreement ("**Corporate Loan**") for EUR 150 million maturing on 30 June 2020; as of 31 December 2017 it was not used. The contract is subject to, inter alia, financial covenants based on the ratio of net financial position/EBITDA and net financial position/total equity calculated using the amounts disclosed in the consolidated financial statements: these covenants were met based on these financial statements. The Group held cash and cash equivalents of approximately EUR 163 million at 31 December 2017 that were not subject to project financing restrictions and are deposited with local banks.

3. *Risks related to plant financing*

The Group finances its projects, particularly in the wind and solar sectors, mainly through project financing or similar financial instruments without recourse to shareholders. In several cases while waiting to receive financing or in order to better manage cash and cash equivalents, it falls back on working capital, the remaining Corporate Loan or other bridge loans, especially during the construction phase. The Group still continues to have access to project financing or other types of financing at the best market conditions in line with those of similar projects.
The Corporate Loan totalling EUR 150 million will support the financial needs and the development of the Group's activities in consideration of the expected evolution of the strategic updates to the business plan presented to the financial community on 12 December 2017. This loan obtained at favourable market conditions, given its "revolving" nature, could be used and temporarily repaid until its expiry, with great flexibility.

Regarding the project financing for the Ben Aketil plant in the UK, we asked the Agent Bank to open a new PPA (Power Purchase Agreement) at better conditions than those in the current arrangement, which is due to expire in April 2018. On 6 December 2017 we received a "reservation of right letter" from the Agent Bank due to failure to meet the deadline specified in the financing contract (31 October 2017, six months earlier) for obtaining the bank's consent for a new PPA and defining it as an "event of default". This is despite the plant's excellent performance, having met all the financial covenants, and the fact that the new PPA is more favourable than the one about to expire. It is therefore a so-called "technical" default. Considering the discussions already underway with the Agent Bank regarding the structure of the new PPA, on 29 December 2017 the Agent Bank sent a second letter agreeing to suspend their rights as claimed in the reservation right letter until 31 January 2018, also in order to allow the lender's legal advisors to finish analysing the new PPA.
After the analysis and revision of the new PPA was completed in January 2018, we signed a new PPA on 16 February 2018 with the consent of the Agent Bank, which also agreed to definitively cancel the default event relating to the failure to sign the PPA within the deadline specified in the contract. We nonetheless recorded the project financing debt, for a value of EUR 15,726 thousand at 31 December 2017, under current financial debt as per IAS 1.

4. *Interest and exchange rate risks*

- **Interest rate risk**

The Falck Renewables Group has adopted an interest rate risk hedging *policy*. Although it does not define in advance the maximum variable rate debt exposure, the Group follows well-established techniques aimed at monitoring risk and that avoid undertaking transactions of a speculative nature.
The type and suitability of hedging instruments is evaluated for each individual case in consideration of the amount of exposure and current financial market conditions.
The Falck Renewables Group uses derivative financial instruments to hedge interest rates and in particular enters into interest rate swaps (IRS) with the exclusive aim of hedging. Moreover, the derivatives held at the period-end were acquired in order to allow the debt structure to meet the covenants determined by the financial institutions in relation to project financing. In particular, borrowings at variable rates for these contracts are matched with particular IRS that partially convert the borrowings from variable to fixed rates and hedge accounting is applied where these meet the requirements to be classified as interest rate hedges. Consequently, changes in the fair value of these derivatives follow the general rule applied to trading derivatives and are charged directly to profit or loss with a direct impact on profit for the period. The Group had hedged a significant portion of the net debt against increases in interest rates through IRS at 31 December 2017.

- **Foreign exchange risk**

Foreign exchange risk arises on the Group's operations outside the "EUR zone", principally in the UK, US, Norway, Sweden, Japan, Chile and Mexico.
The Group's exposure to exchange rates is twofold: (i) transaction risk and (i) translation risk, both of which impact the Group's income statement and balance sheet.

(i) Transaction risk derives from the fluctuation in exchange rates between the date of the commercial/financial transaction in foreign currency and the settlement date (receipt/payment). This risk, which has a direct impact on the result for the period, is determined for the accounting currency of each Group company.

The Group strives to minimise exposure to the transaction risk ("currency balance") through appropriate hedging with *plain vanilla* derivatives, typically purchases or sales of foreign currency against the account currency. In the specific case, for example, Falck Renewables SpA hedges exchange rate risk on its GBP financial receivables due from Falck Renewables Wind Ltd and those in Yen due from Vector Cuatro Japan KK, and in turn Falck Renewables Wind Ltd hedges the financial liability in EUR due to the parent company Falck Renewables SpA and its subsidiaries.

(ii) Translation risk represents the overall impact of exchange rate fluctuations on the Group's income statement and consolidated equity of translating assets, liabilities, revenue and costs of consolidated entities that prepare financial statements in a currency other than the EUR. The Group does not cover the risk of translation.

b) Legal

***Sicilian Projects*:**

The liquidation of the project companies and management of disputes continued during the year for which elements that change that estimated in the previous balance sheet, referred to for further details in addition to the following, did not arise during the year and in early 2018.

Based on the above, the directors of the parent company as well as the corporate governance bodies of the aforesaid companies believe that there is currently no evidence to assume that the Sicilian companies or Group will need to pay any more costs than those already recorded in the financial statements, also following the fact that some claims made by one of the project companies' minority shareholders have not so far resulted in any form of litigation.

- **Platani Energia Ambiente ScpA (in liquidation) ("Platani"), Tifeo Energia Ambiente ScpA (in liquidation) ("Tifeo"), Palermo Energia Ambiente P.E.A. ScpA (in liquidation) ("Pea"), Elettroambiente SpA (in liquidation), Falck Renewables SpA vs. Sicily region**

We are waiting for the extinction of the administrative proceedings initiated by the Group before the CGARS.

- **Gulino Group SpA vs. Tifeo**

On 28 December 2009 Gulino Group SpA **("Gulino**") served 2 writs on Tifeo regarding the sale agreements for certain plots of land in the municipalities of Modica and Enna/Assoro, entered into on 1 December 2005. Gulino claimed: *(i)* primarily, immediate payment of the balance of the sales (95% of the total consideration), respectively EUR 2,775 and EUR 2,932 thousand and, (ii) alternatively, the termination of the agreements and payment of damages calculated at not less than EUR 2,144 and EUR 2,259 thousand respectively. Tifeo joined the proceedings requesting the claim be rejected and also requested that the sale and purchase agreements be terminated; demanding the reimbursement of all sums already paid (5% of the sale price plus VAT on the whole amount, namely EUR 730 and EUR 772 thousand respectively). In the proceedings of first instance before the Civil Court of Enna, Gulino submitted a counter-claim requesting the Court to order Tifeo to pay an indemnity for the use of the land under dispute. In its ruling of 11 September 2014 the Court of Enna closed the proceedings sentencing Tifeo to respect the conditions of the purchase and sale agreements involving the land in Enna and Assoro, relating to the obligation to settle 95% of the sales price of the land and pay EUR 2,932 thousand plus interest (approximately EUR 1,441 thousand at 30 June 2016 already posted in the financial statements) and to reimburse legal expenses. Tifeo challenged this ruling in a writ of summons filed with the Caltanissetta Court of Appeal on 25 September 2014, in which it requested a full revision of the ruling. The Caltanisetta Court of Appeal, in the order issued on 19 December 2014, suspended the temporary enforcement of the ruling challenged by Tifeo due to "*the complexity of the question underlying interpretation of the negotiations*" and Tifeo's offer to provide a parent company guarantee issued by Falck Renewables. At the hearing on 21 October 2015, the Court essentially confirmed the belief that the appeal filed by Tifeo was admissible and thus postponed the hearing of 22 February 2018 for the final ruling. The hearing was then postponed to 30 May 2019, for reasons of internal organisation. We currently believe, as confirmed by our legal advisors, that Tifeo's claim is likely to be rejected. In the second instance before the Court of Siracusa, the Court declared the case ready for decision on 30 October 2013 and adjourned the hearing for the filing of the final briefs by the parties to 2 November 2017, and subsequently to 15 March 2018 on the request of the parties. The risk of Tifeo not winning the case is linked to developments in the proceedings before the Caltanissetta Court of Appeal. The contract clauses involved in both cases are identical. Consequently, the interpretation of these clauses that will be issued by the Court of Appeal will most probably determine the outcome of the proceeding before the Court of Siracusa; this will be in the event that the ruling of the Court of Appeal is issued prior to that of the Court of Siracusa; otherwise it is probable that the Court of Appeal will use the interpretation issued by the Court of Enna in the above proceedings and that Tifeo will be sentenced to pay the balance for the purchase of the land in Modica (which has already been recorded as a liability in the financial statements).

- **Elettroambiente and other parties vs. Consorzio Ravennate delle Cooperative di Produzione e Lavoro ScpA (the "Consorzio")**

The claim refers to an injunction issued by the Court of Ravenna on 9 October 2010, and provisionally enforceable only against Pianimpianti, a shareholder of Platani, whereby the court ordered Elettroambiente and other shareholders of Platani, to pay EUR 1,532 thousand to the Consorzio representing payment for work carried out pursuant to a tender contract entered into on 4 August 2006 (between the Consorzio and Pianimpianti) for civil works on the Platani Project. The action was also brought against the other shareholders of Platani on the grounds that they were jointly and severally liable pursuant to article 13 of Law 109/1994 (now article 37 of Legislative Decree 163/2006). In a writ served on the Consorzio opposing the injunction, Elettroambiente contested the claims brought against it as the conditions for invoking its joint and several liability were not satisfied as it had not signed the said tender contract. In the ruling of 14 August 2013, notified on 13 September 2013, the Court of Ravenna admitted the objection brought by Elettroambiente against the injunction and subsequently withdrew the injunction issued in favour of the Consorzio against Elettroambiente, Enel, EMIT and Catanzaro Costruzioni, ordering full payment of the legal costs. The Consorzio filed an appeal with the Court of Appeal in Bologna. Hearing set for 25 October 2016 and then brought forward to 23 May 2017. On 21 February 2018 the Bologna Court of Appeal rejected the Consortium's injunction. The Court repeated that the shareholders of Platani Energia Ambiente ScpA in liquidation (including Elettroambiente SpA in liquidation) are not jointly liable for paying the debt due to the Consortium by Pianimpianti SpA in relation to the works done by the cooperative. The Court therefore confirmed the first degree sentence, which had revoked the injunction obtained by the Consortium against Platani's shareholders (including Elettroambiente).
Given the above, no costs were recorded in the current financial statements.

- **Falck Renewables – Elettroambiente - Tifeo and other parties vs. Panelli**

Panelli Impianti Ecologici SpA in liq. (**Panelli**) in the writ served in January 2015 whereby, in summary, it seeks compensation for damages to Panelli following the decision made in January 2010 to refuse renewal of the administrative authorisations required to designate as landfills (and/or waste treatment plants) certain plots of land in Avola, Lentini and Augusta. On 8 July 2016, the Judge set a date for a hearing on 21 March 2017 to explain the conclusions, subsequently postponed on the request of both parties to 5 June 2018.
It is believed, with the assistance of legal counsel, that the likelihood of an unfavourable outcome is possible and, therefore, no charge is posted in these financial statements.

- **Sicily Region (Elettroambiente – Tifeo) vs. Panelli**

By appeal writ notified by Panelli on 10 June 2016, the same has appealed the judgement rendered by the Court of Milan on 10 December 2015 following the judgement originally filed by Tifeo and Elettroambiente against ARRA (who was succeeded by law by the Department Energy and Public Utilities of the Sicilian Region) and then settled between the main parties (except Panelli) in June 2015. Panelli reiterated the claims for damages against the Department in the appeal writ. At the same time, Panelli has applied to order Tifeo and Elettroambiente to reimburse the legal costs of the appeal and the judgement, arguing on the basis that Panelli was sued by Tifeo and Elettroambiente and they, given their discontinuation of action, should be charged the related costs. The claim against Tifeo and Elettroambiente only concerns the reimbursement of legal expenses incurred by Panelli. At the

hearing on 30 November 2016, the Judge adjourned the case to 14 December 2017 for the final ruling, and subsequently postponed it to 10 May 2018 (on the joint request of Tifeo, Elettroambiente and Panelli).
It is believed, with the assistance of legal counsel, that the likelihood of an unfavourable outcome is possible and, therefore, no charge is posted in these financial statements.

Other:

- **Falck SpA-Falck Renewables Wind Ltd ("FRWL") vs. GEO Mbh (Arbitrage)**

On 29 May 2015, GEO Gesellschaft für Energie und Oekologie Mbh ("GEO"), Mr. Franz-Josef Claes and Mr. Roberto Giuseppe Schirru have filed a request for arbitration against Falck SpA and Falck Renewables Wind Limited ("FRWL") in relation to the contract dated 20 May 2005 by which GEO, Mr. Claes and Mr. Schirru (in their capacity as "**Sellers**") sold the entire share capital of Geopower Sardegna Srl to FRWL, as well as corporate collateral up to a maximum of EUR 3,621 thousands issued by Falck SpA in favour of GEO alone. The request concerns the payment of additional sums by way of compensation under the Contract (EUR 536 thousand) and Settlement (for EUR 2,490 thousand). FRWL and Falck SpA (the latter in relation to the profiles that relate mentioned corporate collateral) have filed the arbitration appointment letter which, in addition to rejecting the claims posed by the counterparty, files a counter-claim for the refund of the sums already paid by FRWL. With award communicated on 31 January 2017, the Arbitration Court ruled by majority as follows:

- condemned the Sellers, jointly and severally with each other, to pay FRWL the sum of EUR 4,734 thousand and Falck SpA the sum of EUR 1,900 thousand, plus interest; Falck Spa, if paid, must cede the amount to FRWL.
- condemned GEO to restore the collateral issued by Falck on 3 April 2009 to the latter.
  In addition, with regard to the claims filed by the plaintiffs against FRWL and Falck SpA, the Arbitration Court:
- rejected the plaintiffs' claims to award them payment of any amount as settlement;
- accepted, however, the plaintiffs' claim to order FRWL to pay the amount of EUR 904 thousand plus interest as settlement of the fee due for the "authorised and installable" plant MW as compensation with the higher amounts due by the plaintiffs to FRWL.

The Group companies have therefore filed to recover the amounts set out in its favour by the ruling.
On 29 March 2017, the Sellers filed an appeal against the Arbitration ruling. The Judge set the hearing for the final ruling for 5 December 2018. The parties announced in advance that they intend to bring a separate appeal to the Milan Court of Appeal in order to suspend the sentence. To date, we have no evidence that this appeal has been brought. The risk of the sentence being revoked is currently only possible, and not probable.

- **Eolica Petralia vs. Curione**

In 2016, the company was notified a summons with which Mr. Curione requested payment of EUR 784 thousand for the alleged work performed in relation to the Petralia Sottana wind farm. By order issued following the first hearing on 12 October 2016, the judge declined jurisdiction and ordered the removal of the case from the register. On 12 December 2016, Mr. Curione refiled the claim with the Court of Monza. The hearing to discuss the preliminary petition has been set for 4 October 2017. The Judge appointed a technical expert to write a report at the hearing on 20 December 2017, setting the next preliminary hearing for 5 July 2018. It is believed, with the assistance of legal counsel, that the likelihood of an unfavourable outcome is possible and, therefore, no charge is posted in these financial statements.

Taxes:

- **Falck Renewables SpA**

On 31 March 2015, the Milan Tax Police Corps of the Italian Finance Police commenced an investigation on direct taxes solely relating to *intercompany* transactions for the 2013 tax year at the Company's headquarters in

Milan. The extension of the direct tax audit for 2013 was communicated on 7 April 2016. To date the audit by the Finance Police is still ongoing and its outcome is not foreseeable.

- **Palermo Energia Ambiente SpA in liquidation ("PEA")**

On 22 July 2011 the Tax Office enforced the 12 December 2007 performance bond for EUR 1,111 thousand, issued by Unicredit in PEA's interest in favour of the tax authorities in relation to the request for repayment of the 2006 VAT credit (amounting to EUR 1,008 thousand). On 29 July 2011, PEA was notified of a tax assessment issued by the tax authorities whereby it requested repayment of the refund as it allegedly did not recognise the reason for exclusion from being defined a so-called shell company. An appeal was filed with the Provincial Tax Commission of Palermo against the above assessment on 13 October 2011. In its ruling of 13 June 2012 the Provincial Tax Commission of Palermo admitted the appeal filed by the company. The tax authorities filed an appeal with the Regional Tax Commission. The company has consequently filed specific counter-arguments. The date for the hearing is pending. In view of the fact that this dispute is difficult to interpret, the company and the Group have set aside sundry risk provisions.
The tax authorities also notified rejection of the 2007 and 2008 VAT claims (EUR 1,636 and 709 thousand respectively) on the same grounds as the assessment raised on the 2006 VAT refund claim. PEA challenged the rejections and filed an appeal with the Provincial Tax Commission of Palermo ("CTP"). In its ruling of 28 December 2011, the Provincial Tax Commission of Palermo admitted the appeals and agreed to settle the refund claims. The tax authorities filed an appeal with the Regional Tax Commission. The appeal hearings were held on 6 July 2015. In a ruling filed on the same date, the Regional Tax Commission of Palermo has rejected the appeal filed by the Agency. The company has already notified the operative part of sentence to the Tax Office. The same Tax Office has notified the Company of the appeal to the Supreme Court on 25 July 2016. The company has therefore notified its defence to the Tax Office dated 30 September 2016 and filed at the Supreme Court on 12 October 2016. In view of the fact that such disputes are difficult to interpret, the company and the Group decided to write-down the amounts in previous periods.
Given the complexity of the litigation proceedings described above, the constant attitude of the Tax Office to them and the requests to repay VAT credits earned, together with the upcoming closure of the liquidation procedure, we decided to write down the entire VAT credit claimed in 2009 (EUR 489 thousand), along with the existing VAT credits earned that have not been claimed for the part that we currently believe will not be subject to compensation within the date set for closing the liquidation procedure (approx. EUR 710 thousand).

- **Tifeo Energia Ambiente ScpA (in liquidation)**

On 26 May 2016 the Tax Office notified its refusal to the VAT credit refund claim for 2008 filed in 2009 for EUR 2,206 thousand. On 22 July 2016, the company consequently filed an appeal of the denial act with the Palermo Provincial Commission. In view of the fact that such disputes are difficult to interpret, the company and the Group have decided to write-down the amounts.

On 27 June 2017, the Tax Office filed a notification of liquidation for stamp (and Land Registry) duties worth a total of EUR 579 thousand. The notification is in relation to the payment of taxation on the ruling filed in 11 September 2014 in which the Court of Enna closed the litigation between Tifeo and Gulino, ordering Tifeo to perform the sale agreement for the land in Enna and Assoro. The company, supported by legal counsel, decided to record an amount of EUR 51 thousand under liabilities for the stamp duty on the late interest that Tifeo would be required to pay Gulino. In contrast, the risk that the remaining EUR 528 thousand was seen as unlikely to be required, as relating to stamp (and Land Registry) duty on an amount previously subject to VAT.

- **Platani Energia Ambiente ScpA (in liquidation)**

On 1 December 2016 the Tax Office notified its refusal to the VAT credit refund claim for 2008 filed in 2009 for EUR 976 thousand. On 27 January 2017, the company has filed an appeal against the act of denial. In view of the fact that the dispute is difficult to interpret, the company and the Group decided to write down the amounts in previous periods.

Given the complexity of the litigation proceedings relating to these credits, the constant attitude of the Tax Office to them and the requests to repay VAT credits earned, together with the upcoming closure of the liquidation procedure, we decided to write down the existing VAT credits earned that have not been claimed for the part that we currently believe will not be subject to compensation within the date set for closing the liquidation procedure (approx. EUR 510 thousand).

- **Ecosesto SpA**

On 17 May 2017, the Tax Office - Cosenza Province launched a general inspection at the company's offices for the 2014 tax period, in order to check that tax, VAT, direct and regional taxation obligations had been correctly met. The Tax Office inspection resulted in an assessment in which the inspectors claim findings for a total of approximately EUR 190 thousand. Given the complexity of the subject, and the uncertainty of the litigation, the Company assessed the risk of losing as probable and has set aside the entire amount claimed, including sanctions and interest (EUR 243 thousand). On 23 November 2017, we presented briefs demonstrating that we acted correctly.

Relations with the Ministry of Economic Development, AEEGI and GSE:

- **Ecosesto SpA**

Ecosesto SpA filed an action with the TAR in Lazio in relation to the Rende plant requesting cancellation of: (i) the Ministry of Economic Development Decree of 20 November 2012, (ii) the Resolution of the Italian Regulatory Authority for Electricity and Gas of 29 April 2010 - PAS 9/10, where this is also extended to "selected initiatives" defined in article 3, paragraph 7 of Law 481 of 14 November 1995; (iii) and the correspondence from Gestore dei Servizi Energetici GSE SpA (GSE) of 14 December 2012, protocol P20120225478, addressed to Ecosesto SpA regarding the "*Adjustment of prices applicable to electricity sold to GSE in 2010 under sales agreements governed pursuant to CIP 6/92*" and protocol P20130001240 of 4 January 2013 regarding the "*Adjustment of prices relating to energy sold to GSE in 2010-2011 under sales agreements pursuant to CIP 6/92*". On 18 February 2013, the Ministry of Economic Development filed its summons of appearance in court. The date of the hearing is pending. The Group had charged the full amount in respect of the adjustments relating to 2010, 2011 and 2012 to the sundry risks provision in the 2012 Annual Report.

Ecosesto SpA is also waiting for the hearing to be scheduled in respect of an action filed on 23 April 2010 with the TAR in Lazio in order to be awarded a D coefficient of 1 rather than 0.9 as it is now IAFR qualified.

- **Ecosesto SpA**

With letter dated 11 March 2015, GSE has informed the company of the process to redefine the incentive tariff and recover sums received following the exclusion from the 2005 ISTAT revaluation of the above incentive tariff subsequent to implementation of the ruling of Plenary Meeting 9 of the Italian Council of State on 4 May 2012, that declared the amendments made to MD 28 July 2005 by MD 6 February 2006 to be legitimate, annulling the rulings of the Court of First Instance that had upheld this revaluation (ruling which subsequently formed the Council of State in decision of 30 July 2013). This notification was challenged by the company that requested a positive outcome for the process and the non-recovery of the sums received in respect of the ISTAT revaluation from 2007 on. In the definitive ruling issued on 23 November 2015 and received on 7 December 2015, the GSE rejected all of the challenges raised by the company and notified that steps had been taken to recover the higher sums received in respect of the ISTAT revaluation amounting to EUR 529 thousand. On 20 January 2016, the Company notified the appeal against the measure and, since the hearing date was not set, has provided, on 5 April 2016, to submit withdrawal/joint discussion motion for all the associated cases with the same scope. The Company set up a provision for the amount requested by the GSE in previous periods.

- **Actelios Solar SpA**

With letter dated 7 April 2015, GSE has informed the company of the start of the process for the recalculation of the incentive tariff and the recovery of sums in the meantime received following the exclusion of the ISTAT 2005 revaluation by the aforementioned incentive tariff, pursuant to State Council plenary meeting judgement no. 9 of 4 May 2012, which considered the changes made to MD 28 July 2005 by MD 6 February 2006 to be legitimate, annulling the rulings of the Court of First Instance that had upheld this revaluation (ruling which subsequently formed the Council of State in decision of 30 July 2013). This notification was challenged by the company that requested a positive outcome for the process and the non-recovery of the sums received in respect of the ISTAT revaluation from 2007 on. In the definitive ruling issued on 30 November 2015 and received on 7 December 2015, the GSE rejected all of the challenges raised by the company and notified that steps had been taken to recover the higher sums received in respect of the ISTAT revaluation amounting to EUR 19 thousand. On 20 January 2016, the Company notified the appeal against the measure and, since the hearing date was not set, has provided, on 5 April 2016, to submit withdrawal/joint discussion motion for all the associated cases with the same scope. In a letter dated 27 February 2016, GSE asked the company to pay the greater amount earned by way of ISTAT revaluation. The company has proposed additional motivations to the pending appeal (RG 1355/2016) in the communication dated 27 February 2016. The date of the hearing is pending. The Company set up a provision for the amount requested by the GSE in previous periods.

- **Prima Srl**

By resolution announced on 16 December 2016, the Authority for Electricity, gas and water system ("AEEGSI") approved the GSE proposal made on 24 March 2016 aimed to recalculate former Cip 6/92 incentives for the 2007-2014 recognised and already paid to the company for net electricity produced by the Trezzo sull'Adda plant on the assumption that the energy for incentives has been overestimated. Against this decision, the company filed an appeal on 14 February 2017 along with a request of stay. Following the precautionary hearing for the appeal held on 16 March, the Regional Court rejected the cautionary petition used to present the appeal. In a hearing on 20 July 2017, the Council of State accepted the company's appeal as *periculum in mora*, suspending the provisions appealed in the first degree and returning the case to the Regional Court for decision.

Furthermore, by letter dated 10 February 2017, GSE has informed the company that the same was recognised, for the period 2008-2012, Green Certificates not due. Against this decision, the company filed an appeal on 26 May 2017.

The company, on legal advice, decided to set aside EUR 6,638 thousand for probable risks of unfavourable outcome following the terms of the resolution.

- **Prima Srl**

Prima Srl filed an action with the TAR in Lazio in relation to the Trezzo sull'Adda WtE plant requesting cancellation of: (i) the Ministry of Economic Development Decree of 20 November 2012, (ii) the Resolution of the Italian Regulatory Authority for Electricity and Gas of 29 April 2010 - PAS 9/10, where this is also extended to "selected initiatives" defined in article 3, paragraph 7 of Law 481 of 14 November 1995; (iii) the correspondence from GSE of 18 December 2012, protocol P20120229091, addressed to Prima Srl regarding the "*Adjustment of prices applicable to electricity sold to GSE in 2010, 2011 and 2012 under sales agreements governed pursuant to CIP 6/92*". The date of the hearing is pending. The Group had charged the full amount in respect of the adjustments relating to 2010, 2011 and 2012 to the sundry risks provision in the 2012 Annual Report.

- **Ecosesto SpA-Eolica Petralia Srl-Eolica Sud Srl-Eolo 3W MM Srl-Geopower Sardegna Srl and Prima Srl**

On 30 June 2016, the mentioned companies filed an appeal with the Lazio Regional Administrative Court for the annulment and/or declaration of invalidity - even partial - and ineffectiveness of the Convention for the economic regulation of the incentive on "net generation incentive" for remaining period of entitlement, after 2015, for plants that have acquired the right to benefit from Green Certificates pursuant to articles 19 and 30 of the Decree of 6 July 2012 (so-called "GRIN Convention"), as well as the Technical Annex thereto. The hearing for the case has been set for 28 September 2018.

- **Geopower Sardegna Srl**

In January 2016, the GSE conducted a technical and administrative inspection for which we are waiting to receive communications from the same GSE. The GSE requested the Sardinia Region to clarify the authorisation procedure followed by the company. The Sardinia Region provided the clarifications requested (28 December 2017), based on which we are expecting the GSE to inform the company of the inspection findings.

Companies consolidated at equity:

- **Frullo Energia Ambiente Srl (ICI/IMU) vs. Unione dei Comuni Terre di Pianura**

On 30 March 2016, the Unione dei Comuni Terre di Pianura (Union of Municipalities Terre di Pianura) notified the related company Frullo Energia Ambiente Srl, a 49% subsidiary of Falck Renewables SpA and which is consolidated in accordance with the equity method, inviting it to attend a cross-examination in accordance with art. 5 of Italian Legislative Decree no. 218/97.
The procedure is aimed at preventively assessing the correctness of the land registry classification as category "E" for ICI/IMU tax purposes, for the years 2010-2015, of the waste-to-energy plant in the municipality of Granarolo (Bologna).
During the disputes arising in 2016, the company did not come to any agreement with the Unione dei Comuni Terre di Pianura, that on 20 December 2016 served a notice of assessment relating to the years 2010 and 2011.
On 2 January 2017 the same Unione dei Comuni Terre di Pianura notified suspension device as an internal review of the notice of assessment indicated above for the purpose of carrying out a specific inquiry initiated by the same. Following the negative outcome of the inquiry, on 7 April 2017 letters were received confirming the ICI assessment indicated above for the 2010 and 2011 tax periods, and the IMU-TASI assessment for the 2012, 2013, 2014 and 2015 tax periods. The total amount disputed for the years in question (2010 - 2015) amounts to approx. EUR 29.2 million, of which EUR 9.6 million for unpaid tax, EUR 19.2 million for sanctions and EUR 345 thousand for interest.
On 12 May 2017, the Company filed the relative appeals to the Bologna Provincial Tax Tribunal. On 19 December 2017 the hearing was held, and on 12 February 2018 decision 194/2018 was filed in relation to the years 2010 and 2011, in addition to decision 193/2018 for the years 2012, 2013, 2014 and 2015; these decisions rejected the appeals presented by the Company. We believe that the decisions are not well-founded and did not cover all the reasons for the appeal. The company's directors, backed by our lawyers, therefore believe that the risk of a negative outcome is only possible and have not recorded any expenses.

- **Frullo Energia Ambiente Srl ("FEA") vs. Ministry of Economic Development**

Subsidiary FEA filed an action with the TAR in Lazio in relation to the Granarolo dell'Emilia WtE plant requesting cancellation of: (i) the Ministry of Economic Development Decree of 20 November 2012, (ii) the Resolution of the Italian Regulatory Authority for Electricity and Gas of 29 April 2010 - PAS 9/10, where this is also extended to "selected initiatives" defined in article 3, paragraph 7 of Law 481 of 14 November 1995; (iii) the correspondence from GSE of 18 December 2012, protocol P20120229091, addressed to Frullo Energia Ambiente Srl regarding the "*Adjustment of prices applicable to electricity sold to GSE in 2010, 2011 and 2012 under sales agreements governed pursuant to CIP 6/92*". The action was notified and filed. The first hearing took place on 8

July 2014 following which the court adjourned the proceedings for final ruling. In the ruling made public on 17 September 2014, the TAR in Lazio did not admit FEA's appeal which the latter subsequently challenged before the Council of State that has not yet scheduled the hearing on the merits. The Company set up a provision for the amount requested by the GSE in previous periods.

- **Frullo Energia Ambiente Srl ("FEA") vs. AEEGSI**

With appeal filed with the Regional Administrative Court of Lombardy, FEA challenged with suspension request, the Resolution no. 527/2016 by which the AEEGSI endorsed the findings contained in the GSE Communication GSE/P20150105503 of 28 December 2015 and therefore ordered the Fund for energy and environmental services (CSEA) to proceed with the administrative recovery from FEA of sums which, according to the provider, would have been wrongly earned in relation to electrical energy produced by the incinerator located in Granarolo and from this fed into the grid and entitled to incentives as produced by a plant powered by renewable sources.
According to GSE's assumption, the 4.9% attributable to ancillary services, although foreseen by agreement, would be not representative of the amount of electricity absorbed by the auxiliary services, transformation losses and transport as all plant electrical utilities must be classified as ancillary services. Consequent to this erroneous reasoning, the electricity produced by the plant and entitled to incentives under the Cip 6/92 Convention was overestimated.
In particular, GSE's assumption according to which all the electrical utilities underlying the connection point are classifiable as ancillary services appears questionable since the determination of the equipment to consider as plant ancillary services and the proportion of energy to be attributed to such equipment were verified by the provider at that time, excluding services not functional to the production of electrical energy from ancillary services, which today, by contrast, were included in the calculation of the amounts to be recovered from FEA.
At the hearing on 17 January 2017, at the suggestion of the presiding judge, it was decided to proceed by filing a request for withdrawal in order to set the hearing in the near future, with the possibility, pending, to introduce precautionary action where the savings and loan bank should proceed with the recovery of the incentive considered in excess. On 2 May, FEA presented an appeal on additional grounds, along with a motion to suspend the payment notification no. 2266 dated 1 March 2017 from the Fund for energy and environmental services (CSEA) for EUR 4,916,150 for surplus incentives paid according to the AEEGSI calculations, which we believe are incorrect. For these additional grounds, the Company also requested damages for the amount of the difference between the surplus incentives paid by the GSE from 18 November 2011 to 31 December 2015 and the amounts paid by the Company in the same years for the purchase of energy used by the incinerator, on top of the taxes paid. The Milan regional court (TAR) set a public hearing to discuss the case on 30 May 2018. The company charged the amount requested by GSE.

- **Frullo Energia Ambiente Srl ("FEA") vs. GSE**

With appeal filed with the Regional Administrative Court of Lombardy, FEA challenged, requesting cancellation, the provisions of GSE prot. GSE/P20160092819 of 24 November 2016, concerning "Control activities through verification and inspection carried out 28-29 May 2015 pursuant to article 42 of Legislative Decree no. 28/2011 on the power plant powered by waste called "CTV2" - IAFR 2160. Outcome Communication", prot. GSE/20160099808 of 15 December 2016, entitled "Control activities through verification and inspection carried out on 28-29 May 2015 pursuant to article 42 of Legislative Decree no. 28/2011 on the power plant powered by waste called "CTV2" and identified with the number IAFR 2160 - commercial continuation", and prot. GSE/P20160041049 6 April 2016, concerning "Control activities through verification and inspection carried out 28-29 May 2015 pursuant to article 42 of Legislative Decree no. 28/2011 on the power plant powered by waste called "CTV2" - IAFR 2160. Request for observations and documentation of evidence discovered". In particular, the GSE with the provision prot. GSE/P20160092819 informed FEA of the distribution of 11,898 excess Green Certificates that would have been unduly received by FEA in the period 2006-2014, while provision prot. GSE/20160099808 quantified the value of the Green Certificates as EUR 1,134 thousand, requesting FEA return them.
The date of the hearing is pending. The company charged the amount requested by GSE.

c) External risks

Operating in the renewables sector, which is heavily regulated and not always predictable, requires the Group to keep abreast of changes in legislation, thus allowing it to implement the best solutions. The directives and regulations on renewables issued both at European and national level can have a significant impact on the Group's activities and results. These regulations govern, inter alia, both plant construction (regarding both construction and administration authorisations), and operation together with production incentives and environmental aspects (regulations relating to the landscape and noise pollution).

On the Community level, on 30 November 2016, the European Commission presented the so-called "energy package" containing the DG Energy proposal concerning renewables, energy efficiency, the internal electricity market, biofuels, Union energy governance and supply security, for the 2020-2030 period. This package is currently being discussed by the European Parliament and Council, and will be put to the vote during 2018.
While the Parliament appears to be more ambitious in terms of target penetration for renewables, the Council has agreed to accept the target of 27% by 2030 proposed by the Commission.

There have been many regulatory interventions that have changed, in general less favourably, the incentive mechanisms, primarily in Spain where the incentives for Group plants have been cancelled, but also in the United Kingdom where, from August 2015, the exemption from the Climate Change tax was abolished that represented, through the LECs mechanism (certificates related to the exemption), an additional remuneration for renewable plants, or in Italy where, for example, Law 116/2014, so-called "Spalma-incentivi", reduced incentives in the photovoltaic sector by 8%[4].

It is appropriate to emphasise the risks associated with the progressive change in the renewable energy market scenario, always monitored by the Group, which appears to be characterised by a process of increased competition and gradual reduction of the advantages offered to the sector itself.

Combined with this scenario, it should also be considered that despite enjoying several incentives, the renewables sector is also subject to potential decreases in energy prices due to differing and concurring factors (for example macroeconomic and regulatory). These dynamics mainly affect some of the countries where the Group operates, i.e. the UK, Spain and Italy, while the new rate scheme in France (based on the Contracts for Differences) protects against drops in electricity prices, although the use of the competitive auction system could lead to a fall in prices for some types of plant.

In Italy, the situation is constantly evolving, and the electricity market is likely to be reviewed and reformed in upcoming years.

Regarding the imbalances, from 1 September 2017 the new system for calculating aggregated zonal imbalances introduced by the Authority with resolution 419/2017/R/eel dated 8 June 2017 came into effect. The resolution effectively makes it more complicated for operators to forecast and take advantage of the zonal sign, as well as introducing a no-arbitrage macro-zonal fee from 1 July 2017, while maintaining the single price for all non-enabled units.

The conversion of the Milleproroghe Decree 244, dated 30 December 2016, consolidated the new regime for general system fees. In detail, these only apply to withdrawals from the network. Although the regulation extends the systems that benefit from these tariff benefits, it is not yet certain that the approach will be continued in the future.

Moreover, by publishing resolution 922/2017/R/eel, the Authority has completed the reform of the general system fee tariff structure for non-residential clients. This reform changes the weight of the fixed and variable parts of the general system fees from 1 January 2018, and will affect energy efficiency measures and self-provision initiatives, whose remuneration structures depend on the structure of the bills issued to end users.

[4] For more information, see section "Regulatory Framework"

Lastly, on 10 November 2017 the National Energy Strategy (SEN) was brought in with the signature of the Interminsiterial Decree by the Ministers of Economic Development and the Environment, land and sea.
This strategy has several positive aspects for the development of renewables and energy efficiency, although the future of the implementation decrees remains uncertain, while awaiting the political elections on 4 March 2018.

In other countries, the incentive systems for new plants, as has already happened in Italy, are moving towards the competitive bidding mechanism with respect to incentive schemes based on a "Feed-in" system. In France for example, following the publication of the "Energy and Transaction Act" dated 18 August 2015, the incentive scheme (FiT) was phased out in favour of the new one based on so-called "Contracts for differences", which involves the recognition of a premium for the producer compared to the market price on the basis of a contract with an obligated off-taker. In the UK, the ROC (Renewable Obligation Certificate) is no longer issued to new projects and has now been replaced with a Contracts for Differences (CfD) mechanism that involves a competitive auction process held periodically to allow projects to stipulate long term contracts for the sale of electricity at a strike price set by the government based on the technology in question. However, the only CfD auction held in 2017 was only open to "less established technologies" such as offshore wind, therefore excluding onshore wind and solar projects from participating. The UK government has not yet announced any new auctions in 2018, although recent announcements on spending have confirmed that funding is available for a new auction, which could theoretically include onshore wind and solar. We remain confident that the UK government will open another auction phase for more advanced technologies such as onshore wind and solar.
The recent Ofgem (Office of Gas and Electricity Markets) consultation to review the calculation method for so-called Embedded Benefits (relating to the incorporation of generation plants in the distribution network) confirmed that they will fall over time. At the same time, following an investigation by the competition and markets authority (CMA), some changes were made to network tariffs in order to finance the balancing system (so-called "*BSUoS charges*"). Until now, these tariffs were socialised, without considering the location in the calculation. However, geographic location will become a factor for the calculation in 2018, meaning that a generation plant located in Northern Scotland will have higher tariffs than a similar plant in Southern England.
Ofgem is planning to completely overhaul the "network charging" system, although it will be quite some time before any changes will come into effect.

Lastly, regarding the US, despite President Trump's bill signed in March 2017 to review the Clean Power Plan, introduced by Obama, no particular issues have been found by the Group when operating in this market.
The Tax Bill, signed by the president on 22 December 2017, has also not had any negative impact on the tax credits for solar projects (Investment Tax Credit - ITC).

The Group constantly monitors the market and anticipates developments in order to mitigate, as much as possible, any negative impact and acts accordingly either by adapting its business management tools, establishing business partnerships and agreements or through the geographical diversification of its investments.

d) Strategic risks

The sources of energy used in this sector lead to highly variable production levels, due to the diverse climatic conditions of the locations of the wind farms and photovoltaic plants (including sun and wind), and production forecasts that are based on historic data and probability estimates. In particular, electricity generation from wind and solar sources, which represent a significant percentage of the Group's business, are associated with "non-programmable" climatic factors that are affected by seasonality during the year and do not generate constant production levels. Adverse climatic conditions, specifically long periods of low wind levels for the wind farms and low levels of sun rays for the photovoltaic plants compared to levels recorded during the development stages (regarding the availability of the source and forecast climatic conditions), could result in a drop in, or interruption of, the plant's activities with a fall in the volume of electricity generated and a negative impact on productivity and the Group's operating results, state of affairs and financial position. The Group mitigates this risk by installing new sites in diversified geographic areas and monitoring performance using historic data in order to identify sites of potential interest. The Group periodically updates future production forecasts for individual wind farms, taking into account both the actual wind conditions at the various sites and their technical operations, historically recorded. This procedure is applied to all plants that have been in service for at least five years, while for more

recent plants, forecast production is based on third party estimates carried out by a market leader in wind level assessment. Over the coming years other plants will be included in the estimate update procedure once they have reached five years' operating activity, while those plants already included in the process will undergo further recalculations based on historical data over a longer timeframe.
The technology used to generate electricity from renewable sources is subject to continuous development and improvement in the quest to achieve greater efficiency. The Group cannot guarantee that the technology and materials currently used in its plant portfolio will allow them to function effectively and efficiently over time in order to keep up with competition and developments in the regulatory framework. In order to mitigate this risk, the Group actively reviews technological innovation in this field and evaluates the best technology and technical solutions to adopt at the time of developing and renewing its plant facilities.

While expanding the scope of its operations, the Group has begun despatching the energy produced by selected plants in order to increase the efficiency of production flows: it is impossible to exclude the risk deriving from the different level of remuneration between the binding day-ahead market program and the energy actually fed in to the grid, with a potential increase in balancing costs. In order to mitigate this risk, a specific area was set up in the Energy Management function with the aim of programming the plants using the best forecasts possible.

Given the level of knowledge and skills that are required to run the Group's business, particularly in light of the business model that envisages new business development and markets (in line with the business plan presented to the market at the end of November 2016), the aspects linked to managing and fostering key professional skills have also been identified following service sector growth. To cover this potential risk aspect, the Group implements, among other things, talent recruitment processes and has also completed the preliminary analysis of the distinctive capabilities of "critical" internal resources aimed at defining the training plan to cover any skill gaps and succession plans for the same resources: the analysis in question will be updated in-depth both as regards the development of activities business (together with the expected growth in line with the business plan guidelines illustrated to the market on November 12 on Capital Market Day) and based on the new organisational requirements. A new training plan is currently being drafted for the entire Group.
The Group has set up a Long Term Incentive Plan for the 2017-2019 period for the CEO and some Group managers. The Plan is divided into two components - 50% stock options ("Share Plan") and 50% cash ("Cash Plan"). The Falck Renewables SpA Shareholders' Assembly of 27 April 2017 has approved the new incentive plan for the 2017-2019 period, which will see the free assignment of a maximum no. 1,500,000 ordinary company shares, equal to a maximum of about 0.515% of the Company's share capital, to the CEO and certain Group managers.
The Share Plan is subject to the acceptance of two conditions: (i) performance related to the sustainability of the Group's balance sheet expressed by the relationship between Net Financial Position and EBITDA; and (ii) the existence of the relationship between the beneficiary and the company. The Cash Plan, on the other hand, is subject to: (i) achieving a financial target for EBITDA over the three years 2017-2019; and (ii) achieving both of the Share Plan conditions.
On 31 December 2017 the Falck Renewables SpA CEO received 591,000 shares under the Share Plan, and some Group managers received 478,986 shares, in addition to bonuses under the Cash Plan for a total of EUR 1 million, subject to achieving 100% of the three-year target.

e) Operating risks

The risks relating to operating plants principally relate to the efficiency of the workforce and the operation and maintenance of the Group's proprietary plants to harness the optimum capacity and efficiency of each plant over the relevant useful life. The management and safety of the Falck Renewables Group's plants is carried out in compliance with the Integrated Environmental Authorisation and authorisations required by law in the various countries in which the Group operates and is under the supervision of the Health and Safety Executive/Compliance division. In the event that plant management, technology and/or materials used were no longer efficient, some, or all, of the Group's owned plants may suffer a drop in the volume of electricity produced with a consequent negative impact on the Group's results, state of affairs and financial position. The Group actively oversees these potential risk areas and constantly monitors plant Operation and Maintenance activities to ensure full compliance with applicable regulations and optimum levels of efficiency and effectiveness when the plants are in service.

f) Risk relating to the result of the British referendum on remaining in the European Union ("Brexit")

At 31 December 2017, the Falck Renewables Group had twelve operating plants in the United Kingdom (of which one in England for 11.75 MW, ten in Scotland for a total 342.75 MW, and one in Wales for 58.5 MW) for a total installed capacity, calculated at 100%, of approximately 413 MW (approximately 45% of the Group's total productive installed capacity of 913 MW). The remaining installed capacity is situated in Italy (343 MW), the US (92 MW), France (42 MW) and Spain (23 MW). Please also remember that of the twelve plants in operation in the UK, six plants, with a total of 273 MW, were subject to 49% transfer in March 2014 to CII Holdco (share 134 MW).

Given the importance of the Falck Renewables Group presence in the UK, we note the potential risks relating to the result of the referendum held on 23 June 2016, in which the majority of voters were in favour of the UK leaving the European Union ("Brexit").

After the initial impact of the referendum in June 2016 resulted in a sharp volatility and reduction in European share prices, especially Italian (including Falck Renewables SpA), European stock market prices recovered in 2017 (including Falck Renewables SpA) and the GBP, which however, lost ground against the EUR in the second part of the year, mainly due to increasing uncertainty caused by the recent elections held in the UK on 8 June 2017 and the resulting difficulty in Brexit negotiations with the European Union.

Doubts over the result of the UK elections and the potential impact on negotiations with the EU effectively prevented operators from forecasting future geopolitical, economic, financial, tax and industrial scenarios, including in relation to the British electricity market and renewable energy development and incentive strategies in the UK after Brexit.

The UK government, after formally invoking Article 50 of the Lisbon Treaty and requesting to leave the European Union, began discussing some of the issues with its EU partners, including an estimate of the financial cost for the UK of leaving the EU. A substantial agreement was reached to begin the so-called phase "two" of negotiations, covering the trade deals between the EU and the UK after the latter has left the single European market. Following the less than encouraging results of the 8 June elections, the British Prime Minister proceeding to a cabinet reshuffle in January 2018 in order to relaunch the party and strengthen her leadership before beginning the new phase of negotiations, seeking a satisfactory agreement on the future of trade relations between the UK and the EU.
While in view of the mutual interest of both sides and considering the high volume of trade, the exit process that will begin in 2018 will be long and possibly difficult, and will coincide with the elections in some EU countries.

It is therefore impossible to exclude the risk of volatility on the financial markets in the near future, including interest rates and the exchange rate for the £, which may lead to policies that are less favourable to the renewable energy sector and a tightening of credit conditions; for the moment, however, there is no sign of any of the above, given the openness towards clean energy by some members of the British government and the liquidity of the credit market.

The financial effects could possibly spread to EU member states, especially those with high levels of government debt, high exposure in the banking sector or weaker economies or parliamentary or presidential elections in 2018 (in a climate not particularly favourable to the European monetary union) and could lead to an economic downturn that, in addition to affecting the UK, could affect other countries with effects on exchange rates, interest rates but also prices and electricity tariffs.

More in particular, with reference to the Falck Renewables Group operating plants, income earned in GBP will be used to service the debt in the same currency and which the Group has continued to access both in 2016 and 2017 in the form of project financing at decidedly favourable conditions for the plants that came into operation after the Brexit referendum.

The Company will continue to monitor medium and long-term indicators and any decisions that could affect the UK electricity market as well as the evolution of the GBP exchange rate which, in the event of devaluation, could have a positive impact on the Group's debt in GBP while also negatively affecting the financial indicators, net equity and future cash flow from UK assets that are converted, even in translation, into EUR.

5.2.12 Significant events after the balance sheet date

Through its Swedish subsidiaries, Falck Renewables has signed two contracts with the Nordex group for a total of approximately EUR 121.7 million for the supply of 31 N131/3900 wind turbines and the relative infrastructural, civil and electrical works on an EPC arrangement for the construction of the two recently acquired projects in Åliden and Brattmyrliden. The preliminary works have begun and activities will intensify during 2018 and 2019. The Åliden plant will be started up in the last quarter of 2019, while Brattmyrliden is planned for the last quarter of 2020.

On 14 February 2018, Falck Middleton LLC, a 100% subsidiary of Falck Renewables North America Inc set up in 2018, purchased a solar project of approximately 5.99 DC MW in Middleton (Massachusetts, USA) from the developer HG Solar, and signed an EPC agreement (Engineering, Procurement and Construction) with Conti Solar. The project is ready for construction, and will require an investment of USD 10.7 million to fund all the purchase, development and construction costs. The plant will come into operation in 2018. The plant will supply electricity to the Middleton Electric Light Department on the basis of a long-term PPA (Power Purchase Agreement), and may also sell Renewables Energy Credit sin Massachusetts and receive Federal Investment Tax Credit Incentive (ITC).

5.2.13 Management outlook and going concern

The Group's 2018 results will benefit throughout the year from the production of the Auchrobert wind farm (36 MW), which came into operation at the beginning of the second quarter of 2017, the Innovative Solar (92 MW) solar farm in North Carolina, which became part of the Group's installed capacity on 1 December 2017, and the Middleton plant, which will begin production in 2018.

The business plan presented to the market on 14 November 2016 and updated on 12 December 2017, to which we refer for further details, involves: (i) strong growth in our assets combined with attention to financial solidity; (ii) renewed attention to markets in Southern Europe and North America; and (iii) an increase in volumes and business targets for services, with a focus on asset management for renewable energy plants, energy management and energy efficiency, stepping up the internal digital platform.

We are currently evaluating some investment dossiers in the geographic areas indicated in the plan.

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

5.3 Operating and financial review of Falck Renewables SpA

5.3.1 Financial highlights

		EUR thousands	EUR thousands
		31.12.2017	31.12.2016
Revenue		138	456
Cost of sales			
Gross profit/(loss)		**138**	**456**
Operating profit/(loss)		**(25,903)**	**(13,654)**
Profit for the year		**27,850**	**20,609**
Invested capital net of provisions		431,440	226,492
Equity		486,344	473,654
Net financial position - indebtedness/(asset)		**(54,904)**	**(247,162)**
Investments		**294**	**1,027**
Employees at the period-end	(no.)	94	90
Ordinary shares	(no.)	291,413,891	291,413,891

5.3.2 Performance and review of business

The Company recorded a profit for the year of EUR 27,850 thousand in 2017, after amortisation and depreciation of EUR 498 thousand and taxes of EUR 5,572 thousand.

The net result was affected by dividends (EUR 46,019 thousand) which rose compared to 31 December 2016 by EUR 15,233 thousand; an increase in services due to the rise in management costs to support development initiatives in new markets (EUR 3,740 thousand) and higher allocations net of reversals (EUR 7,129 thousand).

The financial position was a net asset of EUR 54,904 thousand, compared to EUR 247,162 thousand at 31 December 2016. This reduction was mainly due to the investments in the Eolo 3W Minervino Murge Srl, Eolica Sud Srl, Geopower Sardegna Srl and Eolica Petralia Srl by Falck Renewables Wind Ltd following a corporate restructuring in the Falck Renewables group. This led to expenses of EUR 147.8 million and investments/capital injections in companies acquired in Sweden, the Netherlands, Norway, Italy and the US for a total of EUR 49.6 million. The dividends received from subsidiaries, worth EUR 47 million, net of the dividends distributed to our shareholders for EUR 14.2 million and operating costs partly offset the effect on net profit.

It should be noted that on 28 May 2015 Falck Renewables SpA repaid a loan early for an original amount of EUR 165 million (Corporate Loan) and on 12 June 2015 signed a new loan agreement for EUR 150 million expiring on 30 June 2020. At 31 December 2017, the new Corporate Loan had not been used and therefore no interest rate hedging operation has been arranged.

The net financial position also includes the positive fair value of the derivatives to hedge interest rate and foreign exchange risks for EUR 90 thousand.

5.3.3 Employees

The total number of Company employees at 31 December 2017 was 94 comprising 27 managers and 67 white collar workers, representing an increase of 4 compared to the total at 31 December 2016.

5.3.4 Capital expenditure

Capital expenditure amounted to EUR 294 thousand, comprising EUR 240 thousand on intangible assets for the purchase of operating software licences, while expenditure on property, plant and equipment amounted to EUR 54 thousand.

5.3.5 Directors, statutory auditors, key managers and their interests

In accordance with Consob Resolution 18049 of 23 December 2011 that repealed article 79 of the Listing Rules and the ensuing Resolution 18079 of 20 January 2012, repealing appendix 3C of the same rules, disclosures relating to the interests of directors, statutory auditors and key managers with strategic responsibilities are outlined in the Remuneration Report in compliance with article 123 *ter* of the Consolidated Finance Act.

5.3.6 Related party transactions

Relations with subsidiaries and associates

Falck Renewables SpA carries out arm's length transactions of both a trade and financial nature with its subsidiaries and associates.
These transactions allow for Group synergies to be achieved through the use of common services and know-how and the application of common financial policies.
In particular, the transactions relate to specific activities, details of which are provided in the notes to the financial statements and include:

- Raising finance and issuing guarantees;
- Administrative and professional services;
- Management of common services.

Relations with the parent company Falck SpA

Falck SpA, which is in turn 65.96% owned by Finmeria Srl, held a 61.77% stake in the Company at 31 December 2017 and no transactions of an economic or financial nature take place with the former.

