FALCK RENEWABLES SpA

Interim Financial Report as of 30 June 2018

Board of Directors' Meeting

Milan, 31 July 2018

FALCK RENEWABLES SpA
Share capital €291,413,891 fully paid
Direction and coordination by Falck SpA
Registered and fiscal address
20121 Milan – Corso Venezia, 16
REA Milano 1675378
Milan Companies Register 03457730962
VAT and tax code 03457730962

Interim Financial Report as of 30 June 2018

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1 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

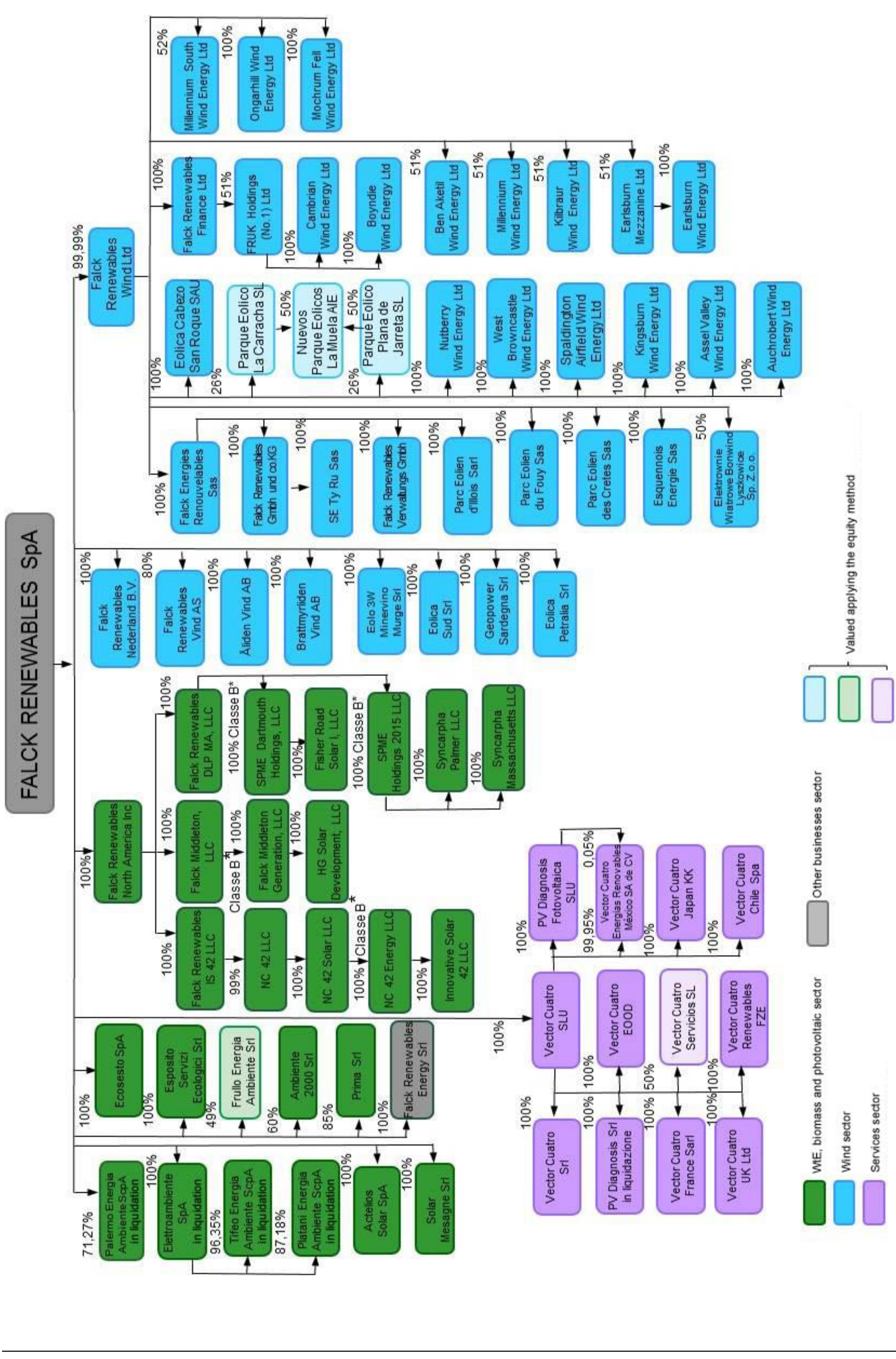
Scarpelli Massimo	Chairman
Conca Giovanna	Statutory auditor
Giussani Alberto	Statutory auditor
Caverni Mara Anna Rita	Substitute statutory auditor
Pezzati Gianluca	Substitute statutory auditor

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

Independent auditors

EY SpA

2 Group structure



* Class B interests guarantee the controlling rights on the company, while class A interests owned by Firstar Development LLC assign protective rights.

3 Consolidated financial highlights

(€ thousands)

		30.6.2018	30.6.2017	31.12.2017*
Revenue		164,974	141,009	288,619
Gross profit		77,857	60,140	127,598
EBITDA (1)		99,389	78,214	149,366
Operating profit		62,794	43,883	75,372
Profit for the period		34,312	19,503	31,458
Falck Renewables SpA profit/(loss) for the period		27,702	12,771	19,788
Earnings per share (Euro) (2)		0.096	0.044	0.068
No. of shares (average for the period) in thousands		289,846	290,024	289,963
No. of shares (at the period-end) in thousands		289,235	289,904	289,904
- Net financial position (asset)		(208,893)	(225,101)	(255,070)
- Non recourse project financing		746,034	717,493	793,138
Total net financial position without derivatives (credits)		537,141	492,392	538,068
- Interest rate derivative financial instruments (credits)		38,741	48,865	46,569
- Commodity derivative financial instruments (credits)		1,786		
- Foreign exchange derivative financial instruments (credits)		2,327	(62)	(90)
Total net financial position with derivatives (credits)		579,995	541,195	584,547
Equity		529,080	482,410	497,559
Falck Renewables SpA shareholders' equity		480,293	441,255	449,226
Shareholders' equity per share (Euro)(2)		1.651	1.517	1.549
Capital expenditure		32,069	10,668	28,038
Gross profit/revenue		47.2%	42.6%	44.2%
EBITDA/revenue		60.2%	55.5%	51.8%
Operating profit/revenue		38.1%	31.1%	26.1%
Profit for the period/equity		6.5%	4.0%	6.3%
Net financial position/equity		1.10	1.12	1.17
Total number of group employees	(no.)	370	353	351

(1) EBITDA = EBITDA is measured by Falck Renewables Group as profit for the period before investment income and costs, net financial income/costs, amortisation and depreciation, impairment losses, charges to risk provisions and income tax expense. This indicator was calculated by applying the best market practices, also taking into consideration the group's latest financing contracts.