Falck Renewables SpA performs professional services and manages shared services for the parent company Falck SpA. A contract is also in place governing use of the Falck trademark.

The Company also participates in the consolidated tax regime and the Group VAT return with its parent company Falck SpA.

Subsequent to Consob's communication issued on 24 September 2010 detailing the position on related party transactions pursuant to Consob regulation 17221 of 12 March 2010 and ensuing amendments, the board of directors of Falck Renewables SpA approved the procedure governing related party transactions on 12 November 2010.

5.3.7 Direction and coordination activities

In accordance with article 2497-bis, paragraphs 1 and 5 of the Italian Civil Code, we inform you that the Company is directed and coordinated by the parent Falck SpA. The activities performed are of a commercial nature as noted above, and resulted in EUR 202 thousand of income relating to management services (EUR 183 thousand), recharged insurance expenses (EUR 11 thousand) and extraordinary income (EUR 8 thousand). Charges made by Falck SpA for a total of EUR 780 thousand for the use of the Falck brand negatively impacted the operating result.

The provisions of article 37 of Consob Regulation 16191/2007, letters a), b) and c), point i) (as envisaged by article 2.6.2, paragraph 9, of the Listing Rules defined and managed by Borsa Italiana SpA) have been disclosed.

5.3.8 Holding of own shares or parent company shares

In compliance with article 2428, paragraph 2, point 3 of the Italian Civil Code, the Company declares that at 31 December 2017 it held 1,510,000 own shares with a face value of EUR 1,510,000, representing 0.5182% of share capital.

The carrying value is EUR 1,438,186 corresponding to an average share price of EUR 0.9524.

The Shareholders' Meeting of 16 January 2017 authorised the purchase and distribution of treasury shares and start of the share buyback program.
The company may purchase a maximum of 5,828,277 ordinary shares in Falck Renewables, corresponding to 2% of the share capital, taking into account the treasury shares held by the company on 16 January 2017 (460,000, corresponding to 0.1579% of the share capital) in compliance with legal and regulatory requirements as well as market practices currently in force, as applicable.

In 2017, based on the new treasury share purchase scheme approved by the Assembly on 16 January 2017, a further 1,050,000 shares corresponding to 0.3603% of the share capital were purchased. A total of 1,510,000 shares are now held corresponding to 0.5182% of the share capital at an average value per share of EUR 0.9524.

No subsidiaries held shares in Falck Renewables SpA at 31 December 2017, either through trust companies or third parties.

5.3.9 Purchase and sale of own shares or parent company shares

In accordance with Article 2428, paragraph 2, point 4 in the Italian Civil Code, we inform you that during 2017 the company

- purchased 1,050,000 shares corresponding to 0.3603% of share capital;
- did not purchase or sell any shares or holdings in parent companies.

5.3.10 Share schemes

The Shareholders' Assembly on 27 April 2017 approved, at the end of a process that also involved the human resources committee, the "2017-2019 stock grant plan" (the "Share Plan") addressed to the Chief Executive Officer and to managers and employees with key roles within the Company and its subsidiaries as per art. 114-bis of Leg. Dec. of 24 February 1998, no. 58 ("TUF").
The Share Plan, with a duration of three years, is intended for the free assignment of a maximum no. 1,500,000 ordinary company shares to beneficiaries, equal to a maximum of about 0.515% of the Company's share capital, subject to the acceptance of two conditions (i) performance related to the sustainability of the Group's balance sheet expressed by the relationship between Net Financial Position and EBITDA (ii) the existence of the relationship between the beneficiary and the company.
The Share Plan, which is part of the Long Term Incentive Plan[5] along with the Cash Plan, is in line with that announced during the Capital Markets Day on 29 November 2016, and was confirmed in the business plan presented to the market on 12 December 2017. It aims to encourage beneficiaries to pursue medium-long term earnings and align the interests of beneficiaries with those of the Company and other shareholders.
The plan will be implemented with company treasure shares already in the portfolio or purchased under art. 2357 of the Italian Civil Code.
In April 2017, the incentive plan for the CEO of Falck Renewables SpA was put into effect with 591,000 shares. In the following months, some Group managers were also granted a total of 478,986 shares.

5.3.11 Corporate governance and Code of Self Discipline

Falck Renewables SpA complies and conforms to the Code of Self Discipline drawn up by the Corporate Governance Committee of Borsa Italiana SpA, as amended in July 2015 to reflect recommendations therein and updated to reflect the Group's particular circumstances.
The report on Corporate Governance and Corporate Structure (the Report) provides an overview of the Group's adopted corporate governance model and discloses information regarding the ownership structure and compliance with the Code of Self Discipline, comprising the key governance principles implemented and the risk and internal control management system that oversees the financial disclosure process. This Report is provided as an appendix

[5] For further information, refer to paragraph "5.2.11 Risks and uncertainties - d) strategic risks".

to the financial statements and follows the same reporting timetable as the latter and is available on the Company website www.falckrenewables.eu in the corporate governance section dedicated to Shareholders Assemblies.

5.3.12 Participation in the opt-out regime

The Board of Directors, given the regulatory simplification introduced by the CONSOB in resolution 18079 dated 20 January 2012, resolved on 18 January 2013 to take part in the opt-out scheme described in articles 70 paragraph 8 and 71 paragraph 1-bis of the Listing Rules no. 11971/99 (and subsequent modifications and amendments). As a result, the Company is not required to meet the obligations to publish the information documents required for significant mergers, spin-offs, capital contributions in kind, purchases and sales.

5.3.13 Legislative decree 231/2001

The Company has adopted an Organisation and Operations Manual as per Legislative Decree 231/2001, tailored to meet the specific requirements of Falck Renewables SpA and aimed at ensuring that the Company carries out its business correctly and transparently thus safeguarding its stakeholders.
The Supervisory Board, as per Legislative Decree 231/2001 is made up of two external components, Giovanni Maria Garegnani, as chairman, and Luca Troyer, in addition to an internal member, Siro Tasca, in charge of the company's Internal Audit department.

5.3.14 Proposed appropriation of profit for the year

Dear Shareholders,

Your company's financial statements at 31 December 2017 closed with a net profit of EUR 27,850,279.83.

We propose to allocate this profit as follows:

	(EUR)
At 289,903,891 ordinary shares (*) Euro 0.053	15,364,906.22
Retained earnings carried forward	12,485,373.61
Total 2017 profit for the year	**27,850,279.83**

(*) net of 1,510,000 own shares held.

On behalf of the board of directors
The Chairman
Enrico Falck

Milan, 8 March 2018

6. Consolidated financial statements as of 31 December 2017

6.1 Consolidated balance sheet

(EUR thousands)

		Notes	31.12.2017	*of which related parties*	31.12.2016	*of which related parties*
Assets						
A	**Non-current assets**					
1	Intangible assets	(1)	107,135		96,542	
2	Property, plant and equipment	(2)	1,024,885		957,644	
3	Investments and securities	(3)	265		28	
4	Investments accounted for using the equity method	(4)	21,865		20,456	
5	Medium/long-term financial receivables	(5)	12,251	11,239	1,189	
6	Deferred income tax assets	(8)	27,352		25,907	
7	Other receivables	(7)	1,081		1,823	
	Total		**1,194,834**		**1,103,589**	
B	**Current assets**					
1	Inventories	(9)	4,932		4,518	
2	Trade receivables	(6)	103,304	376	84,686	257
3	Other receivables	(7)	25,561	9,304	42,941	11,563
4	Short-term financial receivables	(5)	1,720	1,542	189	
5	Securities					
6	Cash and cash equivalents	(10)	261,517		256,611	
	Total		**397,034**		**388,945**	
C	**Non-current assets held for sale**					
Total assets			**1,591,868**		**1,492,534**	
Liabilities						
D	**Equity**					
1	Share capital		291,414		291,414	
2	Reserves		136,459		152,515	
3	Retained earnings					
4	Profit for the year		20,350		(3,935)	
	Total equity attributable to owners of the parent	(11)	**448,223**		**439,994**	
5	Non-controlling interests		49,514		35,865	
	Total equity	(11)	**497,737**		**475,859**	
E	**Non-current liabilities**					
1	Medium/long-term financial liabilities	(14)	769,946	1,309	753,169	2,997
2	Trade payables	(15)	3,722		4,072	
3	Other non-current liabilities	(16)	45,556	2,876	5,023	
4	Deferred income tax liabilities	(8)	27,516		18,231	
5	Provisions for other liabilities and charges	(12)	76,265		65,815	
6	TFR (Staff leaving indemnity)	(13)	4,017		3,892	
	Total		**927,022**		**850,202**	
F	**Current liabilities**					
1	Trade payables	(15)	43,142	499	62,237	62
2	Other payables	(16)	34,527	12,936	37,184	11,328
3	Short-term financial liabilities	(14)	89,259	1,254	66,776	3,952
4	Provisions for other liabilities and charges	(12)	181		276	
	Total		**167,109**		**166,473**	
G	**Liabilities attributable to non-current assets held for sale**					
Total liabilities			**1,591,868**		**1,492,534**	

No significant non-recurring transactions occurred during 2017.

Related party transactions are disclosed on page 114.

6.2 Consolidated income statement

(EUR thousands)

		Notes	2017	2017 of which related parties	2016	2016 of which related parties
A	Revenues	(17)	288,619		249,622	
	Direct labour costs	(18)	(12,693)		(11,423)	
	Direct costs	(19)	(148,336)		(139,623)	
B	Cost of sales		(161,029)		(151,046)	
C	**Gross profit**		**127,590**		**98,576**	
	Other income	(20)	4,524	358	7,107	576
	Other employee costs	(18)	(16,280)		(15,537)	
	Administrative expenses	(21)	(40,470)	(783)	(30,502)	(700)
D	**Operating profit**		**75,364**		**59,644**	
	Financial income/(expenses)	(22)	(35,265)	(278)	(41,374)	(802)
	Investment income/(expenses)	(23)	45		(79)	
	Share of profit of investments accounted for using the equity method	(24)	2,284	2,284	1,160	1,160
E	**Profit before income tax**		**42,428**		**19,351**	
	Income tax expense	(25)	(10,362)		(17,486)	
F	**Profit for the year**		**32,066**		**1,865**	
G	Profit attributable to non-controlling interests		11,716		5,800	
H	**Profit/(loss) attributable to owners of the parent**		**20,350**		**(3,935)**	
	Diluted earnings per share attributable to owners of the parent	(11)	*0.070*		*(0.014)*	

No significant non-recurring transactions occurred during 2017.
Related party transactions are disclosed on page 126.

6.3 Consolidated statement of comprehensive income

(EUR thousands)

		2017			2016		
		Gross	Taxes	Net	Gross	Taxes	Net
A	**Profit for the year**	**42,428**	**(10,362)**	**32,066**	**19,351**	**(17,486)**	**1,865**
	Other items of comprehensive income *Other items of comprehensive income that will be subsequently reclassified to profit/(loss) for the year net of tax*						
	Foreign exchange differences on translation of overseas financial statements	(6,804)		(6,804)	(29,204)		(29,204)
	Fair value adjustment of available-for-sale financial assets	(139)	34	(105)			
	Share of other comprehensive income of investments accounted for using the equity method	142		142	175		175
	Fair value adjustments of derivatives designated as cash flow hedges*	12,154	(3,058)	9,096	744	(1,171)	(427)
B	**Total other items of comprehensive income that will be subsequently reclassified to profit/(loss) for the year net of tax**	**5,353**	**(3,024)**	**2,329**	**(28,285)**	**(1,171)**	**(29,456)**
	Other items of comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of tax						
	Other items included in equity concerning associated and joint venture companies measured with the equity method	(37)		(37)	(328)		(328)
	Balance of actuarial gains/(losses) on employee defined benefit plans	(10)		(10)	(94)		(94)
C	**Total other items of comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of tax**	**(47)**		**(47)**	**(422)**		**(422)**
B+C	**Other comprehensive income**	**5,306**	**(3,024)**	**2,282**	**(28,707)**	**(1,171)**	**(29,878)**
A+B+C	**Total comprehensive income for the year**	**47,734**	**(13,386)**	**34,348**	**(9,356)**	**(18,657)**	**(28,013)**
	Attributable to:						
	- Owners of the parent			23,296			(19,216)
	- Non-controlling interests			11,052			(8,797)

* Inclusive of the effects of changes in tax rates

6.4 Consolidated statement of cash flows

(EUR thousands)

	Notes	2017	2017 *of which related parties*	2016	2016 *of which related parties*
Cash flow from operating activities					
Profit for the year		32,066		1,865	
Adjusted for:					
Amortisation of intangible assets	(19) - (21)	935		1,002	
Depreciation of property, plant and equipment	(19) - (21)	58,428		63,945	
Impairment/(revaluation) of intangible assets	(19) - (21)	2,953		937	
Impairment/(revaluation) of property, plant and equipment	(19) - (21)	(2,495)		(1,210)	
Write-down of non-current assets				23	
Staff leaving indemnity provision	(18)	791		752	
Fair value of investments and other securities					
Financial income	(22)	(4,152)	(42)	(20,179)	(57)
Financial expenses	(22)	39,417	321	61,553	859
Dividends					
Share of profit of investments valued using equity method	(24)	(2,284)	(2,284)	(1,160)	(1,160)
(Gain)/loss on sale of intangibles					
(Gain)/loss on disposal of property, plant and equipment					
(Gain)/loss on sale of investments					
Investment (income)/expenses	(23)	(45)		79	
Other changes		1,762		3,313	
Income tax expense (income statement)	(25)	10,362		17,486	
Operating profit before changes in net working capital and provisions		**137,738**		**128,406**	
Change in inventories	(19)	(414)		350	
Change in trade receivables		(18,375)		25,893	
Change in trade payables		(20,809)		20,041	
Change in other receivables/payables		5,059		11,228	
Net change in provisions		7,229		7,160	
Change in employee payables - staff leaving indemnity paid during year	(13)	(726)		(795)	
Cash flow from operating activities		**109,702**		**192,283**	
Interest paid		(35,843)	(246)	(58,181)	(804)
Tax paid/collected		(5,451)		(13,565)	
Net cash flow from operating activities (1)		**68,408**		**120,537**	
Cash flow from investing activities					
Dividends received		1,470	1,470	2,940	2,940
Proceeds from sale of property, plant and equipment					
Proceeds from sale of intangible assets					
Proceeds from investment activities					
Purchases of intangible assets	(1)	(734)		(1,171)	
Purchases of property, plant and equipment	(2)	(18,065)		(91,293)	
Acquisition of investments		(375)		(38)	
Sale of investments					
Purchase of treasury shares	(10)	(1,035)			
Purchase of subsidiaries net of cash		(40,675)			
Interest received		4,432	42	17,934	57
Net cash flow from investing activities (2)		**(54,982)**		**(71,628)**	
Cash flow from financing activities					
Dividends paid		(21,742)	(16,352)	(15,162)	(10,169)
Proceeds from share capital increase and capital contribution net of expenses		604	604		
Change in scope of consolidation					
Net change in financial receivables		(12,781)	(12,781)	(8)	
Loans granted					
New borrowings		100,224		186,787	
Repayment of borrowings		(72,509)	(4,116)	(88,091)	(27,308)
Sale of investments net of costs incurred					
Net cash flow from financing activities (3)		**(6,204)**		**83,526**	
Net (decrease)/increase in cash and cash equivalents (1+2+3)		**7,222**		**132,435**	
Cash and cash equivalents at 1 January		256,611		128,874	
Translation (loss)/gain on cash and cash equivalents		(2,316)		(4,698)	
Cash and cash equivalents at 31 December	(9)	**261,517**		**256,611**	

6.5 Consolidated statement of changes in equity

(EUR thousands)

	Share capital	Reserves	Profit for the year	Total Group equity	Third party equity	Total equity
At 31.12.2015	**291,414**	**175,783**	**5,275**	**472,472**	**46,499**	**518,971**
Appropriation of 2015 profit		5,275	(5,275)			
Dividends paid		(13,093)		(13,093)	(2,069)	(15,162)
Other comprehensive profit items included in equity		(15,281)		(15,281)	(14,597)	(29,878)
Other movements		(169)		(169)	232	63
Profit for year at 31 December 2016			(3,935)	(3,935)	5,800	1,865
At 31.12.2016	**291,414**	**152,515**	**(3,935)**	**439,994**	**35,865**	**475,859**
Appropriation of 2016 profit		(3,935)	3,935			
Dividends paid		(14,205)		(14,205)	(7,537)	(21,742)
Other comprehensive profit items included in equity		2,946		2,946	(664)	2,282
Purchase of treasury shares		(1,035)		(1,035)		(1,035)
Other movements		173		173	10,134	10,307
Profit for year at 31 December 2017			20,350	20,350	11,716	32,066
At 31.12.2017	**291,414**	**136,459**	**20,350**	**448,223**	**49,514**	**497,737**

6.6.1 Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS), and the relevant interpretations (Standing Interpretations Committee – SIC and International Financial Reporting Interpretations Committee – IFRIC) endorsed by the European Union and the provisions pursuant to article 9 of Legislative Decree 38/2005.

It should be noted that, also following the simplifications introduced by Legislative Decree 25 of 15 February 2016 (which has assimilated Directive 2013/50/EU, so-called Transparency II) on periodic financial information to the public and in accordance with Article 2.2.3, paragraph 3, of the Rules of Markets organised and managed by Borsa Italiana SpA, Falck Renewables SpA, as a company belonging to the STAR segment, will continue to draw up and publish the interim financial reports in the forms adopted so far.

The financial statements used for consolidation purposes are those presented by the board of directors for approval at the shareholders' meetings of each subsidiary, associate and joint venture, reclassified and adjusted in line with International Financial Reporting Standards (IAS/IFRS) and Group policy.

With regard to the layout of the consolidated financial statements, the Company has opted to present the following accounting statements:

- ***Consolidated balance sheet***
  The consolidated balance sheet is presented in sections with separate disclosure of assets and liabilities and equity. Assets and liabilities are classified in the consolidated financial statements as either current or non-current.

- ***Consolidated income statement***
  The consolidated income statement presents costs by function, also using the variable element of cost as a distinguishing factor in the analysis of direct and general costs.

  For a better understanding of the normal results of ordinary operating, financial and tax management activities, the income statement presents the following intermediate consolidated results:

  - gross profit;
  - operating profit;
  - profit before income tax;
  - profit for the period;
  - profit attributable to non-controlling interests;
  - profit attributable to owners of the parent.

  Segment reporting has been presented in respect of the business units in which the Group operates, as the information used by management to evaluate operating results and for decision-making purposes in the individual business units coincides with the economic and financial information of each segment.

- ***Consolidated statement of comprehensive income***
  The Group has opted to present two separate statements, consequently this statement discloses profit for the year including income and expenses recognised directly in equity.

- ***Consolidated cash flow statement***
  The consolidated statement of cash flows presents an analysis by areas that generate cash flows as required by International Financial Reporting Standards.

- ***Consolidated statement of changes in equity***
  The statement of changes in equity is presented as required by International Financial Reporting Standards with separate disclosure of the profit for the period and each item of revenue, income, cost and expense not

recorded in the income statement but recognised directly in consolidated equity based on specific IAS/IFRS requirements.

The consolidated financial statements of the Falck Renewables SpA Group are prepared in EUR thousands except otherwise indicated.
The consolidated financial statements at 31 December 2017 are subject to the approval of the Board of Directors meeting held on 8 March 2018, which authorised their publication.

The Annual Report is audited by EY SpA under the terms of the engagement approved in the AGM of 6 May 2011.

6.6.2 Scope of consolidation

The consolidated financial statements for the year ended 31 December 2017 include the financial statements of the parent company Falck Renewables SpA and its subsidiaries.
Falck Renewables controls an entity when it has the power to influence significant decisions, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity: in this case the entity is consolidated on a line-by-line basis.
The companies in which the parent company exercises joint control with other shareholders (joint-ventures) and those in which it exercises a significant influence are accounted for using the equity method.

The Falck Renewables Group consists of 71 companies, of which 66 are consolidated on a line-by-line basis, and 5 are consolidated applying the equity method.

During 2017, the following companies were consolidated line-by-line:
- Falck Renewables North America Inc., 100% held by Falck Renewables SpA;
- Vector Cuatro Chile SpA, 100% held by Vector Cuatro SLU;
- Vector Cuatro Renewables FZE, 100% held by Vector Cuatro SLU;
- Falck Renewables Nederland B.V., 100% held by Falck Renewables SpA;
- Falck Renewables IS 42 LLC, 100% held by Falck Renewables North America Inc.

Furthermore, during 2017, the following companies were acquired and consolidated line-by-line:
- Falck Renewables Vind AS, 80% held by Falck Renewables SpA;
- Aliden Vind AB, 100% held by Falck Renewables SpA;
- Brattmyrliden Vind AB, 100% held by Falck Renewables SpA;
- NC 42 LLC, 99% held by Falck Renewables IS 42 LLC;
- NC 42 Solar LLC, 100% held by NC 42 LLC;
- NC 42 Energy LLC, 100% held (Class B shares) by NC 42 Solar LLC;
- Innovative Solar 42 LLC, 100% held by NC 42 Energy LLC.

During 2017, PV Diagnosis Srl was placed in liquidation.

The companies included in the scope of consolidation at 31 December 2017 are listed in the supplementary information (point 7.1).

Purchase Price Allocation of the acquisitions of NC 42 LLC, Falck Renewables Vind AS, Åliden Vind AB and Brattmyrliden Vind AB

Following the acquisition of a 99% holding in NC 42 LLC by Falck Renewables IS 42 LLC on 1 December 2017, the financial positions of the company and its subsidiaries (NC 42 Solar LLC, NC 42 Energy LLC and Innovative Solar 42 LLC) were consolidated from 30 November 2017 while the operating results were consolidated from 1 December 2017.

Following the acquisition of an 80% holding in Falck Renewables Vind AS on 1 September 2017, the company's financial position was consolidated from 31 August 2017 while the operating results were consolidated from 1 September 2017.
Lastly, following the acquisition of an 100% holding in Åliden Vind AB and Brattmyrliden Vind AB on 22 September 2017, the company's financial position was consolidated from 22 September 2017 while the operating results were consolidated from 23 September 2017.

The precise calculation and identification of the effects of the current assets and liabilities of the companies acquired is still ongoing, with particular reference to the value of the grants and plants, also considering the application of IFRS 3. The completion of these activities, which will be finished within 12 months from the acquisition in compliance with IFRS 3, could result in changes to the preliminary allocated acquisition price and the assets and liabilities acquired. In fact, as mentioned above, the acquisitions were recorded as per IFRS 3 rules on business combinations. This principle requires to: (i) calculate the total cost of the acquisition; (ii) allocate on the date of the acquisition the cost of the business combination to the assets and liabilities acquired, including those not recorded prior to purchase; (iii) record the goodwill acquired with the combination.

NC 42 LLC Group
On the date of these financial statements the purchase cost of the holding was calculated as EUR 36,339 thousand, paid in December 2017.
The total net equity on the date of acquisition was of EUR 36,339 thousand.

Falck Renewables Vind AS
On the date of these financial statements the total purchase cost of the holding was calculated as EUR 6,176 thousand, of which EUR 1,588 thousand paid in 2017, EUR 2,860 thousand held as guarantee, and EUR 1,728 to be paid at a later date net of any claims that may arise.
Total net equity on the purchase date was of EUR 1,931 thousand, calculating a difference of EUR 4,245, preliminarily allocated to concessions (Okla and Hennoy) as assets under construction for a value of EUR 5,888 thousand and deferred tax liabilities for EUR 1,643 thousand.

Åliden Vind AB and Brattmyrliden Vind AB
On the date of these financial statements the total purchase cost of the company was calculated as EUR 7,523 thousand, of which EUR 5,365 thousand paid in 2017 and EUR 2,158 to be paid at a later date net of any claims that may arise.
Total net equity on the purchase date was of EUR 5,106 thousand, calculating a difference of EUR 2,417, preliminarily allocated to concessions (Okla and Hennoy) as assets under construction for a value of EUR 3,351 thousand and deferred tax liabilities for EUR 934 thousand.

The following table shows the contribution of the companies acquired during 2017 in the consolidated financial statements:

(EUR thousands)	NC 42 LLC Group	Falck Renewables Vind AS	Aliden Vind AB	Brattmyrliden Vind AB	Total
Intangible assets		2,270	2,424	2,173	6,867
Temporary PPA (concessions)		5,888	281	3,070	9,239
Property, plant and equipment	119,902		49	82	120,033
Trade receivables/(payables)	(963)				(963)
Other assets/liabilities	(74,236)	(1,499)	1,267	(2,342)	(76,810)
Non-controlling interests	(10,462)	(483)			(10,945)
Price	**34,241**	**6,176**	**4,021**	**2,983**	**47,421**
Acquisition cash flow analysis:					
Total acquisition cost	**36,339**	**6,176**	**4,530**	**2,993**	**50,038**
Acquired cash and cash equivalents	2,098		509	10	2,617
Contractual price	**34,241**	**6,176**	**4,021**	**2,983**	**47,421**
Debt for acquisitions at 31 December 2017		4,588	811	1,347	6,746
Net financial cost of acquisitions	**34,241**	**1,588**	**3,210**	**1,636**	**40,675**

Internal group restructuring not affecting the consolidation perimeter

In 2017, the following companies were transferred from Falck Renewables Wind Ltd to Falck Renewables SpA:

- Eolo 3W Minervino Murge Srl;
- Eolica Sud Srl;
- Geopower Sardegna Srl;
- Eolica Petralia Srl.

This operation was part of the Business Plan, and aims to simplify the chain of control.

Moreover, on 21 December 2017, as part of a Group reorganisation, CII Holdco exchanged a 49% holding in Earlsburn Wind Energy Ltd for a 49% holding in Earlsburn Mezzanine Ltd. This reorganisation did not have any significant impact on the consolidated financial reports.

6.6.3 Principles of consolidation

The companies included within the scope of consolidation applying the line-by-line method are those controlled by the parent company, also through indirect holdings.
Associated companies and those entities on which the parent company exercises joint control together with other third parties are consolidated using the equity method.
The financial statements of the companies included within the scope of consolidation have been adjusted, where necessary, to bring them into line with Group accounting policies that conform to IAS/IFRS.
The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the parent company gains control and up to the date on which this control ceases.
All significant intercompany balances and transactions are eliminated.
Profits arising on transactions between consolidated entities, or with companies accounted for under the equity method, which are included within assets at the year-end as they are not yet realised, are eliminated.
The book value of consolidated investments is eliminated against the related share of equity inclusive of any fair value adjustments on acquisition. The differences between acquisition cost and net equity on the acquisition date are, where possible, allocated to specific assets and liabilities of the acquired company.

Any further positive differences are recorded as goodwill and accounted for according to IFRS 3, and are subject to impairment at least every 12 months.
Negative differences are recorded on the Income Statement.
The Group applies the option in IFRS 3 paragraph 45 and following that allows the evaluation period to be extended for a maximum of 12 months following the acquisition date.
The non-controlling interests in net equity and profit for the period of consolidated entities attributable to non-controlling interests are disclosed under separate headings in the consolidated balance sheet and income statement.
The ownership percentage used for companies consolidated line-by-line is the statutory amount considering also indirect holdings.
Dividends received by the parent company or other consolidated companies from investments included within the scope of consolidation are reversed in the consolidated income statement.
The assets and liabilities in the financial statements of subsidiaries denominated in foreign currencies are translated to EUR applying the year-end exchange rate.
The income statements of the financial statements of subsidiaries denominated in foreign currencies are translated to EUR using the average exchange rate for the year. Maintaining the same level of revenue and margins, fluctuations in foreign exchange rates may impact the value of revenue, costs and profit restated in EUR.
The differences arising from the translation of opening balances at year-end rates are recorded in the translation reserve together with the difference arising on translation of the income statement and balance sheet values of profit for the year.
The following exchange rates were used to translate the financial statements:

	Average value 2017	31.12.2017	Average value 2016	31.12.2016
British Pounds (GBP)	0.8767	0.88723	0.8195	0.85618
US Dollars (USD)	1.1297	1.1993	1.1069	1.0541
Polish Zloty (PLN)	4.257	4.177	4.3632	4.4103
Mexican Pesos (MXN)	21.3286	23.6612	20.6673	21.7719
New Bulgarian Lev (BGN)	1.9558	1.9558	1.9558	1.9558
Canadian Dollars (CAD)	1.4647	1.5039	1.4659	1.4188
Japanese Yen (JPY)	126.7112	135.0100	120.1967	123.4000
Chilean Peso (CLP)	732.6070	737.2900	748.4770	704.9450
United Arab Emirates Dirham (AED)	4.1475	4.4044	4.0634	3.8696
Norwegian Krone (NOK)	9.3270	9.8403	9.2906	9.0863
Swedish Krona (SEK)	9.6351	9.8438	9.4689	9.5525

6.6.4 Accounting policies

The valuation and measurement of financial information for the year ended 31 December 2017 have been based on the IAS/IFRS currently in force and their related interpretations as set out in the documents issued to date by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The consolidated financial statements are prepared in EUR and all values are rounded to thousands of EUR except where otherwise indicated.
The consolidated financial statements are prepared under the historical cost convention, with the exception of derivative instruments and available-for-sale financial assets, which are measured at fair value. The carrying value of those assets and liabilities that are covered by fair value hedges and that would normally be recorded at amortised cost, is adjusted to reflect changes in the fair value attributable to the hedged risks. Non-current assets and tangible fixed assets held for sale are recorded at the lower of net book value and fair value less costs of disposal.

Preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates, valuations and assumptions on the accounting value of a number of assets and liabilities and related disclosures, and contingent assets and liabilities at the date of the financial statements. The estimates and assumptions are based on historical results and other reasonable information and are adopted when the carrying value of the assets or liabilities may not be reliably estimated using other sources. Actual amounts may differ from estimates.

These estimates and assumptions are reviewed periodically and the effects of all differences relating to the current accounting period are recognised in the income statement. Where the adjustment covers both current and future reporting periods, the adjustment is recorded in the year in which the adjustment is made and future periods.
The actual results may differ, in some cases significantly, from the estimated amounts due to changes in the circumstances on which the estimate was based.

The accounting policies used for the preparation of the consolidated financial statements are in line with those applied at 31 December 2016 with the exception of the adoption of new standards, amendments and interpretations that came into force on 1 January 2017.

Standards issued but not yet effective

The standards and interpretations that, at the Group's consolidated reporting date, had already been issued but were not yet in force, are illustrated below. The Group intends to adopt these standards when they become effective.

IFRS 9 Financial instruments

In July 2014, IASB issued the final version of IFRS 9 Financial Instruments which replaces "IAS 39 Financial Instruments: Recognition and measurement" and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the project on financial instrument accounting: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018; earlier application is permitted. With the exception of hedge accounting, the standard must be applied retrospectively but comparative information is not mandatory. As regards hedge accounting, in general, the standard applies in a prospective manner, with some limited exceptions.
The Group will adopt the new standard from the date of entry into force, and will not show the comparative data. During 2017, the Group ran a detailed analysis of the impact of all aspects covered by IFRS 9. This analysis was based on the information currently available and could be subject to change when further information becomes available for the Group during 2018, when IFRS 9 will be introduced. In general, the Group does not foresee any significant impact on its financial statements and net equity, except for the application of the requirements of IFRS 9 in terms of the Derecognition of financial liabilities. The Group will also be changing the classification of some financial instruments.

a) Classification and measurement
The Group does not foresee any significant impact on its financial statements and net equity following the application of the IFRS 9 recognition and measurement requirements. We expect to continue measuring at fair value all financial assets currently measured at fair value.
The Group will apply the option to present the fair value variations between the other components of the comprehensive income statement, meaning that the IFRS 9 will not have any significant impact.
Loans and trade receivables are held for collection on the contractual expiry of the cash flows referred to the collection of capital and interest. The Group has analysed contractual cash flow on these instruments and has concluded that they meet the criteria for measurement at their amortized cost, in compliance with IFRS 9. It will not therefore be necessary to reclassify these financial instruments.

b) Derecognition of financial liabilities

Under IFRS 9, the entity must derecognise financial liabilities (or part of them) from the financial statements if, and only if, the liability is extinguished, i.e. if the obligation set out in the contract is met, cancelled or expired. A substantial variation in the terms of an existing financial liability or part of it must be recognised as an extinction of the original liability and the recognition of a new one.

The terms for applying this new rule are considerably different if the actualized value of the financial flow under the new terms, including any commission paid net of commission received and actualised using the original interest rate, are at least 10% different from the actualized value of the remaining financial flows of the original financial liability (so-called "10% test"). If the exchange of debt instruments or the change in the terms are recognised as an extinction, any cost or commission sustained are recorded as income or losses associated with the extinction. If the exchange or modification are not recognised as extinction, any cost or commission sustained will adjust the accounting value of the liability and will be amortized over the remaining term of the liability in question.

Loans that have been renegotiated in periods prior to the introduction of IFRS 9 must have their repayment plans recalculated, starting from the date of the renegotiation and adapting the carrying value to the NPV (net present value) of the new conditions.

The Group has therefore recalculated the loans subject to renegotiation to take this effect into account. At 1 January 2018, this will therefore affect financial liabilities according to their original IRR (Internal rate of return), with an impact of approximately EUR 13 million in reserves for the 2018 period.

c) Loss of value

IFRS 9 requires the Group to record expected credit losses on all bonds in its portfolio, loans and trade receivables referring to a period of either 12 months or the entire duration of the instrument's contract (e.g. *lifetime expected loss*). The Group will apply the simplified approach, recognising expected credit loss on all receivables based on their residual contractual duration. The Group has calculated that its credit risk is generally very low, both in terms of trade clients (mainly electricity service providers or high standing utilities) and financial clients (leading banks). The Group therefore expects very little impact from the allocation of expected credit loss.

d) Hedge Accounting

The Group has established that all existing hedges that are currently marked as effective will continue to qualify for hedge accounting in compliance with IFRS 9. The Group has chosen not to apply IFRS 9 retrospectively to hedges that excluded forward points when they were classified as hedges under IAS 39. Given that IFRS 9 does not change the general principle by which an entity recognises effective hedges, the application of IFRS 9 rules for defining hedges will not have any significant impact on the Group's accounts.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and amended in April 2016, introducing a new five-stage model that will apply to revenue from contracts with customers. IFRS 15 requires recognition of revenue for an amount that reflects the consideration the entity believes to be entitled in exchange for the transfer of goods or services to the customer. The new standard will replace all current requirements found in IFRS regarding the recognition of revenues. The standard is effective for annual periods beginning on or after 1 January 2018, with full retrospective or modified application. The advanced application is permitted.

The Group expects to apply the new standard from the mandatory effective date, using the method of full retrospective application. During 2016, the Group performed a preliminary assessment of the effects of IFRS 15, which continued and was completed with a more detailed analysis in 2017.

The introduction of IFRS 15 is not expected to have an impact on the Group's revenues and income statement for our client contracts.

Identification of Group revenue classes

The Group develops, designs, constructs and manages power plants producing energy from wind, solar, biomass and waste to energy sources. Through the Vector Cuatro group, the Falck Renewables Group is also present in the value chain providing solar and wind asset management services in operation.
As part of the process of assessing the impact of applying the new principle, the Group has identified the following types of revenue:

i) Sale of electricity

The Group sells the energy produced by its plants. The relative earnings are recorded when the energy is input to the network, based on the measurements available, and assigned a value based on the tariffs set out in the current Power & Purchase Agreement.
For this type of contract, for which the production of electric energy is the only obligation, we do not expect an impact on the Group's revenues and income statement caused by the application of IFRS 15.

ii) Revenues from incentives on production from renewable sources

The Group receives incentives for the production of energy from renewable sources, issued by the competent authorities in each state where we operate. The relative revenues are recorded on an accruals basis, according to the production during the period, and assigned a value based on the tariffs (so-called Feed-in Tariffs). For this type of revenue, the Group does not expect any impact from applying IFRS 15.

iii) Revenues from waste treatment

The companies operating in the WtE sector earn revenues on handling the waste during the period, based on the contractual conditions agreed with clients. Our current contracts do not contain any clauses for variable fees, trade discounts or discounts on volume. The Group does therefore not expect any impact from applying IFRS 15.

iv) Provision of services

The Vector Cuatro group companies provide asset management, engineering and transactions activities. The Group has proceeded to analyse all the contract types currently in use and identify the potential impact of the new principle on the recognition of revenues. The contracts generally have monthly or periodic billing for the services, which are then recorded on an accruals basis. In the case of variable fees (e.g. success fees), if the revenues cannot be reliably measured, the Group holds off recognition until the uncertainty is resolved. Under IFRS 15, any variable fee must be estimated on the date of signing the contract and subsequently updated. However, given the relatively low incidence of this type of variable fee in the total revenues from asset management contracts, the impact on revenues and the Group's income statement deriving from the application of IFRS 15 will not be significant.

Impact on reporting

IFRS 15 rules on the presentation and information required in reports are more detailed than the current standards. The indications for presentation are considerably different from the past, and will significantly increase the volume of information required in the Group's reports. In particular, the Group expects to see the notes to the financial statements to be much more extensive, to include the extra information required on any important estimates and variable fees.
Moreover, as required by IFRS 15, the Group will divide revenues into categories showing how the type, amount, timing and uncertainty of revenues and cash flow are affected by economic factors. We will also provide information on the relationship between the disaggregated revenues and revenues presented for each sector. In 2017, the Group continued testing the systems, internal control, policies and procedures needed to collect and present the information required.
When IFRS 15 is brought in, other headings in the main reports will also be affected and adjusted as necessary.

The classification and measurement requirements set out in IFRS 15 also apply to all non-financial profits or losses on sales (such as plants, machinery and intangible assets) if the sale is not part of ordinary business activities. To date, we expect that these changes will not have a significant impact for the Group on the transition date.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments deal with the conflict between the IFRS 10 and IAS 28 with reference to the loss of control of a subsidiary that is sold or transferred to an associate or a joint venture. The amendments clarify that the gain or loss resulting from the sale or transfer of assets constituting a business, as defined in IFRS 3, between an investor and its associate or joint venture, should be fully recognised. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business is also recognised only to the extent of the stake held by third party investors in the associate or joint venture. IASB has indefinitely postponed the effective date of these applications, but if an entity decides to apply them in advance it should do so prospectively. The Group will apply these changes when they come into force.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

IASB issued amendments to IFRS 2 Share-based Payment dealing with three main areas: the effects of vesting conditions on the measurement of a cash-settled share based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

Upon adoption, the entity shall apply the amendments without restating prior periods, but the retrospective application is allowed if chosen for all three amendments and other criteria are observed.

The amendments are effective for annual periods beginning on or after 1 January 2018; early application is permitted. The Group is evaluating the effects of these amendments on its consolidated financial statements.

IFRS 16 Leases

IFRS 16 was published in January 2016 and replaces IAS 17 Leasing, IFRIC 4 Determining whether an agreement contains a lease, SIC-15 Operating Leases - Incentives and SIC-27. Evaluating the substance of transactions in the legal for of a lease. IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leasing and requires lessees to recognise all lease contracts in the financial statements based on a single model similar to that used to account for finance leases in accordance with IAS 17. The standard provides for two exemptions for the recognition by lessees - leasing contracts related to the “low-value” assets (i.e., personal computers) and short-term leasing contracts (such as contracts maturing within 12 months or less). As at the start of the lease contract, the lessee will post a liability of for lease payments (i.e. leasing liabilities) and an asset representing the right to use the underlying asset for the duration of the contract (i.e. right to use the asset). The lessees will have to account for the interest charges on the lease liabilities and the amortisation of the right of use separately.

Lessees will also have to re-measure the lease liability at certain events (for example: a change in the conditions of the lease, a change in future lease payments subsequent to changes in an index or a rate used to determine those payments). The lessee generally will recognise the amount of remeasurement of the leasing liabilities as an adjustment of the rights of use.

The recognition by IFRS 16 for lessors is substantially unchanged compared with today’s recognition in accordance with IAS 17. Lessors will continue to classify all leases using the same classification principle set forth in IAS 17 and distinguishing between two types of leases: operating and financial leases.

IFRS 16 requires the lessees and lessors a more extensive disclosure than IAS 17.

IFRS 16 comes into effect for financial years beginning on 1 January 2019 or later. Early application is permitted, but not before the entity has adopted IFRS 15. The lessor can choose to apply the standard using a fully retrospective or a modified retrospective approach. The indications for transition set out in the standard permit certain facilitations.

In 2018, the Group will continue to identify the potential impacts of IFRS 16 on our consolidated reports.

IFRS 17 Insurance Contracts
In May 2017, IASB issued IFRS 17 Insurance contracts (IFRS 17), a new standard dealing entirely with insurance contracts, covering their recognition, measurement, presentation and disclosure. When IFRS 17 comes into effect, it will replace IFRS 4 Insurance contracts, issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g. life, non-life, direct insurance and re-insurance) regardless of the type of entity issuing them, as well as some guarantees and financial instruments with discretionary participation features.
Some exceptions apply. The general purpose of IFRS 17 is to present an accounting model for insurance contracts that is more useful and coherent for insurers. In contrast from IFRS 4 indications, which were mainly based on maintaining the previous accounting policies, IFRS 17 provides a complete model for insurance contracts that covers all relevant accounting aspects. The heart of IFRS 17 is the general model, integrated by:
- a specific adaptation for contracts with direct participation (VFA - variable fee approach);
- a simplified approach (premium allocation approach) for short-term contracts.

IFRS 17 will apply to financial periods starting from 1 January 2021 or later, and will require comparative balances to be shown. The standard can be applied in advance, if the entity has already introduced IFRS 9 and 15 on or before the date of the first application of IFRS 17. This standard does not apply to the Group.

Transfers of Investment Property — Amendments to IAS 40
The amendments clarify when an entity should transfer a property, including those under construction or development, in or out of the Investment property heading. The amendment states that a change of use occurs when the property meets, or ceases to meet, the definition of real estate property and there is evidence of a change of use. A simple change in management’s intentions for the property’s use is not sufficient to prove change of use. Entities must therefore apply the amendments to changes of use that have taken place on or after the beginning of the year in which the entity will be applying the amendments for the first time. Entities should revaluate the classification of properties held on that date and, if applicable, reclassify them to reflect their condition. Retrospective application in compliance with IAS 8 is only permitted if possible without using hindsight. The amendments are effective for annual periods beginning on or after 1 January 2018. Early application is permitted, and must be communicated. The Group will adopt the amendments from the date of their entry into force. Moreover, because the Group’s accounting policy is in line with the clarifications, the Group does not expect any impact on the consolidated accounts.

Annual Improvements 2014-2016 Cycle (published in December 2016)
These improvements include:

IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

The short-term exemptions indicated in paragraphs E3-E7 of IFRS 1 have been deleted as having fulfilled their purpose. This change is effective from 1 January 2018. This amendment is not relevant to the Group.

IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that:
- An entity that is a venture capital organisation or other qualified entity can decide, at the time of the initial recognition and with reference to each individual investment, to measure their investments in joint ventures or associated companies at fair value on the income statement.

- If an entity that does not qualify as an investment entity has a holding in an associated company or joint venture that is an investment entity, when applying the equity method the former entity can decide to maintain the fair value measurement applied by the investment entity (associate or joint venture) when measuring their own investments. This choice can be made separately for each associate or joint venture that is an investment entity up to the last of the following dates to occur: (a) the initial measurement of the holding in the associate or joint venture that is an investment entity; (b) when the associate or joint venture becomes an investment entity; or (c) when the associate or joint venture that is an investment entity becomes parent company for the first time.

The amendments should be applied retrospectively from 1 January 2018, and early application is permitted. If an entity applies these modifications in advance, an announcement must be made. These amendments are not relevant to the Group.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

The amendments deal with the problems created by introducing the new standard on financial instruments, IFRS 9, before introducing IFRS 17 Insurance contracts, which replaces IFRS 4. The changes introduce two options for entities that issue insurance contracts: a temporary exemption from applying IFRS 9 and the overlay approach. The temporary exemption applies for the first time for periods starting on or after 1 January 2018. Entities can opt for the overlay approach when applying IFRS 9 for the first time, or retrospectively to the designated financial assets when transitioning to IFRS 9. The entity must republish the comparative data to reflect the overlay approach if, and only if, the entity republishes the comparative data when applying IFRS 9. These amendments are not relevant to the Group.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
The interpretation clarifies that when defining the spot exchange rate to use for the initial measurement of the relative assets, costs or revenues (or part of them) when eliminating a non-monetary asset or liability relating to advance payment of fees, the transaction date is the date when the entity first recognises the non-monetary asset or liability relating to advance payment of fees. In the case of multiple payments or advance payments, the entity must define the transaction date for each one. Entities can apply the changes entirely retrospectively. Alternatively, an entity can apply the interpretation to all assets, costs and revenues that fall under its scope and that were initially recognised at or after the following dates:
(i) at the beginning of the year when the entity applies the interpretation for the first time, or
(ii) at the beginning of the prior year for comparative purposes in the first financial statements in which the entity is applying the interpretation.
The interpretation is effective for annual periods beginning on or after 1 January 2018. Early application is permitted, and must be communicated. Given that the Group’s current accounting policy is already aligned with the interpretation, the Group does not expect any impact on the consolidated accounts.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
The interpretation defines the accounting rules for income tax when its treatment gives rise to uncertainties affecting the application of IAS 12, and does not apply to taxes that do not fall under the scope of IAS 12, or specifically include any reference to sanctions or interest relating to uncertain tax treatment.
The interpretation specifically deals with the following points:
- if an entity handles uncertain tax issues separately;
- the entity’s assumptions regarding the assessment of tax treatment by the tax authorities;
- how an entity calculates taxable income (or tax losses), taxable base, unused tax losses, unused tax credits and tax rates;
- how an entity handles changes in facts and circumstances.

An entity must decide whether each tax uncertainty is handled separately or together with (one or more) others. It must choose the approach that is most likely to resolve the uncertainty. The interpretation is effective for annual periods beginning on or after 1 January 2019, although some transition aids are available. The Group will apply the interpretation from the date when it comes into force. As the Group operates in a complex, multinational tax scenario, the application of this interpretation could have an impact on our consolidated accounts and disclosure requirements. Moreover, the Group could need to define processes and procedures to obtain the information needed to apply the interpretation promptly.

Standards issued and effective

Disclosure initiative - Amendments to IAS 7
The amendments require entities to provide supplementary information on changes in liabilities relating to financing activities, including both changes affecting cash flow and non-monetary changes (such as exchange rate income and losses). The Group has provided the information on both the current and comparative years in the note on the IFRS 7 paragraph.

Recognition of deferred tax assets on unrealised losses - Amendments to IAS 12
The amendments clarify that an entity should consider whether the tax law limits the sources of taxable income against which it may make deductions related to the reversal of the deductible temporary differences. In addition, the amendment provides guidance on how an entity should determine future taxable income and explains the circumstances in which the taxable income could include the recovery of certain assets for a value greater than its carrying value.
The application did not affect the Group's financial position or results, as the Group does not have any deferred deductibles or other assets included within the scope of this change.

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12 from Annual Improvements Cycle - 2014-2016 (awaiting EU endorsement)
The modifications clarify that the IFRS 12 disclosure requirements, in contrast to those in paragraphs B10-B16, apply to holdings in a subsidiary, joint venture or associate (or to the holding in the joint venture or associate), which is classified as held for sale (or included in a group classified as held for sale).

The principal accounting policies and valuation methods adopted in the preparation of these consolidated financial statements are set out below:

Business combinations and goodwill
Business combinations are accounted for applying the purchase method. The cost of an acquisition is measured as the fair values at the date of exchange of all assets acquired and liabilities assumed and any non-controlling interest in the acquiree. For each business combination the Group establishes whether to measure the non-controlling interest in the acquiree at fair value or the non-controlling interest's proportionate share of the identifiable net assets of the acquiree. The acquisition costs are charged to profit or loss as incurred and classified in administrative expenses.
When the Group acquires a business, it classifies or designates the financial assets acquired or the liabilities assumed on the basis of contractual terms, economic conditions and other pertinent conditions existing at the acquisition date. This may include the separation of embedded derivatives from host contracts.
Where the business combination is achieved in stages, the previously held interest is remeasured at fair value at the acquisition date and the resultant gain or loss is recognised in profit or loss. This amount is also taken into account in the determination of goodwill.
The contingent consideration is measured at fair value at the time of the business combinations. The change in fair value the contingent consideration classified as assets or liabilities such as a financial instrument which is the subject of IAS 39 Financial Instruments: recognition and measurement, is recognised in the income statement or the statement of other comprehensive income. If the additional consideration is not within the scope of IAS 39, it is accounted for in accordance with the relevant IFRS. If the contingent consideration is classified as an equity instrument, the original amount is not remeasured and its subsequent settlement is accounted for within equity.
Initial recognition of goodwill is at cost measured as the difference between the aggregate of the value of the consideration transferred and the amount of any non-controlling interest and the net value of the acquisition date

amounts of the identifiable assets acquired and the liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the consideration transferred, the Group ensures that the identification of all of the assets acquired and liabilities assumed is complete and reviews the procedures used to determine the amounts recognised at the date of acquisition. Where following this review the fair value of the net assets acquired exceed the consideration transferred, the difference (gain) is recognised in profit or loss.
Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of carrying out the impairment test, goodwill acquired from a business combination is allocated, at the date of acquisition, to each of the cash generating units that benefit from the acquisition irrespective of whether the assets or liabilities of the acquired entity are assigned to that unit at the acquisition date.
Where goodwill is allocated to a cash generating unit and part of the operations of the CGU is disposed, the goodwill associated with the disposed business is included in the carrying amount in order to determine the gain or loss on sale. The goodwill associated with the disposed business is determined on the basis of the relative values of the disposed business and the remaining portion of the CGU.

Fair value measurement

The Group measures financial instruments, such as derivatives and non-financial assets, at fair value at each balance sheet date. The fair value of financial instruments valued at amortised cost is summarised in the notes to the consolidated financial statements.
Fair value is the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants at the measurement date.
Fair value measurement assumes that a transaction takes place:
(a) in the principal market for the asset or liability; or
(b) in the absence of a principal market, the most advantageous market for the asset or liability.
The principal market or most advantageous market must be accessible to the Group.
The fair value of an asset or liability is measured adopting the assumptions that market participants would use to determine the price of the asset or liability, presuming that they act in such a way as to satisfy their financial interest.
The fair value measurement of non-financial assets considers the ability of a market participant to generate economic benefits consistent with its highest and best use or from the sale to another market participant that would use it to its highest or best use.
The Group employs measurement techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
All of the assets and liabilities for which fair value is determined or disclosed in the financial statements are categorised based on the fair value hierarchy as set out below:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – measurement technique for which inputs are unobservable inputs for the asset or liability.

The fair value measurement is classified in its entirety in the level of the lowest level input that is significant to the entire measurement.
For assets and liabilities that are measured at fair value on a recurring basis, the Group determines if any transfer between hierarchy levels has taken place by reviewing the categorisation (based on the lowest level of input that is significant to the entire fair value measurement) at each balance sheet date.

Intangible assets

An intangible asset is recorded only when it is identifiable, controllable, is expected to generate economic benefits in future periods and the cost may be reliably measured.
Intangible assets are recorded at cost including directly attributable expenses and are amortised systematically over their estimated useful economic life.

Intangible assets with a finite useful life are classified at cost net of accumulated amortisation and any impairment losses. The amortization is parameterised to the period of their estimated useful life and starts when the asset is available for use.
Intangible assets with an indefinite useful life and those not available for use are tested for impairment. This test consists in a comparison between the future estimated cash flows from the intangible asset and the net book value. The method of discounted operating cash flows is applied based on projections included in future business plans approved by company management.
Costs relating to the acquisition of CIP 6/92 or other concession rights are amortised over the related benefit period.
Goodwill principally relates to the differences arising on first-time consolidation between the book value of the investments and the corresponding share of equity of the consolidated companies, adjusted in order to take into consideration both significant intercompany transactions and the fair values of the identifiable net assets and liabilities of the acquired company. Goodwill that did not originate from consolidation differences relates to the purchase price paid by Vector Cuatro SLU following acquisition of the Langley business that took place prior to Falck Renewables SpA's acquisition of the former. Goodwill is subjected to an impairment test, at least on an annual basis, in order to identify permanent reductions in value.
In order to perform the impairment test correctly, goodwill has been allocated to each of the cash generating units (CGUs) that benefit from the acquisition.
The Group defines CGUs as the smallest, reasonably identifiable group of operations that generates cash flows substantially independently from the cash flows generated by other units or groups of units.
Given the nature of the renewable energy business (WtE, biomass, wind and solar energy) whereby individual plants in special purpose project companies are identified and measured separately and are generally financed separately from other projects through non-recourse debt to the shareholders, the CGUs represent either the proprietary project companies or those that operate renewable energy power plants.
Consequently, these are independent from others generating their own cash flows and operating in an active market with their own products.

Property, plant and equipment
Property, plant and equipment is recorded at acquisition or production cost including directly attributable costs.
Property, plant and equipment is valued at cost, net of depreciation and impairment losses, with the exception of land, which is not depreciated and is valued at cost less impairment losses.
In the event that significant components of an item of property, plant and equipment have different useful lives, each component is attributed a separate useful life for depreciation purposes (component approach). The depreciation rates applied represent the estimated useful life of the assets.

As of 1 January 2017, following an analysis by independent technical consultants, taking account of current contractual limitations (mainly leasings/rights to use land and authorisations/grants) and in line with market practice, the Group companies updated the estimated useful life of wind and photovoltaic plants. This update led to the average useful life for wind and photovoltaic plants being increased from 20 to 22.5 years, leading to EUR 8.7 million in lower depreciation/amortization rates for 2017.

The rates applied to the various asset categories are as follows:

	(%)
Industrial buildings	4 - 10
Plants and machinery	2.86 - 10
Equipment	7 - 15
Other tangible assets	6 - 20
Assets operated under concession	5 - 10

These rates are applied based on months of actual use with regard to assets that come into use during the year.

Development costs are capitalised on the assets to which they relate from the time the project to construct and operate a plant has been authorised. Prior to this time, they are charged to the period in which they are incurred.
Ordinary maintenance costs are charged to expenses in the year in which they are incurred.
Maintenance costs that increase the future economic benefits derived from the assets are capitalised on the related asset and depreciated over the residual useful life.
Borrowing costs for the construction of a plant or its acquisition are capitalised up until the moment in which the asset is ready for use in the production process.
Depreciation is applied from the date on which temporary approval (or equivalent status) is awarded to the plant or areas of it that are capable of operating at full regime as defined by management. From this date, finance costs and expenses attributable to the approved plant or areas within it are no longer capitalised and are charged to the income statement.

Impairment of assets

In the presence of circumstances that potentially indicate a loss in value, impairment tests are conducted on tangible and intangible assets by estimating the recoverable value of the assets and comparing it with the related net book value. The recoverable value of an asset or CGU is the greater of value in use and fair value less cost of disposal.
If the recoverable value is lower than the book value, the latter is consequently reduced. This reduction represents a loss in value, which is charged to the income statement.
When there is an indication that an impairment loss recognised in a previous accounting period is no longer required, the carrying value is restated to the new estimated recoverable value which may not exceed the carrying value that would have been recognised had the original impairment not occurred. The reversal is also posted in the income statement.

Securities and investments

Investments in other companies and other investments

In accordance with IAS 39 and 32, investments in companies that are neither subsidiaries nor associates are measured at fair value through profit or loss with the exception of those circumstances in which market price or fair value cannot be determined, in which case the cost method is applied.
Gains and losses arising on adjustments to value of shares held for sale are recognised as a specific reserve within equity.
Where impairment losses exist or in the event of disposal of the related asset, the gains and losses posted in equity up until this point are recycled to the income statement.
Investments held for sale are measured at fair value with any adjustment recognised in the income statement.
Cost is reduced for any indication of impairment where investments have recorded losses and no profits are foreseeable in the near future to cover these losses; the original value may be restated in subsequent accounting periods in the event that the circumstances that gave rise to the write-down no longer exist.

Joint-ventures

Holdings in joint ventures are consolidated applying the equity method in accordance with IFRS 11.

Financial assets

Classification

In accordance with IAS 39 and IAS 32, financial assets are classified into the following four categories:
1. Financial assets ‘at fair value through profit or loss’;
2. Held-to-maturity investments;
3. Loans and receivables;
4. Available-for-sale financial assets.

The classification depends on the reason for which the investment was initially purchased and is subsequently held and management is required to determine the initial classification on initial recognition updating this at each financial year-end. A description of the principal characteristics of each asset category detailed above may be summarised as follows:

Financial assets 'at fair value through profit or loss'
This category has two sub-categories:

1. Financial assets held for trading;
2. Financial assets designated to the fair value category on initial recognition. This category includes all financial investments except for equity instruments that are not quoted in an active market but for which a fair value may be reliably measured.

Financial instruments, with the exception of hedge instruments, are included in this category and their fair value recorded in the income statement.
All assets within this category are classified as current if they are held for trading purposes or where disposal is expected within 12 months from the year end.
Designation of a financial instrument to this category is irrevocable and may take place only on initial recognition.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, which the Group intends to hold to maturity (e.g. underwritten debentures).
Evaluation of the intent and ability to hold the asset to maturity must be made on initial recognition and at each subsequent balance sheet date.
In the event of sale before maturity (of a significant amount and not in exceptional circumstances) of held-to-maturity securities, all such investments are reclassified as financial assets held for trading and measured at fair value.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and which the Group does not intend to trade in.
These are classified in current assets with the exception of the portion expiring more than 12 months after the balance sheet date, which is classified in non-current assets. Loans and receivables are classified within the financial statements under the headings financial receivables and other receivables.

Available-for-sale financial assets
All non-derivative instruments that are not classified in another category are designated as available-for-sale financial assets. These are classified as non-current assets unless management intends to dispose of them within 12 months of the balance sheet date.

Accounting treatment
Financial assets 'at fair value through profit or loss' held for trading (category 1) and available-for-sale financial assets (category 4) are recorded at fair value including costs directly attributable to acquisition.
Gains or losses relating to financial assets held for trading are recognised immediately in the income statement.
Gains or losses relating to available-for-sale financial assets are recorded within a separate heading in equity until they are sold or otherwise disposed of, or until circumstances indicate they may be impaired. Where any of these events takes place, all gains or losses recognised to date and recorded in equity are reclassified to the income statement. For this purpose the Group has defined quantitative parameters that identify a prolonged and significant decline in market prices, with particular reference to a significant decrease in terms of value and a prolonged decrease over time.
Fair value represents the amount at which an asset may be exchanged or a liability settled in an arm's length transaction between knowledgeable, willing parties. As a result it is assumed that the entity is a going concern and that neither party needs to liquidate its assets through transactions applying unfavourable terms.
In the case of securities traded on an active market, fair value is determined with reference to the bid price at the end of trading at the balance sheet date.

In the event that a market valuation is not available for the investment, fair value is determined either based on the current market value of another substantially similar financial instrument or applying appropriate valuation techniques (discounted cash flows - DCF).
Where fair value may not be reliably determined, the financial asset is valued at cost with disclosure in the notes to the financial statements regarding the type of asset and explanation of the accounting treatment.
Held-to-maturity investments (category 2) and loans and receivables (category 3) are recorded at cost representing the fair value of the initial consideration exchanged and are subsequently valued applying the amortised cost method utilising the effective interest rate and taking into consideration any discounts or premiums received at the date of acquisition in order to record them over the entire period of ownership up to maturity. Gains and losses are recognised in the income statement either when the investment reaches maturity or where circumstances indicate that it has suffered an impairment loss, in the same way they are identified during the normal amortisation period foreseen by the amortised cost method.
Investments in financial assets may be derecognised only when the contractual rights to receive cash flows from the investments have expired (e.g. final payment of underwritten bonds) or when the Group transfers the financial asset together with all of the related risks and rewards.

Inventory
Finished goods are stated at the lower of purchase cost and net realisable value.
Purchase cost is determined using the weighted average cost method.
Obsolete and slow moving inventory is valued based on possible future use or realisation.
With regard to contract work in progress that spans more than one accounting period, valuation is based on income matured to date with reasonable certainty, determined by comparing actual costs to date with the total estimated costs to completion.

Receivables
Receivables are initially recorded at the fair value of the amount to be received, which for this category normally relates to the nominal value indicated on the invoice, adjusted where necessary to the estimated recoverable amount through recognition of a provision for doubtful accounts. Subsequently, where the required conditions exist, receivables are valued applying the amortised cost method.

Cash and cash equivalents
Cash and cash equivalents include cash on hand and demand and short-term deposits, the latter maturing in less than three months at the outset. Cash and cash equivalents are recorded at nominal value, or in the case of balances denominated in foreign currency, at the year-end spot rate which represents the fair value.

Non-current assets disposed of or held for sale (Discontinued operations)
Non-current assets that have been disposed of or that are held for sale include those assets (or groups of assets) due to be disposed of and for which the accounting value will be recovered principally through sale rather than future use. Non-current assets held for sale are valued at the lower of their carrying amount and fair value less costs to sell.
In accordance with IFRS standards, the figures relating to discontinued operations are presented in two specific items of the balance sheet: non-current assets held for sale and liabilities attributable to non-current assets held for sale; and in a specific item in the income statement: net profit/(loss) from discontinued operations or non-current assets held for sale.

Provisions
Provisions are recognised when a present obligation (legal or constructive) exists as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount may be made.
No provision is made for risks in relation to which the recognition of a liability is only possible. In this case the risk is disclosed in the relevant note on contingencies and commitments and no provision is made.

Provisions may be analysed as follows:

Litigation
This provision includes the charge for future costs relating to legal proceedings.

Investments
Provision is made to recognise potential impairment losses in the carrying value of non-consolidated subsidiaries.

Environmental
This provision comprises future obligations in relation to the decommissioning of power plants at the end of their useful life, with a corresponding increase in the book value of the asset to which the obligation relates, which are calculated based on independent expert valuations. The portion of the total classified in property, plant and equipment that exceeds the amount expected to be realised on sale of the recovered materials is subject to depreciation.
This provision also includes amounts provided to meet future commitments in relation to the redevelopment of landfills in accordance with the obligations undertaken on receipt of authorisations from the relevant authorities. These provisions are based on estimates prepared by specialist enterprises and are charged to the income statement.

Sundry risks provision
This provision includes all other future liabilities not included above, which are reasonably quantifiable but for which the date of occurrence is uncertain.

Staff leaving indemnity (TFR)
Post-employment defined benefits and other long-term employee benefits are subject to actuarial valuation. The liability recognised in the balance sheet is the present value of the Group's obligations. Actuarial gains and losses are recognised in equity.
Valuation of the liability is performed by independent actuaries.
Pursuant to Finance Act 296 of 27 December 2006, only the liability relating to the TFR held within the company has been valued for the purpose of IAS 19 as future provisions are paid to a separate entity. Consequently, in respect of future payments the Company is not subject to the reporting requirements relating to the future benefits payable during employment.

Trade payables
Trade payables are recorded at nominal value.
Where the payment terms are such that a financial transaction exists, the nominal value of the liabilities measured applying the amortised cost method is discounted and the difference included in finance costs.
Trade payables denominated in foreign currency are translated at year-end exchange rates and the gains and losses arising on exchange are recognised in the income statement in the period in which they arise.

Financial payables
Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost. Finance costs are determined using the effective interest method.
Other financial liabilities comprise derivative instruments entered into in order to hedge interest rate risk.
The Group has entered into Interest Rate Swaps (IRS) in order to hedge the risk arising on fluctuations in interest rates applicable to project financing. Where possible the Group adopts hedge accounting in relation to these financial instruments, ensuring compliance with IAS 39.

With regard to the derivative contracts on interest rates entered into by Falck Renewables SpA, the fair value was adjusted to take into account counterparty risk (DVA – Debit Valuation Adjustment) by including a correction factor in the yield curve.
This measurement was not applied to derivatives on project financing rates as:

- The interest rate applied by the lending banks already takes into account the intrinsic risk of the financed company;

- At the time of carrying out impairment tests, the calculation assumptions envisaged that future cash flows of the individual companies allow recovery of not only the asset value but also repayment of the residual borrowing including the fair value of the associated derivative.

With regard to derivatives to hedge foreign exchange rates, the measurement of counterparty risk was not considered necessary as it is not significant given the short-term nature of the hedging.

Government grants
Government grants are recognised when there is reasonable assurance that an entity will comply with any conditions attached and that the grant will be or has been received. Where grants are awarded to cover expenditure, they are classified as income and recognised in the period in which the related costs are incurred. Where grants are received towards the cost of an asset, both the asset and the grant are recorded at nominal value and systematically charged to the income statement over the useful life of the corresponding asset.
Where the Group receives a non-monetary grant, the asset and the grant are recorded at nominal value and systematically charged to the income statement over the useful life of the corresponding asset. Where loans or subsidies awarded by government authorities or similar institutions bear interest rates below current market rates, the benefit arising from this difference is recognised as an additional government grant.

Tax payables
The provision for income taxes is based on the estimated taxable income for the period for each individual company, taking into consideration tax credits and losses brought forward and utilised in the period.

Accruals, prepayments and deferrals
Accruals, prepayments and deferrals are determined applying the accruals concept.

Net equity
Ordinary shares are classified within share capital at nominal value.
Incremental costs directly attributable to capital transactions by the parent company are recorded as a deduction in equity.

Treasury stock
Own shares repurchased are measured at cost and deducted from equity. The purchase, sale or cancellation of own shares do not give rise to gains or losses in the income statement. Where shares are reissued, the difference between the purchase price and the amount paid is included in equity in the share premium reserve.

Incentive plan
During 2017 the Falck Renewables SpA Shareholders' Meeting approved a share incentive plan.
In April 2017, the incentive plan for the CEO of Falck Renewables SpA was put into effect with 591,000 shares.
In August 2017, some Group managers were also assigned 478,986 shares.

The cost of the share transactions was recorded at fair value on the date the shares were assigned, using an appropriate evaluation method, as described in detail in the notes to these 2017 financial statements to which we refer, and is not subject to any subsequent adjustment.
The fair value of the services received by the owners of the plan in exchange for the shares received was calculated indirectly with reference to the fair value of the shares. This cost was posted throughout the vesting period under employee expenses, or service costs if the beneficiary was not an employee, balanced by a specific reserve in equity. The accumulated costs were recorded according to the best estimate of the number of shares that will effectively reach maturity. The cost recorded under the results for the period represents the variation in the accumulated cost recorded at the beginning and end of the period.
No costs were recorded for rights that did not reach maturity due to failure to achieve performance or service targets.

Foreign currency translation
The functional currency of the Group is the EUR, representing the currency in which the consolidated financial statements are prepared and presented.
Foreign currency transactions are recorded at the exchange rate existing at the date of the transaction. Receivables and payables are translated at the closing rate at the balance sheet date. Exchange gains or losses arising on translation are recognised in the income statement in the period in which they arise.
Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.
Non-monetary items measured at fair value are translated using the exchange rate at the date when the fair value was determined.

Revenue
Revenue is recorded net of returns, discounts and rebates, as well as direct taxes on the sale of goods or provision of services.

Goods sales
Revenue from the sale of products is recognised on the transfer of ownership, which normally takes place on delivery or despatch of the goods.
Revenue also includes income from the sale of Green Certificates (in Italy) and ROCs (in the UK) which are accounted for applying the accruals concept taking into account the accounting period in which the electricity was generated by renewable sources and in proportion to overall production.
With regard to Green Certificates, for the purpose of preparing the financial statements, the Group posts a receivable and the corresponding income for revenue attributable to the period.

Provision of services
Revenue from services is recognised once the service has been rendered or in relation to the relevant stage of completion.

Interest
Financial income is accounted for applying the accruals concept.

Dividends
Dividends are recognised when the right to receipt of the dividend is established, which normally corresponds to the approval of distribution in the shareholders' meeting.

Other income
Other income comprises amounts that do not relate to the core business of the Group and, in accordance with IAS 1 currently in effect, is classified in ordinary activities and disclosed separately in the notes to the financial statements where significant in value.

Costs
Costs are recognised net of returns, discounts, bonuses and premiums, as well as direct taxes relating to the purchase of goods and services.

Taxes
Income tax is calculated and provided for based on estimated taxable income for the year and applying existing tax legislation.
Deferred income taxes are calculated applying the liability method on all temporary differences between the tax bases of assets and liabilities and the financial reporting values at the balance sheet date.
Deferred income tax assets are recognised only where it is probable that the temporary differences will reverse in the immediate future and to the extent that there will be sufficient taxable income against which these temporary differences may be utilised. The balance of deferred income tax assets is reviewed at each balance sheet date and a valuation allowance is provided in the event that it is no longer probable that sufficient future taxable profits will be available to offset all or part of the tax credit. Unrecognised deferred income tax assets are reviewed at

each balance sheet date and are recognised where it is probable that they may be recovered against future taxable profits.

Income taxes on items recognised directly in equity are also recognised in equity and not through the income statement.
Deferred income tax assets and liabilities are measured at the enacted tax rates that will be in effect in the periods in which the assets are realised or the liability is settled and are classified in non-current assets and liabilities, respectively.

Value-Added Tax (VAT)
Revenue, costs and assets are recorded net of VAT except where:
- VAT on the purchase of goods or services is not deductible in which case it is included in the purchase cost of the asset or as part of the cost charged to the income statement;
- It relates to trade receivables and payables disclosed gross of VAT.

The net balance of VAT recoverable that may be claimed from or is due to customs and excise is classified in either trade receivables or payables.

Earnings per share
Earnings per share is calculated by dividing the profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year, net of own shares held.

6.6.5 Financial risk management: objectives and criteria

The Group's financial instruments, other than derivatives, comprise bank borrowings, demand and short-term bank deposits. These instruments are employed in financing the Group's operating activities. The Group has performed derivative transactions, mainly interest rate swaps. The scope is to sterilise the interest rate risk for Group operations and its financing sources.
The Group's debt financing exposes it to a variety of financial risks that include interest rate, liquidity and credit risk.

Foreign exchange risk
The foreign exchange risk deriving from fluctuations in exchange rates between the date a foreign currency transaction takes place and the settlement date (receipt/payment) is defined transaction risk. This risk directly impacts the result for the period and is determined for the accounting currency of each Group company.
The Group foreign exchange risk management policy involves monitoring the foreign exchange balance to identify exposure and stipulate *plain vanilla* currency forward sale or purchase transactions.

Interest rate risk
The Group's exposure to market risk in respect of interest rate fluctuations principally relates to the long-term obligations entered into by the Group using a mix of fixed and variable interest rates. In order to manage this mix effectively, the Group purchases interest rate swaps under which it agrees to exchange, at specific levels, the difference between fixed interest rates and variable rates calculated on a pre-determined notional capital amount. The swaps are designated to hedge the underlying obligations.

Credit risk
The Group only trades with reliable and reputable customers.
Credit risk relates to the other financial assets of the Group that include cash and cash equivalents, available-for-sale financial assets and a number of derivative instruments, and present a maximum risk equal to the carrying amount of these assets. Consolidation of the Vector Cuatro group has not substantially modified the credit risk profile.

Liquidity risk

The objective of the Group is to achieve a balance between maintaining available funds and ensuring flexibility through the use of loans and bank overdrafts. The Group entered into a loan agreement for EUR 150,000 thousand on 12 June 2015 that expires on 30 June 2020 with the purpose of funding the parent company's liquidity requirements and to provide capital to, and finance, its subsidiaries.

This loan had not been drawn down at 31 December 2017.

The loan is subject to, inter alia, financial covenants based on the ratio of net financial position/EBITDA and net financial position/total equity calculated using the amounts disclosed in the consolidated financial statements: these ratios were met on all annual and biannual reporting dates from 30 June 2015 to 31 December 2017, based on these financial statements.

Cash and cash equivalents not restricted under project financing amounted to EUR 162,762 thousand at 31 December 2017 and are deposited with banks following assessment of the related counterparty risk.

The cash and cash equivalents of Group companies financed under project financing principally comprise the current account balances that are restricted by the obligations established under the project financing contracts. The balance relating to the wind sector is EUR 91,464 thousand, while that of the WtE, biomass and photovoltaic sector is EUR 7,291 thousand. The Group considers the level of credit risk associated with these deposits to be acceptable.

6.6.6 Capital risk management

The key objectives of the Group regarding capital management are creating value for its shareholders and ensuring the going concern of the business.

The Group has also established the objective of maintaining the best possible capital structure in order to reduce the cost of debt and fulfil the financial covenants imposed by the loan agreement.

All of the loan covenants were met during the year. No changes were made to the capital risk management objectives, policies and procedures during the year.

6.6.7 Segment information

Set out below are details of the results of operations and financial position by business segment in accordance with IAS/IFRS disclosure requirements.
The segments identified represent the organisation and production structure adopted by the Falck Renewables Group.
The operating segments and performance indicators were based on the reporting model used by the Group's board of directors for the purpose of strategic decision making.

(EUR thousands)

	WTE, biomass, photovoltaic		Wind		Services		Holding		Elimination		Consolidated	
Operations	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	60,728	53,689	216,759	186,206	12,103	10,000	138	456	(1,109)	(729)	288,619	249,622
Cost of sales	(49,008)	(43,842)	(101,357)	(98,568)	(11,347)	(9,221)			683	585	(161,029)	(151,046)
Gross profit	**11,720**	**9,847**	**115,402**	**87,638**	**756**	**779**	**138**	**456**	**(426)**	**(144)**	**127,590**	**98,576**
Other income	1,143	418	2,943	5,051	235	1,152	6,361	6,857	(6,158)	(6,371)	4,524	7,107
Other employee costs	(926)	(122)	(3,399)	(3,768)			(11,955)	(11,647)			(16,280)	(15,537)
Administrative expenses	(11,881)	(14,000)	(15,843)	(10,371)	(1,834)	(461)	(20,447)	(9,320)	9,535	3,650	(40,470)	(30,502)
Operating profit/(loss)	**56**	**(3,857)**	**99,103**	**78,550**	**(843)**	**1,470**	**(25,903)**	**(13,654)**	**2,951**	**(2,865)**	**75,364**	**59,644**
Financial income/(expenses)	(3,490)	(3,619)	(35,123)	(43,608)	(134)	(125)	4,597	4,477	(1,115)	1,501	(35,265)	(41,374)
Investment income/(expenses)	2,262	1,139	45	(79)	21	21	43,584	25,498	(43,583)	(25,498)	2,329	1,081
Profit/(loss) before income tax	**(1,172)**	**(6,337)**	**64,025**	**34,863**	**(956)**	**1,366**	**22,278**	**16,321**	**(41,747)**	**(26,862)**	**42,428**	**19,351**
Income tax expense	528	5,072	(16,548)	(26,535)	102	(337)	5,572	4,288	(16)	26	(10,362)	(17,486)
Profit/(loss) for the year	**(644)**	**(1,265)**	**47,477**	**8,328**	**(854)**	**1,029**	**27,850**	**20,609**	**(41,763)**	**(26,836)**	**32,066**	**1,865**
Profit/(loss) attributable to non-controlling interests	(462)	(407)	12,178	6,207							11,716	5,800
Profit/(loss) attributable to owners of the parent	**(182)**	**(858)**	**35,299**	**2,121**	**(854)**	**1,029**	**27,850**	**20,609**	**(41,763)**	**(26,836)**	**20,350**	**(3,935)**

(EUR thousands)

	WTE, biomass, photovoltaic		Wind		Services		Holding		Elimination		Consolidated	
Financial position	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Intangible assets		1,292	96,281	82,156	9,411	11,517	1,443	1,577			107,135	96,542
Property, plant and equipment	205,775	89,925	819,565	868,097	633	743	282	362	(1,370)	(1,483)	1,024,885	957,644
Net financial position	150,922	137,073	570,956	755,881	(2,109)	(1,586)	(54,904)	(247,162)	(81,148)	(82,250)	583,717	561,956
Investments	1,702	1,287	25,830	90,083	217	271	294	1,027	(5)	(204)	28,038	92,464

6.6.8 Balance sheet contents and movements

Assets

A Non-current assets

1 Intangible assets

Movements in the period were as follows:

(EUR thousands)

		At 31.12.2016	Additions	Capital.n and reclass.n	Foreign exchange differences	Change in scope of consol.n	Disposals	Other movements	Impairment losses	Amortisation	At 31.12.2017
1.1	Industrial patent rights and intellectual property rights	532	21	1,096						(366)	1,283
1.2	Concessions, licences, trademarks and similar rights	1,296						1	(1,203)	(92)	2
1.3	Goodwill	88,014			(2,351)						85,663
1.4	Other intangibles	5,655	121	(4)				2	(1,750)	(477)	3,547
1.5	Assets under construction and advance payments	1,045	9,831	(1,092)		6,867		(11)			16,640
Totale		**96,542**	**9,973**		**(2,351)**	**6,867**		**(8)**	**(2,953)**	**(935)**	**107,135**

Goodwill principally consists of the differences arising on first time consolidation between the book value of the investments and the corresponding share of net equity of the consolidated companies that is attributable to the Group.

Since 1 January 2005, goodwill has not been amortised but is subjected to an annual impairment test.
The goodwill resulting from business combinations has been allocated to separate cash generating units (CGUs) in order to identify any reduction in value. The cash generating units identified are:

- Actelios Solar SpA (photovoltaic plants in Sicily)
- Åliden Vind AB (grant for the wind farm at Örnsköldsvik)
- Assel Valley Wind Energy Ltd (Assel Valley wind farm)
- Auchrobert Wind Energy Ltd (Auchrobert wind farm)
- Ben Aketil Wind Energy Ltd (Ben Aketil wind farm)
- Boyndie Wind Energy Ltd (Boyndie wind farm)
- Brattmyrliden Vind AB (grant for the wind farm at Örnsköldsvik)
- Cambrian Wind Energy Ltd (Cefn Croes wind farm)
- Earlsburn Wind Energy Ltd (Earlsburn wind farm)
- Ecosesto SpA (Rende hybrid plant)
- Ecosesto SpA (Rende photovoltaic plant)
- Eolica Cabezo San Roque Sau (Cabezo wind farm)
- Eolica Petralia Srl (Petralia Sottana wind farm)
- Eolica Sud Srl (San Sostene wind farm)
- Eolo 3W Minervino Murge Srl (Minervino Murge wind farm)
- Esposito Servizi Ecologici Srl (Gorle waste treatment plants)
- Esquennois Energie Sas (Oise wind farm)
- Falck Renewables Wind Ltd (wind sector parent company)
- Falck Renewables Vind AS (grants for the wind farms in Okla and Hennøy)

- Frullo Energia Ambiente Srl (Granarolo dell’Emilia WtE plant)
- Geopower Sardegna Srl (Buddusò-Alà dei Sardi wind farm)
- Vector Cuatro group (services)
- Innovative Solar 42 LLC (solar farm in Fayetteville, North Carolina)
- Kilbraur Wind Energy Ltd (Kilbraur wind farm)
- Kingsburn Wind Energy Ltd (Kingsburn wind farm)
- Millennium Wind Energy Ltd (Millennium wind farm)
- Nutberry Wind Energy Ltd (Nutberry wind farm)
- Parc Eolien du Fouy Sas (Maine et Loire wind farm)
- Parc Eolien des Cretes Sas (Maine et Loire wind farm)
- Prima Srl (Trezzo sull’Adda WtE plant)
- Solar Mesagne Srl (Mesagne photovoltaic plants)
- Spaldington Airfield Wind Energy Ltd (Spaldington wind farm)
- Ty Ru Sas (Plouigneau wind farm)
- West Browncastle Wind Energy Ltd (West Browncastle wind farm)

No borrowing costs were capitalised on intangible assets during the year.

Goodwill at 31 December 2017 comprised:

Goodwill	(EUR thousands)
	Book value at 31.12.2017
Geopower Sardegna Srl	16,246
Cambrian Wind Energy Ltd	12,514
Falck Renewables Wind Ltd	10,222
Ben Aketil Wind Energy Ltd	9,859
Earlsburn Wind Energy Ltd	9,709
Millennium Wind Energy Ltd	9,410
Vector Cuatro SLU	5,861
Boyndie Wind Energy Ltd	4,121
Kilbraur Wind Energy Ltd	3,746
Eolica Sud Srl	1,967
Eolo 3W Minervino Murge Srl	1,748
SE Ty Ru SAS	260
Total	**85,663**

With reference to the measurement of the Vector Cuatro contract portfolio, recorded under other intangible assets, we report a write-down of EUR 1,750 thousand due to the termination and reduction of the scope of work for some multi-year contracts. On the other hand, the client was asked to pay a penalty of EUR 214 thousand, which was recorded in 2017.
The write-downs heading also includes the Esposito Srl concessions following lower volumes and future margins forecast by management.

Investment in property, plant and equipment amounted to EUR 9,973 thousand, mainly relating to the preliminary allocation, as assets under construction, for the purchase of grants/authorisations for the construction of wind farms in Sweden (EUR 3,351 thousand) and Norway (EUR 5,888 thousand) and other minor investments.

The heading for variation of the consolidation perimeter mainly refers to the consolidation of Aliden Vind AB (EUR 2,424 thousand), Brattmyrliden Vind AB (EUR 2,173 thousand) and Falck Renewables Vind AS (EUR 2,270 thousand).

For more information please refer to p. 43, paragraph 5.2.7 "Review of business in 2017", "Entry into the Norwegian market" and "Entry into the Swedish market".

Impairment tests

Impairment tests were performed on goodwill, intangible assets and the property, plant and equipment allocated to the CGUs at 31 December 2017 in accordance with the procedures established in IAS 36. In particular, the recoverable amount was determined for each of the individual CGUs (which generally corresponds to each individual project launched) based on value in use, which is calculated using the projection of operating cash flows discounted by the after tax weighted average cost of capital (WACC), which varies depending on the expected useful life of the plants. Given the nature of the business the recoverable amount of each unit was determined estimating the discounted operating cash flows over the remaining term of each project, and assuming for all of the industrial plants a prudent nil terminal value. The projected cash flows are based on the following assumptions:

- Expected production volumes of the wind farms/photovoltaic plants based on historic productivity figures;
- Estimated sales prices extrapolated using market projections, prepared with the assistance of an independent, internationally recognised energy sector provider, on the energy price curve and expected incentives in the various countries in which the Group operates, taking into account regulatory developments in the sector and at market conditions;
- Waste transfer prices and biomass purchase costs based on management estimates taking into consideration recent market trends;
- Operating costs, determined, where applicable on contract terms and otherwise using management estimates taking into consideration developments in the specific reference market.

The discount rate applied to the cash flows represents the weighted average cost of capital determined using the Capital Asset Pricing Model ("CAPM") where the risk free rate was calculated with reference to the yield on government bonds with maturities in line with the residual life of the plant.
The systematic non-diversifiable risk (β) and the debt to equity ratio were calculated by way of an analysis of a group of comparable entities operating in the same sectors as the Group.

The WACCs applied to the various CGUs were as follows:

WtE and biomass Italy:	from 4.1% to 5.3%
Wind sector UK:	from 4.1% to 4.9%
Wind sector Italy:	from 4.8% to 5.3%
Wind sector Spain:	3.7%
Services sector Spain:	6.1%
Wind sector France:	from 4.1% to 4.4%
Photovoltaic Italy:	from 5.0% to 5.4%

The key factors that individually or jointly influenced the valuations and impacted the impairment tests, in respect of intangible assets, property, plant and equipment and investments accounted for using the equity method that are commented on separately but were influenced by the same factors are detailed below. These factors had varying effects depending on the technological, geographical, competitive and incentive system features of the CGU.

General factors

- During 2017, the residual useful life of the Group's solar and wind farms was adjusted based on a technical assessment performed by specialised companies that are leaders in the reference market. In more detail, the new residual useful life, which increased on average, was calculated using the lowest between i) the technical duration indicated by the expert, and ii) the duration of the existing authorisations/concessions/rights to the land;
- In comparison to the Group's previous forecasts, expected electric energy prices in the various countries where the Group operates, considered over the entire useful life of the plants, changed as follows:
  - Italy: using the energy price outlook curves in the various areas where the Group's plants are located as reference, calculated with the support of an internationally renowned external provider specialised in the energy sector, and considering the entire residual useful life, no significant variations were made to the electricity price curve. On average, prices were lower than forecast last year for the first few years, with a slight recovery in the subsequent years. Moreover, the variations in energy prices were strongly impacted by the calculation of the incentive, which offset 78% of the variations (although one year off);
  - UK: the wholesale price curves used to forecast cash flow in the 2017 accounts did not show any significant variations from the previous year;
  - Spain: the market rates remained substantially stable, with a slight increase up to 2023 (period of interest for the Cabezo San Roque plant). Stronger price curve growth was forecast last year. As reported below, this change in scenario has affected the Eolica Cabezo San Roque CGU;
  - France: as in Spain, growth in electricity rates was slower than forecast in the last financial statements. In contrast, this reduction only affected the French CGUs in their last years of useful life. This was because the plants benefit from a 15 year Feed-in Tariff regime, protecting them against market fluctuations during this period.
- There were no significant variations in tax legislation in the various countries in comparison to the forecasts used in last year's report;
- WACC rates used to discount cash flows were updated based on the performance of long-term government bond yields (at the base of the risk-free component of the WACC itself), interest rates applied to bank debt, and the new residual useful life of the wind and solar plants.

Factors relating to the WtE, biomass and photovoltaic sector

- Ecosesto SpA (the hybrid plant in Rende): the usual update of the main production factors led to a partial adjustment of the relative CGU worth approximately EUR 3.2 million. More in detail, the factors that had the biggest impact on this revaluation were a significant forecast drop in biomass use (an approximately 7% improvement in the coefficient) that was already seen in 2017, and management's forecast for a 4% increase on energy production over the next five years in comparison to last year's forecast, thanks to the improvement in the plant's performance. Lastly, the reduction in the discount rate also had a positive impact;
- With reference to Esposito Servizi Ecologici, on the other hand, management took account of both external factors such as the performance of the reference market, and internal factors linked to the technical performance of the CGU and the investments necessary for plant maintenance. Due to these factors, there was a write-down of approximately EUR 1.7 million;
- Finally, Solar Mesagne saw a partial recovery of value worth approximately EUR 0.3 million, mainly due to the increase in the plant's residual useful life.

Factors relating to the wind sector

- As in 2016, the Company again in 2017 updated the estimates relating to the future production levels of each wind farm taking into consideration historical wind levels in the various locations. This update was performed for all operating plants with at least five years of service in order to obtain valid statistics, while future production levels for those plants in service for a shorter period was based on independent estimates provided by a market leader in wind level assessment, taking the availability of each single plant into account.

- With specific reference to the Cabezo San Roque plant, the abovementioned reduction in the future price outlook led to a write-down of around EUR 0.5 million.
- Lastly, we remind you that the residual useful life was recalculated for each individual CGU.

Based on the above, the following table summarises the write-downs/revaluations made: Ecosesto recovered EUR 3,179 thousand in value, Solar Mesagne recovered EUR 324 thousand, Esposito wrote down intangible assets by EUR 1,203 thousand and tangible assets by EUR 466 thousand, and Eolica Cabezo San Roque wrote down tangible assets by EUR 520 thousand.

Purchase Price Allocation of the Vector Cuatro group acquisition and impairment tests

As for the other CGUs, impairment tests were carried out both on the long-term contract portfolio and the goodwill allocated to the Vector Cuatro group.

The recoverable amount was determined on the basis of an explicit operating cash flow plan for a five-year period and a terminal value. The discount rate applied was 6.1% taking into consideration a sample of comparable companies operating in the services sector.
For the subsequent flows, the terminal value was calculated as a perpetuity on the basis of a normalised cash flow equal to the average EBITDA achieved in the last three years (2015-2017), to which a growth rate (g) equal to zero has been applied.

The impairment test performed for the purpose of preparing this Annual Report resulted in a positive recoverable value attributed to the acquisition cost and consequently the goodwill allocated to the Vector Cuatro group. Even the financial sensitivity conducted, on the basis of various growth scenarios along the five-year horizon, did not generate potential write-downs.

With specific reference to the multi-year contract portfolio, in contrast, a detailed analysis of the relative residual value led to the need to write down EUR 1,750 million (of which approximately EUR 379 thousand were already written down in the 2017 interim report). This write-down is mainly due to the termination in 2017 of some multi-year asset management contracts and the reduction of the "scope of work" for others.

Impairment test: sensitivity analyses

Impairment tests are based on estimates of production, electricity prices and other revenue/cost items (waste transfer) and the interest rates calculated using latest available information at the balance sheet date.
As there is a margin of uncertainty for each estimate, a sensitivity analysis was carried out on the recoverable value of the various CGUs.
In relation to the volatility of electricity prices, which is now a characteristic of recent years, the following sensitivity tests were carried out compared to the "base case": electricity prices lower than 10% and 0.5% increase in the discount rate and electricity prices higher than 10% with 0.5% lower discount rate.
This illustrates the most outcomes described above which combine both the financial and operating/industrial elements of the sensitivity analyses compared to the base case:

VARIATIONS VS BASE CASE (EUR/million)	Base case	Electricity prices -10%; Discount rate +0.5%	Electricity prices +10%; Discount rate -0.5%
Net revaluations/(impairments)	(0.4)	(5.5)	1.3

Please note that with reference to more penalising sensitivity, the depreciation of the CGU, net of recovery, already subject to impairment would have been approximately EUR 5.5 million. This combination would also generate write-downs for the Prima Srl and Ty Ru Sa plants not included in the base scenario.
After reviewing the various outcomes and taking into consideration the variables used to prepare the base case, the directors consider the valuations made to perform the impairment tests with reference to the base case and the relative write-downs and adjustments to be adequate. They also confirm that the trend in these variables will be monitored in order to identify any adjustments in the estimates of the recoverable values of the amounts recorded in the financial statements.

2 Property, plant and equipment

Movements in the period were as follows:

(EUR thousands)

	At 31.12.2016	Additions	Capital.n and reclass.n	Foreign exchange differences	Disposals and impairments	Other movements	(Impairment losses) Revaluation	Change in scope of consolid.n	Depreciation	At 31.12.2017
Gross values										
2.1 Land	8,751			(11)						8,740
2.2 Buildings	1,810	24		(3)						1,831
2.3 Plants and machinery	1,257,487	3,146	57,440	(17,474)	(593)	990	2,503	120,746		1,424,245
2.4 Industrial and commercial equipment	2,895	2	29							2,926
2.5 Other assets	5,124	97	86	(15)	(225)	(9)	(8)			5,050
2.6 Assets operated under concession	92,198		945							93,143
2.7 Assets under construction and adv.	51,796	14,796	(58,500)	(1,783)						6,309
Total gross value	**1,420,061**	**18,065**		**(19,286)**	**(818)**	**981**	**2,495**	**120,746**		**1,542,244**
Accumulated depreciation										
2.1 Land										
2.2 Buildings	(980)								(55)	(1,035)
2.3 Plants and machinery	(389,833)			3,956				(713)	(53,720)	(440,310)
2.4 Industrial and commercial equipment	(2,434)								(145)	(2,579)
2.5 Other assets	(3,897)			12	225	6			(381)	(4,035)
2.6 Assets operated under concession	(65,273)								(4,127)	(69,400)
Total depreciation	**(462,417)**			**3,968**	**225**	**6**		**(713)**	**(58,428)**	**(517,359)**
Net book amounts										
2.1 Land	8,751			(11)						8,740
2.2 Buildings	830	24		(3)					(55)	796
2.3 Plants and machinery	867,654	3,146	57,440	(13,518)	(593)	990	2,503	120,033	(53,720)	983,935
2.4 Industrial and commercial equipment	461	2	29						(145)	347
2.5 Other assets	1,227	97	86	(3)		(3)	(8)		(381)	1,015
2.6 Assets operated under concession	26,925		945						(4,127)	23,743
2.7 Assets under construction and adv.	51,796	14,796	(58,500)	(1,783)						6,309
Total property, plant and equipment	**957,644**	**18,065**		**(15,318)**	**(593)**	**987**	**2,495**	**120,033**	**(58,428)**	**1,024,885**

Additions – these comprise:

	(EUR thousands)
Auchrobert wind farm	8.676
Okla and Hennøy wind farm	1.791
Brattmyrliden wind farm	2.117
Eolo 3W Minervino Murge wind farm	1.683
Aliden wind farm	1.158
Assel Valley wind farm	192
Eolica Sud wind farm	155
Rende hybrid plant	220
Trezzo d'Adda plant	1.333
Other smaller plants	740
Total	**18.065**

The heading for variation of the consolidation perimeter mainly refers to the consolidation of the NC 42 LLC group for EUR 120,033 thousand.

Details of impairment tests carried out on property, plant and equipment, are illustrated in the note above.

Borrowing costs allocated during the year to property, plant and equipment amounted to EUR 21 thousand entirely relating to wind farms under construction. Property, plant and equipment at 31 December 2017 did not include amounts relating to revaluations carried out in accordance with local monetary revaluation legislation or arising from economic revaluations.

3 Investments and financial assets

This mainly refers to the 1.807% share in the Fondo Italiano per l'Efficienza Energetica SGR SpA.
During 2017, the Fondo Italiano per l'Efficienza Energetica SGR SpA continued its operational management of the Fund according to the development plan approved by its Board of Directors. For further information, please see the section "*Commitments and contingencies*".

4 Investments accounted for using the equity method

(EUR thousands)

	At 31.12.2016	Revaluation Impairment	Fair value adjustment to total equity	Dividends	Other movements	At 31.12.2017
Frullo Energia Ambiente Srl	20,395	2,263	105	(980)		21,783
Parque Eolico La Carracha Sl						
Parque Eolico Plana de Jarreta Sl						
Nuevos Parque Eolicos La Muela AIE						
Vector Cuatro Servicios SL	61	21				82
Total	**20,456**	**2,284**	**105**	**(980)**		**21,865**

These comprise the 49% stake in Frullo Energia Ambiente Srl, the 26% holdings in Parque Eolico La Carracha Sl and Parque Eolico Plana de Jarreta Sl, each of which have a 50% stake in Nuevos Parque Eolicos La Muela AIE and, from September 2014, the 50% stake in Vector Cuatro Servicios Sl.

Parque Eolico La Carracha Sl and Parque Eolico Plana de Jarreta Sl shares were fully written down.

The assessment of the recoverable value of the investment in Frullo Energia Ambiente Srl, performed in accordance with IAS 36, resulted in a positive outcome.

Details of the balance sheets and income statements of significant non-controlling interests (in accordance with IFRS 12), are disclosed in section "9. Supplementary information to the Falck Renewables SpA separate financial statements".

5 Financial receivables

As at 31 December 2017, this item is broken down as follows:

(EUR thousands)

	31.12.2017			31.12.2016			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	12,869	11,239	1,630	29		29	12,840	11,239	1,601
Amounts owed by associates									
Derivative financial instruments	1,102	1,012	90	1,349	1,189	160	(247)	(177)	(70)
Total	**13,971**	**12,251**	**1,720**	**1,378**	**1,189**	**189**	**12,593**	**11,062**	**1,531**

Financial receivables are disclosed net of the provision for doubtful accounts of EUR 1,418 thousand.

Non-current amounts owed by third parties relate to the loan to Verus Energy Oak for EUR 741 thousand that has been written down to nil in previous years, following a decision not to continue the investment.
Amounts owed by associates include the financial receivables of EUR 231 thousand due from Parque Eolico La Carracha Sl and EUR 446 thousand due from Parque Eolico Plana de Jarreta Sl, both of which have been written down to nil in previous years.

The increase in third party financial receivables is due to the reverse loan granted by Ben Aketil Wind Energy Ltd and Earlsburn Mezzanine Ltd to CII HoldCo Ltd, for EUR 12,781 thousand.

Third party derivative interest rate swaps, whose fair value at 31 December 2017 is positive for EUR 1,012 thousand, were taken out to hedge project financing interest rate risks for Spaldington Airfield Wind Energy Ltd, Kingsburn Wind Energy Ltd and Kilbraur Wind Energy Ltd.

Third party derivative contracts were taken out to hedge the foreign exchange risk associated with the parent company's foreign currency current accounts and on certain exchange transactions by the parent, with a positive fair value of EUR 90 thousand at 31 December 2017 (2016 – EUR 160 thousand).

Please note that the fair value of non-current derivatives at 31 December 2017 has been adjusted for counterparty risk (CVA - Credit Valuation Adjustment) in line with IFRS 13. The following table shows the details of the credit valuation adjustments made, by rating and by sector:

(EUR thousands)

	Fair value risk free	Fair value - Credit Valuation adjusted	Delta
Rating			
S&P A-	1,137	1,012	(125)
Total	**1,137**	**1,012**	**(125)**
Sector			
Banks	1,137	1,012	(125)
Total	**1,137**	**1,012**	**(125)**

6 Trade receivables

As at 31 December 2017, this item is broken down as follows:

(EUR thousands)

	31.12.2017			31.12.2016			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Trade receivables	102,928		102,928	84,456		84,456	18,472		18,472
Amounts owed by subsidiaries									
Amounts owed by associates	81		81	81		81			
Amounts owed by parent company	241		241	129		129	112		112
Amounts owed by other Falck Group companies	54		54	20		20	34		34
Total	**103,304**		**103,304**	**84,686**		**84,686**	**18,618**		**18,618**

The analysis of trade receivables by geographical location is as follows:

	31.12.2017
Italy	62,469
United Kingdom	25,908
Germany	6,340
Denmark	2,698
Switzerland	1,616
France	1,466
Netherlands	933
Spain	870
Other	1,552
Bad debt provision	(924)
Total	**102,928**

Trade receivables are disclosed net of the provision for doubtful accounts of EUR 924 thousand at 31 December 2017 recorded in order to adjust them to recoverable value.
Total third party trade receivables of EUR 102,928 thousand at 31 December 2017, comprised EUR 73,947 thousand not yet due and EUR 26,220 thousand not more than one month overdue and EUR 2,761 thousand more than one month overdue.
The increase in trade receivables was mainly due to the growth in revenues.

7 Other receivables

As at 31 December 2017, this item is broken down as follows:

(EUR thousands)

	31.12.2017			31.12.2016			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	2,117	277	1,840	3,148	269	2,879	(1,031)	8	(1,039)
Amounts owed by associates	980		980	1,470		1,470	(490)		(490)
Amounts owed by parent company	8,324		8,324	10,093		10,093	(1,769)		(1,769)
Advances	439		439	556		556	(117)		(117)
Tax credits	7,893		7,893	21,592		21,592	(13,699)		(13,699)
Guarantee deposits	663	581	82	1,396	1,326	70	(733)	(745)	12
Accrued income and prepayments	6,226	223	6,003	6,509	228	6,281	(283)	(5)	(278)
Total	**26,642**	**1,081**	**25,561**	**44,764**	**1,823**	**42,941**	**(18,122)**	**(742)**	**(17,380)**

Other receivables are disclosed net of the provision for doubtful accounts of EUR 8,375 thousand at 31 December 2017 recorded in order to adjust them to recoverable value.
During the year the bad debt provision increased by EUR 1,889 thousand to cover the write-down of VAT credits for Pea and Platani and the receivables from the developers in the UK following the decision not to continue in the investment.

Other receivables fell mainly due to the collection of the remaining balance between the amount paid by Eolica Sud Srl pending judgement and the amount due as a result of settlement agreement art. 48, Legislative Decree no. 546/1992 with the Catanzaro tax authorities. For further details, please see the financial statements at 31 December 2016.

The amounts owed by parent company principally relate to tax income due from Falck SpA in relation to the Group consolidated tax regime and the sale of VAT recoverable under the Group VAT return.

The amount due from associates relates to current and prior year dividends of EUR 980 thousand approved by the AGM of Frullo Energia Ambiente Srl but not yet paid.

The item due from Falck Group companies includes a receivable from Sesto Siderservizi for EUR 1,636 thousand that was fully written down.

Current tax receivables mainly relate to VAT due from investments made by Group companies and requested as a refund. Following the Eolica Sud settlement agreement ex art. 48 Legislative Decree 546/1992 between Eolica Sud Srl and the Catanzaro tax authorities, the company has obtained the release of the payment of the VAT refund requested in previous years for about EUR 7.5 million.

The significant reduction compared to 31 December 2016 is mainly due to the receipt of the VAT refund and tax credit for Eolica Sud and the receivables due from Falck SpA for income from the tax consolidation.

Accrued income and prepayments largely relate to plant maintenance prepayments, deferred charges on the expenses incurred to raise borrowings and insurance premiums.

8 Deferred income tax assets and liabilities

Deferred income tax assets and liabilities may be analysed as follows:

		(EUR thousands)
	31.12.2017	31.12.2016
Intangible assets	(3,780)	(1,144)
Property, plant and equipment	(19,970)	(14,995)
Risk and expenses provisions	4,864	3,020
Provision for doubtful accounts	214	199
Tax losses carried forward	2,752	2,998
Other allocations	1,032	951
Derivative financial instruments	10,456	13,521
Amortised cost method	3,137	2,834
Other	1,131	292
Total	**(164)**	**7,676**

The balance of EUR 164 thousand comprises EUR 27,352 thousand of deferred income tax assets net of EUR 27,516 thousand of deferred income tax liabilities.

Deferred tax assets and liabilities generated by temporary differences are offset when there is the possibility of compensation and when they are subjected to the same tax jurisdiction.

Deferred taxes on tax losses were posted where deemed recoverable.

Movements in deferred income tax assets may be summarised as follows:

	(EUR thousands)
31 December 2016	**25,907**
Movements through the income statement	3,839
Movements recorded within equity	(2,765)
Change in the scope of consolidation	143
Reclassifications	253
Other movements and foreign exchange effect	(25)
31 December 2017	**27,352**

Movements in deferred income tax liabilities were as follows:

	(EUR thousands)
31 December 2016	**(18,231)**
Movements through the income statement	(4,732)
Movements recorded within equity	(258)
Change in the scope of consolidation	(2,139)
Reclassifications	(253)
Other movements and foreign exchange effect	(1,903)
31 December 2017	**(27,516)**

B Current assets

9 Inventories

Inventories at 31 December 2017 consisted of the following:

(EUR thousands)

	31.12.2017	31.12.2016	Change
Raw materials and consumables	2,879	2,764	115
Semi-finished goods			
Work in progress			
Finished goods	2,053	1,754	299
Advances			
Total	**4,932**	**4,518**	**414**

Raw materials comprise the stocks of biomass while finished goods relate to spare parts for the operating plants.

10 Cash and cash equivalents

(EUR thousands)

	31.12.2017	31.12.2016	Change
Short-term bank and post office deposits	261,499	256,596	4,903
Cash in hand	18	15	3
Total	**261,517**	**256,611**	**4,906**

Cash and cash equivalents not linked to project financing contracts of EUR 162,762 thousand were placed with banks on short-term deposit.

The cash and cash equivalents of Group companies financed under project financing principally comprise the current account balances that are restricted by the obligations established under the project financing contracts. The balance relating to the wind sector is EUR 91,464 thousand, while that of the WtE, biomass and photovoltaic sector is EUR 7,291 thousand.

The cash balances linked to project financing contracts analysed by company at 31 December 2017 were as follows:

(EUR thousands)

Actelios Solar SpA	5,932
Innovative solar 42 LLC	1,359
Total WtE, biomass and photovoltaic sector	**7,291**
FRUK Holdings (no.1) Ltd	132
Cambrian Wind Energy Ltd	4,470
Boyndie Wind Energy Ltd	232
Earlsburn Mezzanine Ltd	1,524
Earlsburn Wind Energy Ltd	2,472
Ben Aketil Wind Energy Ltd	1,245
Millennium Wind Energy Ltd	3,737
Kilbraur Wind Energy Ltd	3,632
Nutberry Wind Energy Ltd	3,135
West Browncastle Wind Energy Ltd	2,921
Spaldington Wind Energy Ltd	1,447
Kingsburn Wind Energy Ltd	3,203
Assel Valley Wind Energy Ltd	2,866
Auchrobert Valley Wind Energy Ltd	5,957
Eolica Sud Srl	14,692
Eolo 3W Minervino Murge Srl	4,773
Geopower Sardegna Srl	25,786
Eolica Petralia Srl	3,163
SE Ty Ru Sas	3,892
Parc Eolien du Fouy Sas	729
Parc Eolien des Crêtes Sas	478
Esquennois Energie Sas	978
Total Wind sector	**91,464**
Total cash balances linked to project financing	**98,755**

Please see the consolidated cash flow statement for further information on the change in cash and cash equivalents.

Liabilities

D Equity

11 Share capital

Share capital consists of 291,413,891 issued and fully paid ordinary shares, with a face value of EUR 1 each.
At 31 December 2017, the parent company Falck Renewables SpA had 1,510,000 own shares for a face value of EUR 1,510,000, representing 0.5182% of total share capital.
The carrying value of own shares held is EUR 1,438,186, corresponding to an average share price of EUR 0.9524.

The Shareholders' Meeting held on 16 January 2017 authorised the purchase and distribution of treasury shares and start of the share buyback program.
The company may purchase a maximum of 5,828,277 ordinary shares in Falck Renewables, corresponding to 2% of the share capital, taking into account the treasury shares held by the company on 16 January 2017 (460,000, corresponding to 0.1579% of the share capital) in compliance with legal and regulatory requirements as well as market practices currently in force, as applicable.
On 8 March 2018, as part of this program 1,050,000 shares were purchased, corresponding to 0.3603% of the share capital. In total, 1,510,000 shares are held, corresponding to 0.5182% of the share capital, for an average cost of EUR 0.9524 per share.