(2) Calculated using the average shares outstanding during the period.

*The figures at 31 December 2017 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of the NC 42 LLC group, Falck Renewables Vind AS, Åliden Vind AB and Brattmyrliden Vind AB.
To find out more, see the explanatory notes at 5.6.2 *Consolidation area*.

4. Interim Directors’ report

4 Interim Directors' report

This Interim financial report at 30 June 2018 was drafted in compliance with Article 154-ter of Legislative Decree 58/1998 and international accounting standards recognised by the European Community under EC Regulation 1606/2002 of the European Parliament and Council dated 19 July 2002, and in particular IAS 34 - Interim financial reporting, in addition to the provisions issued in implementation of Article 9 of Legislative Decree 38/2005.

By drafting the interim report based on IAS 34, the Falck Renewables Group has chosen to publish summary information on the abbreviated interim consolidated financial reports at 30 June 2018.

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.

4.1 Falck Renewables group operating and financial review

4.1.1 Falck Renewables Group profile

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

At 30 June 2018, 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 projects acquired in Norway and Sweden, some of which are under construction, 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 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 earn 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, revenue is mainly earned on 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.

In 2018 the "Other businesses" sector was introduced, made up of Falck Renewables SpA and Falck Renewables Energy Srl. Falck Renewables Energy Srl ("FRE"), until 31 December 2017, was part of the "WtE, biomass and photovoltaic" sector. This change was made since FRE began operating in the Energy Management field on 1 January 2018 (based on Group policies), including dispatching, management of imbalances, sale and commodity risk hedging, potentially for all Group sectors.

Although this change did not significantly impact the figures in the first half of 2017, we restated sector data at 30 June 2017 to make them comparable to those from the first half of 2018.

The figures at 31 December 2017 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of the NC 42 LLC group, Falck Renewables Vind AS, Åliden Vind AB and Brattmyrliden Vind AB.

4.1.2 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, 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, and is expected to be approved during 2018, after which Member States will be required to assimilate the Community measures into national law.
Regarding the renewable energy directive "RED II"), an agreement was reached on 14 June 2018 between the Commission, Parliament and Council on an EU renewables target of 32% by 2030.

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. At the moment, in the absence of official clarifications, it is impossible to predict whether the reverse charges regulations will be repeated during 2019; that said, we note that the European Commission is in favour of extending the mechanism until the final VAT regime is in place.

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.

Lastly, the US 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, recent changes to the law mean that solar power plants can benefit from the current "ITC" credit as long as plant construction began before 1 January 2020 and the plant was up and running before 1 January 2024. The group is evaluating the impact of this benefit for future plans.

Regarding Sweden, 2018 corporate income tax (CIT) has been confirmed at 22%. This rate may be gradually reduced to 21.4% from 2019 and 20.6% in 2021. These changes have not yet been approved.

Lastly, the Norwegian 2018 budget also reduced corporate income tax (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.
In fact, Resolution 32/2018/R/efr dated 25 January 2018 stated that the average 2017 electricity sale price (€53.14/MWh) should be used to calculate the incentives replacing GC in 2018. For the year 2018, the value of the Incentive Fee was set at €98.95 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 €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 500kW 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 06 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 €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 01 July 2017 it also introduces macrozonal non-arbitrage fees designed to prevent distortions caused by fixing imbalance prices on a macrozonal 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 AEEGSI, now known as ARERA, 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.
In March 2018, Terna also published consultation documents on the Capacity Market, to be launched in 2019.
The premium cap and strike price will be fixed for each auction (resolution 261/2018/R/eel).

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, following the exit from 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 01 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.

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

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 comprise the 436/2004 and 661/2007 Royal Decrees. New regulations were approved in July 2010 which do not materially 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 have elected 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:

- All electricity generators must pay a tax of €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 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, assigns a fixed tariff for 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 Adjusted Retribution 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, including past revenues, are taken into account at the end of each six-year Regulated Period in order to calculate the Adjusted Retribution. 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 Retribution. 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, which provide maximum quotas (MW) to which will be assigned the Adjusted Retribution.

❖ ***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 Tariffs 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 was 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 €/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 €/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 €/MWh 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/MWh
      ii. Rotor diameter ≥ 100 m – €72/MWh
      iii. Rotor diameter from 80 to 100 m – On a linear scale from €74/MWh to €72/MWh;
   b. The basic level of the tariff is capped at €40/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/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/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/MWh
      ii. 40% shares: €3/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 05 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 - regulatory framework in the photovoltaic sector***

The Falck Renewables Group has been operating in North Carolina since December 2017 with a 92 MW photovoltaic plant, and in Massachusetts since June 2018 with four photovoltaic plants (for a total of 20.5 MW). The Group's US projects benefit from federal policies such as the Solar Investment Tax Credit (ITC), and meet environmental requirements for photovoltaic projects designed to promote the production of renewable energy.

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.

- *Federal incentives*

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 ITC is a federal tax credit worth 30% of investment, granted to solar energy producers, and can be used against personal or corporate income tax due to the federal government. 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%. 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.

- *North Carolina*

The RPS in North Carolina requires 12.5% of total energy use to be from renewable sources by 2021. 0.2% of this quota (12.5%) must come from solar sources (although 88% of the new capacity required by the RPS will presumably be solar power), while the remaining amount must 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 240.7 MW respectively.

RECs
The North Carolina RPS specifies that public utilities can purchase RECs (Renewable Energy Certificates) in order to meet the RPS requirements: In fact, in some areas of 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 overall cost of the energy generated, including the REC costs, are therefore transferred to the utility clients.
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.
In fact, the REC market in the state is mainly driven by RPS compliance. Although utilities can purchase up to 25% of their RPS requirement through qualified, out-of-state REC markets.
Renewable energy producers can register their plants with the commission. If approved, they will be able to use NC-RETS to create and sell RECs to Investor-Owned, Municipal or Cooperative Utilities that need to meet their obligatory quotas. 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.

- *Massachusetts*

In Massachusetts, the RPS, as modified by the Green Communities ACt, S.B. 2768 dated July 2008, aims to see renewable energy increase to 15% of the total energy used by 2020, and continue to increase by 1% each year thereafter.