Movements in equity during 2017 and 2016 were as follows:

(EUR thousands)

		Reserves									
	Share capital	Share premium account	Demerger reserve under common control	Translation reserve	Cash flow hedge reserve	Actuarial gains/losses reserve	Other reserves	Profit for the year	Group equity	Third party equity	Total
31.12.2015	**291,414**	**470,335**	**(371,598)**	**17,719**	**(50,898)**	**(229)**	**110,454**	**5,275**	**472,472**	**46,499**	**518,971**
2015 Holding profit allocation to reserves							5,275	(5,275)			
Dividends paid							(13,093)		**(13,093)**	(2,069)	**(15,162)**
Other comprehensive income items included in equity				(14,528)	(755)	(417)	419		**(15,281)**	(14,597)	**(29,878)**
Other movements					2,239		(2,408)		**(169)**	232	**63**
Profit for the year								(3,935)	**(3,935)**	5,800	**1,865**
31.12.2016	**291,414**	**470,335**	**(371,598)**	**3,191**	**(49,414)**	**(646)**	**100,647**	**(3,935)**	**439,994**	**35,865**	**475,859**

(EUR thousands)

		Reserves									
	Share capital	Share premium account	Demerger reserve under common control	Translation reserve	Cash flow hedge reserve	Actuarial gains/losses reserve	Other reserves	Profit for the year	Group equity	Third party equity	Total
31.12.2016	**291,414**	**470,335**	**(371,598)**	**3,191**	**(49,414)**	**(646)**	**100,647**	**(3,935)**	**439,994**	**35,865**	**475,859**
2016 Holding profit allocation to reserves							(3,935)	3,935			
Dividends paid							(14,205)		**(14,205)**	(7,537)	**(21,742)**
Other comprehensive income items included in equity				(5,562)	8,660	(47)	(105)		**2,946**	(664)	**2,282**
Purchase of own shares							(1,035)		**(1,035)**		**(1,035)**
Stock grant plan fair value							220		**220**		**220**
Other movements							(47)		**(47)**	10,134	**10,087**
Profit for the year								20,350	**20,350**	11,716	**32,066**
31.12.2017	**291,414**	**470,335**	**(371,598)**	**(2,371)**	**(40,754)**	**(693)**	**81,540**	**20,350**	**448,223**	**49,514**	**497,737**

Earnings per share

In compliance with IAS 33, the figures used to calculate the diluted and financial earnings per share are provided below.
Basic earnings per share are calculated by dividing the net earnings for the period attributable to parent company shareholders by the average weighted number of ordinary shares in circulation during the period of reference, excluding treasury shares and including any shares and financial instruments with a possible diluting effect.
At 31 December 2017, the average weighted number of shares in circulation was increased to take account of the diluting effect of the stock grant plan.

The data used to calculate basic earnings per share were as follows.

	31.12.2017	31.12.2016
Weighted average number of ordinary shares in issue (number)	289,963,261	290,953,891
Profit attributable to ordinary equity holders of the parent (EUR thousands)	20,350	(3,935)
Basic earnings per share (EUR per share)	**0.070**	**(0.014)**

	31.12.2017	31.12.2016
Weighted average number of ordinary shares in issue (number)	289,963,261	290,953,891
Weighted average number of potential shares following the stock grant plan (number of shares)	584,757	-
Weighted average number of ordinary shares in issue (number) following diluted profit	290,548,018	290,953,891
Profit attributable to ordinary equity holders of the parent (EUR thousands)	20,350	(3,935)
Diluted earnings per share (EUR per share)	**0.070**	**(0.014)**

12 Provisions for other liabilities and charges

(EUR thousands)

	31.12.2016	Change in scope of consol.n	Charges	Utilisations/ payments	Other movements	Foreign exchange differences	31.12.2017
Non-current provisions for other liabilities and charges							
- litigation provision	108			(108)			
- environmental provision	47,969	1,980	4,914	(358)	1,146	(737)	54,914
- other risk provisions	17,738		6,418	(2,823)	97	(79)	21,351
Total non-current provisions for other liabilities and charges	**65,815**	**1,980**	**11,332**	**(3,289)**	**1,243**	**(816)**	**76,265**
Non-current provisions for other liabilities and charges							
- other risk provisions	276		3	(264)	166		181
Total current provisions for other liabilities and charges	**276**		**3**	**(264)**	**166**		**181**
Total provisions for liabilities and charges	**66,091**	**1,980**	**11,335**	**(3,553)**	**1,409**	**(816)**	**76,446**

Group provisions are largely non-current.

The *environmental provision* comprises future obligations in relation to the decommissioning of power plants at the end of their useful life that are calculated based on independent expert valuations.
This provision also includes amounts provided to meet future commitments in relation to the redevelopment of landfills in accordance with the obligations undertaken on receipt of authorisations from the relevant authorities. These are also based on estimates prepared by specialist enterprises.
The amount of EUR 1,146 thousand refers to the adjustment of future costs to be incurred to decommission plants already in operation following the change in discount rates.

Operating profit of around EUR 11 million refers to allocations to reserves: 5 million were set aside against future extraordinary maintenance costs for Ecosesto SpA; 2 million to a fund for litigation arising from the current or previous years regarding discussions with the Electricity, Gas and Water Authority over the reimbursement of incentives, which the Group has appealed to the regional court (TAR); approximately 4 million for updating liability estimates for past and current litigation, including the ones with employees.

The amount of EUR 2,823 thousand mainly refers to the Fund for covering transport and electricity distribution costs for Prima Srl.

13 Staff leaving indemnity

(EUR thousands)

	31.12.2016	Charges	Interest cost	Other movements	Actuarial (gains)/losses	Payments	31.12.2017
Managers	676	271	9	(1)	(1)	(217)	737
White and blue-collar staff	3,216	520	40	2	11	(509)	3,280
Total	**3,892**	**791**	**49**	**1**	**10**	**(726)**	**4,017**

The *Trattamento di Fine Rapporto*, "TFR" (Italian staff leaving indemnity), was subjected to an actuarial valuation by an independent expert in accordance with IAS 19R.

The actuarial financial assumptions utilised to calculate the estimated cost in 2017, compared to 2016, are as follows:

(%)

	31.12.2017	31.12.2016	Change
Annual discount rate	1.30%	1.31%	-0.01%
Annual inflation rate	1.70%	1.46%	0.24%
Annual total pay increase rate*	1.70%	1.46%	0.24%
Annual TFR increase rate	2.78%	2.63%	0.15%

* The annual total pay increase used for 2018 is 5.25% for Vector Cuatro Srl and 2.75% for the rest of the Group, and 1.82% for subsequent years.

The discount rate was based on the *iBoxx Eurozone Corporates AA 10+* index at the time of calculation.

A sensitivity analysis was carried out on the main actuarial assumptions used in the model in accordance with IAS 19R.
The base case used the rates in the table above and increases and decreases of a half, a quarter and two percentage points respectively were applied to the most significant assumptions namely the average discount rate, average inflation rate and turnover rate.
The results of the sensitivity analyses are summarised as follows:

Sensitivity analysis
Annual discount rate

(EUR thousands)

	+0.50%	-0.50%
Managers	719	757
White and blue-collar staff	3,149	3,420

Sensitivity analysis
Annual inflation rate

(EUR thousands)

	+0.25%	-0.25%
Managers	742	733
White and blue-collar staff	3,309	3,250

Sensitivity analysis
Annual turnover rate

(EUR thousands)

	+2.00%	-2.00%
Managers	729	748
White and blue-collar staff	3,222	3,331

An estimate of expected future contributions in accordance with IAS 19R is provided below:

Future cash flows (EUR thousands)

	< 12 months	1 - 2 years	2 - 5 years	5 - 10 years	> 10 years
Managers	101	106	252	362	652
White and blue-collar staff	342	320	840	1,740	5,426
Totale	**443**	**426**	**1,092**	**2,102**	**6,078**

14 Financial liabilities

As at 31 December 2017, this item is broken down as follows:

(EUR thousands)

	31.12.2017			31.12.2016			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Due to third parties	19,316	15,154	4,162	25,090	17,933	7,157	(5,774)	(2,779)	(2,995)
Project financing	792,308	709,474	82,834	734,875	675,507	59,368	57,433	33,967	23,466
Derivative financial instruments	47,581	45,318	2,263	59,980	59,729	251	(12,399)	(14,411)	2,012
Total	**859,205**	**769,946**	**89,259**	**819,945**	**753,169**	**66,776**	**39,260**	**16,777**	**22,483**

The EUR 150 million corporate loan is composed of a revolving credit line that matures on 30 June 2020. The loan is aimed at supporting the Group's financial requirements and business development activities. The loan had not been drawn down at 31 December 2017.
The parent company has placed a pledge on the shares held in Falck Renewables Wind Ltd in respect of this loan corresponding to a nominal value of GBP 37,755 thousand.
The loan is subject to, inter alia, financial covenants based on the ratio of net financial position/EBITDA and net financial position/total equity calculated using the amounts disclosed in the consolidated financial statements: these ratios were met on all annual and interim reporting dates from 30 June 2015 to 31 December 2017, based on this financial statement.

Liabilities supported by real guarantees include all project financing contracts, which are secured by pledges on the shares of the financed companies.

Amounts due to third parties represent borrowings by other Group companies and are detailed further, together with project financing loans and derivative financial instruments, in the additional disclosures on financial instruments.

In order to hedge the interest rate risk on project financing, the companies under project financing have entered into interest rate swap contracts (IRS) for the portion of the interest linked to project financing, with the purpose of switching from variable to fixed rates at conditions that are substantially in line with market rates.
Details of Falck Renewables Group's outstanding interest rate and forex hedging agreements at 31 December 2017 are disclosed in the note "Additional disclosures on financial instruments in accordance with IFRS 7".

The lending banks have imposed covenants on the above borrowings that the companies are obliged to meet for the entire contract period and are verified by the banks every six months. These checks did not identify any breach of the defined parameters.
The Group carefully monitors the project financing situation of its plants.

More specifically the project financing contracts require the Group to satisfy certain obligations and parameters including:

- The obligation to bind part of settled revenue to guarantee repayment of the outstanding debt on specific projects;

- The requirement to issue mortgages on properties or pledges on shares to the financial institutions that are party to the projects;
- The satisfaction of certain debt service cover ratios (the ratio between expected cash flows arising on the financed project over a certain period, the interest and principal of the outstanding debt in the same period);
- The satisfaction of total equity/net financial debt ratios;
- The possibility of distributing dividends only where: i) established debt service cover ratios are met, and ii) on settlement of outstanding payments arising on the project financing contracts.

Regarding the project financing for the Ben Aketil plant in the UK, the company asked the Agent Bank to open a new PPA (Power Purchase Agreement) at better conditions that those in the current arrangement, which is due to expire in April 2018. On 6 December 2017 the company received a "reservation of right letter" from the Agent Bank due to failure to meet the deadline specified in the financing contract (31 October 2017, six months earlier) for obtaining the bank's consent for a new PPA and defining it as an "event of default". This is despite the plant's excellent performance, having met all the financial covenants, and the fact that the new PPA is more favourable than the one about to expire. It is therefore a so-called "technical" default. Considering the discussions already underway with the Agent Bank regarding the structure of the new PPA, on 29 December 2017 the Agent Bank sent a second letter agreeing to suspend their rights as claimed in the reservation right letter until 31 January 2018, also in order to allow the lender's legal advisors to finish analysing the new PPA. After the analysis and revision of the new PPA was completed in January 2018, the company signed a new PPA on 16 February 2018 with the consent of the Agent Bank, which also agreed to definitively cancel the default event relating to the failure to sign the PPA within the deadline specified in the contract. The project financing debt, for a value of EUR 15,726 thousand at 31 December 2017, has been recorded under current financial liabilities as per IAS 1.

15 Trade payables

Trade payables at 31 December 2017 compared to the previous year-end may be analysed as follows:

(EUR thousands)

	31.12.2017			31.12.2016			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Due to third parties	46,440	3,722	42,718	66,247	4,072	62,175	(19,807)	(350)	(19,457)
Due to parent company	424		424	62		62	362		362
Total	**46,864**	**3,722**	**43,142**	**66,309**	**4,072**	**62,237**	**(19,445)**	**(350)**	**(19,095)**

Amounts due to the parent company principally comprise amounts due to Falck SpA for use of the Falck trademark.
Non-current trade payables relate to accruals for maintenance costs and rent due after more than one year.
Trade payables to third parties decreased mainly due to the payment of amounts due to suppliers for the construction of the plants.

16 Other payables

Other payables at 31 December 2017 compared to 31 December 2016 are as follows:

(EUR thousands)

	31.12.2017			31.12.2016			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Due to third parties	32,931	5,094	27,837	27,947		27,947	4,984	5,094	(110)
Due to subsidiaries									
Due to associates									
Due to parent company	4,560		4,560	8,323		8,323	(3,763)		(3,763)
Due to other Falck Group companies									
Advances	192		192				192		192
Accruals and deferred income	42,400	40,462	1,938	5,937	5,023	914	36,463	35,439	1,024
Total	**80,083**	**45,556**	**34,527**	**42,207**	**5,023**	**37,184**	**37,876**	**40,533**	**(2,657)**

Third party creditors may be detailed as follows:

(EUR thousands)

	31.12.2017	31.12.2016
Tax payables	8,893	8,645
Debt for the acquisition of companies in Sweden and Norway	6,746	
Debts to partners and shareholders in the consolidated tax regime	6,664	3,005
Other amounts due to employees and holiday pay	4,578	4,859
Amounts due on court sentences	1,812	1,577
Dividends payable	1,050	1,050
Social security payables	697	888
Due to Ministry of Economic Development		5,131
Other minor amounts	2,491	2,792
Total	**32,931**	**27,947**

The "debt for the acquisition of companies in Sweden and Norway" refers to debts to the previous shareholders of Aliden Vind, Brattmyrliden Vind and Falck Renewables Vind.
The amounts due to the Ministry of Economic Development at 31 December 2016 related to the grant awarded pursuant to Law 488 for the part awaiting final award and posted under payables as a normally collected advance. Once the contributions were permanently assigned, they were recorded under accrued expenses and deferred income and released in other revenues starting from the date when the plant entered into operation.
The first two liquidation acts were issued in 2016 to cover the balance, for two of the three Minervino Murge wind farm production units, which confirmed the recognisable concessions for EUR 9,150 thousand. During 2017, the third liquidation act was issued to cover the balance, confirming the recognisable concessions for EUR 5,137 thousand.

The accruals and deferrals heading is mainly composed of capital contributions.
The increase on 2016 figures for this item is thanks to the contribution from Innovative Solar 42 following the acquisition of the 92 MW solar farm in North Carolina. This amount refers to tax credits worth 30% of the investment (ITC - investment tax credit) assigned to the minority shareholders based on the partnership contract, spread over the useful life of the plant (35 years). The ITC obtained by the company and assigned to the shareholders, as above, is recorded under accrued expenses and deferred income and spread over the project's useful life.

Therefore, accrued expenses and deferred income at 31 December 2017 consisted of the ex Lege 488 contributions and the ITC for a total of EUR 42,400 thousand relating to the contribution accruable in future years, of which EUR 40,462 thousand in other non-current payables and EUR 1,938 thousand in other current payables.

The amount due to the parent company relates to IRES (corporation tax) payable under the Group consolidated tax regime and VAT liquidation payables with the parent company Falck SpA.

Commitments and contingencies

Guarantees issued at 31 December 2017 amounted to EUR 169,271 thousand. Guarantees relating to subsidiary undertakings principally consist of performance bonds to guarantee completion of work in progress, participate in tenders for contracts and site decommissioning and clearance for a total of EUR 134,726 thousand and guarantees issued to the VAT authorities in relation to requests for repayment of VAT receivables for EUR 5,126 thousand. Also included are EUR 7,526 thousand of bank guarantees and other guarantees of EUR 21,893 thousand. In addition, the Group has subscribed to 3,000 shares in the Fondo Italiano per l'Efficienza Energetica SGR SpA for a total commitment of EUR 3,000 thousand, at 31 December 2017, of which EUR 2,697 thousand still due to be paid on the basis of any additional investments made by the Fund.

Related party transactions

In compliance with Consob's communications of 20 February 1997, 27 February 1998, 30 September 1998, 30 September 2002 and 27 July 2006, no uncharacteristic or uncommon transactions take place with related parties that are beyond the normal business operations or are detrimental to the Group's results of operations, state of affairs and financial position.
Related party transactions represent the day to day business activities that are carried out at arm's length. These comprise the recharge of costs between Group companies and intercompany current accounts that give rise to finance income and costs.
In accordance with IAS 24 Related Party Disclosures and the disclosures pursuant to Consob circular 6064293 of 28 July 2006, all related party transactions and the corresponding incidence on the Falck Renewables Group's balance sheet headings are provided below.

(EUR thousands)

	Trade receivables			Trade payables		
	31.12.2017	31.12.2016	Change	31.12.2017	31.12.2016	Change
Parent company						
Falck SpA	241	129	112	424	62	362
Total parent company	**241**	**129**	**112**	**424**	**62**	**362**
Associates						
Frullo Energia Ambiente Srl	81	81				
Total associates	**81**	**81**				
Other Group companies						
Falck Energy SpA	31	14	17			
Sesto Siderservizi Srl	23	6	17			
Total other Group companies	**54**	**20**	**34**			
Other related parties						
CII HoldCo Ltd		27	(27)			
Svelgen Kraft Holding and associates				75		75
Total other related parties		**27**	**(27)**	**75**		**75**
Total	**376**	**257**	**119**	**499**	**62**	**362**
% incidence on balance sheet heading	**0.4%**	**0.3%**		**1.1%**	**0.1%**	

(EUR thousands)

	Financial receivables			Financial payables		
	31.12.2017	31.12.2016	Change	31.12.2017	31.12.2016	Change
Associates						
Vector Cuatro Servicios Sl						
Total associates						
Other related parties						
CII HoldCo Ltd	12,781		12,781	2,563	6,949	(4,386)
Total other related parties	**12,781**		**12,781**	**2,563**	**6,949**	**(4,386)**
Total	**12,781**		**12,781**	**2,563**	**6,949**	**(4,386)**
% incidence on balance sheet heading	**91.5%**			**0.3%**	**0.9%**	

	Other receivables			Other payables		
	31.12.2017	31.12.2016	Change	31.12.2017	31.12.2016	Change
Parent company						
Falck SpA	8,324	10,093	(1,769)	4,560	8,323	(3,763)
Total parent company	**8,324**	**10,093**	**(1,769)**	**4,560**	**8,323**	**(3,763)**
Associates						
Frullo Energia Ambiente Srl	980	1,470	(490)			
Parque Eolico La Carracha SL						
Parque Eolico Plana de Jarreta SL						
Total associates	**980**	**1,470**	**(490)**			
Other related parties						
CII HoldCo Ltd				3,146	3,005	141
Svelgen Kraft Holding and associates				4,588		4,588
Firstar Development, LLC				3,518		3,518
Total other related parties				**11,252**	**3,005**	**8,247**
Total	**9,304**	**11,563**	**(2,259)**	**15,812**	**11,328**	**4,484**
% incidence on balance sheet heading	**34.9%**	**25.8%**		**19.7%**	**26.8%**	

Net financial position

The net financial position is disclosed below in accordance with the Consob communication DEM/6064293 of 28 July 2006.

	31.12.2017	31.12.2016	Change
Short-term third party financial liabilities	(89,259)	(66,776)	(22,483)
Short-term third party financial receivables	1,720	189	1,531
Short-term Group financial receivables			
Cash and cash equivalents	261,517	256,611	4,906
Short-term net financial position	**173,978**	**190,024**	**(16,046)**
Medium/long-term third party financial liabilities	(769,946)	(753,169)	(16,777)
Medium/long-term financial position	**(769,946)**	**(753,169)**	**(16,777)**
Net financial position pursuant to Consob circular N. DEM/6064293/2006	**(595,968)**	**(563,145)**	**(32,823)**
Medium/long-term third party financial receivables	12,251	1,189	11,062
Total net financial position	**(583,717)**	**(561,956)**	**(21,761)**
- of which “non-recourse” financing	**(792,308)**	**(734,875)**	**(57,433)**

Disclosures relating to electric power plants

The disclosures presented in accordance with CONSOB Recommendation DIE/0061493 of 18 July 2013 in relation to information to be provided in financial reports and press releases of listed issuers in the renewable energy sector are summarised below:

1. Disclosures relating to power plants in service at 31 December 2017

DISCLOSURES RELATING TO POWER PLANTS IN SERVICE						
Plant	Owner	Percentage ownership	Date entered into service	Installed capacity (MW)	Energy generated by the plant (GWh)	Net book value (EUR thousands)
WTE plant Trezzo (MI) **	Prima Srl	85%	Sept 2003	20.0	112	24,132
Biomass plant Rende (CS) ***	Ecosesto SpA	100%	revamping Jan. 2011	15.0	110	16,482
Photovoltaic Rende (CS)	Ecosesto SpA	100%	July 2007	1.0	1	3,057
Photovoltaic plants Sicily*	Actelios Solar SpA	100%	April 2011	13.1	20	34,213
Photovoltaic plant Mesagne (BR) *	Solar Mesagne Srl	100%	July 2009 May 2010	2.0	3	5,144
Photovoltaic plant North Carolina (USA)	Innovative Solar 42 LLC	99% class B	Sept 2017	92.0	7	119,610
Wind farm Cefn Croes (Wales)	Cambrian Wind Energy Ltd	51%	April 2005	58.5	148	25,357
Wind farm Boyndie (Scotland)	Boyndie Wind Energy Ltd	51%	June 2006 June 2010	16.7	44	9,072
Wind farm Earlsburn (Scotland)	Earlsburn Wind Energy Ltd	51%	Dec. 2007	37.5	110	23,507
Wind farm Ben Aketil (Scotland)	Ben Aketil Wind Energy Ltd	51%	June 2008 Jan. 2011	27.6	72	17,705
Wind farm Millennium (Scotland)	Millennium Wind Energy Ltd	51%	March 2009 Feb. 2011	65.0	164	56,976
Wind farm Kilbraur (Scotland)	Kilbraur Wind Energy Ltd	51%	Feb. 2009 Sept. 2011	67.5	181	60,966
Wind farm Nutberry (Scotland)	Nutberry Wind Energy Ltd	100%	Oct. 2013	15.0	55	24,122
Wind farm West Browncastle (Scotland)	West Browncastle Wind Energy Ltd	100%	June 2014	30.0	72	45,955
Wind farm Spaldington (England)	Spaldington Airfield Wind Energy Ltd	100%	May 2016	11.8	27	21,195
Wind farm Kingsburn (Scotland)	Kingsburn Wind Energy Ltd	100%	May 2016	22.5	80	35,631
Wind farm Assel Valley (Scotland)	Assel Valley Wind Energy Ltd	100%	Oct. 2016	25.0	70	42,806
Wind farm Auchrobert (Scotland)	Auchrobert Wind Energy Ltd	100%	April 2017	36.0	69	56,770
Wind farm San Sostene (CZ)	Eolica Sud Srl	100%	Oct. 2009 Oct. 2010	79.5	151	96,445
Wind farm Minervino Murge (BT) *	Eolo 3W Minervino Murge Srl	100%	Dec. 2008	52.0	81	62,412
Wind farm Buddusò - Alà dei Sardi (OT) ****	Geopower Sardegna Srl	100%	July 2011 Dec. 2011	138.0	308	157,927
Wind farm Petralia Sottana (PA) *	Eolica Petralia Srl	100%	April 2012	22.1	33	29,719
Wind farm Plouigneau (France)	SE Ty Ru Sas	100%	July 2012	10.0	19	13,358
Wind farm Maine et Loire (France)	Parc Eolien du Fouy Sas	100%	April 2009	10.0	16	7,676
Wind farm Maine et Loire (France)	Parc Eolien des Crêtes Sas	100%	April 2009	10.0	17	8,138
Wind farm Oise (France)	Esquennois Energie Sas	100%	July 2009	12.0	21	10,885
Wind farm Saragozza (Spain)	Eolica Cabezo San Roque Sau	100%	Jan. 2004	23.3	52	6,604
Total				**913.0**	**2,043**	**1,015,864**

* The net book value includes, in addition to the plant value, the value of the land owned by the project company
** The net book value includes, in addition to the plant value, the value of the building owned by the project company
*** The net book value includes, in addition to the plant value, the value of the land and building owned by the project company
**** The installed capacity is 158.7 MW but with a production limitation to 138 MW

INFORMATION ON FINANCIAL DEBT						
		Associated financial exposure				
Plant	Owner	Financial liability	Nature of finance	Maturity	Commitments, guarantees issued to financial inst.s (see footnote)	Significant contractual terms (see footnote)
WTE plant Trezzo (MI)	Prima Srl	-	N.A.	N.A.	N.A.	N.A.
Biomass plant Rende (CS)	Ecosesto SpA	(3,150)	Medium/long-term loan	31/12/2019	B	N.A.
Photovoltaic Rende (CS)	Ecosesto SpA		N.A.	N.A.	N.A.	N.A.
Photovoltaic plants Sicily	Actelios Solar SpA	(26,041)	Project financing	30/06/2026	A	C
Photovoltaic plant Mesagne (BR)	Solar Mesagne Srl	D	Current account with the parent company	N.A.	N.A.	N.A.
Photovoltaic plant North Carolina (USA)	Innovative Solar 42 LLC	(32,993)	Loan note***	28/02/2033	A	C
Wind plant Cefn Croes (Wales) Wind plant Boyndie (Scotland)	FRUK Holdings (No.1) Ltd*	(36,460)	Project financing	31/12/2025	A	C
Wind farm Cefn Croes (Wales)	Cambrian Wind Energy Ltd*	(5,961)	Project financing	31/12/2019	A	C
Wind farm Boyndie (Scotland)	Boyndie Wind Energy Ltd*	-	N.A.	N.A.	N.A.	N.A.
Wind farm Earlsburn (Scotland)	Earlsburn Mezzanine Ltd**	(22,675)	Project financing	31/03/2026	A	C
Wind farm Earlsburn (Scotland)	Earlsburn Wind Energy Ltd**	(12,262)	Project financing	15/04/2022	A	C
Wind farm Ben Aketil (Scotland)	Ben Aketil Wind Energy Ltd	(15,726)	Project financing	31/12/2024	A	C
Wind farm Millennium (Scotland)	Millennium Wind Energy Ltd	(38,938)	Project financing	15/04/2027	A	C
Wind farm Kilbraur (Scotland)	Kilbraur Wind Energy Ltd	(43,461)	Project financing	15/10/2027	A	C
Wind farm Nutberry (Scotland)	Nutberry Wind Energy Ltd	(20,887)	Project financing	31/03/2029	A	C
Wind farm West Browncastle (Scotland)	West Browncastle Wind Energy Ltd	(39,424)	Project financing	31/12/2033	A	C
Wind farm Spaldington (England)	Spaldington Airfield Wind Energy Ltd	(14,769)	Project financing	30/06/2034	A	C
Wind farm Kingsburn (Scotland)	Kingsburn Wind Energy Ltd	(32,595)	Project financing	30/06/2034	A	C
Wind farm Assel Valley (Scotland)	Assel Valley Wind Energy Ltd	(45,747)	Project financing	31/12/2034	A	C
Wind farm Auchrobert (Scotland)	Auchrobert Wind Energy Ltd	(54,111)	Project financing	31/12/2035	A	C
Wind farm San Sostene (CZ)	Eolica Sud Srl	(83,912)	Project financing	31/12/2025	A	C
Wind farm Minervino Murge (BT)	Eolo 3W Minervino Murge Srl	(42,404)	Project financing	31/12/2023	A	C
Wind farm Buddusò - Alà dei Sardi (OT)	Geopower Sardegna Srl	(174,742)	Project financing	30/06/2027 30/06/2024	A	C
Wind farm Petralia Sottana (PA)	Eolica Petralia Srl	(17,911)	Project financing	30/06/2027	A	C
Wind farm Plouigneau (France)	SE Ty Ru Sas	(9,532)	Project financing	31/03/2029 30/06/2030	A	C
Wind farm Maine et Loire (France)	Parc Eolien du Fouy Sas	(6,576)	Project financing	15/07/2026	A	C
Wind farm Maine et Loire (France)	Parc Eolien des Crêtes Sas	(6,880)	Project financing	15/07/2026	A	C
Wind farm Oise (France)	Esquennois Energie Sas	(8,301)	Project financing	15/07/2026	A	C
Wind farm Saragozza (Spain)	Eolica Cabezo San Roque Sau		N.A.	N.A.	N.A.	N.A.
Total Project Financing		**(792,308)**				
Total others		**(3,150)**				
Total Financing		**(795,458)**				

* Cambrian Wind Energy Ltd, Boyndie Wind Energy Ltd and FRUK Holding (No) 1 Ltd are part of the same loan with three lines of credit with different expiries and shared guarantees. The Boyndie credit line expired on 30 June 2017.
** Earlsburn Wind Energy Limited and Earlsburn Mezzanine Limited have separate financing contracts with shared bank guarantees.
*** A loan note is a form of financing similar to Project Financing

A Standard security package for project finance operations
B Letters of patronage
C Financial covenants that block default distributions and events
D Amount not included in consolidation and equal to EUR 4,609 thousand as at 31 December 2017

The standard security package envisaged by the Falck Renewables Group's project financing contracts comprises: mortgage, special privileges, the disposal of receivables under guarantee, pledges on shares, pledges on current accounts and in certain cases the sale of shareholder loans.

All amounts secured under project financing transactions have been received and the equity portion (share capital and shareholders' loans) has been paid in full.

2. Disclosures relating to power plants not yet in service at 31 December 2017

INFORMATION ON ENERGY PRODUCTION PLANTS NOT YET IN OPERATION					
Plant	**Owner**	**Progress**	**Installed capacity (MW)**	**Estimated start date**	**NBV at 31.12.2017**
Wind farm Illois (France)	Parc Eolien d'Illois Sarl	Authorised	Up to 12	Subject to third party appeal	Not material
Wind farm Okla and Hennøy (Norway)	Falck Renewables Vind AS	Authorised	67.8	Third quarter 2019 and third quarter 2020 respectively	1,791
Aliden wind farm (Sweden)	Aliden Vind AB	Construction start date	46.8	Fourth quarter of 2019	1,204
Brattmyrliden wind farm (Sweden)	Brattmyrliden Vind AB	Construction start date	72	Fourth quarter of 2020	2,192

6.6.9 Income statement content and movements

17 Revenue

Revenue consisted of the following:

(EUR thousands)

	31.12.2017	31.12.2016	Change
Sale of goods	255,307	216,776	38,531
Sale of services	33,312	32,846	466
Total	**288,619**	**249,622**	**38,997**

Revenue arising from the sale of goods, compared to the previous year, may be attributed to the following business segments:

(EUR thousands)

	31.12.2017	31.12.2016	Change
Sale of electricity and incentives	255,307	216,776	38,531
Total	**255,307**	**216,776**	**38,531**

Revenue arising on the provision of services, compared to the previous year, is attributable to the following business segments:

(EUR thousands)

	31.12.2017	31.12.2016	Change
Waste treatment and disposal	19,820	20,114	(294)
Renewable energy plant services and management	11,178	9,775	1,403
Other operating income	2,314	2,957	(643)
Total	**33,312**	**32,846**	**466**

"Renewable energy plant services and management" mainly comprises revenue of the Vector Cuatro group.

Consolidated revenues grew by EUR 38,997 thousand on the prior year (approx. +15.6%).

Annual electricity production reached 2,043 GWh, in comparison to 1,866 GWh in 2016 (+9.5%), also thanks to the increased average installed capacity.

The increase in **revenues** is mainly due to the significant rise in average energy prices in Italy, Spain and the UK, although with reference to UK production it was partly reduced by the 6.5% devaluation of the GBP against the EUR in comparison to 2016. In France, the rise in energy prices did not result in any additional contribution, given that the Group's plants benefit from a fixed rate.

2017 saw higher electricity sale prices in Italy than the previous year, including incentives: 13% higher for wind farms, 13% for WtE plants and 2% for solar plants.
Please consider that, with reference to the Ecosesto SpA biomass plant, starting 1 January 2016 and up until 30 June 2016, a fixed value was used resulting in a value for a green certificate of EUR 80.3; however, the decree published by the Italian Ministry of Economic Development on 23 June 2016 permitted operators to opt for the general regime, thereby restoring, starting from 1 July 2016, the value of the incentive tariff according to the formula used for wind farms with significant advantages for the Group given that the incentive increased in the second half of 2016 from EUR 80.3 to EUR 100.1 per MWh. In 2017, the incentive amounted to EUR 107.3 per MWh, which, together with the rising energy price, contributed to a 15% increase in the produced energy sales price for the biomass plant in comparison to the same period in 2016.
In Spain and the United Kingdom, prices for the sale of electricity from wind power rose by 68% (the incentive component is no longer present in Spain) and 16% respectively, while in France, the feed-in tariff mechanism neutralised these increments.

Revenue analysed by geographical location is as follows:

	(EUR thousands)
	31.12.2017
Italy	118,631
United Kingdom	94,111
Germany	24,202
Denmark	15,568
Switzerland	15,072
France	7,497
Netherlands	3,926
Spain	5,109
Japan	1,774
Other	2,729
Total	**288,619**

18 Employee costs

Employee costs may be analysed as follows:

(EUR thousands)

	31.12.2017	31.12.2016	Change
Cost of production employees	12,693	11,423	1,270
Cost of administrative staff	16,280	15,537	743
Total	**28,973**	**26,960**	**2,013**

The cost of employees increased by EUR 2,013 thousand, mainly due to the increase in average headcount (+26) due to the rise in the average number of employees in all sectors.

Total employee costs analysed by nature of expense are as follows:

(EUR thousands)

	31.12.2017	31.12.2016	Change
Salaries and wages	21,642	20,489	1,153
Social security costs	5,655	5,417	238
Staff leaving indemnity (TFR)	791	752	39
Other costs	885	302	583
Total	**28,973**	**26,960**	**2,013**

The average number of employees was as follows:

(Number)

	31.12.2017	31.12.2016
Managers	37	36
White-collar staff	261	237
Blue-collar staff	50	49
Total average number of employees	**348**	**322**

19 Direct costs

Direct costs may be analysed as follows:

(EUR thousands)

	31.12.2017	31.12.2016	Change
Materials	15,673	12,921	2,752
Services	41,624	38,514	3,110
Other costs	27,623	23,524	4,099
Change in inventories	(414)	350	(764)
Net typical allocation to/(use) of operating provisions	4,556	11	4,545
Amortisation of intangible assets	565	804	(239)
Impairment of intangible assets	2,953	937	2,016
Depreciation of of property, plant and equipment	58,251	63,772	(5,521)
Impairment/(recovery) of property, plant and equipment	(2,495)	(1,210)	(1,285)
Total	**148,336**	**139,623**	**8,713**

Following the impairment test carried out in 2017, we wrote down the value of the Esposito grants and plant by EUR 1,203 thousand, the Vector Cuatro contract portfolio, following the termination of some multi-year contracts, by EUR 1,750 thousand, the Esposito plant by EUR 466 thousand, the Eolico Cabezo San Roque plant by EUR 520 thousand, while the Rende hybrid plant was revaluated by EUR 3,179 thousand, and the Solar Mesagne photovoltaic plant was revaluated by EUR 324 thousand. The net impact of these write-downs amounted to EUR 436 thousand.
Reversals net of write-downs totalled EUR 273 thousand in 2016.

This result was also affected by the allocation of EUR 4,914 thousand to reserves for future extraordinary maintenance costs for Ecosesto SpA.

As of 1 January 2017, following an analysis by independent technical consultants, taking account of current contractual limitations (mainly leasings/rights to use land and authorisations/grants) and in line with market practice, the Group companies updated the estimated useful life of wind and photovoltaic plants. The review of useful life led to a EUR 8.7 million reduction in depreciation rates in 2017, offsetting the increase that would have followed the increase in installed capacity in comparison to 2016.
Net of these write-downs and allocations to reserves, the increase is due to the increased production capacity in comparison to the first half of 2016, shown by the rise in miscellaneous costs, services and materials, and offset by the lower depreciation rate following the review of the useful life of the wind and photovoltaic plants and the fall of the GBP against the EUR.

<u>Operating leases</u>
The Group has entered into commercial leases for some of their production sites, as well as its headquarters and subsidiary offices and other minor leases. It was estimated that all the significant risks and benefits typical of asset ownership have not been transferred to the Group, subject to contract terms and conditions. Consequently, these contracts were recognised as operating leases.

Below is the breakdown of minimum payments, contingent rents and sublease collections as at 31 December 2017:

	(EUR thousands)
	31.12.2017
Minimum payments	5,304
Variable instalments	4,138
Sublease collections	(66)
Total	**9,376**

Below is the detail, by maturity, future minimum payment, at the current value, of operating leases updated as of 31 December 2017:

	(EUR thousands)
	31.12.2017
Up to 12 months	6,524
1-2 years	6,265
2-5 years	14,164
over 5 years	64,106
Total	**91,059**

The table below provides the details of future sublease payments by due date, at the current value on 31 December 2017:

	(EUR thousands)
	31.12.2017
Up to 12 months	3
1-2 years	3
2-5 years	
over 5 years	
Total	**6**

20 Other income

Other income may be analysed as follows:

(EUR thousands)

	31.12.2017	31.12.2016	Change
Current operating income	1,008	1,174	(166)
Non-current operating income	3,516	5,933	(2,417)
Total	**4,524**	**7,107**	**(2,583)**

Income from operating activities may be further detailed as follows:

(EUR thousands)

	31.12.2017	31.12.2016	Change
Income from services	396	571	(175)
Rental income	14	109	(95)
Capital grants	563	457	106
Other income	35	37	(2)
Total	**1,008**	**1,174**	**(166)**

Income from non-operating activities may be further detailed as follows:

(EUR thousands)

	31.12.2017	31.12.2016	Change
Non-recurring income	2,433	3,639	(1,206)
Gains on disposal of property, plant and equipment	4	3	1
Insurance compensation	291	1,181	(890)
Contractual penalties	214	1,083	(869)
Compensation for damages	540		540
Other	34	27	7
Total	**3,516**	**5,933**	**(2,417)**

As part of extraordinary income, the amount of EUR 1,522 thousand refers (for the portion pertaining to the years 2009 to 2016) to the contribution under Law 488 following the issuance of the third liquidation act settling the balance for the Eolo 3W Minervino Murge Srl wind farm. The amount of capital contributions for the 2017 period is posted under other operating income.
Contractual penalties largely relate to the cancellation of a services contract.

21 Administrative expenses

Administrative expenses may be further detailed as follows:

(EUR thousands)

	31.12.2017	31.12.2016	Change
Consumables	976	1,065	(89)
Services	15,870	11,464	4,406
Other costs	7,506	6,172	1,334
Non-operating expenses	10,583	3,858	6,725
Amortisation of intangible assets	370	198	172
Depreciation of property, plant and equipment	177	173	4
Net allocations to risk provisions	4,988	7,572	(2,584)
Total	**40,470**	**30,502**	**9,968**

Allocations to provisions, net of utilisations, of approximately EUR 5 million were set aside against future litigation arising from the current or previous years regarding disputes with the Electricity, Gas and Water Authority for EUR 2 million over the reimbursement of incentives, which the Group has appealed to the regional court (TAR), in addition to updating liability estimates for past and current litigations, including with employees.

The amount also includes EUR 1,851 thousand mainly with reference to the Fund for covering transport and electricity distribution costs for Prima Srl. The relative cost is recorded under non-current operating expenses.

In 2016 provisions, net of releases, totalled EUR 7,572 thousand and write-downs totalled EUR 3,182 thousand.

Non-operating costs include the transaction cost of a multi-year contract, linked to revenues, with a developer for wind farms in the UK, for a total of EUR 7,984 thousand.

Net of these allocations, general and administrative expenses rose due to the increase in support costs for development in the areas affected by the Business Plan.

The heading in question also includes the cost of the Long Term Incentive Plan matured by the CEO of Falck Renewables SpA, for a total of EUR 308 thousand, of which EUR 127 thousand with reference to the stock grant plan.

22 Finance income and costs

Finance income and costs comprised:

(EUR thousands)

	31.12.2017	31.12.2016	Change
Financial expenses	(36,783)	(41,295)	4,512
Foreign exchange losses	(2,634)	(20,293)	17,659
Financial income	485	1,107	(622)
Foreign exchange gains	3,646	19,072	(15,426)
Borrowing costs capitalised on assets under construction	21	35	(14)
Total	**(35,265)**	**(41,374)**	**6,109**

Net financial charges rose by EUR 6,109 thousand on the previous year, due to (i) management’s efforts to cut the cost of debt by renegotiating some project financings; (ii) exchange rate earnings; and (iii) lower interest liabilities for litigation compared to 2016. In fact, during 2016 interest liabilities added up to EUR 2,480 thousand, following a settlement over tax litigation, and interest for EUR 534 thousand imposed by the French government on the owners of onshore wind farms that benefitted from FiT incentives that were held to be illegitimate from their implementation up until April 2014.
The lower financial expenses more than compensated for the fall in interest earnings on the Group’s cash holdings following the increase in project financings and fair value debt of royalty instruments.

There were no finance costs due to Falck SpA.

Finance costs for 2017 and 2016 may be further analysed as follows:

(EUR thousands)

	31.12.2017			
	Debenture loans	Bank loans	Others	Total
Payable to others		36,143	3,274	39,417
Total		**36,143**	**3,274**	**39,417**

Foreign exchange losses are classified in bank loans and others for EUR 1,702 thousand and EUR 932 thousand respectively. The variation in exchange rate losses in comparison to 2016 was of EUR 17,659 thousand.

				EUR thousands
		31.12.2016		
	Debenture loans	Bank loans	Others	Total
Payable to others		52,562	9,026	61,588
Total		**52,562**	**9,026**	**61,588**

Finance income for 2017 and 2016 may be further analysed as follows:

			(EUR thousands)
	31.12.2017	31.12.2016	Change
Interest and commission - banks	1,584	18,885	(17,301)
Other	2,547	1,294	1,253
Total	**4,131**	**20,179**	**(16,048)**

Bank interest and commission comprise EUR 1,344 thousand of foreign exchange gains and EUR 2,302 thousand in other interest. The variation on 2016 is mainly due to lower exchange rate earnings (EUR 15,426 thousand).

23 Investment income

Investment income may be analysed as follows:

			(EUR thousands)
	31.12.2017	31.12.2016	Change
Gains on liquidation			0
Gains on disposals			0
Gains on derecognition of investments	45	6	39
Impairment			0
Loss on derecognition of investments		(85)	85
Total	**45**	**(79)**	**124**

This heading showed the collection of a tax credit in 2017 by Falck Renewables Italia Srl in liquidation, which was deconsolidated during 2016.

24 Share of profit from investments accounted for using the equity method

This includes the valuation of investments in associated entities accounted for using the equity method:

			(EUR thousands)
	31.12.2017	31.12.2016	Change
Frullo Energia Ambiente Srl	2,263	1,139	1,124
Palermo Energia Ambiente ScpA in liquidation			0
Vector Cuatro Servicios Sl	21	21	0
Parque Eolico La Carracha Sl			0
Parque Eolico Plana de Jarreta Sl			0
Total	**2,284**	**1,160**	**1,124**

With reference to Frullo Energia Ambiente Srl (FEA), the variation mainly refers to the impact on FEA's 2016 results by the provision made by the company to the administrative recovery of the amounts that the GSE claimed as wrongly received in relation to the electricity produced by the WtE plant in Granarolo, and subsequently fed into the grid as produced by a plant powered by renewable sources.

25 Income tax expense

(EUR thousands)

	31.12.2017	31.12.2016	Change
Current tax	9,470	17,723	(8,253)
Deferred income tax	892	(237)	1,129
Totale	**10,362**	**17,486**	**(7,124)**

Current taxes are based on the estimated taxable income for the period calculated in accordance with current tax legislation.

Income tax as of 31 December 2017 amounted to EUR 10,362 thousand (EUR 17,486 thousand the previous year).

This figure was reduced thanks to (i) EUR 2.7 million recorded as consolidation revenues by the Italian companies included in the tax consolidation regime; (ii) prepaid taxes recorded following the review of the useful life of wind and solar plants, which in Italy resulted in a positive effect worth EUR 1.5 million; (iii) the structural reduction, from the 2017 tax year onwards, of the corporate income tax rate in Italy from 27.5% to 24%, and in the UK (as of 1 April 2017) from 20% to 19%; and (iv) the increase in electricity production and the significant growth in results seen in the UK in comparison to the previous tax year.

With reference to 2016 taxes, we also remind you of the negative impact of the settlement closing the tax litigation relating to 2009 and 2010, which saw the Company recording EUR 12.6 million in extra tax during the 2016 period. This was partly offset by EUR 4.9 million from the tax consolidation regime, which we became eligible for in 2016.

The reconciliation between theoretical income tax and the actual expense is detailed below.

(EUR thousands)

	31.12.2017	31.12.2016
Profit before taxation	**42,428**	**19,351**
Taxes calculated applying tax rates to Group profit	(8,925)	(4,767)
Income not subject to tax	197	838
Expenses not deductible for tax purposes	(6,515)	(10,618)
Deferred income tax assets on change in tax rate	210	1,356
Use of retained losses from previous years	2	4,917
Consolidation revenues	2,729	3,659
Prepaid taxes following review of useful life	1,455	
Other differences	485	(12,871)
Total income tax	**(10,362)**	**(17,486)**

26 Share-based payments

In order to set up an incentive and loyalty scheme for managers and employees in key roles within the Group, on 27 April 2017 the parent company's Shareholders' Assembly approved a 2017-2019 incentive plan, under which the CEO and certain key managers and employees within the company and its subsidiaries will receive shares in Falck Renewables SpA for free.

The plan makes the allocation of these shares conditional on achieving performance targets established for the 2017-2019 period, to be checked by the Falck Renewables SpA Board of Directors, and that on the date of allocation the employee is still in service or, in the case of the CEO, still in office.

The fair value of the services received by the owners of the incentive plan in exchange for the shares assigned has been indirectly calculated with reference to the fair value of the shares, and the amount to be assigned each year has been calculated *pro-rata temporis* over the entire vesting period.

The fair value evaluation was performed according to current accounting standards, in particular IFRS 2.
The incentive plan for the CEO of Falck Renewables SpA was put into effect with 591,000 shares. The fair value per unit of shares assigned at 31 December 2017, calculated as the share price on the date of assignment net of forecast dividends during the vesting period, was of EUR 0.9699. The fair value of the stock grants in 2017, worth EUR 127 thousand, was recorded under general and administrative expenses, balancing the Other reserves heading under net equity.

The following parameters were used to calculate the fair value:

Share price	(EUR)	1.13
Exercise price	(EUR)	NA
Vesting period	(years)	3
Forecast dividends	(EUR)	0.16
Risk free interest rate	(%)	-0.08%

In the following months, some Group managers were also granted a total of 478,986 shares. The fair value per unit of shares assigned at 31 December 2017, calculated as the share price on the date of assignment net of forecast dividends during the vesting period, was of EUR 1.2838. The fair value of the stock grants in 2017, worth EUR 93 thousand, was recorded under employee expenses, balancing the Other reserves heading under net equity.

The following parameters were used to calculate the fair value:

Share price	(EUR)	1.40
Exercise price	(EUR)	NA
Vesting period	(years)	3
Forecast dividends	(EUR)	0.11
Risk free interest rate	(%)	-0.18%

As the shares were assigned free of charge, the exercise price was zero.
At 31 December 2017, the following rights were held:

	Number of shares	Average exercise price
Rights at 01/01/2017	**-**	NA
New rights assigned during the period	1,069,986	NA
(Rights cancelled during the period)		
(Rights exercised during the period)		
(Rights expired during the period)		
Rights at 31/12/2017	**1,069,986**	NA
available for exercise at the end of the year	-	

Related party transactions

In compliance with Consob's communications of 20 February 1997, 27 February 1998, 30 September 1998, 30 September 2002 and 27 July 2006, no uncharacteristic or uncommon transactions take place with related parties that are beyond the normal business operations or are detrimental to the Group's results of operations, state of affairs and financial position.
Related party transactions represent the day to day business activities that are carried out at arm's length. These comprise the recharge of costs between Group companies and intercompany current accounts that give rise to finance income and costs.

In accordance with IAS 24 Related Party Disclosures and the disclosures pursuant to Consob communication 6064293 of 28 July 2006, all related party transactions and the corresponding incidence of related party transactions on the Falck Renewables Group's income statement headings are provided below.

(EUR thousands)

	Revenue from sale of goods	Revenues from services	Other income	Direct costs	Admin. expenses	Financial expenses	Financial income	Income from investments
Parent company								
Falck SpA			202		(780)			
Total parent company			**202**		**(780)**			
Associates								
Frullo Energia Ambiente Srl			116					2,263
Palermo Energia Ambiente ScpA								
Vector Cuatro Servicios SL								21
Parque Eolico Plana de Jarreta SL								
Total associates			**116**					**2,284**
Group companies								
Falck Energy SpA			21					
Sesto Siderservizi Srl			19			(56)		
Total Group companies			**40**			**(56)**		
Other related companies								
CII HoldCo Ltd						(245)	42	
Svelgen Kraft Holding and associates					(3)			
Firstar Development, LLC						(19)		
Total other related companies					**(3)**	**(264)**	**42**	
Total			**358**		**(783)**	**(320)**	**42**	**2,284**
% incidence on income statement heading			**7.9%**		**2.6%**	**0.8%**	**1.0%**	**100%**

27 Significant non-recurring events and transactions

In accordance with Consob communication DEM/6064293 of 28 July 2006, no significant non-recurring transactions took place in the Falck Renewables Group SpA in the course of 2017.

28 Uncharacteristic and uncommon transactions

In accordance with Consob communication DEM/6064293 of 28 July 2006, in the course of 2017 the Falck Renewables Group did not carry out any uncharacteristic and/or uncommon transactions, as defined in the above communication.

29 Auditors' remuneration

EUR thousands

	Audit of annual and interim reports	Other activities
Falck Renewables SpA	233	26
WtE, biomass and photovoltaic sector	105	9
Wind sector	400	8
Services sector	47	
Total	**785**	**43**

Please note that most of the companies consolidated on a line-by-line basis were audited by EY SpA.

Other activities principally relate to the certification of covenants and accounting unbundling activities.

30 Remuneration of the supervisory bodies, general managers and other key management

TABLE 1

Remuneration of the Supervisory Bodies, General Managers and other Key management

A	B	C	D	1	2	3		4	5	6	7	8
Name and Surname	Office	Period in office	Expiry of the term of office	Fixed payments	Committee participation payments	Non-equity variable payments		Fringe benefits	Other payments	Total	Equity payment fair value	Director and employee severance indemnity
						Bonuses and other incentives	Profit sharing					
Enrico Falck	Chairman	01.01.2017 -31.12.2017	2019 financial statement approval	240,000						240,000		
Guido Corbetta	Deputy Chairman	01.01.2017 -31.12.2017	2019 financial statement approval	35,000						35,000		
Toni Volpe	Chief Executive Officer	01.01.2017 -31.12.2017	2019 financial statement approval	350,000 (1)		293,000 (2)		19,635		662,635	127,377 (3)	
Federico Falck	Director	01.01.2017 -31.12.2017	2019 financial statement approval	25,000					108,250 (4)	133,250		
Elisabetta Falck	Director	01.01.2017 -31.12.2017	2019 financial statement approval	25,000						25,000		
Bernardo Rucellai	Director	01.01.2017 -27.04.2017	2016 financial statement approval	8,123					26,667 (5)	34,790		
Libero Milone	Director	01.01.2017 -31.12.2017	2019 financial statement approval	25,000	60,000 (6)					85,000		
Barbara Poggiali	Director	01.01.2017 -31.12.2017	2019 financial statement approval	25,000	50,000 (7)					75,000		
Elisabetta Caldera	Director	01.01.2017 -31.12.2017	2019 financial statement approval	25,000	60,000 (8)					85,000		
Emilio Cremona	Director	01.01.2017 -27.04.2017	2016 financial statement approval	8,123						8,123		
Filippo Marchi	Director	01.01.2017 -31.12.2017	2019 financial statement approval	25,000						25,000		
Georgina Grenon	Director	27.04.2017 -31.12.2017	2019 financial statement approval	16,986	20,384 (9)					37,370		
Paolo Pietrogrande	Director	27.04.2017 -31.12.2017	2019 financial statement approval	16,986	20,384 (9)					37,370		
Marta Dassù	Director	27.04.2017 -31.12.2017	2019 financial statement approval	16,986	20,384 (9)					37,370		
Giovanni Maria Garegnani	OdV Chairman	01.01.2017 -31.12.2017	2019 financial statement approval	35,000						35,000		
Luca Troyer	OdV	01.01.2017 -31.12.2017	2019 financial statement approval	25,000						25,000		
Massimo Scarpelli	Chairman Of The Board Of Statutory Auditors	01.01.2017 -31.12.2017	2019 financial statement approval	75,000						75,000		
Alberto Giussani	Statutory Auditor	01.01.2017 -31.12.2017	2019 financial statement approval	50,000						50,000		
Giovanna Conca	Statutory Auditor	01.01.2017 -31.12.2017	2019 financial statement approval	50,000						50,000		
Managers with Strategic Positions (10)		01.01.2017 -31.12.2017		527,658		221,443 (11)		81,903		831,004	37,575 (11)	
Total				**1,604,862**	**231,152**	**514,443**		**101,539**	**134,917**	**2,586,912**	**164,952**	

(1) Fee as Director, fee as Chief Executive Officer and as General Manager.
(2) Maximum estimate of 120% of amounts under the 2017 MBO plan, to be paid out in 2018
(3) Calculated as per IFRS 2 with reference to the 2017 period
(4) Fee referred to "special assignments" as per Falck Renewables S.p.a. Board of Directors' resolution dated 27 April 2017
(5) Fee as Secretary of the Board of Directors
(6) Fee as Chairman of the Control and Risk Committee and member of the Human Resources Committee
(7) Fee as member of the Human Resources Committee and Control and Risk Committee
(8) Fee as Chairman of the Human Resources Committee and member of the Control and Risk Committee
(9) Fee as member of the Advisory Board
(10) Managers with strategic positions for the period in question are:

* Paolo Rundeddu
* Vittorio Grande
* Sergio Chiericoni, Falck Renewables Wind Ltd employee. These amounts refer to the period 01.01.2017-30.06.2017, which was his last day of work after handing in his resignation. The amounts were converted at the average EUR-GBP exchange rate in 2017 (0.88 1€/£)

(11) Maximum estimate of 120% of amounts under the 2017 MBO plan, to be paid out in 2018
(12) Calculated as per IFRS 2 with reference to the 2017 period and referring to Key Managers Paolo Rundeddu and Vittorio Grande

Additional disclosures on financial instruments in accordance with IFRS 7

This note sets out the additional disclosures relating to financial assets and liabilities in accordance with IFRS 7. This disclosure respects the order of the IFRS. Where the information requested was not considered material the related paragraph was omitted.

The note is presented in two sections. The first sets out detailed information regarding financial assets and liabilities, in particular regarding their classification in compliance with IAS 39, the impact on the income statement for the year and their fair value. The second section presents information regarding the risks attributable to the financial assets and liabilities, in particular credit risk, liquidity risk and market risk. This includes both qualitative and quantitative information that is analysed into points (e.g. 1.) and sub-points (e.g. 1.2). The detailed quantitative information is provided for 31 December 2017 and where significant at 31 December 2016.

Prior to presenting the detailed disclosures, a summary of the principal disclosures is provided as follows.

The Falck Renewables Group has third party borrowings, consisting mainly of project financing or similar financial structures, resulting in an overall net indebtedness. Financial assets and liabilities are almost entirely measured at cost and amortised cost in the financial statements, with the exception of the financial assets held for sale and derivative instruments that are measured at fair value. These are recorded in accordance with hedge accounting with all changes in fair value recorded in equity, with the exception of a number of these transactions as although undertaken to hedge exposure do not meet the requirements to be measured in accordance with hedge accounting. The main impact of the financial derivatives on the income statement does not arise from changes in the value of the financial assets and liabilities recorded on the balance sheet, but from the interest income and expense (in respect of interest rate swaps) and foreign exchange gains and losses (arising on foreign exchange derivatives).

Credit risk is not considered to be significant: the high concentration of trade receivables due from a few counterparties is strongly mitigated by the corresponding good credit rating and the risk profile has not substantially changed at present following acquisition of the Vector Cuatro Group.

Liquidity risk is moderate as trade payables due within one year are offset by significant cash reserves, while the most significant borrowings relate to long-term project financing contracts.

The Group also has committed credit facilities relating to the EUR 150 million finance contract stipulated on 12 June 2015 that is subject to covenants and has not yet been drawn down.

The only market risk considered to be significant is interest rate risk as almost all Group borrowings are at variable rates, although the risk is mitigated by IRS contracts.

The Falck Renewables Group adopts well-established techniques in the management of credit, liquidity and market risks on financial assets and liabilities, which are documented in the Group’s policies and procedures.

Section I: Additional disclosures on assets/liabilities

1. *Balance sheet*

1.1 *Categories of financial assets and liabilities*

The tables below illustrate the carrying values at 31 December 2017 and 31 December 2016 of the financial assets and liabilities classified in accordance with IAS 39.
In order to reconcile with the balance sheet totals the penultimate column sets out the values of the assets and liabilities that are not included in the scope of IFRS 7.

At 31 December 2017 the total financial assets of the Falck Renewables Group amounted to EUR 380,659 thousand and financial liabilities totalled EUR 916,333 thousand, compared to a total balance sheet value of EUR 1,591,868 thousand. The financial assets and liabilities are almost entirely measured at cost and amortised cost. The principal financial assets comprise trade receivables and cash and cash equivalents, while the main financial liabilities relate to borrowings and trade payables. The financial impact of financial assets and liabilities measured at fair value through profit or loss or through equity is significant: the latter mainly consists of derivative financial instruments.

(EUR thousands)

31.12.2017	Amortised cost			Fair value through profit or loss		Fair value against equity or cost	Total FA/FL within scope of IFRS7	A/L not within scope of IFRS7	Balance sheet total
	Loans and receivables	FA held-to-maturity	FL at amortised cost	FA/FL designation on initial recognition	FA/FL held for trading	FA available for sale/Other FL			
Assets									
Property, plant and equipment and intangibles								1,132,020	1,132,020
Securities and investments						265	265	21,865	22,130
Financial receivables	12,869					1,102	13,971		13,971
Inventories								4,932	4,932
Trade receivables	103,304						103,304		103,304
Deferred income tax assets								27,352	27,352
Other receivables		1,602					1,602	25,040	26,642
Cash and cash equivalents	261,517						261,517		261,517
Total	**377,690**	**1,602**				**1,367**	**380,659**	**1,211,209**	**1,591,868**
Liabilities									
Total equity								497,737	497,737
Financial payables			811,624			47,581	859,205		859,205
Trade payables			46,864				46,864		46,864
Other payables			10,264				10,264	69,819	80,083
Deferred income tax liabilities								27,516	27,516
Provisions for other liabilities and charges								76,446	76,446
Staff leaving indemnity (TFR)								4,017	4,017
Total			**868,752**			**47,581**	**916,333**	**675,535**	**1,591,868**

6.7 Consolidated financial statements – Additional disclosures on financial instruments in accordance with IFRS 7

(EUR thousands)

31.12.2016	Amortised cost			Fair value through profit or loss		Fair value against equity or cost	Total FA/FL within scope of IFRS7	A/L not within scope of IFRS7	Balance sheet total
	Loans and receivables	FA held-to-maturity	FL at amortised cost	FA/FL designation on initial recognition	FA/FL held for trading	FA available for sale/Other FL			
Assets									
Property, plant and equipment and intangibles								1,054,186	1,054,186
Securities and investments						28	28	20,456	20,484
Financial receivables	29					1,349	1,378		1,378
Inventories								4,518	4,518
Trade receivables	84,686						84,686		84,686
Deferred income tax assets								25,907	25,907
Other receivables	102	1,396					1,498	43,266	44,764
Cash and cash equivalents	256,611						256,611		256,611
Total	**341,428**	**1,396**				**1,377**	**344,201**	**1,148,333**	**1,492,534**
Liabilities									
Total equity								475,859	475,859
Financial payables			759,965			59,980	819,945		819,945
Trade payables			66,309				66,309		66,309
Other payables			5,172				5,172	37,035	42,207
Deferred income tax liabilities								18,231	18,231
Provisions for other liabilities and charges								66,091	66,091
Staff leaving indemnity (TFR)								3,892	3,892
Total			**831,446**			**59,980**	**891,426**	**601,108**	**1,492,534**

1.2 Collateral – Financial assets pledged as security

Financial assets pledged as security for liabilities comprise the shares of the companies listed in the table below. The pledge values correspond to the face value of the shares in question.

	Currency	**Value of pledge**
Actelios Solar SpA	EUR	120,000
Ben Aketil Wind Energy Ltd	GBP	51
Boyndie Wind Energy Ltd	GBP	100
Cambrian Wind Energy Ltd	GBP	100
Earlsburn Mezzanine Ltd	GBP	510
Earlsburn Wind Energy Ltd	GBP	51
Nutberry Wind Energy Ltd	GBP	100
West Browncastle Wind Energy Ltd	GBP	100
Kingsburn Wind Energy Ltd	GBP	100
Spaldington Airfiled Wind Energy Ltd	GBP	100
Assel Valley Wind Energy Ltd	GBP	100
Auchrobert Wind Energy Ltd	GBP	100
Eolica Cabezo San Roque Sau (*)	EUR	1,500,000
Eolica Petralia Srl	EUR	2,000,000
Eolica Sud Srl	EUR	5,000,000
Eolo 3w Minervino Murge Srl	EUR	10,000
Esquennois Energie Sas	EUR	37,000
FRUK Holdings (no. 1) Ltd	GBP	0.51
Falck Renewables Wind Ltd	GBP	37,754,814
Geopower Sardegna Srl	EUR	2,000,000
Kilbraur Wind Energy Ltd	GBP	51
Millennium Wind Energy Ltd	GBP	51
Parc Eolien des Crêtes Sas	EUR	37,000
Parc Eolien du Fouy Sas	EUR	37,000
Parque Eolico Plana de Jarreta Sl	EUR	26,000
Parque Eolico La Carracha Sl	EUR	26,000
SE Ty Ru Sas	EUR	1,009,003

(*) Guarantee released on 23 February 2018.

2. *Income statement and total equity*

2.1 *Impact of financial assets and liabilities on the income statement and net equity*

The table below illustrates the net gains or losses generated in 2017 and 2016 from the financial assets/liabilities reclassified according to IAS 39.
The main heading relates to the gains and losses arising on the increase in the value of derivative financial instruments.

(EUR thousands)

31.12.2017				
	Gains/(losses) through profit or loss	**Gains/(losses) recycled from equity to profit or loss**	**Gains/(losses) recorded against equity**	**Total**
FA at fair value through profit or loss	(70)			**(70)**
FA held for trading				
FL at fair value through profit or loss				
FL held for trading				
Available-for-sale FA/Other FL	(367)		12,015	**11,648**
FA held-to-maturity				
Loans and receivables				
FL at amortised cost				
Total	**(437)**		**12,015**	**11,578**

(EUR thousands)

31.12.2016				
	Gains/(losses) through profit or loss	**Gains/(losses) recycled from equity to profit or loss**	**Gains/(losses) recorded against equity**	**Total**
FA at fair value through profit or loss	525			**525**
FA held for trading				
FL at fair value through profit or loss				
FL held for trading				
Available-for-sale FA/Other FL	263		744	**1,007**
FA held-to-maturity				
Loans and receivables				
FL at amortised cost				
Total	**788**		**744**	**1,532**

The losses generated by financial assets recorded at fair value on the income statement at 31 December 2017 totalled EUR 70 thousand, EUR 61 thousand of which referring to the fair value variation in foreign exchange hedging contracts to cover Falck Renewables SpA’s foreign exchange exposure.

Losses from other financial liabilities refer for EUR 357 thousand to the ineffective quota of the Geopower Sardegna Srl hedging contract, and for EUR 10 thousand to the fair value of the embedded derivative recorded at fair value through profit or loss separately from the Ecosesto SpA financing contract, following the renegotiation of the interest rate, and in particular the introduction of a floor on the nominal rate.

The EUR 12,015 thousand gain recorded against equity relates to the increase in fair value of the derivatives evaluated using hedge accounting rules, for EUR 12,154 thousand entirely related to interest rate contracts, and for EUR 139 thousand to the decrease in the fair value of available-for-sale financial assets.

The table below illustrates total interest income/expense (calculated using the effective interest rate method) and the fee income/expense generated by financial assets/liabilities not measured at fair value through profit or loss and the fee income/expense arising from trust and other fiduciary activities in 2017 and 2016.

(EUR thousands)

31.12.2017	Interest income/ (expense)	Fee income/ (expense)	Total
FA not at fair value through profit or loss	307	3	310
FL not at fair value through profit or loss	(32,761)	(1,643)	(34,404)
Trust and other fiduciary activities			
Other (not within scope of IFRS 7)	(734)		(734)
Total	**(33,188)**	**(1,640)**	**(34,828)**

(EUR thousands)

31.12.2016	Interest income/ (expense)	Fee income/ (expense)	Total
FA not at fair value through profit or loss	1,050	57	1,107
FL not at fair value through profit or loss	(39,398)	(1,789)	(41,187)
Trust and other fiduciary activities			
Other (not within scope of IFRS 7)	(2,082)		(2,082)
Total	**(40,430)**	**(1,732)**	**(42,162)**

The reconciliations of the above amounts with net finance costs recorded in the 2017 and 2016 income statements are as follows.

(EUR thousands)

31.12.2017	
Gains/(losses) through profit or loss	(437)
Total interest income/(expense)	(33,188)
Fee income/(expense)	(1,640)
Total	**(35,265)**
Net finance costs per income statement	**(35,265)**

(EUR thousands)

31.12.2016	
Gains/(losses) through profit or loss	788
Total interest income/(expense)	(40,430)
Fee income/(expense)	(1,732)
Total	**(41,374)**
Net finance costs per income statement	**(41,374)**

2.2 *Provision for doubtful accounts*

Total charges of EUR 158 thousand were made in 2017 and comprised:

- EUR 225 thousand in respect of trade receivables of the Vector Cuatro group;
- EUR 26 thousand in respect of trade receivables of Ecosesto SpA;
- EUR 62 thousand used by Esposito Servizi Ecologici Srl and EUR 31 thousand used by Vector Cuatro group.

The net amount was posted in the income statement under general and administrative expenses.

3. ***Further additional disclosures***

3.1 *Accounting policies*

The accounting policies adopted for the recognition and measurement of financial assets and liabilities are presented in the notes to the consolidated financial statements in paragraph 6.6.4 Accounting policies.

3.2 *Fair value*

The tables below disclose the fair value of the financial assets/liabilities and the related carrying amount at 31 December 2017 and 31 December 2016. The carrying amount of the financial assets/liabilities valued at cost and amortised cost (see point 1.1) is a reasonable estimate of fair value as these relate to either short-term or variable rate financial assets and liabilities or medium/long-term financial liabilities that, based on sample calculations, did not give rise to material differences.

The fair value of derivative financial instruments at the balance sheet date is equal to the discounted future cash flows given the EUR curve at 31 December and its related forward rates.

The fair value of forward exchange contracts is measured using the year-end spot rates (31 December 2017), and forward rates and yield curves on foreign currencies.

(EUR thousands)

31.12.2017		
	Carrying amount	Fair value
Financial assets		
Securities and investments	265	265
Financial receivables	13,971	13,971
Trade receivables	103,304	103,304
Other receivables	1,602	1,602
Cash and cash equivalents	261,517	261,517
Total	**380,659**	**380,659**
Financial liabilities		
Financial payables	859,205	859,205
Trade payables	46,864	46,864
Other payables	10,264	10,264
Total	**916,333**	**916,333**

(EUR thousands)

31.12.2016		
	Carrying amount	Fair value
Financial assets		
Securities and investments	28	28
Financial receivables	1,378	1,378
Trade receivables	84,686	84,686
Other receivables	1,498	1,498
Cash and cash equivalents	256,611	256,611
Total	**344,201**	**344,201**
Financial liabilities		
Financial payables	819,945	819,945
Trade payables	66,309	66,309
Other payables	5,172	5,172
Total	**891,426**	**891,426**

Analysis of financial liabilities at 31 December 2017 and 31 December 2016 by instrument and conditions.

31.12.2017 (EUR thousands)

	Interest rate %	Fair Value	Carrying amount	Current portion	Non-current portion
Loan to finance revamping of Rende plant - Banca Popolare di Sondrio - Ecosesto	3-month Euribor + spread	3,150	3,150	1,575	1,575
Shareholders' loan - Prima		1,381	1,381		1,381
Sicily Projects' loans		753	753		753
Bank payables for interest matured and not paid		1,084	1,084	1,084	
Shareholders' loan - Wind sector		2,812	2,812	1,503	1,309
Royalty instruments payables		10,136	10,136		10,136
Total borrowings		**19,316**	**19,316**	**4,162**	**15,154**
Actelios Solar project financing	6-month Euribor + spread	26,041	26,041	3,686	22,355
Loan notes Innovative Solar 42	Fixed	32,993	32,993	1,996	30,997
Cambrian project financing	6-month Libor + spread	5,961	5,961	3,037	2,924
Boyndie project financing	6-month Libor + spread				
FRUK project financing	6-month Libor + spread	36,460	36,460	2,681	33,779
Earlsburn Mezzanine project financing	6-month Libor + spread	22,675	22,675	804	21,871
Earlsburn project financing	6-month Libor + spread	12,262	12,262	2,255	10,007
Ben Aketil project financing	6-month Libor + spread	15,726	15,726	15,726	
Millennium project financing	6-month Libor + spread	38,938	38,938	4,485	34,453
Kilbraur project financing	6-month Libor + spread	43,461	43,461	3,862	39,599
Nutberry project financing	6-month Libor + spread	20,887	20,887	827	20,060
West Browncastle project financing	6-month Libor + spread	39,424	39,424	1,573	37,851
Kingsburn project financing	6-month Libor + spread	32,595	32,595	1,201	31,394
Spaldington project financing	6-month Libor + spread	14,769	14,769	520	14,249
Assel Valley project financing	6-month Libor + spread	45,747	45,747	1,555	44,192
Auchrobert project financing	6-month Libor + spread	54,111	54,111	954	53,157
Eolica Sud project financing	6-month Euribor + spread	83,912	83,912	8,866	75,046
Eolo 3W project financing	6-month Euribor + spread	42,404	42,404	5,878	36,526
Geopower project financing	6-month Euribor + spread	174,742	174,742	17,917	156,825
Eolica Petralia project financing	6-month Euribor + spread	17,911	17,911	1,682	16,229
Ty Ru project financing	Fixed/Euribor 3/6 m + spread	9,532	9,532	892	8,640
Fouy project financing	6-month Euribor + spread	6,576	6,576	732	5,844
Crêtes project financing	6-month Euribor + spread	6,880	6,880	761	6,119
Esquennois project financing	6-month Euribor + spread	8,301	8,301	944	7,357
Eolica Cabezo project financing	6-month Euribor + spread				
Total borrowings under project financing		**792,308**	**792,308**	**82,834**	**709,474**
IRS - Actelios Solar		3,437	3,437		3,437
Embedded derivative - Ecosesto		10	10		10
IRS - Cambrian		25	25		25
IRS - Boyndie					
IRS - FRUK		569	569		569
IRS - Earlsburn Mezzanine		198	198		198
IRS - Earlsburn		33	33		33
IRS - Ben Aketil		2,263	2,263	2,263	
IRS - Millennium		356	356		356
IRS - Kilbraur		584	584		584
IRS - Nutberry		2,513	2,513		2,513
IRS - West Browncastle		339	339		339
IRS - Assel Valley		1,346	1,346		1,346
IRS - Auchrobert		911	911		911
IRS - Eolica Sud		8,783	8,783		8,783
IRS - Eolo 3W		4,602	4,602		4,602
IRS - Geopower		17,426	17,426		17,426
IRS - Eolica Petralia		1,042	1,042		1,042
IRS - Ty Ru		334	334		334
IRS - Fouy		849	849		849
IRS - Crêtes		882	882		882
IRS - Esquennois		1,079	1,079		1,079
IRS - Eolica Cabezo					
Total derivative financial instruments		**47,581**	**47,581**	**2,263**	**45,318**
Total financial liabilities		**859,205**	**859,205**	**89,259**	**769,946**

(EUR thousands)

31.12.2016

	Interest rate %	Fair Value	Carrying amount	Current portion	Non-current portion
Loan to finance revamping of Rende plant - Banca Popolare di Sondrio - Ecosesto	3-month Euribor + spread	4,725	4,725	1,575	3,150
Shareholders' loan - Prima		1,355	1,355		1,355
Sicily Projects' loans		743	743		743
Bank payables for interest matured and not paid		1,383	1,383	1,383	
Shareholders' loan - Wind sector		7,196	7,196	4,199	2,997
Royalty instruments payables		9,688	9,688		9,688
Total borrowings		**25,090**	**25,090**	**7,157**	**17,933**
Actelios Solar project financing	6-month Euribor + spread	28,338	28,338	2,375	25,963
Cambrian project financing	6-month Libor + spread	8,963	8,963	2,791	6,172
Boyndie project financing	6-month Libor + spread	243	243	243	
FRUK project financing	6-month Libor + spread	40,611	40,611	2,815	37,796
Earlsburn project financing	6-month Libor + spread	15,843	15,843	3,133	12,710
Ben Aketil project financing	6-month Libor + spread	19,174	19,174	2,869	16,305
Millennium project financing	6-month Libor + spread	44,794	44,794	4,463	40,331
Kilbraur project financing	6-month Libor + spread	48,876	48,876	3,872	45,004
Nutberry project financing	6-month Libor + spread	23,661	23,661	1,039	22,622
West Browncastle project financing	6-month Libor + spread	44,821	44,821	1,804	43,017
Kingsburn project financing	6-month Libor + spread	35,056	35,056	1,299	33,757
Spaldington project financing	6-month Libor + spread	16,092	16,092	462	15,630
Assel Valley project financing	6-month Libor + spread	48,249	48,249	845	47,404
Eolica Sud project financing	6-month Euribor + spread	94,295	94,295	7,607	86,688
Eolo 3W project financing	6-month Euribor + spread	47,190	47,190	6,117	41,073
Geopower project financing	6-month Euribor + spread	162,819	162,819	11,982	150,837
Eolica Petralia project financing	6-month Euribor + spread	19,483	19,483	1,599	17,884
Ty Ru project financing	Fixed/Euribor 3/6 m + spread	10,414	10,414	896	9,518
Fouy project financing	6-month Euribor + spread	7,243	7,243	674	6,569
Crêtes project financing	6-month Euribor + spread	7,573	7,573	700	6,873
Esquennois project financing	6-month Euribor + spread	9,162	9,162	869	8,293
Eolica Cabezo project financing	6-month Euribor + spread	1,975	1,975	914	1,061
Total borrowings under project financing		**734,875**	**734,875**	**59,368**	**675,507**
IRS - Actelios Solar		4,322	4,322		4,322
IRS - Cambrian		66	66		66
IRS - Boyndie					
IRS - FRUK		884	884		884
IRS - Earlsburn		251	251	251	
IRS - Ben Aketil		3,082	3,082		3,082
IRS - Millennium		521	521		521
IRS - Kilbraur		964	964		964
IRS - Nutberry		3,033	3,033		3,033
IRS - West Browncastle		472	472		472
IRS - Assel Valley		1,563	1,563		1,563
IRS - Eolica Sud		11,570	11,570		11,570
IRS - Eolo 3W		6,277	6,277		6,277
IRS - Geopower		21,486	21,486		21,486
IRS - Eolica Petralia		1,353	1,353		1,353
IRS - Ty Ru		360	360		360
IRS - Fouy		1,095	1,095		1,095
IRS - Crêtes		1,137	1,137		1,137
IRS - Esquennois		1,394	1,394		1,394
IRS - Eolica Cabezo		150	150		150
Total derivative financial instruments		**59,980**	**59,980**	**251**	**59,729**
Total financial liabilities		**819,945**	**819,945**	**66,776**	**753,169**

The following table shows the reconciliation of liabilities relating to financing activities in 2017:

Book value as of 31.12.2016	**819,945**
New borrowings	100,224
Repayments	(72,509)
Foreign exchange difference	(13,099)
Fair value variation	(10,257)
Change in scope of consolidation	33,451
Other	1,450
Book value as of 31.12.2017	**859,205**

The table below provides an analysis of derivatives and financing contracts to which they relate:

- Instruments with a positive fair value at 31 December 2017:

(EUR thousands)

Company	Type of derivative	Maturity	Original currency	Notional value	Fair value
Kingsburn Wind Energy Ltd	Interest rate swap	30/06/2034	GBP	25,207	680
Spaldington Airfield Wind Energy Ltd	Interest rate swap	30/06/2034	GBP	11,737	315
Kilbraur Wind Energy Ltd	Interest rate swap	15/04/2024	GBP	21,035	17
Total derivative financial instruments					**1,012**

- Instruments with a negative fair value at 31 December 2017:

(EUR thousands)

Company	Type of derivative	Maturity	Original currency	Notional value	Fair value
Cambrian Wind Energy Ltd	Interest rate swap	31/12/2019	GBP	5,193	(25)
FRUK Holdings No. 1 Ltd	Interest rate swap	31/12/2025	GBP	31,533	(569)
Earlsburn Mezzanine Ltd	Interest rate swap	31/03/2026	GBP	20,087	(198)
Earlsburn Wind Energy Ltd	Interest rate swap	15/04/2022	GBP	9,359	(33)
Ben Aketil Wind Energy Ltd	Interest rate swap	31/12/2024	GBP	14,363	(2,263)
Millennium Wind Energy Ltd	Interest rate swap	15/04/2019	GBP	7,137	(285)
Millennium Wind Energy Ltd	Interest rate swap	15/10/2024	GBP	23,460	(71)
Kilbraur Wind Energy Ltd	Interest rate swap	15/10/2019	GBP	13,431	(584)
Nutberry Wind Energy Ltd	Interest rate swap	29/03/2029	GBP	19,236	(2,513)
West Browncastle Wind Energy Ltd	Interest rate swap	31/12/2033	GBP	32,349	(339)
Assel Valley Wind Energy Ltd	Interest rate swap	31/12/2034	GBP	35,351	(1,346)
Auchrobert Wind Energy Ltd	Interest rate swap	31/12/2035	GBP	41,632	(911)
Eolica Sud Srl	Interest rate swap	31/12/2024	EUR	67,965	(8,783)
Eolo 3W Minervino Murge Srl	Interest rate swap	31/12/2023	EUR	36,967	(4,602)
Geopower Sardegna Srl	Interest rate swap	30/06/2027	EUR	117,121	(17,398)
Geopower Sardegna Srl	Interest rate swap	30/06/2024	EUR	19,879	(28)
Eolica Petralia Srl	Interest rate swap	30/06/2027	EUR	12,876	(1,042)
Se Ty Ru Sas	Interest rate swap	30/09/2022	EUR	707	(22)
Se Ty Ru Sas	Interest rate swap	30/06/2028	EUR	3,582	(312)
Parc Eolien du Fouy Sas	Interest rate swap	15/07/2024	EUR	5,480	(849)
Parque Eolien des Cretes Sas	Interest rate swap	15/07/2024	EUR	5,692	(882)
Esquennois Energie Sas	Interest rate swap	15/07/2024	EUR	7,068	(1,079)
Actelios Solar Spa	Interest rate swap	30/06/2026	EUR	26,755	(3,437)
Total derivative financial instruments					**(47,571)**

- Embedded derivatives with a negative fair value at 31 December 2017:

(EUR thousands)

Company	Type of derivative	Maturity	Original currency	Notional value	Fair value
Ecosesto SpA	Embedded derivative	31/12/2019	EUR	3,150	(10)
Total derivative financial instruments					**(10)**

Analysis of interest rate and foreign exchange hedges of the Falck Renewables Group at 31 December 2017:

Derivative assets:

(EUR thousands)

	31.12.2016	Change in scope of consol.n	Change through equity	Change through profit or loss	Foreign exchange difference	31.12.2017
Kingsburn Wind Energy Ltd	813		(104)		(29)	680
Spaldington Airfield Wind Energy Ltd	376		(48)		(13)	315
Kilbraur Wind Energy Ltd			17			17
Total IRS	**1,189**		**(135)**		**(42)**	**1,012**
Derivatives on Falck Renewables SpA exchange rates	**151**			(61)		90
Derivatives on Falck Renewables Wind Ltd exchange rates						
Derivatives on Assel Valley exchange rates	9			(9)		
Total derivatives on exchange rates	**160**			**(70)**		**90**
Total	**1,349**		**(135)**	**(70)**	**(42)**	**1,102**

Derivative liabilities:

(EUR thousands)

	31.12.2016	Change in scope of consol.n	Change through equity	Change through profit or loss	Foreign exchange difference	31.12.2017
Actelios Solar SpA	(4,322)		871	14		(3,437)
Cambrian Wind Energy Ltd	(66)		39		2	(25)
Kilbraur Wind Energy Ltd	(964)		362	(16)	34	(584)
Millennium Wind Energy Ltd	(521)		144	2	19	(356)
Ben Aketil Wind Energy Ltd	(3,082)		713	(2)	108	(2,263)
Earlsburn Mezzanine Ltd			(193)	(4)	(1)	(198)
Earlsburn Wind Energy Ltd	(251)		110	101	7	(33)
Nutberry Wind Energy Ltd	(3,033)		412	2	106	(2,513)
FRUK Holdings No. 1 Ltd	(884)		286	(1)	30	(569)
West Browncastle Wind Energy Ltd	(472)		118	(2)	17	(339)
Assel Valley Wind Energy Ltd	(1,563)		164	(2)	55	(1,346)
Auchrobert Wind Energy Ltd			(909)	(2)		(911)
Eolo 3W Minervino Murge Srl	(6,277)		1,679	(4)		(4,602)
Eolica Cabezo San Roque Sau	(150)		150			
Parque Eolien des Cretes Sas	(1,137)		246	10	(1)	(882)
Esquennois Energie Sas	(1,394)		302	12	1	(1,079)
Parc Eolien du Fouy Sas	(1,095)		237	9		(849)
Eolica Sud Srl	(11,570)		2,793	(6)		(8,783)
Geopower Sardegna Srl	(21,486)		4,428	(369)	1	(17,426)
Eolica Petralia Srl	(1,353)		312	(2)	1	(1,042)
Se Ty Ru Sas	(360)		25	1		(334)
Total IRS	**(59,980)**		**12,289**	**(259)**	**379**	**(47,571)**
Derivatives on Falck Renewables SpA exchange rates						
Derivative on Kingsburn exchange rates						
Derivatives on Assel Valley exchange rates						
Derivatives on Spaldington exchange rates						
Total derivatives on exchange rates						
Total	**(59,980)**		**12,289**	**(259)**	**379**	**(47,571)**

Embedded derivatives:

(EUR thousands)

	31.12.2016	Change in scope of consolidation	Change through equity	Change through profit or loss	Foreign exchange difference	31.12.2017
Ecosesto SpA				(10)		(10)
Total embedded derivatives				**(10)**		**(10)**

Analysis of financial receivables at 31 December 2017 and 31 December 2016.

(EUR thousands)

31.12.2017				
	Fair value	Carrying amount	Current portion	Non-current portion
Receivables from banks for interest accrued and not yet collected	88	88	88	
Receivables from third party shareholders	12,781	12,781	1542	11,239
Interest rate derivative on Spaldington, Kingsburn and Kilbraur	1,012	1,012		1,012
Assel Valley derivatives on exchange rates to cover orders				
Falck Renewables SpA derivatives on exchange rates for GBP and YEN currency balance sheet	90	90	90	

TOTAL	**13,971**	**13,971**	**1,720**	**12,251**

(EUR thousands)

31.12.2016	Fair value	Carrying amount	Current portion	Non-current portion
Receivables from banks for interest accrued and not yet collected	29	29	29	
Receivables from third party shareholders				
Spaldington, Kingsburn and Kilbraur interest rate derivative	1,189	1,189		1,189
Assel Valley exchange rates to cover orders	9	9	9	
Derivative on Falck Renewables SpA exchange rates for GBP and YEN currency balance sheet	151	151	151	
TOTAL	**1,378**	**1,378**	**189**	**1,189**

3.3 *Fair value – hierarchy*

All financial instruments measured at fair value have been classified in the three categories below based on the lowest level of significant input in determining overall fair value:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: valuation techniques where the lowest level of significant input for the purpose of measuring fair value is observable either directly or indirectly;
- level 3: valuation techniques where the lowest level of significant input for the purpose of measuring fair value is unobservable.

The Group held the following financial instruments measured at fair value at 31 December 2017:

(EUR thousands)

31.12.2017	Level 1	Level 2	Level 3	Total
Financial assets measured at FV				
Forward transactions on foreign currency		90		90
Derivative contracts on interest rates		1,012		1,012
Available-for-sale financial assets		165	100	265
Total assets		**1,267**	**100**	**1,367**
Financial liabilities measured at FV				
Forward transactions on foreign currency				
Derivative contracts on interest rates		47,581		47,581
Total liabilities		**47,581**		**47,581**

(EUR thousands)

31.12.2016	Level 1	Level 2	Level 3	Total
Financial assets measured at FV				
Forward transactions on foreign currency		160		160
Derivative contracts on interest rates		1,189		1,189
Available-for-sale financial assets		28		28
Total assets		**1,377**		**1,377**
Financial liabilities measured at FV				
Forward transactions on foreign currency				
Derivative contracts on interest rates		59,980		59,980
Total liabilities		**59,980**		**59,980**

Section II: Risks arising from financial instruments

1. *Credit risk*

1.1 *Qualitative disclosures*

Credit risk represents both potential losses from non-settlement of receivables and the counterparty risk linked with the negotiation of other financial assets. The credit risk exposure of the Falck Renewables Group is very limited in respect of both commercial customers and financial counterparties. In relation to commercial customers, their nature that determines a low level of risk should be highlighted: 94.93% of the exposure to third parties (not related parties) is, in fact, with high standing national energy providers or utility companies. The degree of concentration of customers is high, however they have a strong credit rating. Although the Vector Cuatro group has a wide third party client base, it has not at present substantially changed the Group’s credit risk profile.
The credit risk attributable to the counterparties with which the derivative financial instruments are negotiated is also limited as the derivatives are negotiated with leading financial institutions. A summary quantitative indication of the maximum exposure to credit risk is the carrying amount of the financial assets, expressed gross of derivatives with a positive fair value and net of any guarantees.
The Group does not enter into instruments or guarantees to mitigate credit risk; consequently, the disclosures below are not affected by such instruments.

1.2 *Quantitative disclosures*

The maximum credit risk exposure at 31 December 2017 amounted to EUR 380,659 thousand. It can be broken down as follows:

(EUR thousands)

31.12.2017	Gross	Write-down	Net
Securities and investments	265		265
Financial receivables	15,389	(1,418)	13,971
Trade receivables	104,228	(924)	103,304
Other receivables	2,742	(1,140)	1,602
Cash and cash equivalents	261,517		261,517
Total	**384,141**	**(3,482)**	**380,659**

The maximum credit risk exposure at 31 December 2016 amounted to EUR 344,201 thousand. It can be broken down as follows:

(EUR thousands)

31.12.2016	Gross	Write-down	Net
Securities and investments	28		28
Financial receivables	2,823	(1,445)	1,378
Trade receivables	85,467	(781)	84,686
Other receivables	2,786	(1,288)	1,498
Cash and cash equivalents	256,611		256,611
Total	**347,715**	**(3,514)**	**344,201**

An analysis of trade receivables at 31 December 2017 and 31 December 2016 by class of customer with the corresponding percentage of total receivables is set out below. This provides a summary indication of the concentration of commercial credit risk.

(EUR thousands)

31.12.2017		
Customer classes	Total exposure	% exposure by customer class
Energy suppliers/utility companies	97,710	94.93%
Public authorities	192	0.19%
Related parties (excluding Group companies)		0.00%
Other entities	5,026	4.88%
Total trade receivables	**102,928**	**100.00%**

(EUR thousands)

31.12.2016		
Customer classes	Total exposure	% exposure by customer class
Energy suppliers/utility companies	79,629	94.28%
Public authorities	102	0.12%
Related parties (excluding Group companies)	27	0.03%
Other entities	4,698	5.56%
Total trade receivables	**84,456**	**100.00%**

The ageing analysis of trade receivables by class of customer, analysed by the overdue periods used internally to monitor receivables, as at 31 December 2017 and 31 December 2016, is set out below. Balances not yet due at 31 December 2017 and 31 December 2016 are also presented.

(Euro thousands)

		31.12.2017						
		Overdue						
Customer classes	Total exposure	0-30	31-60	61-90	91-120	> 120	Total overdue	Not yet due
Energy suppliers/utility companies	97,710	24,578	1,207	69	61	168	26,083	71,627
Public authorities	192	18	15	10	44	77	164	28
Related parties (excluding Group companies)								
Other entities	5,026	1,624	427	207	143	333	2,734	2,292
Total trade receivables	**102,928**	**26,220**	**1,649**	**286**	**248**	**578**	**28,981**	**73,947**

(Euro thousands)

		31.12.2016						
		Overdue						
Customer classes	Total exposure	0-30	31-60	61-90	91-120	> 120	Total overdue	Not yet due
Energy suppliers/utility companies	79,629	11,001	265	344	488	47	12,145	67,484
Public authorities	102					102	102	
Related parties (excluding Group companies)	27	13				14	27	
Other entities	4,698	528	271	144	128	330	1,401	3,297
Total trade receivables	**84,456**	**11,542**	**536**	**488**	**616**	**493**	**13,675**	**70,781**

2. ***Liquidity risk***

2.1 *Qualitative disclosures*

Liquidity risk is summarised in the tables below that illustrate the financial liabilities grouped by maturity date. The Falck Renewables Group has a group treasury department that employs a "domestic" cash pooling system between Falck Renewables SpA and all of the Group's Italian subsidiaries that do not have project financing (entities with project financing may not participate in the pooling system due to the liquidity management and debt restrictions imposed by the contracts).
The Group also carries out netting of opposing balances through the use of specific intercompany corresponding accounts. The Falck Renewables Group prepares an update of the cash flow statement and the cash budget on a monthly basis, in which the actual data for the period are supported by a summary evaluation and commentary.

2.2 *Quantitative disclosures*

Financial liabilities are analysed by contractual maturity across four time bands. The analysis has been concentrated on bank borrowings and shareholders' loans. The latter have been disclosed separately. Liabilities in respect of royalty instruments have also been disclosed separately as payment depends on the performance of the financed wind farms. Royalty instruments represent a financial instrument used by wind farms in the UK to acquire the consent of local communities in which the wind farms are located.

(EUR thousands)

31.12.2017					
Analysis of financial liabilities (principal amounts: amounts due by contractual maturity)					
	< 12 months	1 - 2 years	2 - 5 years	> 5 years	Total
Bank payables	2,659	1,575			4,234
Project financing	82,834	74,769	230,515	404,190	792,308
Trade payables	43,142	672	1,691	1,359	46,864
Other					
Total	**128,635**	**77,016**	**232,206**	**405,549**	**843,406**

(EUR thousands)

31.12.2017					
Analysis of financial liabilities (principal amounts: amounts due by estimated contractual maturity)					
	< 12 months	1 - 2 years	2 - 5 years	> 5 years	Total
Shareholders' loans	1,503	1,309	753	1,381	4,946
Royalty instruments				10,136	10,136
Other payables	5,230	1,755	3,279		10,264
Total	**6,733**	**3,064**	**4,032**	**11,517**	**25,346**

(EUR thousands)

31.12.2016					
Analysis of financial liabilities (principal amounts: amounts due by contractual maturity)					
	< 12 months	1 - 2 years	2 - 5 years	> 5 years	Total
Bank payables	2,958	1,575	1,575		6,108
Project financing	59,368	63,623	208,824	403,060	734,875
Trade payables	62,237	679	1,650	1,743	66,309
Other					
Total	**124,563**	**65,877**	**212,049**	**404,803**	**807,292**

(EUR thousands)

31.12.2016					
Analysis of financial liabilities (principal amounts: amounts due by estimated contractual maturity)					
	< 12 months	1 - 2 years	2 - 5 years	> 5 years	Total
Shareholders' loans	4,199	2,997	743	1,355	9,294
Royalty instruments				9,688	9,688
Other payables	5,172				5,172
Total	**9,371**	**2,997**	**743**	**11,043**	**24,154**

In order to provide a better analysis of the overall financial commitments underlying the liabilities illustrated in the table above, a calculation was made of interest due to be paid for each maturity period shown.

Since contract interest rates on listed loans are all floating, quarterly or 6-month, and closely linked to Euribor rates (for Euro area companies) and Libor (for UK companies), the amounts were calculated considering implicit rates in the swap rate curve compared to Euribor and Libor rates as at 31 December 2017. Therefore, the simplified hypothesis that quarterly and 6-month interest payments would have the same start and end dates for various loans was introduced.

The estimated value of the differentials relating to derivative financial instruments held at 31 December 2017 was calculated. The estimated differentials were calculated applying the implicit forward rates in the zero coupon curve at 31 December 2017 without discounting cash flows. In this case a detailed analysis of each derivative instrument held was performed.

(EUR thousands)

31.12.2017					
Analysis of financial liabilities (estimated flows on contractual basis: interest costs plus IRS differentials)					
	< 12 months	1 - 2 years	2 - 5 years	> 5 years	Total
IRS differentials	13,338	10,734	17,705	4,568	46,345
Bank payables	32	12			44
Project financing	15,785	16,201	46,971	62,269	141,226
Total	**29,155**	**26,947**	**64,676**	**66,837**	**187,615**

(EUR thousands)

31.12.2017					
Analysis of financial liabilities (estimated flows on “estimated” contractual basis: interest costs)					
	< 12 months	1 - 2 years	2 - 5 years	> 5 years	Total
Shareholders’ loans	154	92	36		282
Total	**154**	**92**	**36**		**282**

(EUR thousands)

31.12.2016					
Analysis of financial liabilities (estimated flows on contractual basis: interest costs plus IRS differentials)					
	< 12 months	1 - 2 years	2 - 5 years	> 5 years	Total
IRS differentials	14,213	12,585	23,970	7,896	58,663
Bank payables	93	59	23		175
Project financing	17,324	17,090	47,598	65,208	147,220
Total	**31,630**	**29,734**	**71,591**	**73,104**	**206,058**

(EUR thousands)

31.12.2016					
Analysis of financial liabilities (estimated flows on “estimated” contractual basis: interest costs)					
	< 12 months	1 - 2 years	2 - 5 years	> 5 years	Total
Shareholders’ loans	286	120	139	53	598
Total	**286**	**120**	**139**	**53**	598

3. ***Market risk***

3.1 *Interest rate risk*

3.1.1 **Qualitative disclosures**

The Falck Renewables Group manages interest rate risk centrally. Although it does not define in advance the maximum variable rate debt exposure, the Group follows well-established techniques aimed at monitoring risk and that avoid undertaking transactions of a speculative nature. The type and suitability of hedging instruments is evaluated for each specific case in consideration of the amount of exposure and current financial market conditions.

The Falck Renewables Group uses derivative financial instruments to hedge interest rates and in particular enters into interest rate swaps (IRS) with the exclusive aim of hedging. Moreover, the derivatives held at the year-end were acquired in order to allow the debt structure to meet the "covenants" established by the financial institutions in relation to project financing. In particular, borrowings at variable rates for these contracts are matched with opposing IRS that partially convert the borrowings from variable to fixed rates.

The degree of the Falck Renewables Group's interest rate exposure was measured through a sensitivity analysis performed applying the guidelines provided in paragraph 40 of IFRS 7 and the examples illustrated in Implementation Guide (IG) 35. A brief description of the method used to perform the sensitivity analyses and the results are provided below.

Firstly, the effect on profit for the year was determined applying a different yield curve to that used at the reporting date. For the Falck Renewables Group this means recalculating the fair value of the derivative instruments and charging directly to the income statement the difference between the simulated fair value and the value at the year-end. This provides both the portfolio risk on derivatives held at the balance sheet date and the related effect on profit/(loss) for the year.
The analyses were performed taking into consideration investments valued using the equity method as the impact of interest rate fluctuations on financial performance and the financial position of these entities impact consolidated profit for the year and total equity. These analyses did not include Parque Eolico La Carracha Sl and Parque Eolico Plana de Jarreta Sl (in which 26% interests are held) as the net equity of these companies included in the consolidated financial statements at 31 December 2017 was negative, and any changes applied would not be sufficient to give rise to them being included in the Group's consolidated financial statements.

The actual impact on profit for the year of a different scenario for interest rates also depends on the average financial assets and liabilities for the period on which interest accrues. The example provided in IG35 of IFRS 7 refers to the effect on the financial statements originating from a different interest rate arising "during" the year. Once the finance income and costs relating to a new scenario become known it is easy to verify, measuring the difference between these and the actual income/expense, the effect of a new interest rate scenario on the income statement.

The sensitivity analysis assumed two scenarios, a decrease and an increase in interest rates. Changes in interest rates for each scenario have been applied: 1) to the yield curve at the reporting date, assuming a parallel shift in the yield curve; 2) to the average interest rate paid in the course of the year on variable rate borrowings; 3) to the average interest rate earned during the year on variable rate financial assets; 4) to the interest rates used to determine the differentials paid/received during the year on derivative financial instruments.

As already noted the change in fair value of each derivative instrument held at 31 December 2017, together with the related impact on profit for the year, was calculated for each scenario. The impact on profit arising from changes in finance income and costs was also calculated for each scenario. The tables below illustrate the outcome of these analyses.
Given the current market situation and the potential rise in interest rates, an increase of 50 basis points and a

decrease of 15 basis points were applied.

An increase of 50 basis points would have resulted in a positive impact on profit of approximately 0.77%, while a decrease of 15 basis points would have determined a negative impact on profit for the year of approximately 0.23%.

3.1.2 **Quantitative disclosures**

- **Scenario Euribor/Libor +50 bp**

Derivatives impact

Scenario I: Euribor/Libor + 50 bp										
	Accounting treatment	Base value	Scenario value	Change FV	Change BS	Change IS	% on profit before income tax	Tax effect on change in FV to IS	Tax effect on change in FV to BS	% of profit for the year
Actelios Solar SpA	Hedge Accounting	(3,437)	(2,883)	555	555		0.00%		(133)	0.00%
Geopower Sardegna Srl	Hedge Accounting	(17,426)	(14,295)	3,131	3,131		0.00%		(751)	0.00%
Eolo 3W Minervino Murge Srl	Hedge Accounting	(4,602)	(4,069)	533	533		0.00%		(128)	0.00%
Eolica Sud Srl	Hedge Accounting	(8,783)	(7,582)	1,200	1,200		0.00%		(288)	0.00%
Eolica Petralia Srl	Hedge Accounting	(1,042)	(723)	319	319		0.00%		(77)	0.00%
Esquennois Energie Sas	Hedge Accounting	(1,079)	(944)	136	136		0.00%		(34)	0.00%
Parc Eolien des Crêtes Sas	Hedge Accounting	(882)	(772)	110	110		0.00%		(27)	0.00%
Parc Eolien du Fouy Sas	Hedge Accounting	(849)	(743)	106	106		0.00%		(26)	0.00%
SE Ty-Ru Sas	Hedge Accounting	(334)	(275)	59	59		0.00%		(15)	0.00%
Cambrian Wind Energy Ltd	Hedge Accounting	(25)	(7)	18	18		0.00%		(3)	0.00%
Kilbraur Wind Energy Ltd	Hedge Accounting	(567)	(139)	428	428		0.00%		(73)	0.00%
Millennium Wind Energy Ltd	Hedge Accounting	(356)	81	437	437		0.00%		(74)	0.00%
Ben Aketil Wind Energy Ltd	Hedge Accounting	(2,263)	(2,031)	232	232		0.00%		(39)	0.00%
Earlsburn Wind Energy Ltd	Hedge Accounting	(33)	78	111	111		0.00%		(19)	0.00%
Earlsburn Mezzanine Ltd	Hedge Accounting	(198)	338	535	535		0.00%		(91)	0.00%
Nutberry Wind Energy Ltd	Hedge Accounting	(2,513)	(1,925)	589	589		0.00%		(100)	0.00%
FRUK Holdings (no. 1) Ltd	Hedge Accounting	(569)	20	589	589		0.00%		(100)	0.00%
West Browncastle Wind Energy Ltd	Hedge Accounting	(339)	1,020	1,360	1,360		0.00%		(231)	0.00%
Kingsburn Wind Energy Ltd	Hedge Accounting	680	1,758	1,079	1,079		0.00%		(183)	0.00%
Spaldington Airfield Wind Energy Ltd	Hedge Accounting	315	813	498	498		0.00%		(85)	0.00%
Assel Valley Wind Energy Ltd	Hedge Accounting	(1,346)	256	1,602	1,602		0.00%		(272)	0.00%
Auchrobert Wind Energy Ltd	Hedge Accounting	(911)	1,093	2,004	2,004		0.00%		(341)	0.00%
Total companies consolidated line-by-line		**(46,559)**	**(30,931)**	**15,631**	**15,631**		**0.00%**		**(3,090)**	**0.00%**
Frullo Energia Ambiente Srl	Hedge Accounting	(135)	(124)	9	9		0.00%		(2)	0.00%
Total companies consolidated with the equity method		**(135)**	**(124)**	**9**	**9**		**0.00%**		**(2)**	**0.00%**
TOTAL		**(46,694)**	**(31,055)**	**15,640**	**15,640**		**0.00%**		**(3,092)**	**0.00%**

Total impact

(EUR thousands)

Scenario I: Euribor/Libor + 50 bp						
	Change BS	Tax effect on BS	Net impact on BS	Change IS	% of profit before tax	Tax effect on change in IS
Impact of change in fair value of derivatives	15,640	(3,092)	12,548	0	0.00%	0
Impact on finance costs and IRS differentials (*)				(1,003)	-2.36%	241
Impact on finance income and IRS differentials (*)				1,328	3.13%	(319)
TOTAL	**15,640**	**(3,092)**	**12,548**	**325**	**0.77%**	**(78)**

(*) The tax effect on derivatives was calculated applying the following rates: 24% for Italian companies, 17% for UK companies UK, 25% for French companies and 25% for Spanish companies. A tax rate of 24% was applied to calculate the tax effect on finance income and costs.

- **Scenario Euribor/Libor -15 bp**

Derivatives impact

Scenario II: Euribor/Libor - 15 bp										
	Accounting treatment	Base value	Scenario value	Change FV	Change BS	Change IS	% on profit before income tax	Tax effect on change in FV to IS	Tax effect on change in FV to BS	% of profit for the year
Actelios Solar SpA	Hedge Accounting	(3,437)	(3,604)	(166)	(166)		0.00%		40	0.00%
Geopower Sardegna Srl	Hedge Accounting	(17,426)	(18,365)	(939)	(939)		0.00%		225	0.00%
Eolo 3W Minervino Murge Srl	Hedge Accounting	(4,602)	(4,762)	(160)	(160)		0.00%		38	0.00%
Eolica Sud Srl	Hedge Accounting	(8,783)	(9,142)	(360)	(360)		0.00%		86	0.00%
Eolica Petralia Srl	Hedge Accounting	(1,042)	(1,138)	(96)	(96)		0.00%		23	0.00%
Esquennois Energie Sas	Hedge Accounting	(1,079)	(1,121)	(41)	(41)		0.00%		10	0.00%
Parc Eolien des Crêtes Sas	Hedge Accounting	(882)	(915)	(33)	(33)		0.00%		8	0.00%
Parc Eolien du Fouy Sas	Hedge Accounting	(849)	(881)	(32)	(32)		0.00%		8	0.00%
SE Ty-Ru Sas	Hedge Accounting	(334)	(352)	(18)	(18)		0.00%		4	0.00%
Cambrian Wind Energy Ltd	Hedge Accounting	(25)	(30)	(5)	(5)		0.00%		1	0.00%
Kilbraur Wind Energy Ltd	Hedge Accounting	(567)	(695)	(128)	(128)		0.00%		22	0.00%
Millennium Wind Energy Ltd	Hedge Accounting	(356)	(487)	(131)	(131)		0.00%		22	0.00%
Ben Aketil Wind Energy Ltd	Hedge Accounting	(2,263)	(2,333)	(70)	(70)		0.00%		12	0.00%
Earlsburn Wind Energy Ltd	Hedge Accounting	(33)	(66)	(33)	(33)		0.00%		6	0.00%
Earlsburn Mezzanine Ltd	Hedge Accounting	(198)	(358)	(160)	(160)		0.00%		27	0.00%
Nutberry Wind Energy Ltd	Hedge Accounting	(2,513)	(2,690)	(177)	(177)		0.00%		30	0.00%
FRUK Holdings (no. 1) Ltd	Hedge Accounting	(569)	(746)	(177)	(177)		0.00%		30	0.00%
West Browncastle Wind Energy Ltd	Hedge Accounting	(339)	(747)	(408)	(408)		0.00%		69	0.00%
Kingsburn Wind Energy Ltd	Hedge Accounting	680	356	(324)	(324)		0.00%		55	0.00%
Spaldington Airfield Wind Energy Ltd	Hedge Accounting	315	166	(149)	(149)		0.00%		25	0.00%
Assel Valley Wind Energy Ltd	Hedge Accounting	(1,346)	(1,826)	(481)	(481)		0.00%		82	0.00%
Auchrobert Wind Energy Ltd	Hedge Accounting	(911)	(1,512)	(601)	(601)		0.00%		102	0.00%
Total companies consolidated line-by-line		**(46,559)**	**(51,248)**	**(4,689)**	**(4,689)**		**0.00%**		**925**	**0.00%**
Frullo Energia Ambiente Srl	Hedge Accounting	(135)	(136)	(3)	(3)		0.00%		1	0.00%
Total companies consolidated with the equity method		**(135)**	**(136)**	**(3)**	**(3)**		**0.00%**		**1**	**0.00%**
TOTAL		**(46,694)**	**(51,384)**	**(4,692)**	**(4,692)**		**0.00%**		**926**	**0.00%**

Total impact

(EUR thousands)

Scenario II: Euribor/Libor - 15 bp	Change BS	Tax effect on BS	Net impact on BS	Change IS	% of profit before tax	Tax effect on change in IS
Impact of change in fair value of derivatives	(4,692)	926	(3,766)	0	0.00%	0
Impact on finance costs and IRS differentials (*)				301	0.71%	(72)
Impact on finance income and IRS differentials (*)				(398)	-0.94%	96
TOTAL	**(4,692)**	**926**	**(3,766)**	**(97)**	**-0.23%**	**23**

(*) The tax effect on derivatives was calculated applying the following rates: 24% for Italian companies, 17% for UK companies UK, 25% for French companies and 25% for Spanish companies. A tax rate of 24% was applied to calculate the tax effect on finance income and costs.