RECs

In Massachusetts, photovoltaic plants receive Solar Renewable Energy Certificates (SRECs). According to the Solar Carve-Out II Program that came into effect in April 2014, photovoltaic plants that began operating after 31 December 1997 (defined as Class I under the Green Communities Act) produce SREC IIs. Energy suppliers use these SRECs to comply with the RPS.
The price of the SRECs II mainly depends on market availability, based on bilateral contracts between sellers and buyers. The Massachusetts Department of Energy Resources (DOER) has sought to stabilise the value using a state-level auction scheme known as the Solar Credit Clearinghouse Auction II, with prices set on an annual basis and a 5% detraction for administrative expenses. SREC II producers only take part in the Solar Credit Clearinghouse Auction II if they can't manage to sell their SRECs with bilateral contracts on the free market.
Solar energy projects that fall under SRECs generate 0.6 to 1.0 certificates per MWh produced in the first 10 years after their Commercial Operation Date (COD), according to the type of project and off-taker.
The current SREC-II program is due to be replaced, probably in the summer of 2018, by the new Solar Massachusetts Renewable Target (SMART).

❖ ***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 01 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.

4.1.3 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 policies and measurement criteria applied in the preparation of the interim financial report at 30 June 2018 are consistent with those adopted for the previous period and the year-end financial statements, except for those that came into effect on 1 January 2018.

The only significant effect of the introduction of the new principles is in relation to IFRS 9, "Financial instruments".
In fact, for outstanding loans that were renegotiated before 1 January 2018, the new IFRS 9 standard requires the effect of this operations to be calculated at the renegotiation date and thus the amortisation plan recalculated, starting from the renegotiation date, adjust the carrying value at that date to the net present value of the new conditions, balanced by a net equity reserve. For renegotiations after 1 January 2018, the effect of the renegotiation has been posted in the income statement.
The Group thus recalculated the retrospective effects of all loans subject to renegotiation. Since the Group benefited from renegotiations, the effect posted on 1 January 2018 concerned financial liabilities taking into account the original IRR (Internal rate of return), with a positive impact, net of taxes, for approximately €13.3 million, increasing net equity reserves as of 1 January 2018, without restating the comparative data. The Group will not therefore be able to benefit from the lesser interest payable in the future due to renegotiations.
The application of this standard led, *ceteris paribus*, to an increase in financial charges in the first quarter 2018 for €2 million, while boosting net financial position by €17.4 million.

The comparative figures at 31 December 2017 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of the NC 42 LLC group, Falck Renewables Vind AS, Åliden Vind AB and Brattmyrliden Vind AB. These acquisitions took place in the second half of 2017, and did not therefore affect the income statement at 30 June 2017.

In the first half of 2018, Falck Renewables Group **revenues** amounted to €164,974 thousand, an increase of €23,965 thousand (+17%) on the 2017 first half.

This significant increase in revenues is due to: (i) the increase in electricity produced thanks to stronger winds in Italy, Spain and France, (ii) the increase in production due to the increase in installed capacity (933.5 MW in the first half of 2018, against 821 MW in the first half of 2017), following the acquisition of the Innovative Solar 42 solar plant (92 MW) in North Carolina in December 2017, the energisation of the HG Solar Development LLC solar plant in Massachusetts in the United States (6 MW) and the acquisition of three already operating solar plants in Massachusetts in June 2018 (14.5 MW), (iii) the resale of electricity purchased on the market by Falck Renewables Energy Srl in order to mitigate the balancing costs and optimise sales, worth €5.9 million.

The GWh generated in the wind sector in the first half of 2018 amounted to 939 compared to 876 recorded in the 2017 first half (+7% compared to the same period in 2017). The total GWh produced by all the Group's technologies were 1,129 compared with 1,000 in the first half of 2017 (+13% over the same period of 2017), mainly due to solar production in the United States (+75 GWh) and the Auchrobert production, which was brought into operation in April 2017 (+29 GWh). In general, although production increased on the first half of 2017, it remained 6% lower than forecast due to low winds in the UK and partly in Italy.

Faced with an increase in production, electricity prices in Italy fell during the first half of 2018, including the incentive component, compared to the first half of 2017, for wind farms by 5%, for WtE plants by 10%, for biomass plants by 4% and growth by 1% for solar systems in Italy; in Spain there was a 8% drop in prices for wind plants. However, although lower than the first half of 2017, prices in the various countries where the group operates were higher than 2018 forecasts, which indicated a fall in prices.

In the United Kingdom, the rise in prices for the sale of electricity from wind power was 10%, while in France, the feed in tariff mechanism neutralised these increments (+1%). It should be noted that in the USA, the Innovative Solar 42 photovoltaic plant has entered into a contract for the sale of electricity at a fixed reference price per MWh without any obligation to deliver the physical quantity not produced.

The waste transfer prices, on the other hand, rose by 19%.

Furthermore, with reference to production in the United Kingdom, the pound fell by an average of 2.2% against the euro in the first half of 2018 compared to the same period of the previous year.

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

	€/GBP
End of period exchange rate 30 June 2018	0.88605
End of period exchange rate 30 June 2017	0.8793
End of period exchange rate 31 December 2017	0.8872
Average exchange rate 30 June 2018	0.8798
Average exchange rate 30 June 2017	0.8606
Average exchange rate 31 December 2017	0.8767

				(€ thousands)
		30.6.2018	30.6.2017	31.12.2017*
Revenue		164,974	141,009	288,619
Cost of sales		(87,117)	(80,869)	(161,021)
Gross profit		**77,857**	**60,140**	**127,598**
Operating (loss)/profit		**62,794**	**43,883**	**75,372**
EBITDA		**99,389**	**78,214**	**149,366**
Profit before income tax		**44,188**	**25,399**	**42,441**
Profit for the period		**34,312**	**19,503**	**31,458**
Profit for the period attributable to equity holders		**27,702**	**12,771**	**19,788**
Invested capital net of provisions		1,109,075	1,023,605	1,082,106
Total equity		529,080	482,410	497,559
Net financial position - (asset)/indebtedness		**579,995**	**541,195**	**584,547**
- of which non recourse project financing		746,034	717,493	793,138
Capital expenditure		**32,069**	**10,668**	**28,038**
Employees at period-end	(no.)	370	353	351
Ordinary shares	(no.)	291,413,891	291,413,891	291,413,891

* The figures at 31 December 2017 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of the NC 42 LLC group, Falck Renewables Vind AS, Åliden Vind AB and Brattmyrliden Vind AB.