3.2 *Foreign exchange risk*

3.2.1 **Qualitative disclosures**

Foreign exchange risk arises on the Group's operations outside the "Euro zone" (UK, US, Norway, and to a lesser extent Sweden, Japan, Bulgaria and Mexico).
The Group's foreign exchange risk management policy, in line with the financial instruments accounting management policy, involves monitoring the foreign exchange balance to identify exposure and stipulate currency forward contracts where necessary. Currency forward transactions are entered into as new intercompany balances arise in order to maintain each company's and the Group's foreign exchange balance.
The Group mitigates foreign exchange risk on intercompany financial receivables and payables in currencies other than the functional currency through *plain vanilla* transactions, such as forward currency purchase/sale contracts. Falck Renewables SpA hedges exchange rate risk on its GBP financial receivables due from Falck Renewables Wind Ltd and those in Yen due from Vector Cuatro Japan KK. Both subsidiaries hedge their financial debt in euros to the parent, Falck Renewables SpA.

These same hedging transactions may be used for significant asset and services purchase contracts in foreign currencies other than the functional currency.

With regard to the major currencies other than the EUR, the Falck Renewables Group exposure to foreign exchange fluctuations was measured by performing a sensitivity analysis to determine the impact of fluctuations in exchange rates on the balances denominated in foreign currencies of all Group companies at 31 December 2017. A brief description of the method used to perform the sensitivity analyses and the results are provided below.

The analyses were performed assuming two scenarios, a 10% appreciation/depreciation in the spot rate between the exchange rate in which the amount is denominated and the reporting currency.
In the case of the Falck Renewables Group, this involved:

- Recalculating the fair value of cash flow hedges and transferring directly to equity the difference between the simulated fair value and the actual difference at the year-end. This makes it possible to identify at the same time the risk arising on the derivatives portfolio at the year-end and the impact on total equity;
- Recalculate the net foreign exchange difference arising on foreign currency balances not hedged by derivative instruments.

The analyses did not include the financial payables of the parent company due from Falck Renewables Wind Ltd in GBP and from Vector Cuatro Japan KK in Yen as any fluctuations in exchange rates recorded at the year-end in net finance costs is compensated by the change in fair value of the related derivative financial instruments entered into to hedge the foreign exchange exposure of the companies with this change also recorded in net finance costs in the income statement.

These analyses showed that a 10% appreciation in the exchange rates of balances denominated in foreign currency compared to the reporting currency would result in a foreign exchange gain and a corresponding increase in the consolidated result before tax of EUR 365 thousand. A 10% depreciation in the balances in foreign currency compared to the reporting currency would have affected the end balance, resulting in before-tax exchange rate earnings of EUR 438 thousand.

This analysis relates to the foreign exchange risk exposure in accordance with IFRS 7 and does not therefore take into account the positive or negative impact arising from the translation of overseas subsidiaries prepared in functional currencies other than the EUR where there is an appreciation/depreciation in the relevant foreign currencies.

3.2.2 **Quantitative disclosures**

- **Scenario exchange rates + 10%**

(EUR thousands)

Scenario I: exchange rates + 10%							
	Change BS	Tax effect on BS	Net impact BS	Change IS	% of profit before tax	Tax effect on change in IS	Net impact IS
Impact of change in fair value of derivatives							
Impact on exchange differences (*)				(365)	-0.86%	(70)	(295)
TOTAL				**(365)**	**-0.86%**	**(70)**	**(295)**

(*) The tax effect on derivatives was calculated applying a rate of 19.25% as these relate to UK companies.

- **Scenario exchange rates - 10%**

(EUR thousands)

Scenario II: exchange rates - 10%							
	Change BS	Tax effect on BS	Net impact BS	Change IS	% of profit before tax	Tax effect on change in IS	Net impact IS
Impact of change in fair value of derivatives							
Impact on exchange differences (*)				438	1.03%	84	354
TOTAL				**438**	**1.03%**	**84**	**354**

(*) The tax effect on the Income Statement was calculated applying a rate of 19.25% as these relate to UK companies.

7. Supplementary information to the consolidated financial statements

7.1 *List of investments in subsidiaries and associates*

	Registered offices	Currency	Share capital	% direct holding	Indirect holding %	Indirect holding Parent company
Companies consolidated applying the line-by-line method						
Falck Renewables SpA	Milan	EUR	291,413,891			
Actelios Solar SpA	Catania	EUR	120,000	100.000		
Åliden Vind AB	Malmö (Sweden)	SEK	100,000	100.000		
Ambiente 2000 Srl	Milan	EUR	103,000	60.000		
Assel Valley Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Auchrobert Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Ben Aketil Wind Energy Ltd	Inverness (UK)	GBP	100		51.000	Falck Renewables Wind Ltd
Boyndie Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	FRUK Holdings (No.1) Ltd
Brattmyrliden Vind AB	Malmö (Sweden)	SEK	100,000	100.000		
Cambrian Wind Energy Ltd	London (UK)	GBP	100		100.000	FRUK Holdings (No.1) Ltd
Earlsburn Mezzanine Ltd	London (UK)	GBP	1,000		51.000	Falck Renewables Wind Ltd
Earlsburn Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Earlsburn Mezzanine Ltd
Ecosesto SpA	Rende (CS)	EUR	5,120,000	100.000		
Elettroambiente SpA (in liquidation)	Sesto S. Giovanni (MI)	EUR	245,350	100.000		
Elektrownie Wiatrowe Bonwind Łyszkowice Sp.Z.o.o.	Łódź (Poland)	PLN	132,000		50.000	Falck Renewables Wind Ltd
Eolica Cabezo San Roque Sau	Zaragoza (Spain)	EUR	1,500,000		100.000	Falck Renewables Wind Ltd
Eolica Petralia Srl	Sesto S. Giovanni (MI)	EUR	2,000,000	100.000		
Eolica Sud Srl	Davoli Marina (CZ)	EUR	5,000,000	100.000		
Eolo 3W Minervino Murge Srl	Sesto S. Giovanni (MI)	EUR	10,000	100.000		
Esposito Servizi Ecologici Srl	Sesto S. Giovanni (MI)	EUR	10,000	100.000		
Esquennois Energie Sas	Paris (France)	EUR	37,000		100.000	Falck Renewables Wind Ltd
Falck Energies Renouvelables Sas	Rennes (France)	EUR	60,000		100.000	Falck Renewables Wind Ltd
Falck Renewables Finance Ltd	London (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Falck Renewables IS 42 LLC	Delaware (USA)	USD	-		100.000	Falck Renewables North America Inc
Falck Renewables Nederland B.V.	Amsterdam (Netherlands)	EUR	10,000	100.000		
Falck Renewables North America Inc	Delaware (USA)	USD	4	100.000		
Falck Renewables Vind AS	Sandane (Norway)	NOK	13,799,500	80.000		
Falck Renewables Wind Ltd	London (UK)	GBP	37,759,066	99.989		
Falck Renewables Energy Srl	Sesto S. Giovanni (MI)	EUR	10,000	100.000		
Falck Renewables Gmbh & co.KG	Nuremberg (Germany)	EUR	5,000		100.000	Falck Energies Renouvelables Sas
Falck Renewables Verwaltungs Gmbh	Nuremberg (Germany)	EUR	25,000		100.000	Falck Energies Renouvelables Sas
FRUK Holdings (No.1) Ltd	London (UK)	GBP	1		51.000	Falck Renewables Finance Ltd
Geopower Sardegna Srl	Sesto S. Giovanni (MI)	EUR	2,000,000	100.000		
Innovative Solar 42 LLC	North Carolina (USA)	USD	-		100.000	NC 42 Energy LLC
Kilbraur Wind Energy Ltd	Inverness (UK)	GBP	100		51.000	Falck Renewables Wind Ltd
Kingsburn Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Millennium Wind Energy Ltd	Inverness (UK)	GBP	100		51.000	Falck Renewables Wind Ltd
Millennium South Wind Energy Ltd	Inverness (UK)	GBP	100		52.000	Falck Renewables Wind Ltd
Mochrum Fell Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Falck Renewables Wind Ltd

	Registered offices	Currency	Share capital	% direct holding	Indirect holding %	Parent company
Companies consolidated applying the line-by-line method continued						
NC 42 LLC	Delaware (USA)	USD	-		99.000	Falck Renewables IS 42 LLC
NC 42 Solar LLC	Delaware (USA)	USD	-		100.000	NC 42 LLC
NC 42 Energy LLC	Delaware (USA)	USD	-		100,000 class B*	NC 42 Solar LLC
Nutberry Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Ongarhill Wind Energy Ltd	London (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Palermo Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (MI)	EUR	120,000	71.273		
Parc Eolien d'Illois Sarl	Rennes (France)	EUR	1,000		100.000	Falck Energies Renouvelables Sas
Parc Eolien des Crêtes Sas	Paris (France)	EUR	37,000		100.000	Falck Renewables Wind Ltd
Parc Eolien du Fouy Sas	Paris (France)	EUR	37,000		100.000	Falck Renewables Wind Ltd
Platani Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (MI)	EUR	3,364,264		87.180	Elettroambiente SpA
Prima Srl	Sesto S. Giovanni (MI)	EUR	5,430,000	85.000		
PV Diagnosis Fotovoltaica SLU	Madrid (Spain)	EUR	3,100		100.000	Vector Cuatro SLU
PV Diagnosis Srl (in liquidation)	Milan	EUR	10,000		100.000	Vector Cuatro SLU
SE Ty Ru Sas	Rennes (France)	EUR	1,009,003		100.000	Falck Renewables Gmbh and co.KG
Solar Mesagne Srl	Brindisi	EUR	50,000	100.000		
Spaldington Airfield Wind Energy Ltd	London (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Tifeo Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (MI)	EUR	4,679,829		96.350	Elettroambiente SpA
Vector Cuatro SLU	Madrid (Spain)	EUR	55,001	100.000		
Vector Cuatro Renewables FZE	Dubai (UAE)	AED	300,000		100.000	Vector Cuatro SLU
Vector Cuatro Srl	Turin	EUR	25,000		100.000	Vector Cuatro SLU
Vector Cuatro Chile Spa	Santiago (Chile)	CLP	20,000,000		100.000	Vector Cuatro SLU
Vector Cuatro France Sarl	Lyon (France)	EUR	50,000		100.000	Vector Cuatro SLU
Vector Cuatro EOOD	Sofia (Bulgaria)	BGN	2,000		100.000	Vector Cuatro SLU
Vector Cuatro Japan KK	Tokyo (Japan)	JPY	1,000,000		100.000	Vector Cuatro SLU
Vector Cuatro Energias Renovables Mèxico SA de CV	Miguel Hidalgo DF (Mexico)	MXN	50,000		99.945	Vector Cuatro SLU
					0.055	PV Diagnosis Fotovoltaica SLU
Vector Cuatro UK Ltd	London (UK)	GBP	10,000		100.000	Vector Cuatro SLU
West Browncastle Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Falck Renewables Wind Ltd

* The class B quotas gaurantee the control of the company, while class A quotas belonging to Firstar Development LLC attribute protective rights.

	Registered offices	Currency	Share capital	% direct holding	Indirect holding %	Parent company
Companies consolidated by equity method						
Frullo Energia Ambiente Srl	Bologna	EUR	17,139,100	49.000		
Nuevos Parque Eolicos La Muela AIE	Zaragoza (Spain)	EUR	10,000		50.000	Parque Eolico La Carracha SL
					50.000	Parque Eolico Plana de Jarreta SL
Parque Eolico La Carracha Sl	Zaragoza (Spain)	EUR	100,000		26.000	Falck Renewables Wind Ltd
Parque Eolico Plana de Jarreta Sl	Zaragoza (Spain)	EUR	100,000		26.000	Falck Renewables Wind Ltd
Vector Cuatro Servicios SL	Madrid (Spain)	EUR	30,000		50.000	Vector Cuatro SLU

8. Falck Renewables SpA separate financial statements at 31 December 2017

8.1 Falck Renewables SpA balance sheet

(EUR thousand)

		Notes	31.12.2017	*of which related parties*	31.12.2016	*of which related parties*
Assets						
A	**Non-current assets**					
	1 Intangible assets	(1)	1,443		1,577	
	2 Property, plant and equipment	(2)	282		362	
	3 Investments and securities	(3)	434,834		221,641	
	4 Trade receivables	(5)				
	5 Medium/long-term financial receivables	(4)	56,807	56,807	75,193	75,193
	6 Deferred income tax assets	(7)	1,406		987	
	7 Other receivables	(6)	26		19	
	Total		**494,798**		**299,779**	
B	**Current assets**					
	1 Inventories	(8)				
	2 Trade receivables	(5)	7,372	7,277	3,711	3,680
	3 Other receivables	(6)	13,734	12,165	13,970	12,215
	4 Financial receivables	(4)	23,214	23,036	78,089	77,900
	5 Securities					
	6 Cash and cash equivalents	(9)	130,524		113,048	
	Total		**174,844**		**208,818**	
C	**Non-current assets held for sale**					
Total assets			**669,642**		**508,597**	
Liabilities						
D	**Equity**					
	1 Share capital		291,414		291,414	
	2 Reserves		151,012		151,966	
	3 Retained earnings		16,068		9,665	
	4 Profit for the year		27,850		20,609	
	Total equity	(10)	**486,344**		**473,654**	
E	**Non-current liabilities**					
	1 Medium/long-term financial liabilities	(13)				
	2 Other non-current liabilities	(15)	2,460	302		
	3 Deferred income tax liabilities					
	4 Provisions for other liabilities and charges	(11)	8,358		4,345	
	5 Staff leaving indemnity	(12)	1,957		1,894	
	Total		**12,775**		**6,239**	
F	**Current liabilities**					
	1 Trade payables	(14)	6,940	1,400	5,235	358
	2 Other payables	(15)	7,942	4,389	4,302	300
	3 Short-term financial liabilities	(13)	155,641	155,641	19,167	19,167
	4 Provisions for other liabilities and charges					
	Total		**170,523**		**28,704**	
G	**Liabilities attributable to non-current assets held for sale**					
Total liabilities			**669,642**		**508,597**	

No significant non-recurring transactions occurred during 2017.

Related party transactions are disclosed on page 189.

8.2 Falck Renewables SpA income statement

(EUR thousands)

		Notes	2017	*of which related parties*	2016	*of which related parties*
A	Revenue	(16)	138	41	456	358
	Direct labour costs	(17)				
	Direct costs	(18)				
B	Cost of sales					
C	**Gross profit/(loss)**		**138**		**456**	
	Other income	(19)	6,361	6,020	6,857	6,783
	Other employee costs	(17)	(11,955)		(11,647)	
	Administrative expenses	(20)	(20,447)	(1,980)	(9,320)	(1,143)
D	**Operating profit/(loss)**		**(25,903)**		**(13,654)**	
	Financial income/(expenses)	(21)	4,597	5,917	4,477	6,618
	Investment income and expenses	(22)	43,584	43,584	25,498	25,498
E	**Profit/(loss) before income tax**		**22,278**		**16,321**	
	Income tax expense	(23)	5,572		4,288	
F	**Profit for the year**		**27,850**		**20,609**	

No significant non-recurring transactions occurred during 2017.
Related party transactions are disclosed on page 198.

8.3 Falck Renewables SpA statement of comprehensive income

(EUR thousands)

		2017			2016		
		Gross	Tax	Net	Gross	Tax	Net
A	**Profit for the year**	**22,278**	**5,572**	**27,850**	**16,321**	**4,288**	**20,609**
	Other items of comprehensive income *Other items of comprehensive income that will be subsequently reclassified to profit/(loss) for the year net of tax*						
	Foreign exchange differences on translation of overseas financial statements						
	Fair value adjustment of available-for-sale financial assets	(139)	34	(105)			
	Fair value adjustments of derivatives designated as cash flow hedges						
B	**Total other items of comprehensive income that will be subsequently reclassified to profit/(loss) for the year net of tax**	**(139)**	**34**	**(105)**			
	Other items of comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of tax						
	Balance of actuarial gains/(losses) on employee defined benefit plans	(4)		(4)	(29)		(29)
C	**Total other items of comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of tax**	**(4)**		**(4)**	**(29)**		**(29)**
B+C	**Other comprehensive income/(loss)**	**(143)**	**34**	**(109)**	**(29)**		**(29)**
A+B+C	**Total comprehensive income/(loss)**	**22,135**	**5,606**	**27,741**	**16,292**	**4,288**	**20,580**

8.4 Falck Renewables SpA statement of cash flows

(EUR thousands)

	Notes	2017	*of which related parties*	2016	*of which related parties*
Cash flow from operating activities					
Profit for the year		27,850		20,609	
Adjusted for:					
Amortisation and impairment of intangible assets	(20)	364		195	
Depreciation and impairment of property, plant and equipment	(20)	134		144	
Staff leaving indemnity provision	(12)	469		457	
Impairment of investments and other securities	(22)	2,435		5,288	
Financial income	(21)	(7,279)	(5,974)	(21,751)	(8,239)
Financial expenses	(21)	2,682	57	17,274	1,621
Dividends	(22)	(46,019)	(46,019)	(30,786)	(30,786)
Share of profit of investments valued using equity method					
Gain/(loss) on sale of intangibles					
Gain/(loss) on disposal of property, plant and equipment					
Gain/(loss) on sale of investments					
Other cash flows	(20-10)	434		1,650	
Income tax (income statement)	(23)	(5,572)		(4,288)	
Operating (loss) before changes in net working capital and provisions		**(24,502)**		**(11,208)**	
Change in inventories					
Change in trade receivables	(5)	(3,906)		2,335	
Change in trade payables	(14)	1,705		2,402	
Change in other receivables/payables		(781)		945	
Net change in provisions	(11)	4,013		(2,871)	
Change in employee payables - staff leaving indemnity paid during year	(12)	(433)		(600)	
Cash flow from operating activities		**(23,904)**		**(8,997)**	
Interest paid		(2,248)	(19)	(15,617)	(1,621)
Tax paid/collected		4,500		991	
Net cash flow from operating activities (1)		**(21,652)**		**(23,623)**	
Cash flow from investing activities					
Dividends		46,769	46,769	48,367	48,367
Proceeds from sale of property, plant and equipment					
Proceeds from sale of intangible assets					
Proceeds from sale of investment activities					
Purchases of intangible assets	(1)	(240)		(1,005)	
Purchases of property, plant and equipment	(2)	(54)		(22)	
Acquisition of investments	(3)	(206,221)	(206,221)	(135)	(135)
Purchase of own shares	(10)	(1,035)			
Sale of investments					
Interest received		6,079	5,974	20,639	8,239
Net cash flow from investing activities (2)		**(154,702)**		**67,844**	
Cash flow from financing activities					
Dividends paid	(10)	(14,205)		(13,093)	(8,100)
Share capital increase and share capital contributions					
Expenses on capital transactions					
Proceeds from borrowings					
Loans granted					
Net change in financial receivables	(4-13)	208,035	208,035	49,020	49,020
Repayment of borrowings					
Net cash flow from financing activities (3)		**193,830**		**35,927**	
Net (decrease)/increase in cash and cash equivalents (1+2+3)		**17,476**		**80,148**	
Cash and cash equivalents at January 1		113,048		32,900	
Cash and cash equivalents at December 31	(9)	**130,524**		**113,048**	

8.5 Falck Renewables SpA statement of changes in equity

(EUR thousands)

	Share capital	Reserves	Profit for the year	Total equity
31.12.2015	**291,414**	**163,994**	**10,759**	**466,167**
Appropriation of 2015 profit		10,759	(10,759)	
Dividends paid		(13,093)		(13,093)
Purchase of own shares				
Other movements		(29)		(29)
Profit for the year to 31 December 2016			20,609	20,609
31.12.2016	**291,414**	**161,631**	**20,609**	**473,654**
Appropriation of 2016 profit		20,609	(20,609)	
Dividends paid		(14,205)		(14,205)
Purchase of own shares		(1,035)		(1,035)
Other movements		(109)		(109)
Share schemes		189		189
Profit for the year to 31 December 2017			27,850	27,850
31.12.2017	**291,414**	**167,080**	**27,850**	**486,344**

Direction and coordination activities

In accordance with article 2497 bis, paragraph 4 of the Italian Civil Code, the key information from the latest approved financial statements of Falck SpA (31 December 2016) is disclosed, due to the fact that the latter performs direction and coordination activities.
For a full and better understanding of the financial position of Falck SpA at 31 December 2016, and the profit for the year then ended, reference should be made to its financial statements complete with the independent auditors' report, which are available at the parent company's registered offices and on its website www.falck.it.

(EUR thousands)

		BALANCE SHEET	31.12.2016	31.12.2015
A)		***SHARE CAPITAL SUBSCRIBED AND NOT YET PAID***	**0**	**0**
B)		***FIXED ASSETS***		
I.		*Intangible assets*	559	718
II.		*Property, plant and equipment*	18	33
III.		*Financial assets*		
	1	Investments	336,911	334,853
	2	Receivables	148	148
	3	Other securities	0	0
	4	Active financial instruments	0	0
		Total financial fixed assets	337,059	335,001
TOTAL FIXED ASSETS			**337,636**	**335,752**
C)		***CURRENT ASSETS***		
I.		*Inventory*	0	0
II.		*Receivables*		
	1	Trade receivables	0	0
	2	Due from subsidiaries	15,173	21,690
	3	Due from associates	0	0
	4	Due from parent company	0	0
	5	Due from subsidiaries of subsidiaries	0	0
	5-bis	Tax credits	6,464	2,544
	5-ter	Deferred tax assets	80	99
	5-quater	Due from others	148	148
		Total receivables	21,865	24,481
III.		*Financial assets not considered as fixed assets*		
	1	Investments in subsidiaries	0	0
	2	Investments in associates	0	0
	3	Investments in other companies	0	0
	4	Own shares	0	0
	5	Other securities	0	0
	6	Bills receivable	0	0
		Total financial assets not considered as fixed assets	0	0
IV.		*Cash and cash equivalents*	593	323
TOTAL CURRENT ASSETS			**22,458**	**24,804**
D)		***ACCRUED INCOME AND PREPAYMENTS***	**1**	**3**
TOTAL ASSETS			**360,095**	**360,559**
A)		***SHAREHOLDERS' EQUITY***		
I.		*Share capital*	72,793	72,793
II.		*Share premium reserve*	35,609	35,609
III.		*Revaluation reserves*	0	0
IV.		*Legal reserve*	14,559	14,559
V.		*Statutory reserves*	0	0
VI.		*Other reserves*	19,409	19,409
VII.		*Reserve for hedging forecast financial flows*	(19)	0
VIII.		*Retained earnings (Losses carried forward)*	98,645	94,030
IX.		*Profit/(loss) for the period*	1,111	5,670
X		*Negative own shares reserve*	(12,192)	(12,192)
TOTAL SHAREHOLDERS' EQUITY			**229,915**	**229,878**
B)		***TOTAL PROVISIONS FOR RISKS AND CHARGES***	**20,321**	**20,313**
C)		***EMPLOYEES' SEVERANCE INDEMNITY***	**83**	**128**
D)		***PAYABLES***		
	1	Bonds and debenture loans	0	0
	2	Convertible bonds debenture loans	31,183	31,183
	3	Amounts due to shareholders for loans	0	0
	4	Amounts due to banks	64,325	68,000
	5	Amount owed to other financial creditors	0	0
	6	Advance payments received	0	0
	7	Trade payables	1,260	1,132
	8	Bills payable	0	0
	9	Amounts due to subsidiaries	10,998	8,105
	10	Amounts due to associates	0	0
	11	Amounts due to parent company	0	0
	12-14	Amounts due to the tax authorities	1,814	1,630
	15	Amounts due to Group companies	0	0
TOTAL PAYABLES			**109,580**	**110,050**
E)		***ACCRUED LIABILITIES AND DEFERRED INCOME***	**196**	**190**
TOTAL LIABILITIES			**360,095**	**360,559**

8.6 Falck Renewables SpA notes to the financial statements

(EUR thousands)

	INCOME STATEMENT	31.12.2016	31.12.2015
A)	**Value of production**		
1	Revenues from sales and services	521	645
2	Changes in inventories of work in progress, semi-finished and finished products	0	0
3	Change in contract work in progress	0	0
4	Capitalised internal work	0	0
5	Other revenues and income	312	1,628
	Total value of production	**833**	**2,273**
B)	**Cost of production**		
6	Raw materials, subsidiary materials, consumables and goods	0	(1)
7	Services	(1,325)	(2,737)
8	Rentals and leasing charges	(12)	(10)
9	Employee costs	(218)	(503)
10	Amortisation, depreciation and impairments	(174)	(493)
11	Changes in inventories of raw materials, consumables and goods	0	0
12	Provisions for risks	(92)	(170)
13	Other provisions	0	0
14	Other operating charges	(21)	(515)
	Total cost of production	**(1,842)**	**(4,429)**
	Difference between value and cost of production	**(1,009)**	**(2,156)**
C)	**Financial income/(expenses)**		
15	Income from investments	7,972	10,841
16	Other financial income	254	551
17	Other financial expenses	(2,133)	(3,582)
17 bis	Exchange gains and losses	0	0
	Total financial income/(expenses)	**6,093**	**7,810**
D)	**Value adjustments of financial assets**	**(3,942)**	**(335)**
E)	**Extraordinary income and expenses**	**0**	**0**
	Profit for the year before taxation	**1,142**	**5,319**
22	Tax on profit for the year	(31)	351
23	**Profit for the year**	**1,111**	**5,670**

8.6.1 Accounting policies

The valuation and measurement of financial information for the year ended 31 December 2017 have been based on the IAS/IFRS currently in force and their related interpretations as set out in the documents issued to date by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The Company's separate financial statements are prepared in EUR and all values are rounded to thousands of EUR except where otherwise indicated.

The financial statements are prepared under the historical cost convention, with the exception of derivative instruments and available-for-sale financial assets, which are measured at fair value. The carrying value of those assets and liabilities that are covered by fair value hedges and that would normally be recorded at amortised cost, is adjusted to reflect changes in the fair value attributable to the hedged risks.

Non-current assets and tangible fixed assets held for sale are recorded at the lower of net book value and fair value less costs of disposal.

Preparation of the financial statements in accordance with IFRS requires management to make estimates, valuations and assumptions on the accounting value of a number of assets and liabilities and related disclosures, and contingent assets and liabilities at the date of the financial statements. The estimates and assumptions are based on historical results and other reasonable information and are adopted when the carrying value of the assets or liabilities may not be reliably estimated using other sources. Actual amounts may differ from estimates.

These estimates and assumptions are reviewed periodically and the effects of all differences relating to the current accounting period are recognised in the income statement. Where the adjustment covers both current and future reporting periods, the adjustment is recorded in the year in which the adjustment is made and future periods.

The actual results may differ, in some cases significantly, from the estimated amounts due to changes in the circumstances on which the estimate was based.

The financial statements have been prepared in accordance with "International Financial Reporting Standards - IFRS" issued by the International Financial Reporting Standards Board, based on the documents published in the Official Journal of the European Union (OJEU).

The accounting policies used for the preparation of the separate financial statements are consistent with those used to prepare the Annual Report at 31 December 2016 with the exception of the adoption of new standards, amendments and interpretations that came into force on 1 January 2017 and that have not had a material impact on the Company's financial statements.

New standards and amendments entered into force for the first time since 1 January 2017, as required by the EU during its approval

Although these new standards and amendments are applied for the first time in 2017 they did not materially impact the Company's financial statements.

With reference to the main, recently issued standards, please refer to the Consolidated reports.

The principal accounting policies and valuation methods adopted in the preparation of the separate financial statements are set out below:

Fair value measurement

The Company measures financial instruments, such as derivatives and non-financial assets, at fair value at each balance sheet date. The fair value of financial instruments valued at amortised cost is summarised in the notes to the separate financial statements.

Fair value is the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants at the measurement date.

Fair value measurement assumes that a transaction takes place:

(a) in the principal market for the asset or liability; or

(b) in the absence of a principal market, the most advantageous market for the asset or liability.

The principal market or most advantageous market must be accessible to the Company.

The fair value of an asset or liability is measured adopting the assumptions that market participants would use to determine the price of the asset or liability, presuming that they act in such a way as to satisfy their financial interest.

The fair value measurement of non-financial assets considers the ability of a market participant to generate economic benefits consistent with its highest and best use or from the sale to another market participant that would use it to its highest or best use.

The Company employs measurement techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All of the assets and liabilities for which fair value is determined or disclosed in the financial statements are categorised based on the fair value hierarchy as set out below:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – measurement technique for which inputs are unobservable inputs for the asset or liability.

The fair value measurement is classified in its entirety in the level of the lowest level input that is significant to the entire measurement.

For assets and liabilities that are measured at fair value on a recurring basis, the Company determines if any transfer between hierarchy levels has taken place by reviewing the categorisation (based on the lowest level of input that is significant to the entire fair value measurement) at each balance sheet date.

Intangible assets
An intangible asset is recorded only when it is identifiable, controllable, is expected to generate economic benefits in future periods and the cost may be reliably measured.
Intangible assets are recorded at cost including directly attributable expenses and are amortised systematically over their estimated useful economic life.

Intangible assets with a finite useful life are classified at cost net of accumulated amortisation and any impairment losses. The amortization is parameterised to the period of their estimated useful life and starts when the asset is available for use.
Intangible assets with an indefinite useful life are tested annually for impairment. In accordance with IAS 36 the carrying amount of assets is reviewed for impairment annually and whenever there is an indication that it may not be recoverable. Assets are disclosed net of any recognised impairment losses.

Intangible assets also include “industrial patent rights” that comprise costs incurred for the automation and mechanisation of the information systems that are subject to an amortisation rate of 20%.

Property, plant and equipment
Falck Renewables SpA opted for the cost method in preparing the first IAS/IFRS financial statements, as prescribed by IFRS 1. As a result, with regard to property, plant and equipment, the Company has preferred not to adopt the fair value approach.
Property, plant and equipment is recorded at acquisition or production cost including directly attributable costs.
Property, plant and equipment is valued at cost, net of depreciation and impairment losses, with the exception of land, which is not depreciated and is valued at cost less impairment losses.
In the event that significant components of an item of property, plant and equipment have different useful lives, each component is attributed a separate useful life for depreciation purposes (component approach).
The depreciation rates applied represent the estimated useful life of the assets.
The rates applied to the various asset categories are as follows:

	(%)
Industrial buildings	4 - 10
Plants and machinery	5 - 10
Equipment	7 - 15
Other assets	6 - 20
Assets operated under concession	5 - 10

These rates are applied based on months of actual use with regard to assets that come into use during the year.
Ordinary maintenance costs are charged to expenses in the year in which they are incurred.
Maintenance costs that increase the future economic benefits derived from the assets are capitalised on the related asset and depreciated over the residual useful life.
Borrowing costs for the construction of a plant or its acquisition are capitalised up until the moment in which the asset is ready for use in the production process.

Impairment of assets
In the presence of circumstances that potentially indicate a loss in value, impairment tests are conducted on tangible and intangible assets that have a definite useful life, by estimating the recoverable amount of the asset and comparing it with the related net book value. The recoverable value of an asset or CGU is the greater of value in use and fair value less cost of disposal. If the recoverable value is lower than the book value, the latter is consequently reduced. This reduction represents a loss in value, which is charged to the income statement.
When there is an indication that an impairment loss recognised in a previous accounting period is no longer required, the carrying value is restated to the new estimated recoverable value which may not exceed the carrying value that would have been recognised had the original impairment not occurred. The value writeback is also recorded in the income statement.

Securities and investments

Investments in subsidiaries and associates
Investments in subsidiaries and associates are valued at cost. Cost is reduced for any indication of impairment where investments have recorded losses and no profits are foreseeable in the near future to cover these losses; the original value may be restated in subsequent accounting periods in the event that the circumstances that gave rise to the write-down no longer exist.

Investments in other companies and other investments
In accordance with IAS 39 and 32, investments in companies that are neither subsidiaries nor associates are measured at fair value with the exception of those circumstances in which market price or fair value cannot be determined, in which case the cost method is applied.
Gains and losses arising on adjustments to value are recognised as a specific reserve within equity. Where impairment losses exist or in the event of disposal of the related asset, the gains and losses recorded in equity up until this point are recycled to the income statement. Investments held for sale are measured at fair value with any adjustment recognised in the income statement.
Cost is reduced for any indication of impairment where investments have recorded losses and no profits are foreseeable in the near future to cover these losses; the original value may be restated in subsequent accounting periods in the event that the circumstances that gave rise to the write-down no longer exist.

Financial assets

Classification
In accordance with IAS 39 and IAS 32, financial assets are classified into the following four categories:

1. Financial assets ‘at fair value through profit or loss’;
2. Held-to-maturity investments;
3. Loans and receivables;
4. Available-for-sale financial assets.

The classification depends on the reason for which the investment was initially purchased and is subsequently held and management is required to determine the initial classification on initial recognition updating this at each financial year-end. A description of the principal characteristics of each asset category detailed above may be summarised as follows:

Financial assets ‘at fair value through profit or loss’
This category has two sub-categories:

1. Financial assets held for trading;
2. Financial assets designated to the fair value category on initial recognition. This category includes all financial investments other than equity instruments that are not quoted in an active market but for which a fair value may be reliably measured.

Financial instruments, with the exception of hedge instruments, are included in this category and their fair value recorded in the income statement.

All assets within this category are classified as current if they are held for trading purposes or where disposal is expected within 12 months from the year end.
Designation of a financial instrument to this category is irrevocable and may take place only on initial recognition.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, which the Company intends to hold to maturity (e.g. underwritten debentures).

Evaluation of the intent and ability to hold the asset to maturity must be made on initial recognition and at each subsequent balance sheet date.
In the event of sale before maturity (of a significant amount and not in exceptional circumstances) of held-to-maturity securities, all such investments are reclassified as financial assets held for trading and measured at fair value.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and which the Company does not intend to trade in.
These are classified in current assets with the exception of the portion expiring more than 12 months after the balance sheet date, which is classified in non-current assets. Loans and receivables are classified within the financial statements under the headings financial receivables and other receivables.

Available-for-sale financial assets
All non-derivative instruments that are not classified in another category are designated as available-for-sale financial assets. These are classified as non-current assets unless management intends to dispose of them within 12 months of the balance sheet date.

Accounting treatment
Financial assets ‘at fair value through profit or loss’ held for trading (category 1) and available-for-sale financial assets (category 4) are recorded at fair value including costs directly attributable to acquisition.
Gains or losses relating to financial assets held for trading are recognised immediately in the income statement.
Gains or losses relating to available-for-sale financial assets are recorded within a separate heading in equity until they are sold or otherwise disposed of, or until circumstances indicate they may be impaired. Where any of these events takes place, all gains or losses recognised to date and recorded in equity are reclassified to the income statement.
Fair value represents the amount at which an asset may be exchanged or a liability settled in an arm’s length transaction between knowledgeable, willing parties. As a result it is assumed that the entity is a going concern and that neither party needs to liquidate its assets through transactions applying unfavourable terms.
In the case of securities traded on an active market, fair value is determined with reference to the bid price at the end of trading at the balance sheet date.
In the event that a market valuation is not available for the investment, fair value is determined either based on the current market value of another substantially similar financial instrument or applying appropriate valuation techniques (discounted cash flows - DCF).
Where fair value may not be reliably determined, the financial asset is valued at cost with disclosure in the notes to the financial statements regarding the type of asset and explanation of the accounting treatment.
Held-to-maturity investments (category 2) and loans and receivables (category 3) are recorded at cost representing the fair value of the initial consideration exchanged and are subsequently valued applying the amortised cost method utilising the effective interest rate and taking into consideration any discounts or premiums received at the date of acquisition in order to record them over the entire period of ownership up to maturity.
Gains and losses are recognised in the income statement either when the investment reaches maturity or where circumstances indicate that it has suffered an impairment loss, in the same way they are identified during the normal amortisation period foreseen by the amortised cost method.
Investments in financial assets may be derecognised only when the contractual rights to receive cash flows from the investments have expired (e.g. final payment of underwritten bonds) or when the Company transfers the financial asset together with all of the related risks and rewards.

Inventory
Finished goods are stated at the lower of purchase cost and net realisable value.
Purchase cost is determined using the weighted average cost method.
Obsolete and slow moving inventory is valued based on possible future use or realisation.

With regard to contract work in progress that spans more than one accounting period, valuation is based on income matured to date with reasonable certainty, determined by comparing actual costs to date with the total estimated costs to completion.

Receivables
Receivables are initially recorded at the fair value of the amount to be received, which for this category normally relates to the nominal value indicated on the invoice, adjusted where necessary to the estimated recoverable amount through recognition of a provision for doubtful accounts. Subsequently, where the required conditions exist, receivables are valued applying the amortised cost method.

Cash and cash equivalents
Cash and cash equivalents include cash on hand and demand and short-term deposits, the latter maturing in less than three months at the outset. Cash and cash equivalents are recorded at nominal value, or in the case of balances denominated in foreign currency, at the year-end spot rate which represents the fair value.

Assets and liabilities discontinued or held for sale (Discontinued operations)
Discontinued assets or that are held for sale include those assets (or groups of assets) due to be disposed of and for which the accounting value will be recovered principally through sale rather than future use. Non-current assets held for sale are valued at the lower of their carrying amount and fair value less costs to sell.
In accordance with IFRS standards, the figures relating to discontinued operations are presented in two specific items of the balance sheet: assets held for sale and liabilities related to assets held for sale; and in a specific item in the income statement: net profit (loss) from discontinued operations or assets held for sale.

Provisions
Provisions are recognised when a present obligation (legal or constructive) exists as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount may be made.
No provision is made for risks in relation to which the recognition of a liability is only possible. In this case the risk is disclosed in the relevant note on contingencies and commitments and no provision is made.
Provisions may be analysed as follows:

Litigation provision
This provision includes the charge for future costs relating to legal proceedings.

Investments provision
Provision is made to recognise potential impairment losses in the carrying value of subsidiaries.

Environmental provision
This provision is set up to meet future requirements in relation to the redevelopment of landfills in accordance with the obligations undertaken on receipt of permission from the relevant authorities. The provision is based on estimates prepared by specialist enterprises.

Sundry risks provision
This provision includes all other future liabilities not included above, which are reasonably quantifiable but for which the date of occurrence is uncertain.

Staff leaving indemnity (TFR)
Post-employment defined benefits and other long-term employee benefits are subject to actuarial valuation. The liability recognised in the balance sheet is the present value of the company's obligations. Actuarial gains and losses are recognised in equity.
Valuation of the liability is performed by independent actuaries.

Pursuant to Finance Act 296 of 27 December 2006, only the liability relating to the staff leaving indemnity (TFR) held within the company has been valued for the purpose of IAS 19 as future provisions are paid to a separate entity. Consequently, in respect of future payments the Company is not subject to the reporting requirements relating to the future benefits payable during employment.

Trade payables
Trade payables are recorded at nominal value.
Where the payment terms are such that a financial transaction exists, the nominal value of the liabilities measured applying the amortised cost method is discounted and the difference included in finance costs.
Trade payables denominated in foreign currency are translated at year-end exchange rates and the gains and losses arising on exchange are recognised in the income statement in the period in which they arise.

Financial payables
Borrowings are recognised at fair value, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost. Finance costs are determined using the effective interest method.
Other financial liabilities comprise derivative instruments entered into in order to hedge interest rate risk. The derivative instruments are not accounted for using hedge accounting and in accordance with IAS 39 are recognised at fair value through profit or loss. The Company adopted IAS 39 from 1 January 2005.

Where possible the Group adopts hedge accounting in relation to these financial instruments, ensuring compliance with IAS 39.

With regard to derivatives to hedge foreign exchange rates, the measurement of counterparty risk was not considered necessary as it is not significant given the short-term nature of the hedging.

Government grants
Government grants are recognised when there is reasonable assurance that an entity will comply with any conditions attached and that the grant will be received. Where grants are awarded to cover expenditure, they are classified as income and recognised in the period in which the related costs are incurred. Where grants are received towards the cost of an asset, both the asset and the grant are recorded at nominal value and systematically charged to the income statement over the useful life of the corresponding asset.
Where the Company receives a non-monetary grant, the asset and the grant are recorded at nominal value and systematically charged to the income statement over the useful life of the corresponding asset. Where loans or subsidies awarded by government authorities or similar institutions bear interest rates below current market rates, the benefit arising from this difference is recognised as an additional government grant.

Tax payables
The provision for income taxes is based on the estimated taxable income for the period for each individual company, taking into consideration tax credits and losses brought forward and utilised in the period.

Accruals and deferrals
Accruals, prepayments and deferrals are determined applying the accruals concept.

Share capital
Ordinary shares are classified within share capital at nominal value.
Incremental costs directly attributable to capital transactions by the parent company are recorded as a deduction in equity.

Foreign currency translation
The functional currency of the Company is the EUR, representing the currency in which the separate financial statements are prepared and presented.

Foreign currency transactions are recorded at the exchange rate existing at the date of the transaction. Receivables and payables are translated at the closing rate at the balance sheet date. Exchange gains or losses arising on translation are recognised in the income statement in the period in which they arise.
Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.
Non-monetary items measured at fair value are translated using the exchange rate at the date when the fair value was determined.

Revenue
Revenue is recorded net of returns, discounts and rebates, as well as direct taxes on the sale of goods or provision of services.

Goods sales
Revenue from the sale of products is recognised on the transfer of ownership, which normally takes place on delivery or despatch of the goods.

Provision of services
Revenue from services is recognised once the service has been rendered.

Interests
Finance income is accounted for applying the accruals concept.

Dividends
Dividends are recognised when the right to receipt of the dividend is established, which normally corresponds to the approval of distribution in the shareholders' meeting.

Other income
Other income comprises amounts that do not relate to the core business of the Company and, in accordance with IAS 1 which has been applied from 1 January 2005, is classified in ordinary activities and disclosed separately in the notes to the financial statements where material in value.

Costs
Costs are recognised net of returns, discounts, bonuses and premiums, as well as direct taxes relating to the purchase of goods and services.

Taxes
Income tax is calculated and provided for based on estimated taxable income for the year and applying existing tax legislation.
Deferred income taxes are calculated applying the liability method on all temporary differences between the tax bases of assets and liabilities and the financial reporting values at the balance sheet date.
Deferred income tax assets are recognised only where it is probable that the temporary differences will reverse in the immediate future and to the extent that there will be sufficient taxable income against which these temporary differences may be utilised. The balance of deferred income tax assets is reviewed at each balance sheet date and a valuation allowance is provided in the event that it is no longer probable that sufficient future taxable profits will be available to offset all or part of the tax credit.
Unrecognised deferred income tax assets are reviewed at each balance sheet date and are recognised where it is probable that they may be recovered against future taxable profits.
Income taxes on items recognised directly in equity are also recognised in equity and not through the income statement.
Deferred income tax assets and liabilities are measured at the enacted tax rates that will be in effect in the periods in which the assets are realised or the liability is settled and are classified in non-current assets and liabilities, respectively.

Value-Added Tax (VAT)
Revenue and costs are recorded net of VAT. Trade receivables and payables are recorded gross of VAT. The net amount of VAT recoverable or due to the tax authorities is disclosed either in other receivables or payables respectively.

8.6.2 Balance sheet contents and movements

Assets

A Non-current assets

1 Intangible assets

Movements in the period were as follows:

(EUR thousands)

		At 31.12.2016	Additions	Capital.n and reclass.n	Change in scope of consol.n	Disposals	Other movements	Impairment losses	Amortisation	At 31.12.2017
1.1	Industrial patent rights and intellectual property rights	532	21	1,092					(364)	1,281
1.2	Concessions, licences, trademarks and similar rights									
1.3	Goodwill									
1.4	Other intangibles									
1.5	Assets under construction and advances	1,045	219	(1,092)			(10)			162
Total		**1,577**	**240**				**(10)**		**(364)**	**1,443**

Additions amounted to EUR 240 thousand and principally relate to operating software.
No borrowing costs were capitalised during the year.

2 Property, plant and equipment

Movements in the period were as follows:

(EUR thousands)

		At 31.12.2016	Additions	Capital.n and reclass.n	Change in scope of consol.n	Disposals	Impairment losses	Depreciation	At 31.12.2017
Gross values									
2.1	Land								
2.2	Buildings								
2.3	Plants and machinery								
2.4	Industrial and office equipment								
2.5	Other assets	973		53					1,026
2.6	Assets operated under concession								
2.7	Assets under construction and advances	9	54	(53)					10
Total gross value		**982**	**54**						**1,036**
Accumulated depreciation									
2.1	Land								
2.2	Buildings								
2.3	Plants and machinery								
2.4	Industrial and office equipment								
2.5	Other assets	(620)						(134)	(754)
2.6	Assets operated under concession								
Total depreciation		**(620)**						**(134)**	**(754)**
Net book amounts									
2.1	Land								
2.2	Buildings								
2.3	Plants and machinery								
2.4	Industrial and office equipment								
2.5	Other assets	353		53				(134)	272
2.6	Assets operated under concession								
2.7	Assets under construction and advances	9	54	(53)					10
Total property, plant and equipment		**362**	**54**					**(134)**	**282**

Additions for a total of EUR 54 thousand mainly refer to hardware and office materials.

3 Investments and financial assets

As at 31 December 2017, this item is broken down as follows:

(EUR thousands)

	31.12.2017	31.12.2016	Change
Investments in subsidiaries	426,097	213,141	212,956
Investments in associates	8,472	8,472	
Investments in other entities	165	28	137
Securities	100		100
Total	**434,834**	**221,641**	**213,193**

The variation in value of investments in subsidiaries mainly refers to the acquisition of holdings in Eolo 3W Minervino Murge Srl, Eolica Sud Srl, Geopower Sardegna Srl and Eolica Petralia Srl by Falck Renewables Wind Ltd, following corporate restructuring within the Falck Renewables Group leading to financial costs of EUR 147,798 thousand, as also commented in the paragraph on Financial payables and receivables.

Furthermore, the following companies were also acquired during 2017, leading to an increase in payments to cover capital increases of EUR 23,727 thousand:
- 80% of Falck Renewables Vind AS;
- 100% of Aliden Vind AB;
- 100% of Brattmyrliden Vind AB.

The following companies were incorporated during 2017, leading to the following payments to cover capital increases:
- with reference to Falck Renewables North America Inc, payments of EUR 40,756 thousand were made; on 1 December 2017, Falck Renewables IS42 LLC (a 100% subsidiary of Falck Renewables North America Inc) purchased from Recurrent Energy LLC (a 100% subsidiary of Canadian Solar Inc.) a 99% share in the Canadian Solar IS-42 photovoltaic project, with a total capacity of 92 MW, located in North Carolina. The price agreed for the share was approximately USD 43 million, paid for as described above.
- with reference to Falck Renewables Nederland BV, payments of EUR 310 thousand were made.

The variation in other companies concerns the 1.807% investment in the Fondo Italiano per l'Efficienza Energetica SGR SpA.
During 2017, the Fondo Italiano per l'Efficienza Energetica SGR SpA continued its operational management of the Fund according to the development plan approved by the Board of Directors. For further information, please see the section "Commitments and contingencies".

Impairment tests were carried out on the carrying value of all investments.

A comparison of the carrying amount of investments net of recognised impairment losses and the related share of net assets is illustrated below:

(EUR thousands)

Company	Business sector	Total equity at 31/12/2017	% holding	Falck Renewables SpA equity	Carrying value	Difference
Ecosesto SpA	WtE, biomass, photovoltaic	10,620	100%	10,620	9,946	674
Falck Renewables North A. Inc	WtE, biomass, photovoltaic	38,895	100%	38,895	40,757	(1,862)
Actelios Solar SpA	WtE, biomass, photovoltaic	3,036	100%	3,036	1,125	1,911
Frullo Energia Ambiente Srl	WtE, biomass, photovoltaic	44,918	49%	22,010	8,472	13,538
Falck Renewables Energy Srl	WtE, biomass, photovoltaic	53	100%	53	53	
Ambiente 2000 Srl	WtE, biomass, photovoltaic	3,285	60%	1,971	961	1,010
Prima Srl	WtE, biomass, photovoltaic	27,671	85%	23,520	23,103	417
Esposito Servizi Ecologici Srl	WtE, biomass, photovoltaic	205	100%	205		205
Solar Mesagne Srl	WtE, biomass, photovoltaic	927	100%	927	814	113
Falck Renewables Wind Ltd (consolidated)	Wind	251,698	99.99%	251,673	166,483	85,190
Falck Renewables Vind AS	Wind	5,295	80.00%	4,236	8,638	(4,402)
Aliden Vind AB	Wind	6,472	100%	6,472	6,815	(343)
Brattmyrliden Vind AB	Wind	6,041	100%	6,041	8,275	(2,234)
Eolica Sud Srl	Wind	5,254	100%	5,254	10,261	(5,007)
Geopower Sardegna Srl	Wind	15,532	100%	15,532	110,464	(94,932)
Eolo 3W Minervino Murge Srl	Wind	6,254	100%	6,254	16,966	(10,712)
Eolica Petralia Srl	Wind	7,796	100%	7,796	10,107	(2,311)
Falck Renewables Nederland BV	Wind	108	100%	108	108	
Vector Cuatro SLU (consolidated)	Services	5,361	100%	5,361	11,222	(5,861)

For Falck Renewables North America Inc, Falk Renewables Vind AS, Aliden Vind AB, Brattmyrliden Vind AB, Eolica Sud Srl, Geopower Sardegna Srl, Eolo 3W Minervino Murge Srl, Eolica Petralia Srl and Vector Cuatro SLU, the higher share carrying value compared to the proportionate share of shareholders’ equity is sustainable based on the expected income flows in future years associated with projects held by the companies or their subsidiaries and projects under development. Impairment tests were conducted for Esposito Servizi Ecologici as described below.

Impairment tests

Impairment tests were performed where there was indication of a fall in the value of investments at 31 December 2017 in accordance with the procedures established in IAS 36. In particular, the carrying value of each investment was compared with the equity value. Equity value represents the difference between the enterprise value calculated based on the net present value of future cash flows of each entity (discounted using the WACC rate) and net indebtedness. As it is a sub-holding, the value of Falck Renewables Wind Ltd was determined using the sum of parts method.
The data on Eolico Regno Unito, Eolico Francia and Eolico Spagna ("Eolico Estero") were included in the evaluation of Falck Renewables Wind Consolidated, while Eolico Italia (Eolo 3W Minervino Murge Srl, Eolica Sud Srl, Geopower Sardegna Srl and Eolica Petralia Srl) are now directly held by Falck Renewables SpA.

The projected cash flows are based on the following assumptions:

- Expected production values of the wind farms/photovoltaic plants based on historic productivity figures;
- Estimated sales prices extrapolated using market projections, prepared with the assistance of an independent, internationally recognised energy sector provider, on the energy price and expected incentives in the various countries in which the subsidiaries operate, taking into account regulatory developments in the sector and market conditions;
- Waste transfer prices and biomass purchase costs based on management estimates taking into consideration recent market trends;
- Operating costs, determined, where applicable on contract terms and otherwise using management estimates taking into consideration developments in the specific reference market.

The WACCs applied to the various CGUs were as follows:

WtE and biomass Italy:	from 4.1% to 5.3%
Wind sector Italy:	from 4.8% to 5.3%
Photovoltaic Italy:	from 5.0% to 5.4%
Services sector Spain:	6.1%
Wind sector UK:	from 4.1% to 4.9%
Wind sector Spain:	3.7%
Wind sector France:	from 4.1% to 4.4%

Impairment results are as follows:

- Solar Mesagne: recovery of value for EUR 636 thousand.
- Esposito Servizi Ecologici: write-down of a total of EUR 3,085 thousand, of which EUR 2,800 referring to the investment and the remaining part, approx. EUR 285 thousand, referring to financial receivables.

These evaluations were characterised by the factors described below, which had varying effects depending on the technological, geographical, competitive and incentive systems of each company.

<u>General factors</u>

- During 2017, the residual useful life of the Group's solar and wind farms was adjusted based on a technical assessment performed by specialised companies that are leaders in the reference market. In more detail, the new residual useful life, which increased on average, was calculated using the lowest between i) the technical duration indicated by the expert, and ii) the duration of the existing authorisations/grants/rights to the land;

- In comparison to the Group's previous forecasts, expected electric energy prices in the various countries where the Group operates, considered over the entire useful life of the plants, changed as follows:
    - Italy: using the energy price outlook curves in the various areas where the group's plants are located as reference, calculated with the support of an internationally renowned external provider specialised in the energy sector, and considering the entire residual useful life, no significant variations were made to the electricity price curve. On average, prices were lower than forecast last year for the first few years, with a slight recovery in the subsequent years. Moreover, the variations in energy prices were strongly impacted by the calculation of the incentive, which offset 78% of the variations (although one year off);
    - UK: the wholesale price curves used to forecast cash flow in the 2017 accounts did not show any significant variations from the previous year;
    - Spain: the market rates remained substantially stable, with a slight increase up to 2023 (period of interest for the Cabezo San Roque plant). Stronger price curve growth was forecast last year.
    - France: as in Spain, growth in electricity rates was slower than forecast in the last financial statements. In contrast, this reduction only affected the French CGUs in their last years of useful life. This was because the plants benefit from a 15 year Feed-in Tariff regime, protecting them against market fluctuations during this period.
- There were no significant variations in tax legislation in the various countries in comparison to the forecasts used in last year's report;
- WACC rates used to discount cash flows were updated based on the performance of long-term government bond yields (at the base of the risk-free component of the WACC itself), interest rates applied to bank debt, and the new residual useful life of the wind and solar plants.