Revenues in the first half of 2018 may be analysed by sector as follows:

				(€ thousands)
	30.6.2018	%	30.6.2017	%
WtE, biomass and photovoltaic sector	32,419	20	30,088	21
Wind sector	122,097	74	105,130	75
Services sector	5,888	4	6,174	4
Other businesses sector	15,157	9	98	0
Sub-total	175,561	106	141,490	100
Elimination of intercompany revenue	(10,587)	-6	(481)	0
Total	**164,974**	**100**	**141,009**	**100**

In 2018 the "Other businesses" sector was introduced, made up of Falck Renewables SpA and Falck Renewables Energy Srl. Falck Renewables Energy Srl ("FRE"), until 31 December 2017, was part of the "WtE, biomass and photovoltaic" sector. This change was made since FRE began operating in the Energy Management field on 1 January 2018 (based on Group policies), including dispatching, management of imbalances, sale and commodity risk hedging, potentially for all Group sectors.
Although this change did not significantly impact the figures in the first half of 2017, we restated sector data at 30 June 2017 to make them comparable to those from the first half of 2018.

As a result of the above, **EBITDA** for the first half of 2018 amounted to €99,389 thousand (2017 first half – 78,214 thousand), corresponding to 60.2% of revenues, in line with the margins recorded in the first half of 2017. EBITDA increased compared to the first half of 2018 (+27.1% and + €21,175 thousand) due to higher production during the period under review, despite a devaluation of the pound sterling and lower prices for the sale of energy in some countries.

EBITDA was also affected by the non-recurring cost (€7.1 million) of the release of certain provisions and allocations, net of transaction costs, for the closure of litigation relating to land in the Sicilian projects in liquidation. For further information, see explanatory note no. 27 *Significant non-recurring events and transactions*.

Operating profit, totalling €62,794 thousand, rose by €18,911 thousand on the first half of 2017, equivalent to 38.1% of sales revenues (31.1% at 30 June 2017).

This was affected by provisions of approximately €4 million, mainly referring to allocations for litigation regarding the Sicilian project companies.
The 2017 result was affected by the allocation of €3.8 million to reserves for future extraordinary maintenance costs for Ecosesto SpA.

Net financial charges increased by €28 thousand compared to the first half of 2017. Financial charges were negatively affected by the entry into force, starting on 1 January 2018, of accounting standard IFRS 9 which entailed higher interest expense for the Group.
In fact, for outstanding loans that were renegotiated before 1 January 2018, the new IFRS 9 standard requires the effect of this operations to be calculated at the renegotiation date and thus the amortisation plan recalculated, starting from the renegotiation date, adjust the carrying value at that date to the net present value of the new conditions, balanced by a net equity reserve. For renegotiations after 1 January 2018, the effect of the renegotiation must be posted in the income statement.
The Group thus recalculated the retrospective effects of all loans subject to renegotiation. Since the Group benefited from renegotiations, the effect posted on 1 January 2018 concerned financial liabilities taking into account the original IRR (Internal rate of return), with a positive impact, net of taxes, for approximately €13.3 million, increasing net equity reserves as of 1 January 2018, without restating the comparative data. The Group will not therefore be able to benefit from the lesser interest payable in the future due to renegotiations.
The application of this standard led, *ceteris paribus*, to an increase in financial charges in the first quarter 2018 for €2 million, while boosting net financial position by €17.4 million.

This effect was almost entirely offset (i) by management’s actions to manage debt more efficiently, (ii) positive net exchange differences and (iii) lower interest on the fair value debt of royalty instruments.

Income tax as of 30 June 2018 totalled €9,876 thousand (€5,896 thousand the first half of 2017).

Income tax in the first half of 2018 was positively affected by €1 million in consolidation income.
With reference to tax in the first half of 2017, the review of the useful life of the Italian wind and solar plants reduced our tax burden by €1.4 million.

As a result of the above factors, the **net result** rise to €34,312 thousand, up by €14,809 thousand on 30 June 2017.

The **Group net result** of €27,702 thousand was up by €14,931 thousand compared to the first half of 2017 (€12,771 thousand).

The net result in the first half of 2018, adjusted for the non-recurring effect of the closure of land disputes relating to some of the Sicilian projects under liquidation, was of €27.2 million, while Group net result was of €20.9 million.

The **net financial position (NFP) net of the fair value of derivatives** showed net debt of €537,141 thousand, down from €538,068 thousand at 31 December 2017.

The **net financial position including the fair value of derivatives** totalled €579,995 thousand at 30 June 2018 (€584,547 thousand at 31 December 2017).

The following components affected the variation in NFP: cash generated from operating activities, amounting to approx. €59.3 million, offset by net investment, including the change in the consolidation perimeter, worth €66.6 million in 2018, from the purchase of treasury shares and €21.6 million in dividends distributed. The devaluation of the EUR against the GBP had a negative effect worth €1.2 million on net financial debt in GBP, while the variation in fair value of derivatives positively affected the net financial position by €4.2 million. The application of the new IFRS 9 standard reduced our NFP by around €17.4 million. Moreover, the investment by minorities in the acquisitions in Norway and the US boosted our NFP by €13.1 million.

Lastly, we note that the financial position includes non-recourse project financings (“Gross Project Debt”) for a total of €746,034 thousand at 30 June 2018 (€793,138 thousand at 31 December 2017).

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 €673,340 thousand.

Moreover, Gross Project Debt is hedged, using interest rate swaps, against interest rate variations for a total of €627,381 thousand, equal to 84% of the debt.

As a result, the net financial position (excluding the fair value of the derivatives, for €537,141 thousand) is also hedged against interest rate variations using interest rate swaps or fixed rate loans for a total of more than 117% of the financial debt.

The NFP comprises net financial liabilities of €31,224 thousand relating to projects under construction and development that were not yet fully revenue generating at 30 June 2018; the net financial position net of this amount and the fair value of derivatives would have amounted to €505,917 thousand.

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

	(€ thousands)
	30.6.2018
Total NFP net of Fair Value of Derivatives	537,141
Total hedged against interest rate fluctuations	627,381
% Hedged/NFP net of derivatives	117%
Total Gross Debt including Fair Value of Derivatives (GD+FVD)	814,815
of which Project Gross Debt + Fair Value of Project Derivatives	784,769
% Project GD including FV Derivatives/(GD+FVD)	96%
Total Gross Debt net of Fair Value of Derivatives (GD)	769,760
of which Project Gross Debt (Project GD)	746,034
% Project GD/GD	97%
Project Gross Debt (Project GD)	746,034
Total hedged against interest rate fluctuations	627,381
% Hedged/Project GD	84%
Total Gross Debt net of Fair Value of Derivatives (GD)	769,760
Total hedged against interest rate fluctuations	627,381
% Hedged/GD	82%
Total net financial position including Fair Value of Derivatives (NFP)	579,995
of which Project Financing Net Debt (Project NFP) (*)	673,340
% Project NFP/NFP	116%

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

Capital expenditure in the period, which amounted to €32,069 thousand, represents the Group's investment and improvements to operating plants.

Investments in tangible assets amounted to €31,607 thousand and mainly concerned the construction of the Auchrobert wind farms in the UK (€401 thousand), the Brattmyrliden (€2,191 thousand) and Åliden (€3,315 thousand) wind parks in Sweden, Falck Renewables Vind (€12,018 thousand) in Norway, the HG Solar photovoltaic plant in the US (€9,162 thousand) and the Fisher Road Solar I, LLC Syncarpha Palmer LLC and Syncarpha Massachusetts LLC solar plants in the US (€4,235 thousand), and other minor investments (€285 thousand).

Investment in intangible assets totalled €462 thousand and related primarily to operating software, technical consultancies and internal costs.

Other investments (variation in the consolidation perimeter)

The following companies were acquired during 2018, and consolidated line-by-line from the date of their acquisition:

- HG Solar Development LLC, 100% owned by Falck Middleton Generation LLC;
- SPME Dartmouth Holdings LLC, of which Falck Renewables DLP MA LLC owns 100% of the Class B shares;
- SPME Holdings 2015 LLC, of which Falck Renewables DLP MA LLC owns 100% of the Class B shares;
- Fisher Road Solar I LLC, 100% owned by SPME Dartmouth Holdings LLC;
- Syncarpha Palmer LLC, 100% owned by SPME Holdings 2015 LLC;
- Syncarpha Massachusetts LLC, 100% owned by SPME Holdings 2015 LLC.

Investment in the acquisitions, recorded as a variation in the consolidation perimeter, amounted to €34,634 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.

At 30 June 2018 the Group had 370 **employees**, 19 more than at 31 December 2017, composed as follows:

(number)

	30.6.2018	30.6.2017	31.12.2017
Managers	38	37	38
White-collar workers	284	266	264
Blue-collar workers	48	50	49
Total Group employees	**370**	**353**	**351**

The increase is mainly due to the Services sector (13 resources), and the Wind sector (4 resources), which are expanding their activities.

The number of employees by sector is composed as follows:

(number)

	At 30.6.2018	At 30.6.2017	At 31.12.2017
WtE, biomass and photovoltaic sector	84	86	85
Wind sector	45	42	41
Services sector	144	129	131
Other businesses	97	96	94
Total	**370**	**353**	**351**

Installed capacity, compared to the previous periods, is illustrated in the table below:

(MW)

Technology	At 30.6.2018	At 30.6.2017	At 31.12.2017
Wind	769.9	769.9	769.9
WtE	20.0	20.0	20.0
Biomass	15.0	15.0	15.0
Photovoltaic	128.6	16.1	108.1
Total	**933.5**	**821.0**	**913.0**

The installed capacity increased by 112.5 MW compared to 30 June 2017.
During the month of December 2017, Innovative Solar 42 LLC, which owns the 92 MW photovoltaic project in North Carolina in the United States, became part of the Group.
In June 2018, the HG Solar Development LLC plant in Massachusetts, US, was powered up. The plant was acquired and constructed during the first half of 2018, and has an installed power of 6 MV.
In the same month of June, Falck Renewables DLP MA LLC also acquired three operating solar plants in Massachusetts, US, for a total of 14.5 MW.

4.1.4 Non-financial performance indicators

The key non-financial indicators are as follows:

	Unit of measurement	30.6.2018	30.6.2017
Gross electricity generated	GWh	1,129	1,000
Total waste treated	tonnes/000	128	134

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

The increase in electricity produced has been illustrated above.

With reference to the waste treated, the quantity managed by Prima Srl decreased due to accidental down time.

4.1.5 Share price performance

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

The updated business plan was presented to the market on 12 December 2017, receiving a warm welcome from the financial community and prompting strong growth in the shares by the end of the month; these values were substantially maintained in the first half of 2018. 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 €/£ exchange rate was equal to 0.8606 in the first half of 2017, while it was 0.8798 in the first half of 2018, down by approximately 2.2%.
During the first half of 2018, we focussed on keeping the market updated on the main themes of the business plan and our management of existing assets, informing the financial community promptly about progress made on constructing the new projects in Northern Europe and the acquisition of the three operating solar plants in the US (Massachusetts), which was concluded in early June.
We also made a particular effort to meet more often with potential investors, both at home (Milan) and abroad (New York, Paris (2 meetings), Oslo, Frankfurt and Vienna). We held roadshows to meet the financial community, and took part in events held by brokers and specialised companies.
Attendance at the Italian Investment Conference organised by Kepler Chevreaux and Unicredit in mid-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.
On 15 May 2018, the Falck Renewables share was upgraded from the FTSE Italia Small Cap to the FTSE Italia Mid Cap index, which lists shares with a higher level of capitalisation; this move will help improve our visibility for investors. These indexes are updated each quarter.

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.

4.1.6 Performance of the business sectors

The Falck Renewables Group operates in the following business sectors:

- The WtE and waste treatment, biomass and photovoltaic sector;
- The wind sector through Falck Renewables Wind Ltd and its subsidiaries;
- the services sector under the helm of Vector Cuatro SLU and its subsidiaries;
- other Businesses.

In 2018 the "Other businesses" sector was introduced, made up of Falck Renewables SpA and Falck Renewables Energy Srl. Falck Renewables Energy Srl ("FRE"), until 31 December 2017, was part of the "WtE, biomass and photovoltaic" sector. This change was made since FRE began operating in the Energy Management field on 1 January 2018 (based on Group policies), including dispatching, management of imbalances, sale and commodity risk hedging, potentially for all Group sectors.
Although this change did not significantly impact the figures in the first half of 2017, we restated sector data at 30 June 2017 to make them comparable to those from the first half of 2018.