<u>Factors relating to the WtE, biomass and photovoltaic sector</u>

- With reference to Esposito Servizi Ecologici, management took account of both external factors such as the performance of the reference market, and internal factors linked to the technical performance of the company and the investments necessary for plant maintenance. Due to these factors, there was a write-down of approximately EUR 3,085 thousand;
- Finally, Solar Mesagne saw a partial recovery of value worth approximately EUR 636 thousand, mainly due to the increase in the plant's residual useful life.

<u>Factors relating to the Wind sector (in Italy and abroad)</u>

- As in 2016, the Company again in 2017 updated the estimates relating to the future production levels of each wind farm taking into consideration historical wind levels in the various locations. This update was performed for all operating plants with at least five years service in order to obtain valid statistics, while future production levels for those plants in service for a shorter period was based on independent estimates provided by a market leader in wind level assessment, taking into account the availability of each single plant.
- Lastly, we remind you that the residual useful life was recalculated for each individual CGU/company.

With regard to the international wind sector, the equity value of Falck Renewables Wind Ltd is considerably greater than the carrying value, consequently the investment value is considered recoverable.

<u>Sensitivity analyses</u>

Impairment tests are based on estimates of production, electricity prices and other revenue/cost items and the interest rates calculated using latest available information at the balance sheet date.

As there is a margin of uncertainty for each estimate, a sensitivity analysis was carried out on the recoverable value of the various investments.
In relation to the volatility of electricity prices, which is now a characteristic of recent years, the following sensitivity tests were carried out compared to the "base case": electricity prices lower than 10% and 0.5% increase in the discount rate and electricity prices higher than 10% with 0.5% lower discount rate.
This illustrates the most outcomes described above which combine both the financial and operating/industrial elements of the sensitivity analyses compared to the base case:

VARIATIONS VS BASE CASE (€/mio)	Base case	Electricity prices -10%; Discount rate +0.5%	Electricity prices +10%; Discount rate -0.5%
Net revaluations/(impairments)	(2.4)	(5.4)	(2.0)

In the most difficult sensitivity scenario, the investment in Prima Srl, Eolo 3W Minervino Murge and Eolica Petralia would also need to be written down, in contrast to the base case.
After reviewing the various outcomes and taking into consideration the variables used to prepare the base case, the directors consider the valuations made to perform the impairment tests with reference to the base case and the relative write-downs and adjustments to be adequate with reference to the invesment in Esposito Srl and Solar Mesagne Srl. They also confirm that the trend in these variables will be monitored in order to identify any adjustments in the estimates of the recoverable values of the amounts recorded in the financial statements.

With specific reference to the investment in Vector Cuatro, the impairment test, based on explicit flows forecast in the 2018-2022 plan and terminal value calculated assuming the average EBITDA in the last three years as perpetual flow applying a growth rate (g) equal to zero, indicated the recoverability of the value posted in the Base Case and the various sensitivity, based on various 2018-2022 long-term growth hypotheses.

Elettroambiente SpA in liquidation

The entire stake in Elettroambiente and the financial and trade receivables due to Falck Renewables SpA by the former were written-off in full for the purpose of preparing the separate financial statements at 31 December 2012.
The 2017 result of Falck Renewables SpA includes the write-off of EUR 10 thousand against trade and financial receivables due to the former by Elettroambiente to reflect Falck Renewables SpA's financial commitment undertaken in 2014 following the liquidation of Elettroambiente.

Palermo Energia Ambiente SpA in liquidation

The entire stake in Palermo Energia Ambiente ScpA (Pea) and the trade and financial receivables due to Falck Renewables SpA by the former were written off in full at the time of preparation of the separate financial statements at 31 December 2011 and 2012.
The 2017 result of Falck Renewables SpA reflects the write-off against trade and financial receivables due to the former from PEA for EUR 58 thousand. Following the purchase of 48% of AMIA shareholdings, on 17 December 2015, Falck Renewables SpA is the majority shareholder of Palermo Energia Ambiente ScpA in liquidation.

With reference to liquidation, please see paragraphs *5.2.11 Risks and uncertainties b) Legal - Sicilian Projects* in the Directors' report.

4 Financial receivables

As at 31 December 2017, this item is broken down as follows:

(EUR thousands)

	31.12.2017			31.12.2016			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	88		88	29		29	59		59
Amounts owed by subsidiaries	79,843	56,807	23,036	153,093	75,193	77,900	(73,250)	(18,386)	(54,864)
Derivative financial instruments	90		90	160		160	(70)		(70)
Total	**80,021**	**56,807**	**23,214**	**153,282**	**75,193**	**78,089**	**(73,261)**	**(18,386)**	**(54,875)**

Financial receivables are disclosed net of the provision for doubtful accounts of EUR 89,635 thousand.
The provision for doubtful amounts comprises the write-off in full of the financial receivables due from Palermo Energia Ambiente ScpA and from Platani Energia Ambiente ScpA for EUR 9,215 thousand and EUR 64 thousand respectively and EUR 285 thousand that partially write-off financial receivables from Esposito Servizi Ecologici Srl and EUR 80,071 thousand that fully write-off the financial receivable due from Elettroambiente SpA.

Receivables from subsidiaries fell significantly, following the repayments made by Falck Renewables Wind Ltd (EUR 52,949 thousand), Geopower Sardegna Srl (EUR 9,188 thousand), and Eolica Sud Srl (EUR 6,124 thousand).

The fall in the amounts payable to Falck Renewables Wind Ltd was due to the sale by the company of its holdings in Eolo 3W Minervino Murge Srl, Eolica Sud Srl, Geopower Sardegna Srl and Eolica Petralia Srl to Falck Renewables SpA following the corporate restructuring in the Falck Renewables Group, leading to financial income of EUR 147.8 million for Falck Renewables Wind Ltd. The company used part of these financial resources to pay off its financial debt, and the rest, as described under the heading “financial loans”, increased its loan to Falck Renewables SpA.

Non–current amounts owed by subsidiaries relate to loans granted to Prima Srl for EUR 6,374 thousand, Actelios Solar SpA for EUR 10,708 thousand, Eolica Petralia Srl for EUR 6,197 thousand, Eolica Sud for EUR 24,265 thousand and Eolo 3W Minervino Murge Srl for EUR 9,263 thousand.

Current receivables from subsidiaries comprise the intercompany correspondence accounts mainly held with Ecosesto SpA for EUR 17,460 thousand, Esposito Servizi Ecologici Srl for EUR 967 thousand, and Solar Mesagne Srl for EUR 4,609 thousand.

All transactions with related parties are disclosed in the Related party transactions note.

5 Trade receivables

As at 31 December 2017, this item is broken down as follows:

(EUR thousands)

	31.12.2017			31.12.2016			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Trade receivables	95		95	31		31	64		64
Amounts owed by subsidiaries	6,901		6,901	3,450		3,450	3,451		3,451
Amounts owed by associates	81		81	81		81			
Amounts owed by parent company	241		241	129		129	112		112
Amounts owed by other Group companies	54		54	20		20	34		34
Total	**7,372**		**7,372**	**3,711**		**3,711**	**3,661**		**3,661**

The Company has a provision for doubtful accounts of EUR 8,176 thousand.
The Company does not have significant receivables due from non-domestic customers that require disclosure.
Trade receivables owed by Palermo Energia Ambiente ScpA (EUR 4,634 thousand), Platani Energia Ambiente ScpA (EUR 1,511 thousand), Tifeo Energia Ambiente ScpA (EUR 1,721 thousand) and Elettroambiente SpA

(EUR 344 thousand) were written-off by a total charge of EUR 8,076 thousand to the provision for doubtful accounts.

All transactions with related parties are disclosed in the Related party transactions note.

6 Other receivables

As at 31 December 2017, this item is broken down as follows:

(EUR thousands)

	31.12.2017			31.12.2016			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	602	26	576	105	19	86	497	7	490
Advances									
Amounts owed by subsidiaries	6,149		6,149	6,210		6,210	(61)		(61)
Amounts owed by associates	980		980	1,470		1,470	(490)		(490)
Amounts owed by parent company	5,036		5,036	4,535		4,535	501		501
Tax credits				30		30	(30)		(30)
Accrued income and prepayments	993		993	1,639		1,639	(646)		(646)
Total	**13,760**	**26**	**13,734**	**13,989**	**19**	**13,970**	**(229)**	**7**	**(236)**

Non-current amounts owed by third parties comprise guarantee deposits.
Receivables from subsidiaries and associates mainly relate to the dividends approved by the assembly but not yet distributed to the shareholders of Prima Srl and Frullo Energia Ambiente Srl. The amounts owed by parent company consist of the amount owed by Falck SpA under the Group consolidated tax regime.

All transactions with related parties are disclosed in the Related party transactions note.

7 Deferred income tax assets

Deferred income tax assets may be analysed as follows:

	31.12.2017	31.12.2016	Change
Employee bonuses and directors' emoluments	680	606	74
Expenses for share capital increase		13	(13)
Derivative financial instruments	33		33
Charges to provisions	456	36	420
Goodwill on acquisition of business	242	250	(8)
Dividends declared but not paid		(73)	73
Other	(5)	155	(160)
Total	**1,406**	**987**	**419**

Deferred income tax assets in the financial statements of EUR 1406 thousand, comprises EUR 1,489 thousand of deferred income tax assets net of deferred income tax liabilities of EUR 83 thousand.

B Current assets

8 Inventories

The Company had no inventories at 31 December 2017.

9 Cash and cash equivalents

(EUR thousands)

	31.12.2017	31.12.2016	Change
Short-term bank and post office deposits	130,516	113,044	17,472
Cash in hand	8	4	4
Total	**130,524**	**113,048**	**17,476**

Cash and cash equivalents increased on the prior year by EUR 17,476 thousand.

The fair value of deposits is in line with the nominal value at 31 December 2017.

Liabilities

D Equity

10 Share capital

Share capital consists of 291,413,891 issued and fully paid ordinary shares, with a face value of EUR 1 each. At 31 December 2017, the parent company Falck Renewables SpA had 1,510,000 own shares for a nominal value of EUR 1,510,000, representing 0.5182% of total share capital.
The carrying value of own shares held is EUR 1,438,186, corresponding to an average share price of EUR 0.9524.

The Shareholders' Meeting of 16 January 2017 authorised the purchase and distribution of treasury shares and start of the share buyback program.
The company may purchase a maximum of 5,828,277 ordinary shares in Falck Renewables, corresponding to 2% of the share capital, taking into account the treasury shares held by the company on 16 January 2017 (460,000, corresponding to 0.1579% of the share capital) in compliance with legal and regulatory requirements as well as market practices currently in force, as applicable.

On 8 March 2018, as part of this program 1,050,000 shares were purchased, corresponding to 0.3603% of the share capital. In total, 1,510,000 shares are held, corresponding to 0.5182% of the share capital, for an average cost of EUR 0.9524 per share.

Total equity may be analysed as follows:

(EUR thousands)

	Total	Possible utilization	Share available	Summary of utilisation in three previous financial years	
				To cover losses	Other reasons
Share Capital	291,414				
Capital reserves					
Share premium	470,335	A-B-C (*)	470,335		58,580
Reserve for expenses on share capital increase	(8,731)		(8,731)		
Revaluation reserves ex Law 72/83	1,003	A-B	1,003		
Reserve ex art.54 Pres. Decree 597/73	3,424	A-B	3,424		
Reserve ex art.55 Pres. Decree 597/73	653	A-B	653		
Reserve for purchase of own shares	(1,438)		(1,438)		
Share schemes	189				
Fair value reserve	(105)		(105)		
Reserve for actuarial gains/(losses) on TFR	(142)		(142)		
Reserve for transactions under common control	(860)		(860)		
Demerger surplus	(371,598)		(371,598)		
Earnings reserves					
Legal reserve	58,282	B	58,282		
Retained earnings	16,068	A-B-C	16,068		31,131
Profit/(loss) for the year	27,850				
Total	**486,344**		**166,891**		**89,711**
Distributable portion			106,074		
Restricted portion			60,817		

Key:
A: share capital increase
B: to cover losses
C: distributed to shareholders

(*): Pursuant to article 2431 of the Italian Civil Code, the total reserve may be distributed only if the legal reserve meets the limit imposed by article 2430 of the Italian Civil Code. Currently, legal reserves have reached the aforesaid limit.

Movements in equity during 2015 and 2016 were as follows:

(EUR thousands)

	At 31.12.2015	Appropriation of result	Profit for the year	Distribution of profits	Other movements	At 31.12.2016
Share capital	291,414					291,414
Share premium	470,335					470,335
Revaluation reserve	1,003					1,003
Legal reserve	58,282					58,282
Reserve for expenses on share capital increase	(8,731)					(8,731)
Statutory reserves						
Own shares held	(403)					(403)
Other reserves						
- ex art. 54 Pres. Decree 597/73	3,424					3,424
- ex art. 55 Pres. Decree 597/73	653					653
- demerger surplus	(371,598)					(371,598)
- fair value reserve						
- reserve for actuarial gains/(losses) on TFR	(109)				(29)	(138)
- reserve for transactions under common control	(860)					(860)
Retained earnings	11,998	10,759		(13,093)		9,664
Profit/(loss) for the year	10,759	(10,759)	20,609			20,609
Total	**466,167**		**20,609**	**(13,093)**	**(29)**	**473,654**

	At 31.12.2016	Appropriation of result	Profit for the year	Distribution of profits	Other movements	At 31.12.2017
Share capital	291,414					291,414
Share premium	470,335					470,335
Revaluation reserve	1,003					1,003
Legal reserve	58,282					58,282
Reserve for expenses on share capital increase	(8,731)					(8,731)
Statutory reserves						
Own shares held	(403)				(1,035)	(1,438)
Other reserves						
- ex art. 54 Pres. Decree 597/73	3,424					3,424
- ex art. 55 Pres. Decree 597/73	653					653
- demerger surplus	(371,598)					(371,598)
- fair value reserve					(105)	(105)
- share schemes reserve					189	189
- reserve for actuarial gains/(losses) on TFR	(138)				(4)	(142)
- reserve for transactions under common control	(860)					(860)
Retained earnings	9,664	20,609		(14,205)		16,068
Profit/(loss) for the year	20,609	(20,609)	27,850			27,850
Total	**473,654**		**27,850**	**(14,205)**	**(955)**	**486,344**

The legal reserve has reached one fifth of share capital and the reserve for expenses on share capital increase and the fair value reserve are disclosed net of the related tax effect.

11 Provisions for other liabilities and charges

(EUR thousands)

	At 31.12.2016	Change in scope of consolidation	Allocations	Used	Other movements	Foreign exchange differences	At 31.12.2017
Provisions for pensions and similar obligations							
Other provisions							
- litigation	108			(108)			
- investments			1,035	(1,035)			
- other risk provisions	4,237		4,356	(235)			8,358
Total other provisions	4,345		5,391	(1,378)			8,358
Total	**4,345**		**5,391**	**(1,378)**			**8,358**

The charge to other risk provision relates to disputes with employees.
The sundry risks provision principally relates to the guarantee issued by the Company to Elettroambiente SpA in liquidation, the holding company of Tifeo and Platani, also in liquidation, in order to cover outstanding creditors of the subsidiaries and liquidation costs.

12 Staff leaving indemnity (TFR)

(EUR thousands)

	At 31.12.2016	Allocations	Interest cost	Other movements	Actuarial gain/(loss)	Utilised/paid	At 31.12.2017
Managers	570	258	7		(1)	(209)	625
White and blue-collar staff	1,324	211	16		5	(224)	1,332
Total	**1,894**	**469**	**23**		**4**	**(433)**	**1,957**

The *Trattamento di Fine Rapporto*, "TFR" (Italian staff leaving indemnity), was subjected to an actuarial calculation by an independent expert.

The actuarial financial assumptions utilised to calculate the estimated cost in 2017, compared to 2016, are as follows:

(%)

	31.12.2017	31.12.2016	Change
Annual discount rate	1.30%	1.31%	-0.01%
Annual inflation rate	1.70%	1.46%	0.24%
Annual total pay increase rate*	1.70%	1.46%	0.24%
Annual TFR increase rate	2.78%	2.63%	0.15%

* The annual total pay increase is 2.75% for 2018 and 1.82% for subsequent years.

The discount rate was based on the *iBoxx Eurozone Corporates AA 10+* index at the time of calculation.

A sensitivity analysis was carried out on the actuarial assumptions used in the model in accordance with IAS 19R. The base case used the rates in the table above and increases and decreases of a half, a quarter and two percentage points respectively were applied to the most significant assumptions namely, the average discount rate, average inflation rate and average turnover rate.

The results of the sensitivity analyses are summarised as follows:

Sensitivity analysis Annual discount rate		(EUR thousands)
	+0,50%	-0.50%
Managers	609	642
White and blue-collar staff	1,294	1,373

Sensitivity analysis Annual inflation rate		(EUR thousands)
	+0,25%	-0.25%
Managers	629	621
White and blue-collar staff	1,341	1,324

Sensitivity analysis Annual turnover rate		(EUR thousands)
	+2,00%	-2.00%
Managers	618	634
White and blue-collar staff	1,313	1,357

An estimate of expected future contributions in accordance with IAS 19 is provided below:

Future cash flows					(EUR thousands)
	< 12 months	1 - 2 years	2 - 5 years	5 - 10 years	> 10 years
Managers	89	94	221	302	536
White and blue-collar staff	236	205	479	654	1,233
Total	**325**	**299**	**700**	**956**	**1,769**

13 Financial liabilities

As at 31 December 2017, this item is broken down as follows:

	31.12.2017			31.12.2016			Change		(EUR thousands)
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts due to third parties									
Amounts due to subsidiaries	155,641		155,641	19,158		19,158	136,483		136,483
Derivative financial instruments				9		9	(9)		(9)
Total	**155,641**		**155,641**	**19,167**		**19,167**	**136,474**		**136,474**

Current liabilities due to subsidiaries relate to the corresponding current accounts with Falck Renewables Wind Ltd for EUR 134,321, Ambiente 2000 Srl amounting to EUR 2,913 thousand, Falck Renewables Energy Srl for EUR 1,283 thousand, Prima Srl for EUR 16,265 thousand, Vector Cuatro SLU for EUR 233 thousand and EUR 485 thousand with Vector Cuatro Srl.

All transactions with related parties are disclosed in the Related party transactions note.

The increase in the balance was mainly due to the increase in current liabilities due to Falck Renewables Wind Ltd for (i) the sale by the company of its holdings in Eolo 3W Minervino Murge Srl, Eolica Sud Srl, Geopower Sardegna Srl and Eolica Petralia Srl to Falck Renewables SpA following the corporate restructuring in the Falck Renewables Group, leading to financial income of EUR 147.8 million for Falck Renewables Wind Ltd, and (ii) the new project financings obtained by the subsidiaries of Falck Renewables Wind Ltd, allowing it to increase its loan to Falck Renewables SpA.

The corporate loan of EUR 165 million taken out by the parent company in 2011 was repaid in advance of the maturity date of 30 June 2015 and a new loan contract was entered into on 12 June 2015 with a pool of leading banks. The loan contract comprises a EUR 150 million revolving credit facility that matures on 30 June 2020 and enjoys more favourable economic terms both in terms of spread and covenants that will contribute to a significant decrease in finance costs compared to the previous corporate loan. The loan is aimed at supporting the Group's financial requirements and business development activities. The loan had not been drawn down at 31 December 2017.
The parent company has placed a pledge on the shares held in Falck Renewables Wind Ltd in respect of this loan corresponding to a nominal value of GBP 37,755 thousand.
The loan is subject to, inter alia, financial covenants based on the ratio of net financial position/EBITDA and net financial position/total equity calculated using the amounts disclosed in the consolidated financial statements: these parameters were met on all annual and interim reporting dates from 30 June 2015 to 31 December 2017, based on these financial statements.

14 Trade payables

Trade payables at 31 December 2017 compared to the previous year are as follows:

(EUR thousands)

	31.12.2017			31.12.2016			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts due to third parties	5,540		5,540	4,877		4,877	663		663
Amounts due to subsidiaries	976		976	296		296	680		680
Amounts due to parent company	424		424	62		62	362		362
Total	**6,940**		**6,940**	**5,235**		**5,235**	**1,705**		**1,705**

The Company does not have significant trade payables with non-domestic customers that require disclosure.
Payables to the subsidiary refer to the payables to Falck Renewables Wind Ltd of EUR 400 thousand and to Vector Cuatro Srl of EUR 94 thousand, in addition to EUR 482 thousand due to Vector Cuatro SLU for services rendered.

Amounts due to the parent company comprise payables to Falck SpA for use of the Falck trademark.

All transactions with related parties are disclosed in the Related party transactions note.

15 Other payables

Other payables at 31 December 2017 compared to 31 December 2016 are as follows:

(EUR thousands)

	31.12.2017			31.12.2016			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts due to third parties	10,284	2,460	7,824	3,987		3,987	6,297	2,460	3,837
Amounts due to subsidiaries									
Amounts due to associates									
Amounts due to parent company	103		103	300		300	(197)		(197)
Amounts due to other Group companies									
Accruals and deferred income	15		15	15		15			
Total	**10,402**	**2,460**	**7,942**	**4,302**		**4,302**	**6,100**	**2,460**	**3,640**

Amounts due to third parties may be detailed as follows:

(EUR thousands)

	31.12.2017	31.12.2016
Debt for the acquisition of companies in Sweden and Norway	6,746	
Other amounts due to employees	1,825	2,190
Holiday pay	823	855
Social security payable	448	414
Tax payable		488
Other	442	40
Total	**10,284**	**3,987**

Commitments and contingencies

Guarantees issued at 31 December 2017 amounted to EUR 150,462 thousand. Guarantees relating to the company and subsidiary undertakings principally consist of performance bonds to guarantee completion of work in progress, participate in tenders for contracts and site decommissioning and clearance, for a total of EUR 126,695 thousand and guarantees issued to the tax authorities in relation to requests for refund of VAT receivables for EUR 4,008 thousand. Also included are EUR 9,282 thousand of bank guarantees and other guarantees of EUR 10,477 thousand.

In addition, the Group has subscribed to 3,000 shares in the Fondo Italiano per l'Efficienza Energetica SGR SpA for a total commitment of EUR 3,000 thousand, at 31 December 2017, of which EUR 2,697 thousand still due to be paid on the basis of any additional investments made by the Fund.

Upon request of the liquidator of Elettroambiente SpA in liquidation and its subsidiaries, Tifeo and Platani, Falck Renewables SpA has issued guarantees to meet the outstanding debts of the former companies concerning liquidation costs including any costs linked to outstanding litigation. The sundry risks provision includes EUR 4,252 thousand in respect of the above amounts.

Related party transactions

In compliance with Consob's communications of 20 February 1997, 27 February 1998, 30 September 1998, 30 September 2002 and 27 July 2006, no uncharacteristic or uncommon transactions take place with related parties that are beyond the normal business operations or are detrimental to the Company's results of operations, state of affairs and financial position.

Related party transactions represent the day to day business activities that are carried out at arm's length. These comprise the recharge of costs between Group companies and intercompany current accounts that give rise to finance income and costs.

In accordance with IAS 24 Related Party Disclosures and the disclosures pursuant to Consob circular 6064293 of 28 July 2006, all related party transactions and the corresponding incidence on Falck Renewables SpA's balance sheet headings are provided below.

(EUR thousands)

	Trade receivables			Trade payables		
	31.12.2017	31.12.2016	Change	31.12.2017	31.12.2016	Change
Subsidiaries						
Actelios Solar SpA	84	69	15			
Ambiente 2000 Srl	304	136	168			
Ecosesto SpA	664	348	316			
Eolica Sud Srl	263	83	180			
Platani Energia Ambiente ScpA	134	189	(55)			
Eolica Petralia Srl	210	49	161			
Eolo 3W Minervino Murge Srl	209	45	164			
Esposito Servizi Ecologici Srl	253	145	108			
Vector Cuatro SLU	180	85	95	482	153	329
Vector Cuatro Srl	87	12	75	94		94
Vector Cuatro UK Ltd	6		6			
PV Diagnosis Srl in liquid.	17		17			
Falck Renewables Energy Srl	77	17	60			
Falck Renewables North America Inc	223		223			
Falck Renewables Wind Ltd	1,277	271	1,006	400	143	257
Aliden Vind AB	29		29			
Brattmyrliden Vind AB	48		48			
Falck Renewables Nederland B.V.	90		90			
Eolica Cabezo San Roque SAU	31		31			
Falck Energies Renouvelables Sas	98		98			
Esquennois Energie Sas	4		4			
Parc Eolien du Fouy Sas	5		5			
Parque Eolien des Cretes Sas	4		4			
Parc Eolien d'Illois Sarl	92		92			
Se Ty Ru Sas	25		25			
FRUK Holdings No1 Ltd	15		15			
Earlsburn Wind Energy Ltd	2		2			
Kingsburn Wind Energy Ltd	2		2			
Kilbraur Wind Energy Ltd	32		32			
Nutberry Wind Energy Ltd	8	1	7			
Auchrobert Wind Energy Ltd	12	2	10			
Assel Valley Wind Energy Ltd	36	222	(186)			
Millenium Wind Energy Ltd	5		5			
Spaldington Airfield Wind Energy Ltd	1		1			
West Browncastle Wind Energy Ltd	6		6			
Geopower Sardegna Srl	351	126	225			
Prima Srl	1,966	1,626	340			
Solar Mesagne Srl	51	24	27			
Total subsidiaries	**6,901**	**3,450**	**3,451**	**976**	**296**	**680**
Associates						
Frullo Energia Ambiente Srl	81	81				
Total associates	**81**	**81**				
Parent company						
Falck SpA	241	129	112	424	62	362
Total parent company	**241**	**129**	**112**	**424**	**62**	**362**
Group companies						
Falck Energy SpA	31	14	17			
Sesto Siderservizi Srl	23	6	17			
Total Group companies	**54**	**20**	**34**			
Total	**7,277**	**3,680**	**3,597**	**1,400**	**358**	**1,042**
% incidence on balance sheet heading	**98.7%**	**99.2%**		**20%**	**7%**	

(EUR thousands)

	Financial receivables			Financial payables		
	31.12.2017	31.12.2016	Change	31.12.2017	31.12.2016	Change
Subsidiaries						
Actelios Solar SpA	10,708	10,448	260			
Ambiente 2000 Srl				2,913	3,509	(596)
Ecosesto SpA	17,460	19,441	(1,981)			
Eolica Petralia Srl	6,197	7,629	(1,432)			
Eolica Sud Srl	24,265	30,389	(6,124)			
Eolo 3W Minervino Murge Srl	9,263	7,636	1,627			
Esposito Servizi Ecologici Srl	967	3,529	(2,562)			
Falck Renewables Wind Ltd		52,949	(52,949)	134,321		134,321
Vector Cuatro SLU				233	278	(45)
Vector Cuatro Japan KK		144	(144)	100		100
PV Diagnosis Srl in liquidation		6	(6)	41		41
Vector Cuatro Srl				485	538	(53)
Falck Renewables Energy Srl				1,283	121	1,162
Geopower Sardegna Srl		9,188	(9,188)			
Prima Srl	6,374	6,374		16,265	14,712	1,553
Solar Mesagne Srl	4,609	5,360	(751)			
Total subsidiaries	**79,843**	**153,093**	**(73,250)**	**155,641**	**19,158**	**136,483**
Total	**79,843**	**153,093**	**(73,250)**	**155,641**	**19,158**	**136,483**
% incidence on balance sheet heading	**99.8%**	**99.9%**		**100.0%**	**100.0%**	

(EUR thousands)

	Financial instruments - assets			Financial instruments - liabilities		
	31.12.2017	31.12.2016	Change	31.12.2017	31.12.2016	Change
Subsidiaries						
Falck Renewables Wind Ltd						
Assel Valley Wind Energy Ltd					9	(9)
Spaldington Airfield Wind Energy Ltd						
Kingsburn Wind Energy Ltd						
Total subsidiaries					**9**	**(9)**
% incidence on balance sheet heading	**0.0%**	**0.0%**		**0.0%**	**100.0%**	

(EUR thousands)

	Other receivables			Other payables		
	31.12.2017	31.12.2016	Change	31.12.2017	31.12.2016	Change
Subsidiaries						
Prima Srl	5,950	5,950				
Falck Renewables Wind Ltd						
Brattmyrliden Vind AB	199		199			
Actelios Solar Spa		260	(260)			
Total subsidiaries	**6,149**	**6,210**	**(61)**			
Associates						
Frullo Energia Ambiente Srl	980	1,470	(490)			
Total associates	**980**	**1,470**	**(490)**			
Parent company						
Falck SpA	5,036	4,535	501	103	300	(197)
Total parent company	**5,036**	**4,535**	**501**	**103**	**300**	**(197)**
Other related parties						
Svelgen Kraft Holding				4,588		4,588
Total parent company				**4,588**		**4,588**
Total	**12,165**	**12,215**	**(50)**	**4,691**	**300**	**4,391**
% incidence on balance sheet heading	**88.4%**	**87.4%**		**45.1%**	**7.0%**	

8.6.3 Income statement content and movements

16 Revenue

Revenue consisted of the following:

			(EUR thousands)
	31.12.2017	31.12.2016	Change
Revenue from sale of goods			
Revenue from provision of services	138	456	(318)
Total	**138**	**456**	**(318)**

17 Employee costs

Employee costs may be analysed as follows:

			(EUR thousands)
	31.12.2017	31.12.2016	Change
Cost of production employees			
Cost of administrative staff	11,955	11,647	308
Total	**11,955**	**11,647**	**308**

Total employee costs analysed by nature of expense are as follows:

			(EUR thousands)
	31.12.2017	31.12.2016	Change
Wages and salaries	8,169	8,395	(226)
Social security costs	2,463	2,493	(30)
Staff leaving indemnity (TFR)	469	457	12
Other costs	854	302	552
Total	**11,955**	**11,647**	**308**

The average number of employees was as follows:

		(Number)
	31.12.2017	31.12.2016
Managers	28	27
White-collar staff	66	65
Blue-collar staff		
Total average number of employees	**94**	**92**

18 Direct costs

The company did not incur direct costs and expenses in 2017 and 2016.

19 Other income

Other income may be analysed as follows:

			(EUR thousands)
	31.12.2017	31.12.2016	Change
Income from operating activities	5,995	6,786	(791)
Income from non-operating activities	366	71	295
Total	**6,361**	**6,857**	**(496)**

Income from operating activities may be further detailed as follows:

			(EUR thousands)
	31.12.2017	31.12.2016	Change
Income from services provided to other Group companies	5,728	6,324	(596)
Other income from Group companies	234	459	(225)
Other third party income	33	3	30
Total	**5,995**	**6,786**	**(791)**

Income from non-operating activities may be further detailed as follows:

			(EUR thousands)
	31.12.2017	31.12.2016	Change
Income relating to previous accounting periods	291	53	238
Income arising in other periods due to other Group companies	58		58
Other	17	18	(1)
Total	**366**	**71**	**295**

20 Administrative expenses

Administrative expenses may be detailed as follows:

			(EUR thousands)
	31.12.2017	31.12.2016	Change
Consumables	132	135	(3)
Services	10,702	6,962	3,740
Other costs	4,852	4,393	459
Non-operating expenses	5	362	(357)
Amortisation and impairment of intangible assets	364	195	169
Depreciation and impairment of property, plant and equipment	134	144	(10)
Allocations to/(use of) risk provisions	4,258	(2,871)	7,129
Total	**20,447**	**9,320**	**11,127**

Administrative expenses are up from the previous year largely due to an increase in services, relating to operating expenses to support development initiatives in new markets, and the heading for allocation and use of risk funds, which posted a positive balance of EUR 2,871 thousand last year compared to a negative balance of EUR 4,258 thousand in 2017. This fall is mainly due to increased provisions to cover guarantees issued to the Sicilian companies and for litigations with staff.

In 2016, the net charge to the risks provision comprises the utilisation of EUR 3,150 thousand mainly in respect of guarantees issued to the Sicilian companies.
The heading in question also includes the accrued cost of the CEO Long Term Incentive Plan for a total of EUR 308 thousand, of which EUR 127 thousand with reference to the stock grant plan.

<u>Operating leases</u>
The company holds leases for its headquarters and branch offices, for cars assigned to employees and rented computer material. It was estimated that all the significant risks and benefits typical of asset ownership have not been transferred to the Company, subject to contract terms and conditions. Consequently, these contracts were recognised as operating leases.
Below is the breakdown of minimum payments, contingent rents and sublease collections as at 31 December 2017:

	(EUR thousands)
	31.12.2017
Minimum payments	1,008
Contingent rents	
Sublease collections	(40)
Total	**968**

Below is the detail of future minimum payment by maturity for operating leases updated as of 31 December 2017:

	(EUR thousands)
	31.12.2017
Up to 12 months	858
1-2 years	634
2-5 years	347
over 5 years	
Total	**1,839**

The table below provides the details of future sublease payments by due date, at the current value, as at 31 December 2017:

	(EUR thousands)
	31.12.2017
Up to 12 months	40
1-2 years	40
2-5 years	80
over 5 years	
Total	**160**

21 Financial income and expenses

Financial income and expenses comprised:

			(EUR thousands)
	31.12.2017	31.12.2016	Change
Financial expenses	(2,682)	(17,274)	14,592
Financial income	7,279	21,751	(14,472)
Total	**4,597**	**4,477**	**120**

Financial expenses consisted of the following:

			(EUR thousands)
	31.12.2017	31.12.2016	Change
Bank interest			0
Interest payable to subsidiaries and impairments	57	1,621	(1,564)
Interest payable to associates and impairments			0
Interest payable on corporate loan and other m/l-term borrowings			0
Interest arising on amortised cost method	314	314	0
Bank charges	607	614	(7)
Commissions on guarantees	244	83	161
Interest cost on TFR	23	36	(13)
Other financial expenses	6		6
Foreign exchange losses	1,431	14,606	(13,175)
Total	**2,682**	**17,274**	**(14,592)**

Finance costs for 2017 and 2016 may be further analysed as follows:

				(EUR thousands)
	31.12.2017			
	Debenture loans	Bank borrowings	Other	Total
Payable to subsidiaries			57	57
Payable to associates				
Payable to parent company				
Payable to others		2,580	45	2,625
Total		**2,580**	**102**	**2,682**

Amounts payable to others comprises EUR 23 thousand of interest costs on the staff leaving indemnity (TFR).

				(EUR thousands)
	31.12.2016			
	Debenture loans	Bank borrowings	Other	Total
Payable to subsidiaries			1,621	1,621
Payable to associates				
Payable to parent company				
Payable to others		14,737	916	15,653
Total		**14,737**	**2,537**	**17,274**

Finance income for the year ended 31 December 2017 may be detailed as follows:

			(EUR thousands)
	31.12.2017	31.12.2016	Change
Interest income, commissions, release of bad debt provision from subsidiaries	5,974	8,239	(2,265)
Interest income and commission from banks	97	138	(41)
Foreign exchange gains	1,208	13,374	(12,166)
Total	**7,279**	**21,751**	**(14,472)**

22 Investment income / (expenses)

			(EUR thousands)
	31.12.2017	31.12.2016	Change
Dividends from Frullo Energia Ambiente Srl	980	1,470	(490)
Dividends from Falck Renewables Wind Ltd	45,039	29,316	15,723
Impairment loss on Falck Renewables Nederland BV	(202)		(202)
Impairment loss on Esposito Servizi Ecologici Srl	(2,800)	(3,021)	221
Revaluation (impairment loss) on Ecosesto SpA		3,124	(3,124)
Impairment loss on Prima Srl		(5,391)	5,391
Revaluation (impairment loss) on Solar Mesagne Srl	636	39	597
Impairment loss on Falck Renewables Energy Srl	(69)	(39)	(30)
Total	**43,584**	**25,498**	**18,086**

23 Income tax expense

			(EUR thousands)
	31.12.2017	31.12.2016	Change
Current tax	5,186	3,787	1,399
Deferred tax	386	501	(115)
Total	**5,572**	**4,288**	**1,284**

		(EUR thousands)
	31.12.2017	31.12.2016
Profit before taxation	**22,278**	**16,321**
Taxes calculated applying tax rate to profit	(6,588)	(5,397)
Profits not subject to tax	12,482	10,983
Expenses not deductible for tax purposes	(2,188)	(3,367)
Income arising on Group consolidated tax regime	1,884	2,185
Other	(18)	(116)
Total income tax	**5,572**	**4,288**

With regard to total income tax, in addition to the matters mentioned in the notes above, the total derives from profits not subject to tax, mainly dividends, and expenses not deductible for tax purposes, principally arising on the write-down of investments.

Related party transactions

In compliance with Consob's communications of 20 February 1997, 27 February 1998, 30 September 1998, 30 September 2002 and 27 July 2006, no uncharacteristic or uncommon transactions take place with related parties that are beyond the normal business operations or are detrimental to the Company's results of operations, state of affairs and financial position.

Related party transactions represent the day to day business activities that are carried out at arm's length. These comprise the recharge of costs between Group companies and intercompany current accounts that give rise to finance income and costs.

In accordance with IAS 24 Related Party Disclosures and the disclosures pursuant to Consob circular 6064293 of 28 July 2006, all related party transactions and the corresponding incidence of related party transactions on Falck Renewables SpA's income statement are provided below.

(EUR thousands)

	Revenues from sales and services	Other operating income	Operating income	Non-operating income	Direct costs	Administrative expenses	Investment income/ (expenses)	Interest and other financial income	Interest and other financial expenses
Subsidiaries									
Ambiente 2000 Srl			317						(2)
Actelios Solar SpA			98					404	
Assel Valley Wind Energy Ltd								71	
Auchrobert Valley Wind Energy Ltd								15	
Ecosesto SpA			667					524	
Elettroambiente SpA (in liquid.)			35			(35)		25	
Esposito Servizi Ecologici Srl			257			(1)	(2,800)	1,200	
Eolica Petralia Srl			210					270	
Eolica Sud Srl			252					1,426	
Eolo 3W Minervino Murge Srl			207					283	
Falck Renewables Energy Srl			95				(69)	1	
Falck Renewables North America Inc			400						
Falck Renewables Wind Ltd			1,392	50		(414)	45,039	997	(8)
Falck Renewables Vind AS			121						
Aliden Vind AB			23					6	
Brattmyrliden Vind AB			39					10	
Falck Renewables Nederland B.V.			93				(202)		
Eolica Cabezo San Roque SAU			31						
Falck Energies Renouvelables Sas			98						
Esquennois Energie Sas			4						
Parc Eolien du Fouy Sas			5						
Parque Eolien des Cretes Sas			4						
Parc Eolien d'Illois Sarl			7					85	
Se Ty Ru Sas			25						
FRUK Holdings (No1) Ltd								38	
Earlsburn Wind Energy Ltd								3	
Kingsburn Wind Energy Ltd								5	
Kilbraur Wind Energy Ltd								74	
Ben Aketil Wind Energy Ltd								1	
Millennium South Wind Energy Ltd								6	
Spaldington Airfield Wind Energy Ltd								2	
West Browncastle Wind Energy Ltd								10	
Geopower Sardegna Srl			351					111	
Nutberry Energy Wind Ltd								16	
Palermo Energia Ambiente ScpA (in liquid.)			20			(20)			(38)
Platani Energia Ambiente ScpA (in liquid.)			35			(92)		2	
Prima Srl			393					201	(9)
Solar Mesagne Srl			92				636	119	
Vector Cuatro Slu			208			(446)		3	
PV Diagnosis Srl in liquid.			17						
Vector Cuatro Srl		41	75			(94)			
Vector Cuatro Japan KK								3	
Vector Cuatro UK Ltd			6						
Tifeo Energia Ambiente ScpA (in liquid.)			35			(98)		63	
Total subsidiaries		**41**	**5,612**	**50**		**(1,200)**	**42,604**	**5,974**	**(57)**
Parent company									
Falck SpA			194	8		(780)			
Total parent company			**194**	**8**		**(780)**			
Associates									
Frullo Energia Ambiente Srl			116				980		
Total associates			**116**				**980**		
Group companies									
Falck Energy SpA			21						
Sesto Siderservizi Srl			19						
Total Group companies			**40**						
Total		**41**	**5,962**	**58**		**(1,980)**	**43,584**	**5,974**	**(57)**
% incidence on income statement heading		**29.7%**	**99.4%**	**15.8%**		**9.7%**	**100.0%**	**28.6%**	**0.3%**

24 Significant non-recurring events and transactions

Pursuant to Consob communication DEM/6064293 of 28 July 2006, no significant non-recurring transactions occurred in 2017.

25 Uncharacteristic and uncommon transactions

Pursuant to Consob communication DEM/6064293 of 28 July 2006, in the course of 2017 Falck Renewables SpA did not carry out any uncharacteristic and/or uncommon transactions, as defined in the communication.

26 Emoluments of directors and statutory auditors

In accordance with article 2427 of the Italian Civil Code, the total emoluments for each category are as follows:

		(EUR thousands)
	31.12.2017	31.12.2016
Directors' emoluments	1,529	1,287
Statutory Auditors' emoluments	175	175
Total	**1,704**	**1,462**

27 Share-based payments

In order to set up an incentive and loyalty scheme for managers and employees in key roles within the Group, on 27 April 2017 the parent company's Shareholders' Assembly approved a 2017-2019 incentive plan, under which the CEO and certain key managers and employees within the company and its subsidiaries will receive free shares in Falck Renewables SpA.
The plan makes the allocation of these shares conditional on achieving performance targets established for the 2017-2019 period, to be checked by the Falck Renewables SpA Board of Directors, and that on the date of allocation the employee is still in service or, in the case of the CEO, still in office.
The fair value of the services received by the owners of the incentive plan as consideration for the shares assigned has been indirectly calculated with reference to the fair value of the shares, and the amount to be assigned on an accrual basis has been calculated *pro-rata temporis* over the entire vesting period.
The fair value valuation was performed according to current accounting standards, in particular IFRS 2.
The incentive plan for the CEO of Falck Renewables SpA was put into effect with 591,000 shares in April 2017. The fair value per share assigned at 31 December 2017, calculated as the share price on the date of assignment net of forecast dividends during the vesting period, was of EUR 0.9699. The fair value of the stock grants in 2017, worth EUR 127 thousand, was posted under general and administrative expenses, balancing the Other reserves heading under net equity.

The following parameters were used to calculate the fair value:

Share price	(EUR)	1.13
Exercise price	(EUR)	NA
Vesting period	(years)	3
Forecast dividends	(EUR)	0.16
Risk free interest rate	(%)	-0.08%

In the following months, some company managers were also granted a total of 327,273 shares. The fair value per unit of shares assigned at 31 December 2017, calculated as the share price on the date of assignment net of forecast dividends during the vesting period, was of EUR 1.2838. The fair value of the stock grants in 2017, worth EUR 62 thousand, was posted under employee expenses, balancing the Other reserves heading under net equity.

The following parameters were used to calculate the fair value:

Share price	(EUR)	1.40
Exercise price	(EUR)	NA
Vesting period	(years)	3
Forecast dividends	(EUR)	0.11
Risk free interest rate	(%)	-0.18%

As the shares were assigned free of charge, the exercise price was zero.
At 31 December 2017, the following rights were held:

	Number of shares	Average exercise price
Rights at 01/01/2017	**-**	NA
New rights assigned during the period	918,273	NA
(Rights cancelled during the period)		
(Rights exercised during the period)		
(Rights expired during the period)		
Rights at 31/12/2017	**918,273**	NA
available for exercise at the end of the year	-	

8.7 Falck Renewables SpA – Additional disclosures on financial instruments in accordance with IFRS 7

Additional disclosures on financial instruments in accordance with IFRS 7

This note sets out the additional disclosures relating to financial assets and liabilities in accordance with IFRS 7. These disclosures are presented in the same order as they are set out in IFRS 7 and have been omitted where not considered material. The note is presented in two sections. The first sets out detailed information regarding financial assets and liabilities while the second presents information regarding the risks attributable to the financial assets and liabilities, in particular credit risk, liquidity risk and market risk. This includes both qualitative and quantitative information that is analysed into points (e.g. 1.) and sub-points (e.g. 1.2). The detailed quantitative information is provided for 31 December 2017 and where significant for 31 December 2016.

Before presenting the detailed disclosures it is important to note that Falck Renewables SpA holds significant financial assets in the form of financial receivables and cash and cash equivalents. Therefore, the net financial position is positive. Financial assets and liabilities are almost entirely posted at cost and amortised cost in the financial statements, with the exception of financial-derivative instruments on interest rates that are measured at fair value. The portion of these derivatives designated as hedging instruments are measured applying hedge accounting with changes in fair value posted in equity. Contrarily, changes in fair value relating to the portion not designated as hedging instruments are posted in the profit or loss.

Credit, liquidity and market risks are very limited. Credit risk exposure is not significant as the majority of trade and financial receivables are with other Group companies and not third parties. Liquidity risk is also considered to be low due to the credit facility arising from the committed loan agreement entered into on 12 June 2015 that has not been drawn-down at present and the significant liquidity which is placed on short-term deposits with Italian banks. Furthermore, the contract is subject to, inter alia, financial covenants based on the ratio of net financial position/EBITDA and net financial position/total equity disclosed in the consolidated financial statements: these covenants were met in 2017 based on the current financial statements. Interest rate risk arises on financial receivables from subsidiaries and interest rate fluctuations would give rise to higher or lower finance income and therefore higher or lower dividends, consequently a sensitivity analysis was not performed. The liquidity on deposit with banks will be used in future to finance subsidiaries' investments, thus generating further financial receivables. Falck Renewables SpA adopts specific procedures to manage the credit, liquidity and market risk on financial assets and liabilities. These processes have been documented in the Group's policies.

Section I: Financial instruments

1. *Balance sheet*

1.1 *Categories of financial assets and liabilities*

The tables below illustrate the carrying values at 31 December 2017 and 31 December 2016 of the financial assets and liabilities classified in accordance with IAS 39. In order to reconcile with the balance sheet totals the penultimate column sets out the values of the assets and liabilities that are not included in the scope of IFRS 7.

8.7 Falck Renewables SpA – Additional disclosures on financial instruments in accordance with IFRS 7

(EUR thousands)

31.12.2017	Amortised cost			Fair value through profit or loss		Fair value against equity or cost	Total FA/FL within scope of IFRS7	A/L not within scope of IFRS7	Balance sheet total
	Loans and receivables	Financial assets held-to-maturity	Financial liabilities at amortised cost	FA/FL designation on initial recognition	FA/FL held for trading	FA available for sale and other FL			
Assets									
Property, plant and equipment and intangibles								1,725	**1,725**
Investments and securities						265	**265**	434,569	**434,834**
Financial receivables	79,931					90	**80,021**		**80,021**
Inventories									
Trade receivables	7,372						**7,372**		**7,372**
Deferred income tax assets								1,406	**1,406**
Other receivables	6,930	526					**7,456**	6,304	**13,760**
Cash and cash equivalents	130,524						**130,524**		**130,524**
Total	**224,757**	**526**				**355**	**225,638**	**444,004**	**669,642**
Liabilities									
Equity								486,344	**486,344**
Financial payables			155,641				**155,641**		**155,641**
Trade payables			6,940				**6,940**		**6,940**
Other payables			6,746				**6,746**	3,656	**10,402**
Provisions for other liabilities and charges								8,358	**8,358**
Staff leaving indemnity								1,957	**1,957**
Total			**169,327**				**169,327**	**500,315**	**669,642**

8.7 Falck Renewables SpA – Additional disclosures on financial instruments in accordance with IFRS 7

(EUR thousands)

31.12.2016	Amortised cost			Fair value through profit or loss		Fair value against equity or cost	Total FA/FL within scope of IFRS7	A/L not within scope of IFRS7	Balance sheet total
	Loans and receivables	Financial assets held-to-maturity	Financial liabilities at amortised cost	FA/FL designation on initial recognition	FA/FL held for trading	FA available for sale and other FL			
Assets									
Property, plant and equipment and intangibles								1,939	**1,939**
Investments and securities						28	**28**	221,613	**221,641**
Financial receivables	153,122					160	**153,282**		**153,282**
Inventories									
Trade receivables	3,711						**3,711**		**3,711**
Deferred income tax assets								987	**987**
Other receivables	7,690						**7,690**	6,299	**13,989**
Cash and cash equivalents	113,048						**113,048**		**113,048**
Total	**277,571**					**188**	**277,759**	**230,838**	**508,597**
Liabilities									
Equity								473,654	**473,654**
Financial payables			19,158			9	**19,167**		**19,167**
Trade payables			5,235				**5,235**		**5,235**
Other payables								4,302	**4,302**
Provisions for other liabilities and charges								4,345	**4,345**
Staff leaving indemnity								1,894	**1,894**
Total			**24,393**			**9**	**24,402**	**484,195**	**508,597**

1.2 *Collateral – Financial assets pledged as security for liabilities and collateral accepted as security for assets*

Financial assets pledged as security for liabilities comprise the shares of Actelios Solar SpA owned by Falck Renewables SpA with a face value of EUR 120 thousand and the shares of Falck Renewables Wind Ltd for a total GBP 37,755 thousand. The pledge values correspond to the face value of the shares in question.

2. *Income statement and total equity*

2.1 *Income, expenses, gains or losses*

The table below illustrates net gains/(losses) on financial assets and liabilities in 2017 and 2016 reclassified in accordance with IAS 39. The only amount relates to gains on the increase in value of derivative financial instruments.

8.7 Falck Renewables SpA – Additional disclosures on financial instruments in accordance with IFRS 7

(EUR thousands)

31.12.2017	Gains/(losses) through profit or loss	Gains/(losses) recorded in equity	Gains/(losses) reclassified from equity to income statement	Total
FA at fair value through profit or loss	(61)			(61)
FA held for trading				
FL at fair value through profit or loss				
FL held for trading				
Available for sale FA/Other FL		(139)		(139)
FA held-to-maturity				
Loans and receivables \				
FL at amortised cost				
Any residual balance item				
Total	**(61)**	**(139)**		**(200)**

The overall change in fair value of all foreign exchange hedging contracts both with banks and Group companies totalled EUR 61 thousand in relation to instruments that had a positive fair value at year end;

(EUR thousands)

31.12.2016	Gains/(losses) through profit or loss	Gains/(losses) recorded in equity	Gains/(losses) reclassified from equity to income statement	Total
FA at fair value through profit or loss	(228)			(228)
FA held for trading				
FL at fair value through profit or loss	869			869
FL held for trading				
Available for sale FA/Other FL				
FA held-to-maturity				
Loans and receivables				
FL at amortised cost				
Any residual balance item				
Total	**641**			**641**

8.7 Falck Renewables SpA – Additional disclosures on financial instruments in accordance with IFRS 7

The table below illustrates total interest income/expense (calculated using the effective interest rate method) and the fee income/expense generated by financial assets/liabilities not measured at fair value through profit or loss and the fee income/expense arising from trust and other fiduciary activities in 2017 and 2016.

(EUR thousands)

31.12.2017	Interest income/(expense)	Fee income/(expense)	Total
FA not at fair value through profit or loss	4,309	620	4,929
FL not at fair value through profit or loss	(340)	(851)	(1,191)
Trust and other fiduciary activities			
Other (not within scope of IFRS 7)	920		920
Total	**4,889**	**(231)**	**4,658**

(EUR thousands)

31.12.2016	Interest income/(expense)	Fee income/(expense)	Total
FA not at fair value through profit or loss	7,378	303	7,681
FL not at fair value through profit or loss	(349)		(349)
Trust and other fiduciary activities			
Other (not within scope of IFRS 7)	(3,496)		(3,496)
Total	**3,533**	**303**	**3,836**

The reconciliations with net financial income/expense posted in the 2017 and 2016 income statements are as follows.

	(EUR thousands)
31.12.2017	
Gains/(losses) through profit or loss	(61)
Total interest income/expense	4,889
Fee income/expense	(231)
Total	**4,597**
Financial income (expenses) per income statement	**4,597**

	(EUR thousands)
31.12.2016	
Gains/(losses) through profit or loss	641
Total interest income/expense	3,533
Fee income/expense	303
Total	**4,477**
Financial income (expenses) per income statement	**4,477**

8.7 Falck Renewables SpA – Additional disclosures on financial instruments in accordance with IFRS 7

3. ***Additional disclosures***

3.1 *Accounting policies*

The accounting policies adopted for the recognition and measurement of financial assets and liabilities are presented in the notes to the separate financial statements of Falck Renewables SpA in paragraph 8.6.1 Accounting policies**.**

3.2 *Fair value*

The tables below disclose the fair value of the financial assets/liabilities and the related carrying amount at 31 December 2017 and 31 December 2016. The carrying amount of the financial assets/liabilities valued at cost and amortised cost (see point 1.1) is a reasonable estimate of fair value as these relate to either short-term or variable rate financial assets and liabilities.