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**

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

(€ thousands)

		30.6.2018	30.6.2017	31.12.2017*
Revenue		32,419	30,088	60,360
Cost of sales		(25,735)	(25,580)	(48,651)
Gross (loss)/profit		**6,684**	**4,508**	**11,709**
Operating (loss)/profit		**6,799**	**2,056**	**152**
EBITDA		**16,816**	**10,256**	**18,104**
Profit/(loss) for the period		**4,302**	**1,046**	**(1,181)**
Profit/(loss) for the period attributable to equity holders		**4,284**	**743**	**(673)**
Intangible assets		**7**	**1,247**	**0**
Property, plant and equipment		**247,764**	**86,102**	**202,506**
Net financial position - indebtedness/(asset)		**162,808**	**131,445**	**153,035**
- of which non recourse project financing		58,176	26,002	59,865
Capital expenditure		**13,566**	**346**	**1,702**
Employees at the period-end	(no.)	84	86	85

* The figures at 31 December 2017 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of the NC 42 LLC group, Falck Renewables Vind AS, Åliden Vind AB and Brattmyrliden Vind AB.

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.

In 2018 the "Other businesses" sector was introduced, made up of Falck Renewables SpA and Falck Renewables Energy Srl. Falck Renewables Energy Srl, until 31 December 2017, was part of the "WtE, biomass and photovoltaic" sector.
The figures shown at 30 June 2017 and 31 December 2017 have been restated to reflect the composition of the new sectors.

On 1 December 2017 Falck Renewables IS42 LLC (wholly owned subsidiary) purchased from Recurrent Energy LLC (wholly owned by Canadian Solar Inc.) 99% of the shares in the Innovative Solar 42 LLC photovoltaic plant in North Carolina for a total capacity of 92 MW.

The sector posted a slight increase in revenues compared to the first half of 2017, due to (i) higher production thanks to the increased solar capacity (€3.9 million), partly offset by the planned downtime (every two years) for the Rende hybrid plant, (ii) the rise in waste transfer prices (+19%), (iii) partly offset by lower electricity

sale prices compared to the first half of 2017 and the fall in the quantity of waste treated due to an accidental shutdown of the Trezzo sull'Adda thermovalorisation plant.
The first half of 2018 was characterised by electricity sales prices, inclusive of the incentive component, down from the first half of 2017, for Italian WtE plants by 10%, biomass plants by 4% and up for Italian solar plants by 1%.
It should be noted that in the USA, the Innovative Solar 42 photovoltaic plant has entered into a contract for the sale of electricity at a fixed reference price per MWh without any obligation to deliver the physical quantity not produced.

These factors contributed to an increase in EBITDA (€6,560 thousand) to €16,816 thousand corresponding to 51.9% of revenue (34.1% in 2017).

EBITDA was also affected by the non-recurring cost (€7,098 thousand) of the release of certain provisions and charges, net of transaction costs, for the closure of litigation relating to land in the Sicilian projects in liquidation.
Operating profit improved by €4,743 thousand and now totals €6,799 thousand.

This was affected by the charge of €3,884 thousand to provisions to cover the ongoing litigation relating to the Sicilian companies in liquidation.
The 2017 result was affected by the charge of €3.8 million to reserves for future extraordinary maintenance costs for Ecosesto SpA.

The net financial position, a net indebtedness of €162,808 thousand, rose compared to the balance at 31 December 2017 (€9,773 thousand), mainly thanks to the investments in the solar plants in the US.

The net financial position includes non-recourse project financing for €58,176 thousand (31 December 2017: €59,865 thousand) and the fair value of derivatives to hedge interest rate exposure for €3,194 thousand (€3,447 thousand at 31 December 2017).

During the first half of 2018, investment in tangible and intangible assets amounted to €13,566 thousand mainly in relation to the construction and acquisition of the HG Solar Development LLC plant in the US (€9,162 thousand) and the acquisition of the Fisher Road Solar I LLC, Syncarpha Palmer LLC, and Syncarpha Massachusetts LLC solar plants in the US (€4,235 thousand).

❖ Wind sector

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

				(€ thousands)
		30.6.2018	30.6.2017	31.12.2017
Revenue		122,097	105,130	216,759
Cost of sales		(50,265)	(49,888)	(101,357)
Gross profit		**71,832**	**55,242**	**115,402**
Operating profit		**66,586**	**51,611**	**99,103**
EBITDA		**92,377**	**76,161**	**149,987**
Profit for the period		**36,384**	**24,303**	**47,477**
Profit for the period attributable to equity holders		**29,785**	**17,875**	**35,299**
Intangible assets		**96,384**	**80,261**	**96,281**
Property, plant and equipment		**813,276**	**842,153**	**819,565**
Net financial position - indebtedness		**497,504**	**717,815**	**570,956**
- of which non recourse project financing		687,858	691,491	733,273
Capital expenditure		**19,048**	**10,070**	**25,830**
Employees at the period-end	(no.)	45	42	41

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 increase in **revenues** (€16,967 thousand) is mainly due to the increase in production due to the increased windiness in Italy, France and Spain. Compared to the first half of 2017, the full operations of the 36-MW Auchrobert (UK) wind power plant contributed to higher production: in the first half of 2018, the GWh produced by the wind sector amounted to 939 compared to the 876 of the first 2017 half (+7% compared to the same period of 2017).
Revenues benefited from the increase in energy prices in the United Kingdom (+10%), which however were partially offset by the devaluation of the pound against the Euro, which was 2.2% with reference to production in the United Kingdom, by the 5% decrease in energy sales prices in Italy, inclusive of the incentive component and the 8% decrease in prices in Spain; in France, the feed-in tariff mechanism has neutralised the price fluctuation (+1%).

Gross profit increased by €16,590 thousand, corresponding to 58.8% of revenue (52.5% in 2017).

EBITDA amounted to €92,377 thousand, an increase of €16,216 thousand over the same period last year and equal to 75.7% of revenue (72.4% in 2017).

Operating profit, of €66,586 thousand, also recorded growth, increasing by €14,975 thousand compared to the first half of 2017 and amounting to 54.5% of revenue (49.1% in 2017).

The net financial position is equal to €497,504 thousand, inclusive of non-recourse project financing for an amount of €687,858 thousand and the fair value of derivatives hedging interest rate and exchange rate risks for €37,323 thousand, and posted a significant improvement, compared to 30 June 2017, of €717,815 thousand due to the sale of the Italian wind companies to Falck Renewables SpA, which contributed €147,797 thousand and due to the cash generated by the plants in operation.

Investments in the period amounted to €19,048 thousand, with reference to:

(€ thousands)	Property, plant and equipment	Intangible assets	**Total**
Okla and Hennøy wind farm	12,057	181	**12,238**
Åliden wind farm	3,632		**3,632**
Brattmyrliden wind farm	2,736		**2,736**
Auchrobert wind farm	401		**401**
Other smaller wind farms	41		**41**
Total	**18,867**	**181**	**19,048**

Details and figures at 30 June 2018 of subsidiaries with significant non-controlling interests are shown below, in compliance with IFRS 12:

	Registered office	Currency	Share capital	% direct holding	Indirect holding %	Indirect holding Parent company
FRUK Holdings (No.1) Ltd	London (UK)	GBP	1		51.000	Falck Renewables Finance Ltd
Boyndie Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	FRUK Holdings (No. 1) Ltd
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
Ben Aketil Wind Energy Ltd	Inverness (UK)	GBP	100		51.000	Falck Renewables Wind Ltd
Kilbraur Wind Energy Ltd	Inverness (UK)	GBP	100		51.000	Falck Renewables Wind Ltd
Millennium Wind Energy Ltd	Inverness (UK)	GBP	100		51.000	Falck Renewables Wind Ltd

Main balance sheet information:

(€ thousands)

	Non-current assets	Current assets	Total equity	Non-current liabilities	Current liabilities
FRUK Holdings (No. 1) Ltd	17,067	19,342	(4,595)	34,965	6,039
Boyndie Wind Energy Ltd	9,052	1,224	3,268	1,744	5,264
Cambrian Wind Energy Ltd	24,306	8,764	7,930	6,848	18,292
Earlsburn Mezzanine Ltd	43,389	11,662	32,301	21,204	1,546
Earlsburn Wind Energy Ltd	23,476	5,601	6,613	14,737	7,727
Ben Aketil Wind Energy Ltd	24,233	4,071	1,604	17,370	9,330
Kilbraur Wind Energy Ltd	59,825	8,274	14,637	46,960	6,502
Millennium Wind Energy Ltd	53,519	8,429	13,599	40,536	7,813

Main income statement information:

(€ thousands)

	Revenue	Cost of sales	Gross profit	Operating (loss)/profit	Profit/(loss) before income tax	Profit/(loss) for the period
FRUK Holdings (No.1) Ltd				(18)	1,080	1,220
Boyndie Wind Energy Ltd	2,175	(883)	1,292	1,273	1,273	1,026
Cambrian Wind Energy Ltd	9,217	(6,366)	2,851	2,833	2,693	2,212
Earlsburn Mezzanine Ltd				(12)	1,766	1,782
Earlsburn Wind Energy Ltd	6,847	(1,953)	4,894	4,775	4,475	3,612
Ben Aketil Wind Energy Ltd	3,601	(1,568)	2,033	1,941	1,503	1,219
Kilbraur Wind Energy Ltd	10,232	(5,413)	4,819	4,710	3,886	3,152
Millennium Wind Energy Ltd	9,472	(4,764)	4,708	4,613	3,960	3,223

Borea transaction: *Earn-out and Derisking*

The Agreement stipulated in 2014 envisages a further deferred amount payable to the Falck Renewables Group calculated by comparing actual performance of the wind farms of the Target Companies (in terms of GWh generated) to a pre-established target for the period 2014–2018, to be settled in cash at the end of this period applying an earn-out mechanism capped at £ 10 million. If, on the other hand, the Target wind farm performance is below the pre-established target, the Falck Renewables Group is under no obligation to compensate CII HoldCo Ltd.

As the timeframe for calculating production is over a five-year period, and we are therefore not yet certain whether the target performance will be met, the Group has not recorded any potential assets in relation to the earn-out contract clause.

The Agreement also establishes that CII HoldCo Ltd is entitled to reduce the sale price (Derisking) payable in 2021 if the average UK annual electricity price for the period 2014-2020 falls below £ 25 per MWh (nominal not adjusted for inflation), multiplied by actual annual production in MWh in the same period for each wind farm involved in the sale, 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 market from the second half of 2017 up to 2020, taking into account actual figures for 2014, 2015, 2016 and 2017 which were £ 41.83, £ 40.25, £ 40.74 and £ 45.35 per MWh respectively. The result of the valuations is that, to date, there are no elements deemed able to give rise to a price adjustment in favour of CII HoldCo Ltd.

❖ Services sector

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

				(€ thousands)
		30.6.2018	30.6.2017	31.12.2017
Revenue		5,888	6,174	12,103
Cost of sales		(5,799)	(5,883)	(11,347)
Gross profit		**89**	**291**	**756**
Operating profit		**56**	**308**	**(843)**
EBITDA		**388**	**1,276**	**1,968**
Profit for the period		**(48)**	**160**	**(854)**
Profit for the period attributable to equity holders		**(48)**	**160**	**(854)**
Intangible assets		**9,254**	**10,953**	**9,411**
Property, plant and equipment		**614**	**716**	**633**
Net financial position - indebtedness/(asset)		**(1,267)**	**(1,393)**	**(2,109)**
- of which non recourse project financing				
Capital expenditure		**100**	**119**	**217**
Employees at the period-end	(no.)	144	129	131

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, United Arab Emirates and Bulgaria.
Vector Cuatro also offers engineering and consulting services in the development of projects to generate electricity principally using solar and wind energy.

Revenues fell by €286 thousand, mainly due to lower revenues from transactions services in Spain and asset management services in Italy and the UK.

EBITDA amounted to €388 thousand, down by €888 thousand over the same period last year due to lower revenue from transactions, equal to 6.6% of revenue (2017: 20.7%).
The net financial position was a net asset of €1,267 thousand, down by €842 thousand in comparison to 31 December 2017.

Investments in the sector for €100 thousand primarily refer to the new management system and investment in hardware and furniture.

❖ Other Businesses

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

			(€ thousands)	
		30.6.2018	30.6.2017	31.12.2017
Revenue		15,157	98	2,650
Cost of sales		(15,194)	(5)	(2,493)
Gross profit		**(37)**	**93**	**157**
EBITDA		**(5,898)**	**(9,431)**	**(20,387)**
Operating profit		**(6,656)**	**(10,401)**	**(25,991)**
Intangible assets		**1,531**	**1,542**	**1,443**
Property, plant and equipment		**216**	**298**	**282**
Net financial position - indebtedness/(asset)		**2,168**	**(224,428)**	**(56,187)**
- of which non recourse project financing				
Capital expenditure		**277**	**138**	**294**
Employees at the period-end	(no.)	97	96	94

In 2018 the "Other businesses" sector was introduced, made up of Falck Renewables SpA and Falck Renewables Energy Srl. Falck Renewables Energy Srl (FRE), until 2017, was part of the "WtE, biomass and photovoltaic" sector.