(EUR thousands)

31.12.2017		
	Carrying amount	Fair value
Financial assets		
Investments and securities	265	265
Financial receivables	80,021	80,021
Trade receivables	7,372	7,372
Other receivables	7,456	7,456
Cash and cash equivalents	130,524	130,524
Total	**225,638**	**225,638**
Financial liabilities		
Financial payables	155,641	155,641
Trade payables	6,940	6,940
Other payables	6,746	6,746
Total	**169,327**	**169,327**

(EUR thousands)

31.12.2016		
	Carrying amount	Fair value
Financial assets		
Investments and securities	28	28
Financial receivables	153,282	153,282
Trade receivables	3,711	3,711
Other receivables	7,690	7,690
Cash and cash equivalents	113,048	113,048
Total	**277,759**	**277,759**
Financial liabilities		
Financial payables	19,167	19,167
Trade payables	5,235	5,235
Other payables		
Total	**24,402**	**24,402**

8.7 Additional disclosures on financial instruments in accordance with IFRS 7 - Falck Renewables SpA

Analysis of financial receivables and payables at 31 December 2017 and 31 December 2016 by instrument and conditions.

(EUR thousands)

31.12.2017					
	Effective interest rate	Fair value	Carrying amount	Current portion	Non-current portion
Loans due from subsidiaries	Miscellaneous	56,807	56,807		56,807
Loans due from associates					
Accrued interest		88	88	88	
Corresponding Group accounts	Euribor + Falck Renewables SpA cost of funding + spread	23,036	23,036	23,036	
Derivative financial instruments		90	90	90	
Total financial receivables		**80,021**	**80,021**	**23,214**	**56,807**

The interest rate applied to loans to subsidiaries is Euribor + Falck Renewables SpA cost of funding + spread for the Prima Srl shareholder loan, while Euribor + all-in senior margin + spread for project financing companies.

(EUR thousands)

31.12.2017					
	Effective interest rate	Fair value	Carrying amount	Current portion	Non-current portion
Corresponding current accounts	Euribor + Falck Renewables SpA cost of funding + spread	155,641	155,641	155,641	
Other loans					
Bank overdrafts					
IRS					
Foreign exchange derivatives					
Total financial liabilities		**155,641**	**155,641**	**155,641**	

(EUR thousands)

31.12.2016					
	Effective interest rate	Fair value	Carrying amount	Current portion	Non-current portion
Loans due from subsidiaries	Miscellaneous	71,664	71,664		71,664
Loans due from associates					
Interest matured		29	29	29	
Group correspondence accounts	Euribor + Falck Renewables SpA cost of funding + spread	81,429	81,429	77,900	3,529
Derivative financial instruments		160	160	160	
Total financial receivables		**153,282**	**153,282**	**78,089**	**75,193**

The interest rate applied to loans to subsidiaries is Euribor + Falck Renewables SpA cost of funding + spread for the Prima Srl shareholder loan, while Euribor + all-in senior margin + spread for project financing companies.

(EUR thousands)

31.12.2016					
	Effective interest rate	Fair value	Carrying amount	Current portion	Non-current portion
Correspondence current accounts	Euribor + Falck Renewables SpA cost of funding + spread	19,158	19,158	19,158	
Other loans					
Bank overdrafts					
IRS					
Foreign exchange derivatives		9	9	9	
Total financial liabilities		**19,167**	**19,167**	**19,167**	

8.7 Additional disclosures on financial instruments in accordance with IFRS 7 - Falck Renewables SpA

4. *Risks arising from financial instruments*

4.1 *Credit risk*

The credit risk on third party financial and trade receivables is not considered significant as the related exposure is very limited.
With regard to the credit risk exposure on receivables due from subsidiaries, a significant charge was made to the provision for doubtful trade and financial receivables to take into account the uncertainties surrounding litigation with the Sicily Region.

The maximum credit risk exposure at 31 December 2017 amounted to EUR 225,373 thousand and consisted of the following:

			(EUR thousands)
		31.12.2017	
	Gross	Impairment	Net
Financial receivables	169,656	(89,635)	80,021
Trade receivables	15,548	(8,176)	7,372
Other receivables	7,456	0	7,456
Cash and cash equivalents	130,524	0	130,524
Total	**323,184**	**(97,811)**	**225,373**

The maximum credit risk exposure at 31 December 2016 amounted to EUR 277,731 thousand and consisted of the following:

			(EUR thousands)
		31.12.2016	
	Gross	Impairment	Net
Financial receivables	244,021	(90,739)	153,282
Trade receivables	11,642	(7,931)	3,711
Other receivables	7,690	0	7,690
Cash and cash equivalents	113,048	0	113,048
Total	**376,401**	**(98,670)**	**277,731**

4.2 *Liquidity risk*

Falck Renewables SpA's liquidity risk is very modest; net financial debt amounted to EUR 155,641 thousand at 31 December 2017 (EUR 19,167 thousand at 31 December 2016). This compares with total liabilities of EUR 669,642 thousand and EUR 508,597 thousand, in 2017 and 2016 respectively. Financial liabilities largely comprise short-term liabilities of the corresponding accounts with a number of subsidiaries (Ambiente 2000 Srl, Falck Renewables Wind Ltd, Falck Renewables Energy Srl, Prima Srl, Vector Cuatro Srl, Vector Cuatro Japan KK, PV Diagnosis Srl in liquidation and Vector Cuatro SLU).
Moreover, Falck Renewables SpA has cash and cash equivalents of EUR 130,524 thousand placed on short-term deposit with Italian banks.

4.3 *Market risk*

4.3.1 **Interest rate risk**

Interest rate risk arises on financial receivables and payables due to/from subsidiaries and interest rate fluctuations would correspond to an increase or decrease in interest income that would result in lower or higher dividends therefore a sensitivity analysis has not been carried out.

8.7 Additional disclosures on financial instruments in accordance with IFRS 7 - Falck Renewables SpA

Total financial assets and liabilities exposed to changes in interest rates are detailed below:

(EUR thousands)

31.12.2017	
Financial assets	
Financial receivables	79,931
Derivative financial instruments	90
Cash and cash equivalents	130,524
Total	**210,545**
Financial liabilities	
Financial payables	(155,641)
Derivative financial instruments	0
Total	**(155,641)**
Net exposure	**54,904**

(EUR thousands)

31.12.2016	
Financial assets	
Financial receivables	153,122
Derivative financial instruments	160
Cash and cash equivalents	113,048
Total	**266,330**
Financial liabilities	
Financial payables	(19,158)
Derivative financial instruments	(9)
Total	**(19,167)**
Net exposure	**247,163**

9. Supplementary information to the separate financial statements of Falck Renewables SpA

9 Supplementary information to the separate financial statements of Falck Renewables SpA

9.1 *List of direct and indirect investments in subsidiaries and associates*

(Euro thousands)

	Registered offices	Currency	Share capital	Equity with result (EUR thousands)	Profit (loss) (EUR thousands)	Directly held shares (%)	Indirectly held shares (%)	Book value (EUR)
Directly controlled subsidiaries								
Actelios Solar SpA	Catania	EUR	120,000	3,037	1,973	100.000		1,124,979
Åliden Vind AB	Malmö (Sweden)	SEK	100,000	6,472	(142)	100.000		6,814,792
Ambiente 2000 Srl	Milan	EUR	103,000	3,285	326	60.000		960,707
Brattmyrliden Vind AB	Malmö (Sweden)	SEK	100,000	6,041	(27)	100.000		8,274,726
Ecosesto SpA	Rende (CS)	EUR	5,120,000	10,620	3,360	100.000		9,946,000
Elettroambiente SpA (in liquidation)	Sesto S. Giovanni (MI)	EUR	245,350	(84,794)	(1,733)	100.000		
Eolica Petralia Srl	Sesto S. Giovanni (MI)	EUR	2,000,000	7,796	1,440	100.000		10,107,000
Eolica Sud Srl	Davoli Marina (CZ)	EUR	5,000,000	5,254	2,925	100.000		10,261,000
Eolo 3W Minervino Murge Srl	Sesto S. Giovanni (MI)	EUR	10,000	6,254	5,117	100.000		16,966,000
Esposito Servizi Ecologici Srl	Sesto S. Giovanni (MI)	EUR	10,000	205	(1,965)	100.000		
Falck Renewables Energy Srl	Sesto S. Giovanni (MI)	EUR	10,000	53	(71)	100.000		53,232
Falck Renewables Nederland B.V.	Amsterdam (Netherlands)	EUR	10,000	108	(202)	100.000		107,976
Falck Renewables North America Inc	Delaware (USA)	USD	4	38,895	(1,464)	100.000		40,757,222
Falck Renewables Vind AS	Sandane (Norway)	NOK	11,039,600	5,295	(141)	80.000		8,637,489
Falck Renewables Wind Ltd	London (UK)	GBP	37,759,066	219,747	158,067	99.989		166,483,362
Geopower Sardegna Srl	Sesto S. Giovanni (MI)	EUR	2,000,000	15,532	14,308	100.000		110,464,000
Palermo Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (MI)	EUR	120,000	(53,364)	(1,172)	71.273		
Prima Srl	Sesto S. Giovanni (MI)	EUR	5,430,000	27,671	(1,117)	85.000		23,103,159
Solar Mesagne Srl	Brindisi	EUR	50,000	927	673	100.000		814,000
Vector Cuatro SLU	Madrid (Spain)	EUR	55,001	4,229	463	100.000		11,221,971
								426,097,615
Indirectly controlled subsidiaries								
Assel Valley Wind Energy Ltd	Inverness (UK)	GBP	100	(108)	554		100.000	
Auchrobert Wind Energy Ltd	Inverness (UK)	GBP	100	1,234	1,952		100.000	
Ben Aketil Wind Energy Ltd	Inverness (UK)	GBP	100	53	3,084		51.000	
Boyndie Wind Energy Ltd	Inverness (UK)	GBP	100	4,050	2,220		100.000	
Cambrian Wind Energy Ltd	London (UK)	GBP	100	5,820	3,868		100.000	
Earlsburn Mezzanine Ltd	London (UK)	GBP	1,000	34,444	2,749		51.000	
Earlsburn Wind Energy Ltd	Inverness (UK)	GBP	100	4,821	4,843		100.000	
Elektrownie Wiatrowe Bonwind Łyszkowice Sp.Z.o.o.	Łódź (Poland)	PLN	132,000	(1,288)	(179)		50.000	
Eolica Cabezo San Roque Sau	Zaragoza (Spain)	EUR	1,500,000	5,138	(414)		100.000	
Esquennois Energie Sas	Paris (France)	EUR	37,000	(240)	75		100.000	
Falck Energies Renouvelables Sas	Rennes (France)	EUR	60,000	(983)	(2,030)		100.000	
Falck Renewables Finance Ltd	London (UK)	GBP	100	19,678	(2)		100.000	
Falck Renewables IS 42 LLC	Delaware (USA)	USD	-	35,754	(1,258)		100.000	
Falck Renewables Gmbh & co.KG	Nuremberg (Germany)	EUR	5,000	(965)	(827)		100.000	
Falck Renewables Verwaltungs Gmbh	Nuremberg (Germany)	EUR	25,000	14	(3)		100.000	
FRUK Holdings (No.1) Ltd	London (UK)	GBP	1	(6,075)	(606)		51.000	

9 Supplementary information to the separate financial statements of Falck Renewables SpA

(EUR thousands)

	Registered Offices	Currency	Capital	Equity with result (EUR thousands)	Profit (loss) (EUR thousands)	Directly held shares (%)	Indirectly held shares (%)	Book value (EUR)
Indirectly controlled subsidiaries (continued)								
Innovative Solar 42 LLC	North Carolina (USA)	USD	-	85,447	(298)		100.000	
Kilbraur Wind Energy Ltd	Inverness (UK)	GBP	100	13,928	6,286		51.000	
Kingsburn Wind Energy Ltd	Inverness (UK)	GBP	100	1,379	2,078		100.000	
Millennium Wind Energy Ltd	Inverness (UK)	GBP	100	12,995	6,481		51.000	
Millennium South Wind Energy Ltd	Inverness (UK)	GBP	100				52.000	
Mochrum Fell Wind Energy Ltd	Inverness (UK)	GBP	100				100.000	
NC 42 LLC	Delaware (USA)	USD	-	44,664			99.000	
NC 42 Solar LLC	Delaware (USA)	USD	-	44,664			100.000	
NC 42 Energy LLC	Delaware (USA)	USD	-	85,740			100,000 classe B*	
Nutberry Wind Energy Ltd	Inverness (UK)	GBP	100	(1,408)	1,048		100.000	
Ongarhill Wind Energy Ltd	London (UK)	GBP	100				100.000	
Parc Eolien d’Illois Sarl	Rennes (France)	EUR	1,000	(151)	(123)		100.000	
Parc Eolien des Crêtes Sas	Paris (France)	EUR	37,000	(76)	78		100.000	
Parc Eolien du Fouy Sas	Paris (France)	EUR	37,000	(189)	88		100.000	
Platani Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (MI)	EUR	3,364,264	(30,823)	(460)		87.180	
PV Diagnosis Fotovoltaica SLU	Madrid (Spain)	EUR	3,100	69	10		100.000	
PV Diagnosis Srl (in liquidation)	Milan	EUR	10,000	45	(12)		100.000	
SE Ty Ru Sas	Rennes (France)	EUR	1,009,003	2,303	(51)		100.000	
Spaldington Airfield Wind Energy Ltd	London (UK)	GBP	100	4,390	1,167		100.000	
Tifeo Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (MI)	EUR	4,679,829	(44,647)	(1,177)		96.350	
Vector Cuatro Srl	Turin	EUR	25,000	621	462		100.000	
Vector Cuatro Chile Spa	Santiago (Chile)	CLP	20,000,000	(20)	(20)		100.000	
Vector Cuatro France Sarl	Lyon (France)	EUR	50,000	206	60		100.000	
Vector Cuatro EOOD	Sofia (Bulgaria)	BGN	2,000	39	23		100.000	
Vector Cuatro Japan KK	Tokyo (Japan)	JPY	1,000,000	611	297		100.000	
Vector Cuatro Energias Renovables Mèxico SA de CV	Miguel Hidalgo DF (Mexico)	MXN	50,000	(15)	(115)		99.945	
Vector Cuatro Renewables FZE	Dubai (UAE)	AED	300,000	4	(68)		100.000	
Vector Cuatro UK Ltd	London (UK)	GBP	10,000	(210)	(192)		100.000	
West Browncastle Wind Energy Ltd	Inverness (UK)	GBP	100	(2,705)	490		100.000	

* The class B quotas gaurantee the control of the company, while class A quotas belonging to Firstar Development LLC attribute protective rights.

Associates								
Frullo Energia Ambiente Srl	Bologna	EUR	17,139,100	44,918	3,966	49.000		8,471,678
Nuevos Parque Eolicos La Muela AIE	Zaragoza (Spain)	EUR	10,000	38			50.000	
Parque Eolico La Carracha Sl	Zaragoza (Spain)	EUR	100,000	2,770	1,931		26.000	
Parque Eolico Plana de Jarreta Sl	Zaragoza (Spain)	EUR	100,000	1,721	1,708		26.000	
Vector Cuatro Servicios SL	Madrid (Spain)	EUR	30,000	164	43		50.000	

9 Supplementary information to the separate financial statements of Falck Renewables SpA

9.2 Summary of significant financial data from latest financial statements of subsidiaries and associates

Balance sheet

(Euro thousands)

	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities
Directly controlled subsidiaries					
Actelios Solar SpA	35,955	8,763	3,036	37,384	4,298
Åliden Vind AB	3,648	3,027	6,472		203
Ambiente 2000 Srl	33	6,776	3,285	856	2,668
Brattmyrliden Vind AB	4,382	1,881	6,041		222
Ecosesto SpA	22,237	20,564	10,620	8,563	23,618
Elettroambiente SpA (in liquidation)	14	2,137	(84,794)	86,453	492
Eolica Petralia Srl	29,450	5,771	7,796	24,321	3,104
Eolica Sud Srl	102,137	25,320	5,254	111,689	10,514
Eolo 3W Minervino Murge Srl	64,355	10,972	6,254	60,640	8,433
Esposito Servizi Ecologici Srl	2,110	3,347	205	580	4,672
Falck Renewables Energy Srl	3	1,652	53		1,602
Falck Renewables Nederland B.V.		312	108		204
Falck Renewables North America Inc	36,944	2,893	38,895		942
Falck Renewables Vind AS	4,615	1,594	5,295		914
Falck Renewables Wind Ltd	36,138	235,538	219,747	10,620	41,309
Geopower Sardegna Srl	182,329	48,529	15,532	189,777	25,549
Palermo Energia Ambiente ScpA (in liquidation)	34	158	(53,364)	31,343	22,213
Prima Srl	29,420	31,406	27,671	18,736	14,419
Solar Mesagne Srl	5,183	514	927	37	4,733
Vector Cuatro SLU	2,950	3,219	4,229	97	1,843
Indirectly controlled subsidiaries					
Assel Valley Wind Energy Ltd	51,211	6,479	(108)	48,020	9,778
Auchrobert Wind Energy Ltd	65,886	10,249	1,234	56,924	17,977
Ben Aketil Wind Energy Ltd	25,218	3,354	53	2,946	25,573
Boyndie Wind Energy Ltd	9,359	1,496	4,050	1,746	5,059
Cambrian Wind Energy Ltd	25,867	11,507	5,820	8,766	22,788
Earlsburn Mezzanine Ltd	43,898	13,983	34,444	21,921	1,516
Earlsburn Wind Energy Ltd	24,321	5,702	4,821	16,415	8,787
Elektrownie Wiatrowe Bonwind Łyszkowice Sp.Z.o.o.	87	152	(1,289)		1,528
Eolica Cabezo San Roque Sau	7,749	740	5,138	1,827	1,524
Esquennois Energie Sas	11,304	1,688	(240)	9,194	4,038
Falck Energies Renouvelables Sas	34	7,629	(983)		8,646
Falck Renewables Finance Ltd	161	19,816	19,678		299
Falck Renewables IS 42 LLC	36,339	595	35,754		1,180
Falck Renewables Gmbh & co.KG	3,470	3,773	(965)		8,208
Falck Renewables Verwaltungs Gmbh		19	14		5
FRUK Holdings (No.1) Ltd	17,101	19,110	(6,075)	35,572	6,714

9 Supplementary information to the separate financial statements of Falck Renewables SpA

(EUR thousands)

	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities
Indirectly controlled subsidiaries (continued)					
Innovative Solar 42 LLC	119,609	1,844	85,447	33,036	2,970
Kilbraur Wind Energy Ltd	61,589	9,535	13,928	50,100	7,096
Kingsburn Wind Energy Ltd	38,082	6,249	1,379	33,367	9,585
Millennium Wind Energy Ltd	55,107	10,083	12,995	44,307	7,888
Millennium South Wind Energy Ltd					
Mochrum Fell Wind Energy Ltd					
NC 42 LLC	44,664		44,664		
NC 42 Solar LLC	44,664		44,664		
NC 42 Energy LLC	85,740		85,740		
Nutberry Wind Energy Ltd	26,857	5,214	(1,408)	24,385	9,094
Ongarhill Wind Energy Ltd					
Parc Eolien d'Illois Sarl	161	9	(151)		321
Parc Eolien des Crêtes Sas	8,697	927	(76)	7,619	2,081
Parc Eolien du Fouy Sas	8,079	1,157	(189)	7,310	2,115
Platani Energia Ambiente ScpA (in liquidation)	35	3,674	(30,823)	15,720	18,812
PV Diagnosis Fotovoltaica SLU	13	57	69	1	
PV Diagnosis Srl (in liquidation)	6	57	45		18
SE Ty Ru Sas	12,772	4,162	2,303	9,778	4,853
Spaldington Airfield Wind Energy Ltd	28,733	3,508	4,390	16,515	11,336
Tifeo Energia Ambiente ScpA (in liquidation)	7,536	5,212	(44,647)	28,973	28,422
Vector Cuatro Srl	29	1,553	621	278	683
Vector Cuatro Chile Spa		60	(20)		80
Vector Cuatro France Sarl	5	383	206		182
Vector Cuatro EOOD		79	39		40
Vector Cuatro Japan KK	45	939	611		373
Vector Cuatro Energias Renovables Mèxico SA de CV	15	558	(15)		588
Vector Cuatro Renewables FZE	3	110	4		109
Vector Cuatro UK Ltd	52	342	(210)		604
West Browncastle Wind Energy Ltd	49,887	5,941	(2,705)	43,237	15,296
Associates					
Frullo Energia Ambiente Srl	64,518	13,298	44,918	15,750	17,148
Nuevos Parque Eolicos La Muela AIE	1	59	38	-	22
Parque Eolico La Carracha Sl	13,444	3,310	2,770	12,356	1,628
Parque Eolico Plana de Jarreta Sl	13,332	3,164	1,721	13,341	1,434
Vector Cuatro Servicios SL	21	158	164		15

9 Supplementary information to the separate financial statements of Falck Renewables SpA

Income Statement

(Euro thousands)

	Revenue	Cost of sales	Gross profit/(loss)	Operating profit/(loss)	Profit/(loss) before income tax	Profit/(loss) for the year
Directly controlled subsidiaries						
Actelios Solar SpA	7,466	(2,879)	4,587	4,532	2,753	1,973
Åliden Vind AB				(108)	(167)	(142)
Ambiente 2000 Srl	8,449	(7,963)	486	420	421	326
Brattmyrliden Vind AB				(114)	(54)	(27)
Ecosesto SpA	24,947	(13,982)	10,965	4,754	4,159	3,360
Elettroambiente SpA (in liquidation)				(1,758)	(1,758)	(1,733)
Eolica Petralia Srl	5,237	(2,585)	2,652	2,377	1,456	1,440
Eolica Sud Srl	23,442	(12,042)	11,400	11,589	4,953	2,925
Eolo 3W Minervino Murge Srl	12,670	(5,709)	6,961	8,582	5,892	5,117
Esposito Servizi Ecologici Srl	7,926	(10,053)	(2,127)	(2,549)	(2,648)	(1,965)
Falck Renewables Energy Srl	2,512	(2,493)	19	(88)	(94)	(71)
Falck Renewables Nederland B.V.				(202)	(202)	(202)
Falck Renewables North America Inc				(1,406)	(1,406)	(1,464)
Falck Renewables Vind AS				(179)	(180)	(141)
Falck Renewables Wind Ltd	4,340	(2,965)	1,375	(1,748)	159,653	158,067
Geopower Sardegna Srl	48,745	(19,741)	29,004	28,482	20,058	14,308
Palermo Energia Ambiente ScpA (in liquidation)				(1,128)	(1,199)	(1,172)
Prima Srl	21,182	(20,078)	1,104	(1,251)	(1,493)	(1,117)
Solar Mesagne Srl	1,174	(153)	1,021	894	771	673
Vector Cuatro SLU	6,764	(5,834)	930	227	495	463
Indirectly controlled subsidiaries						
Assel Valley Wind Energy Ltd	7,241	(4,199)	3,042	2,854	727	554
Auchrobert Wind Energy Ltd	6,588	(2,488)	4,100	3,992	2,287	1,952
Ben Aketil Wind Energy Ltd	8,187	(3,150)	5,037	4,850	3,789	3,084
Boyndie Wind Energy Ltd	4,607	(1,658)	2,949	2,773	2,754	2,220
Cambrian Wind Energy Ltd	16,562	(11,364)	5,198	5,007	4,820	3,868
Earlsburn Mezzanine Ltd				68	2,756	2,749
Earlsburn Wind Energy Ltd	11,266	(3,946)	7,320	7,143	5,913	4,843
Elektrownie Wiatrowe Bonwind Łyszkowice Sp.Z.o.o.				(61)	(179)	(179)
Eolica Cabezo San Roque Sau	2,605	(2,956)	(351)	(351)	(551)	(414)
Esquennois Energie Sas	1,937	(1,154)	783	783	178	75
Falck Energies Renouvelables Sas	121		121	(985)	(2,030)	(2,030)
Falck Renewables Finance Ltd				(29)	(2)	(2)
Falck Renewables IS 42 LLC				(1,258)	(1,258)	(1,258)
Falck Renewables Gmbh & co.KG		(15)	(15)	(15)	(827)	(827)
Falck Renewables Verwaltungs Gmbh				(3)	(3)	(3)
FRUK Holdings (No .1) Ltd				(3)	(927)	(606)

9 Supplementary information to the separate financial statements of Falck Renewables SpA

(EUR thousands)

	Revenue	Cost of sales	Gross profit/(loss)	Operating profit/(loss)	Profit/(loss) before income tax	Profit/(loss) for the year
Indirectly controlled subsidiaries (continued)						
Innovative Solar 42 LLC	318	(457)	(139)	(148)	(298)	(298)
Kilbraur Wind Energy Ltd	20,359	(10,857)	9,502	9,535	7,747	6,286
Kingsburn Wind Energy Ltd	7,974	(3,270)	4,704	4,315	2,860	2,078
Millennium Wind Energy Ltd	18,574	(9,223)	9,351	9,152	7,893	6,481
Millennium South Wind Energy Ltd						
Mochrum Fell Wind Energy Ltd						
NC 42 LLC						
NC 42 Solar LLC						
NC 42 Energy LLC						
Nutberry Wind Energy Ltd	6,148	(2,844)	3,304	3,116	1,286	1,048
Ongarhill Wind Energy Ltd						
Parc Eolien d'Illois Sarl				(32)	(123)	(123)
Parc Eolien des Crêtes Sas	1,555	(918)	637	637	185	78
Parc Eolien du Fouy Sas	1,482	(869)	613	612	175	88
Platani Energia Ambiente ScpA (in liquidation)				(508)	(510)	(460)
PV Diagnosis Fotovoltaica SLU	14	(17)	(3)	9	9	10
PV Diagnosis Srl (in liquidation)				(17)	(17)	(12)
SE Ty Ru Sas	1,719	(1,248)	471	471	(25)	(51)
Spaldington Airfield Wind Energy Ltd	2,727	8	2,735	2,548	1,562	1,167
Tifeo Energia Ambiente ScpA (in liquidation)				(1,440)	(1,746)	(1,177)
Vector Cuatro Srl	3,141	(1,429)	1,712	658	652	462
Vector Cuatro Chile Spa	54	(61)	(7)	(20)	(20)	(20)
Vector Cuatro France Sarl	612	(310)	302	91	88	60
Vector Cuatro EOOD	188	(104)	84	26	25	23
Vector Cuatro Japan KK	1,788	(965)	823	532	518	297
Vector Cuatro Energias Renovables Mèxico SA de CV	716	(325)	391	(28)	(68)	(115)
Vector Cuatro Renewables FZE		(21)	(21)	(67)	(68)	(68)
Vector Cuatro UK Ltd	584	(235)	349	(221)	(236)	(192)
West Browncastle Wind Energy Ltd	7,526	(4,687)	2,839	2,754	720	490
Associates						
Frullo Energia Ambiente Srl	29,872	(22,487)	7,385	7,070	6,441	3,966
Nuevos Parque Eolicos La Muela AIE	382	(316)	66			
Parque Eolico La Carracha Sl	5,283	(2,698)	2,585	2,245	1,931	1,931
Parque Eolico Plana de Jarreta Sl	4,965	(2,470)	2,495	2,021	1,708	1,708
Vector Cuatro Servicios SL	171	(109)	62	58	58	43

10. Certifications of the consolidated and separate financial statements pursuant to article 81-ter of Consob Regulation no. 11971 dated 14 May 1999 as amended

FALCK RENEWABLES

FALCK RENEWABLES SPA
via Alberto Falck, 4-16 (ang. viale Italia)
20099 Sesto San Giovanni (Mi)
tel. 02 24331
www.falckrenewables.eu

Cap. soc. Euro 291.413.891,00 int. vers.
Direzione e coordinamento
da parte di Falck SpA
Sede legale:
corso Venezia, 16 - 20121 Milano
Registro Imprese
C. F. e P. I. 03457730962
REA MI-1675378

Certification of the consolidated financial statements

pursuant to article 81-ter of Consob Regulation 11971 dated 14 May 1999,

as amended

The undersigned Toni Volpe as Chief Executive Officer and Paolo Rundeddu as officer responsible for the preparation of the financials reports of Falck Renewables SpA hereby certify, taking into account the requirements of article 154-bis, paragraphs 3 and 4 of the Italian Legislative Decree no. 58 of 24 February 1998:

- their adequacy in relation to the characteristics of the company and
- effective application

of administrative and accounting procedures for the preparation of the 2017 consolidated financial statements.

In this respect, as described in the notes to the consolidated financial statements, due to the acquisition of 99% of NC 42 LLC, relating to the 92 MW solar plant in North Carolina-USA, the Falck Renewables Group acquired control of the IS 42 group with effect from December 2017, and will therefore shortly begin integrating and aligning the procedures as per Law 262/05 with the rest of the Group.

We further certify that:

1. the consolidated financial statements:
   a) have been prepared in accordance with applicable international accounting principles, recognised by the European Union pursuant to EC Regulation 1606/2002 of the European Parliament and Council of 19 July 2002;
   b) are consistent with the data in the accounting records and other corporate documents;
   c) provide a true and fair presentation of the balance sheet, income statement and financial position of the issuer and of all of the companies included in the scope of consolidation;

2. the directors' report includes a reliable analysis of the Group performance and results of operations and financial position of the issuer and of all of the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed [1].

The Chief Executive Officer	Corporate Accounting Documents Officer
....	....
Toni Volpe	Paolo Rundeddu

Milan, 8 March 2018

Pursuant to article 154-bis paragraph 5 letter e) of Legislative Decree 58/1998 (Consolidated Finance Act).

FALCK
RENEWABLES

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C. F. e P. I. 03457730962
REA MI-1675378

Certification of the separate financial statements

pursuant to article 81-ter of Consob Regulation 11971 dated 14 May 1999,

as amended

The undersigned Toni Volpe as Chief Executive Officer and Paolo Rundeddu as officer responsible for the preparation of the financials reports of Falck Renewables SpA hereby certify, taking into account the requirements of article 154-bis, paragraphs 3 and 4 of the Italian Legislative Decree no. 58 of 24 February 1998:

- their adequacy in relation to the characteristics of the company and
- effective application

of administrative and accounting procedures for the preparation of the 2017 separate financial statements.
In this respect, as described in the notes to the consolidated financial statements, due to the acquisition of 99% of NC 42 LLC, relating to the 92 MW solar plant in North Carolina-USA, the Falck Renewables Group acquired control of the IS 42 group with effect from December 2017, and will therefore shortly begin integrating and aligning the procedures as per Law 262/05 with the rest of the Group.
We further certify that:

1. the separate financial statements:
   a) have been prepared in accordance with applicable international accounting principles, recognised by the European Union pursuant to EC Regulation 1606/2002 of the European Parliament and Council of 19 July 2002;
   b) are consistent with the data in the accounting records and other corporate documents;
   c) provide a true and fair presentation of the balance sheet, income statement and financial position of the issuer.

2. the directors' report includes a reliable analysis of the performance and results of operations and the financial position of the issuer, together with a description of the main risks and uncertainties to which it is exposed[(1)].

The Chief Executive Officer

Corporate Accounting Documents Officer

Toni Volpe

Paolo Rundeddu

Milan, 8 March 2018

(1) Pursuant to article 154-bis paragraph 5 letter e) of Legislative Decree 58/1998 (Consolidated Finance Code

11. Report of the Board of Statutory Auditors to the Shareholders' Meeting

11 Report of the board of statutory auditors to the annual general meeting

Report by the Board of Auditors to the Shareholders' Meeting of Falck Renewables S.p.A. on 27 April 2017 pursuant to article 153 of Legislative Decree no. 58/1998 and article 2429, paragraph 2 of the Italian Civil Code

During the financial year ended 31 December 2017, we carried out the controls required by current law and regulations, pursuant to article 149 of Legislative Decree 58/1998 ("TUF" - Consolidated Finance Act) and the rules of conduct for boards of statutory auditors recommended by the Consigli Nazionali dei Dottori Commercialisti and Esperti Contabili (representative bodies of the Italian accounting professions) to which we refer in this report, which was prepared also taking into consideration the guidelines issued by Consob (the Italian stock exchange commission) in communication 1025564 of 6 April 2001 and ensuing amendments.

*** *** ***

The board of statutory auditors (the Board) was appointed by the AGM on 27 April 2017 and will remain in office until the approval of the annual report for the year ended 31 December 2019.
The members of the board of statutory auditors have complied with the limits on the number of offices held as set forth in article 144 *terdecies* of the Listing Rules and have notified Consob accordingly.
The independent auditors are EY SpA and reference should be made to the independent audit report.
We note that the information disclosed in the financial statements for the year ended 31 December 2017 is comparable with that of 31 December 2016 and there have been no changes to the accounting standards adopted.

*** *** ***

In consideration of the manner in which we performed our institutional activities we confirm that:

- We attended all of the meetings of the shareholders, the board of directors, the Risk Control Committee (RCC) and the Remuneration Committee (RC) that took place during the year and we obtained from the directors timely and adequate information regarding the activities performed, in accordance with regulatory and statutory requirements;
- We obtained suitable information in order to be able to perform our duties regarding verification of the adequacy of the Company's organisation structure and compliance with principles of correct administrative practice, through direct enquiries, the collation of information from officers responsible for the respective functions and exchanges of information and data with the independent auditors and with the boards of statutory auditors of the subsidiary companies;
- We oversaw the internal control and accounting-administrative systems, with the objective of verifying their adequacy to support operational requirements, as well as their reliability in presenting transactions, by examining company documentation, obtaining information from the heads of the relevant departments, and analysing the results of the work carried out by the independent auditors;
- We verified compliance with current legislation regarding the preparation, presentation and layout of both the separate Company and consolidated financial statements, taking into consideration the fact that the Company has prepared the separate company and the consolidated financial statements in accordance with International Financial Reporting Standards. Following publication of joint document no. 4 by Banca d'Italia/Consob/Isvap dated 3 March 2010, the board of directors confirmed that the impairment tests performed on the assets carried in the balance sheet complied with the provisions of IAS 36 and approved them separately prior to that of the financial statements;
- We verified that the 2017 directors' report conforms to the law and is in agreement with the resolutions approved by the board of directors and with transactions presented in the Company's and the consolidated financial statements; more specifically in the notes on "Risks and uncertainties" and "Management outlook and going concern" in the directors' report, the directors describe the major risks and uncertainties to which

the Group is exposed, indicating those of a financial, legal, regulatory, strategic, and operational nature, providing details of all civil, tax and administrative litigation in which the Group is involved and providing detailed evidence of the status of litigation. No observations were required to be made by the board of statutory auditors in relation to the interim half-year report of the Company and the Group. The quarterly and half-yearly reports were prepared and published in accordance with current legislation and regulations.

In the course of our verification work, carried out in the manner described above, no significant matters emerged that required notification to the regulatory bodies. On the basis of our findings from the tests carried out and from information obtained, the decisions taken by the directors appear to comply with the law and the Company's articles of association, principles of correct administrative practice, are appropriate to and compatible with the Company's size and net assets, and meet Company requirements.

* * *

The specific disclosures to be included in this report are set out below in the order prescribed in the above-mentioned Consob communication of 6 April 2001.

1. We have obtained adequate information and investigated the major economic, financial and equity transactions undertaken by the Company and its subsidiaries, as disclosed in detail in the directors' report, to which we refer. More specifically, we bring your attention to the following:

   A) Information regarding pending and potential disputes, amply discussed in the Legal Risks section.
   B) The presentation of the new 2018-2022 Business Plan to the financial community on 12 December 2017, upon the Board of Directors' approval.
   C) Disclosure that Falck SpA performs direction and coordination activities in respect of Falck Renewables SpA. The negative impact of related party transactions with the parent company for approximately Euro 578 thousand is illustrated in note 5.3.7 of the directors' report.

2. We have not been informed of uncharacteristic and/or uncommon transactions carried out during the year, including those with Group companies or related parties.
   The ordinary financial and trading transactions carried out between Group companies are disclosed in the directors' report and in the notes to the Company's and the consolidated financial statements. In particular, these related to a number of specific transactions including treasury management, the provision of loans and guarantees, the provision of professional and other services, and the management of common services, which are all carried out at arm's length and are regulated by contractual agreements.
   The information obtained allowed us to confirm that the above transactions took place in accordance with the law and the Company's articles of association and that they were undertaken in the interests of the Company and the Group. Commencing 2010, the Related Party Transactions policy was approved by the board of directors' in accordance with Consob recommendations.
   On the whole, the information provided by the directors in their report is considered sufficient to provide all of the required disclosures.

3. On the whole, the information provided by the directors in their report in accordance with article 2428 of the Italian Civil Code, in respect of the items illustrated at point 1 above, is considered sufficient to provide all of the required disclosures.

4. Regarding the independent audit, Legislative Decree 139/2015 introduced the requirement for the auditors to confirm that the directors' report complies with the applicable legislation and state any significant errors found in the report.

Moreover, as of 15 June 2017, the State Accountant General has introduced the new version of the accounting standard (SA Italia) 720 B for financial periods starting from 1 July 2016.
EY SpA's work was performed in compliance with these updated regulations and accounting standards.
The independent auditors issued the audit report on 19 March 2018, in accordance with articles 14 and 16 of Legislative Decree 39 dated 27.1.2010, on the separate Company financial statements and the consolidated financial statements for the year ended 31 December 2017. These audit reports confirm that the Company's and the consolidated financial statements for the year ended 31 December 2017 comply with the provisions relating to the preparation of financial statements, that they have been properly presented and that they give a true and fair view of the state of affairs and the result of operations for the year of the parent company Falck Renewables SpA, and that the directors' report complies with the legal requirements, and that the audit found no significant errors in it.
The auditors issued the "Additional Report for the internal control and audit committee" (in our case, the Board of Auditors) on the same date. The board of auditors submitted this additional report to the Chairman of the Board of Directors on 19 March 2018, asking them to distribute it to members of the board.

5. No petitions have been filed to date.

6. No petitions have been filed to date pursuant to article 2408 of the Italian Civil Code.

7. E&Y SpA was appointed as the Company's independent auditors for 2011-2019 at the ordinary shareholders' meeting held on 6 May 2011.
   No issues regarding the independence of the auditors arose during the year, taking into consideration the regulatory and professional requirements that govern audit activities. Moreover the independent auditors confirmed that based on all available evidence it maintained its independence and objectivity in respect of Falck Renewables SpA and that there were no changes regarding the existence of reasons for incompatibility defined under article 160 of the Consolidated Finance Act and chapter I-bis of section IV of the listing rules.
   On 19 March 2018, the independent auditors confirmed that the independence requirement was met as per article 17, paragraph 9, letter a) of Legislative Decree 39/2010.

8. E&Y confirmed in its own audit that non-audit activities assigned to E&Y and other members of the same network by Group companies did not include any activities prohibited by the regulations; the fees paid by Falck Renewables SpA for non-audit services are indicated in the financial statement booklet at per art. 149 duodecies of the listing rules.

9. In the course of 2017, the board of statutory auditors did not issue any opinions prescribed by law.

10. The control activities described above were carried out in 2017 through the attendance by the board of statutory auditors at:
    5 board meetings, including the meeting on 20 March 2017 for drafting the annual report;
    1 shareholders' meeting;
    14 board of directors' meetings;
    10 Risk Control Committee meetings;
    8 Human Resources Committee meetings.

11. We have no particular observations to make regarding compliance with the principles of correct administration that appear to have been adhered to at all times.

12. The board of statutory auditors has constantly updated its knowledge and verified the effectiveness of the Company's organisation structure, comparing it with the corporate organisation charts formally

approved and communicated to Consob, through information gathered from each area and meetings with the heads of the internal control function and the independent auditors. The current organisation structure, analysed by business unit and function, at present appears to be appropriate given the size of the Group and meets its operating requirements.

13. With regard to internal control system adequacy, the board of auditors states to have: participated in the activities of the Risk Control Committee (RCC), attended where appropriate by the head of internal audit and the Risk manager, received regular reports from the head of internal audit regarding controls carried out; agreed the audit plan with the independent auditors; received information regarding the accounting standards adopted and the outcome of the audit activities from the Officer responsible for the preparation of the financial reports and the independent auditors.
The Board took note of the report issued by the head of internal audit to the Risk Control Committee regarding the adequacy of the internal control and risk management system in 2017. Falck Renewables SpA has for some time now adopted the Organisation and Operations Manual prepared in accordance with Legislative Decree 231/2001, aimed at preventing the commission of illegal offences as defined in the decree, thus safeguarding the administrative responsibility of the Company. A Supervisory Board (SB) has been appointed in order to enforce implementation of Model "231/01". The SB carries out supervisory, control and other activities independently and is composed of Giovanni Maria Garegnani Chairman, Luca Troyer and Siro Tasca, the head of internal audit.

14. We have no particular observations to report with regard to the adequacy of the administrative-accounting system and of its ability to present management activities fairly. Pursuant to Law 262/2005 (law on savings), an Officer responsible for the preparation of the financial reports was appointed based on the proposal of the Internal Control Committee in agreement with the board of statutory auditors. A Group accounting manual and protocols and administrative-accounting procedures have been adopted regarding accounting closures, the preparation of the financial statements and reporting packages by subsidiaries.
The Company maintains strict control over information from its subsidiaries in order to fulfil its regular communication requirements. The Officer responsible for the preparation of the financial reports evaluates the administrative-accounting internal control system using tests performed by an independent third party. In accordance with Law 262/2005 the Company performed tests on the accounting closure and administrative procedures in general in order to confirm that the correct accounting data flows into the financial statements, documents and prospectuses.

15. An adequate flow of information between the parent company and its subsidiaries (also in relation to the communications covered by article 114.2 of Legislative Decree no. 58/98) is ensured through specific instructions sent to the subsidiaries by parent company management. The Group coordination activities are also guaranteed by the presence on the corporate bodies of the main subsidiaries of directors and members of top management of the parent company.
In accordance with article 2497 bis of the Italian Civil Code, it is noted that Falck Renewables SpA is subject to direction and coordination activities by Falck SpA in the form of strategic directives, while the Company and its corporate bodies still maintain operating independence. Falck Renewables SpA performs direction and coordination activities in respect of its subsidiaries.
We have no specific matters to note regarding the exchange of information with the boards of statutory auditors of the subsidiaries.

16. No significant matters emerged, which require specific mention, during the regular meetings between the statutory auditors and the independent auditors, held in accordance with article 150.2 of Legislative Decree 58/98.

17. The Company has adopted the Code of Self Discipline for listed companies.

We note that the directors' report makes specific mention to the annual corporate governance report prepared in accordance with article 123 bis of the Consolidated Finance Act, to which reference should be made. The statutory auditors confirm in their report that the disclosures pursuant to article 123 bis, paragraph 1 letters c), d), f), l) m) and paragraph 2, letter b) of Legislative Decree 58/98 comply with legislation.
The board of statutory auditors reported that the board of directors, in their meeting dated 8 March 2018, confirmed that they had carried out the independence requirement checks on its own non-executive members in compliance with article 3.C.1 of the Code of Self Discipline and the assessment criteria therein; the board of statutory auditors verified the correct application of the independence assessment criteria and procedures adopted by the board of directors and has no exceptions to note.
The board of statutory auditors also verified the independence of its own board members through compliance with paragraph 10.C.2 of the Code of Self Discipline of Borsa Italiana.
In 2010 the board of directors adopted the procedure regarding related party transactions prepared in accordance with article 2391 – bis of the Italian Civil Code and based on Consob ruling 17221 of 12 March 2010 and ensuing amendments and interpretations. The Board of Directors has delegated the responsibility for overseeing related party transactions to the RCC.

18. Our work was carried out in 2017 in the normal course of business and no omissions, censurable actions or other irregularities emerged from our work that require disclosure.

19. In relation to the work performed during the financial year, we do not have any observations to report under article 153.2 of Legislative Decree 58/98 on the financial statements, their approval and on matters on which we are required to report. In addition, we have no observations to make regarding the board of directors proposed appropriation of profit for the year and the dividend distribution of Euro 0.053 per share.

*** *** ***

Pursuant to article 144 – *quinquiesdecies* of the Listing Rules, approved by Consob in ruling 11971/99 and ensuing amendments, the list of offices held by the board of statutory auditors in companies listed in Book V, Chapter V, Headings V, VI and VII of the Italian Civil Code, is published by Consob on its website (www.consob.it).

Milan, 20 March 2018

<u>The Board of Statutory Auditors</u>

Massimo Scarpelli - Chairman

Giovanna Conca - Statutory auditor

Alberto Giussani – Statutory auditor

12. Independent Auditors' Reports

12 Independent auditors' reports

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Falck Renewables S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Falck Renewables S.p.A. (the Company), which comprise the balance sheet as at December 31, 2017, and the statement of income, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.
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We identified the following key audit matters:

Key Audit Matter	Audit response
Evaluation of investments	
As of December 31, 2017 the balance of "Investments and securities" amounted to Euro 435 million. At least annually, Falck Renewables S.p.A. assesses the presence of impairment indicators for each investment and, if they are present, an impairment test is performed for such assets. The processes and methodologies to evaluate and determine the recoverable amount of each investment are based on complex assumptions that, by their nature, imply the use of judgement by management, in particular with reference to cash flow forecasts, evaluated through the use of price and expected production curves provided by third parties, and to the discount rates applied to those forecasts. Considering the level of judgement required and complexity of the assumptions applied in estimating the recoverable amount of investments, we have identified this area as a key audit matter. Falck Renewables provides disclosures about the nature and the value of the assumptions adopted for impairment test in note 8.6.2 "Balance sheet contents and movements", section A, paragraph 3 "Investments and financial assets" of the notes to the financial statements.	Our audit procedures related to this key audit matter included, among others: • the understanding of the process implemented by the Company regarding the identification of impairment losses and investments valuation, as provided in the impairment test procedure approved by the Board of Directors on February 14, 2018; • the analysis of cash flow forecasts, as well as the price and expected production curves adopted for their evaluation. In addition, our procedures included: • the reconciliation of the cash flow forecasts used for each investment with the Company's Business Plan; • the assessment of the reasonableness of the forecast projections when compared to the historical accuracy of the previous forecasts; • the verification of the determination of the discount rates. In performing our procedures we also involved our valuation specialists, who performed independent recalculation and sensitivity analysis on the key assumptions in order to determine any change in the assumptions that could materially impact the calculation of the recoverable amount. Lastly, we reviewed the disclosure provided in the notes to the financial statements.
Contingent liabilities and provisions related to legal and tax proceedings	
Falck Renewables S.p.A. and its subsidiaries are involved in some legal and tax proceedings. The process and the methodologies for assessing the risks associated with such legal and tax proceedings are based on complex elements that by their nature imply the use of management's	Our audit procedures related to this key audit matter included, among others: • the understanding of the process implemented by the Company in order to identify and evaluate contingent liabilities and related accruals in accordance with

2

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judgment, specifically with reference to the assessment of the uncertainties related to expected results of the proceedings that are not under the control of the Company, their classification within contingent liabilities or liabilities, and the adequacy of the disclosure provided in the notes, considering the assessment made by the internal legal department and by external legal counsels. Considering the required judgment and the complexity of the assessment of the uncertainties connected to the proceedings, as well as the amounts involved, we have identified this area as a key audit matter. The disclosures related to the contingent liabilities and provision for risks are provided in Note 5.2.11 "Risks and uncertainties", section b) Legal, of the Directors' Report, and in note 8.6.2 "Balance sheet contents and movements", paragraph 11 "Provision for other liabilities and charges" of the notes to the financial statements.	the accounting principle IAS 37 "Provisions, contingent liabilities and contingent assets"; • the analysis of the supporting documentation provided for the assessment of the proceedings and claims, also considering information obtained from internal and external legal counsels; • the assessment of the main internal documentation relating to these proceedings and the examination of the confirmations received by the external legal counsels. Lastly, we assessed the disclosure provided on the legal and tax proceedings in place and on the possible impacts of such proceedings on the financial statements of Falck Renewables S.p.A..

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

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

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

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all 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 have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

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Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Falck Renewables S.p.A., in the general meeting held on May 6, 2011, engaged us to perform the audits of the financial statements for each of the years ending December 31, 2011 to December 31, 2019.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Falck Renewables S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Falck Renewables S.p.A. as at December 31, 2017, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Falck Renewables S.p.A. as at December 31, 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Falck Renewables S.p.A. as at December 31, 2017 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, March 19, 2018

EY S.p.A.
Signed by: Gabriele Grignaffini, Partner

This report has been translated into the English language solely for the convenience of international readers.

12 Independent auditors' reports

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Falck Renewables S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Falck Renewables Group (the Group), which comprise the consolidated balance sheet as at December 31, 2017, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

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

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 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.

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We identified the following key audit matters:

Key Audit Matter	Audit response
Evaluation of goodwill and other intangible and tangible assets	
As of December 31, 2017 the balance of Intangibles assets amounted to Euro 107 million, including Euro 86 million of Goodwill, and Tangible assets amounted to Euro 1.025 million. The processes and methodologies to evaluate and determine the recoverable amount of each CGU are based on complex assumptions that, by their nature, imply the use of judgement by management, in particular with reference to cash flow forecasts, evaluated through the use of price and expected production curves provided by third parties, and to the discount rates applied to those forecasts. Considering the level of judgement required and complexity of the assumptions applied in estimating the recoverable amount of goodwill and other intangible and tangible assets, we have identified this area as a key audit matter. Falck Renewables Group provides disclosure about the nature and the value of the assumptions adopted for impairment test in note 6.6.8 "Balance sheet contents and movements", section A, paragraph 1 "Intangible assets" of the notes to the consolidated financial statements.	Our audit procedures related to this key audit matter included, among others: • the understanding of the process implemented by the Group regarding criteria and impairment test methodology approved by the Board of Directors on February 14, 2018; • assessment of the adequacy of the CGUs' perimeter and allocation of the carrying amount of assets and liabilities to each CGU; • the analysis of cash flow forecasts, as well as the price and expected production curves adopted for their evaluation; • evaluation of the impairment test methodology adopted with respect to the provision of the international accounting standard IAS 36 "Impairment of Assets". In addition, our procedures included: • the assessment of the consistency of the cash flow forecasts used for each CGU with the actual Business Plan; • the assessment of the reasonableness of the forecasts projections when compared to the historical accuracy of the previous forecasts; • the verification of the determination of the discount rates. In performing our procedures we also involved our valuation specialists, who performed independent recalculation and sensitivity analysis on the key assumptions in order to determine any change in the assumptions that could materially impact the calculation of the recoverable amount. Lastly, we reviewed the disclosure provided in the notes to the consolidated financial statements.

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Contingent liabilities and provisions related to legal and tax proceedings	
The parent company Falck Renewables S.p.A. and the Group companies are involved in some legal and tax proceedings. The process and the methodologies for assessing the risks associated with such legal and tax proceedings are based on complex elements that by their nature imply the use of management's judgment, specifically with reference to the assessment of the uncertainties related to expected result of the proceeding that are not under the control of the Group, their classification within contingent liabilities or liabilities, and the adequacy of the disclosure provided in the notes, considering the assessment made by the internal legal department and by external legal counsels. Considering the required judgment and the complexity of the assessment of the uncertainties connected to the proceedings, as well as their relevance, we have identified this issue as a key audit matter. The disclosures related to the contingent liabilities and provision for risks are provided in Note 5.2.11 "Risks and uncertainties", section b) Legal, of the Directors' Report, and in note 6.6.8 "Balance sheet contents and movements", paragraph 12 "Provision for other liabilities and charges" of the notes to the consolidated financial statements.	Our audit procedures related to this key audit matter included, among others: • the understanding of the process implemented by the Group in order to identify and evaluate contingent liabilities and related accruals in accordance with the accounting principle IAS 37 "Provisions, contingent liabilities and contingent assets"; • the analysis of the supporting documentation provided for the assessments of the proceedings and claims, also considering information obtained from internal and external legal counsels; • the assessment of the main internal documentation relating to these proceedings and the examination of the confirmations received by the external legal counsels. Lastly, we assessed the disclosure provided on the legal and tax proceedings in place and on the possible impacts of such proceedings on the consolidated financial statements of Falck Renewables Group.

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

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Falck Renewables S.p.A. or to cease operations, or have no realistic alternative but to do so.

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The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

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

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

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all 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 have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Falck Renewables S.p.A., in the general meeting held on May 6, 2011, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2011 to December 31, 2019.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Falck Renewables S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Falck Renewables Group as at December 31, 2017, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Falck Renewables Group as at December 31, 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Falck Renewables Group as at December 31, 2017 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, March 19, 2018

EY S.p.A.
Signed by: Gabriele Grignaffini, Partner

This report has been translated into the English language solely for the convenience of international readers.