FRE operates within the scope of Energy Management (based on the policies defined at Group level), which includes, among other things, dispatching, management of imbalances, sale and commodity risk hedging, potentially for all Group sectors.

Figures shown at 30 June 2017 and 31 December 2017 have been restated to reflect the composition of the new sectors.

Revenues increased by €15,059 thousand, due to the sale of energy by Falck Renewables Energy Srl which mainly began in the first half of 2018.

Gross profit fell by €130 thousand.

The financial position (mainly from Falck Renewables SpA) posted a debit balance of €2,168 thousand, compared to a credit balance of €56,187 thousand at 31 December 2017. This reduction in the credit balance was mainly due to investments and capital injections for companies in the US, Norway, and Sweden, and to dividends distributed.

The net financial position also includes the negative fair value of the derivatives to hedge foreign exchange and commodity risks for €2,337 thousand (€90 thousand at 31 December 2017).

4.1.7 Significant business events in the first half of 2018

The following were the most significant events that took place:

Falck Renewables, through its Swedish subsidiaries, signed two contracts with the Nordex group for a total value of approximately €121.7 million for the supply of 31 N131/3900 wind turbines and related infrastructural, civil and electrical works, based on EPC, for the construction of the two recently acquired projects of Åliden and Brattmyrliden in Sweden. Preliminary work has begun and activities will intensify during 2018 and 2019. Åliden is due to be commissioned in the fourth quarter of 2019 while that of Brattmyrliden is expected in the fourth quarter of 2020.

Through its Norwegian subsidiary Falck Renewables Vind AS, Falck Renewables signed a supply contract with Vestas worth approximately €36 million for 12 V136 wind turbines (4.2 MW) at the Hennøy wind farm in Norway. The plant is already under construction, and work will be stepped up during 2018; the turbines will be delivered in 2019, and the plant will become operational in the last quarter of 2019.

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 6 MW in Middleton (Massachusetts, USA) from the developer HG Solar, and signed an EPC agreement (Engineering, Procurement and Construction) with Conti Solar. The plant supplies electricity to the Middleton Electric Light Department based on a long-term PPA agreement (Power Purchase Agreement) and can also sell Renewable Energy Credits in Massachusetts and receive the Federal Investment Tax Credit Incentive (ITC).

On 5 June, Falck Renewables DLP MA LLC acquired three already operational solar plants for a total of 14.5MW, in addition to investment rights in future projects, from Syncarpha Capital LLC (Syncarpha), valued at a total of $ 27.44 million. Falck Renewables acquired 100% ownership of the solar projects through Falck Renewables North America Inc., a fully-owned subsidiary.
The three projects became operational in 2014-2015, and sell electricity under long-term PPA agreements according to the Massachusetts Net Metering Credit program. The projects will also sell Renewable Energy Credits in Massachusetts.

For details of the non-recurring operations in the period, please refer to paragraph 27 of the Notes.

Increase in installed capacity

In June 2018, the HG Solar Development LLC plant in Massachusetts, US, was powered up. The plant was acquired and constructed in 2018, and has an installed power of 6 MV.
In the same month of June, Falck Renewables DLP MA LLC also acquired three operating solar plants in Massachusetts, US, for a total of 14.5 MW.

4.1.8 Environment, health and safety

During the first half of 2018, 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 9001:2015 Environmental management system UNI EN ISO 14001:2015 Safety management system OHSAS 18001:2007	Trezzo sull'Adda WtE plant
Prima Srl	Quality management system UNI EN ISO 9001:2015 Environmental management system UNI EN ISO 14001:2015 EMAS registration	Trezzo sull'Adda WtE plant
Esposito Servizi Ecologici Srl (*currently being updated*)	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)
Ecosesto SpA (*currently being updated*)	Quality management system UNI EN ISO 9001:2008 Environmental management system UNI EN ISO 14001:2004 Safety management system OHSAS 18001:2007	Rende biomass plant

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, no accidents took place in the first half of 2018. Accident indexes are therefore 0.

4.1.9 Research and Development activities

The Falck Renewables Group did not conduct any research and development activities in the period in question.

4.1.10 Risks and uncertainties

The principal risks and uncertainties facing the Falck Renewables Group are analysed by nature below. Please note that, under the Risk Management project, the Falck Renewables Group continued risk analysis and an organic approach to risk management. The main activities performed include: (i) defining Group risk identification and monitoring methods; (ii) risk analysis of corporate processes, new business, and forecast data used to support decision-making; (iii) sharing periodic risk assessment analysis with Group management; (iv) the introduction by the Falck Renewables SpA Board of Directors of the Risk Appetite Framework that sets out the level of risk that the Group is willing 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. With reference to the new IFRS 9 standard, internal policies are already aligned and it was not therefore necessary to make any adjustments. 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 customers concentration is medium, although with high credit ratings. 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.
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 correspondence accounts. The Falck Renewables Group prepares a monthly updated statement of the NFP and a rolling financial forecast, in which the final data for the period are supported by a summary evaluation and commentary by both sector and for the entire Group. On 12 June 2015, modified on 30 July 2018, Falck Renewables SpA entered into a revolving loan agreement ("**Corporate Loan**") for €325 million maturing on 31 December 2023; as of 30 June 2018 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 €109,077 thousand at 30 June 2018 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. While waiting to receive financing, it occasionally 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 €325 million will support the financial needs and the development of the Group's activities set out in the business plan presented to the financial community on 12 December 2017. The "revolving" nature of this loan, which was obtained at favourable market conditions, makes it particularly flexible and available for use until its expiry.

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, it follows well-established procedures 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 opposing 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 30 June 2018.

- **Foreign exchange risk**

Foreign exchange risk arises on the Group's operations outside the "€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 forward purchases or sales of foreign currency against the account currency.

(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 €. The Group does not cover the risk of translation.

5. Commodity risk

While expanding the scope of its operations, the Group has begun despatching the energy produced by a portfolio of selected plants by efficiently managing production flow and sales activities, in order to stabilise revenues on a consolidated level. In this respect, the Falck Renewables Group is exposed to the risk of price variations in the commodities traded, the volume risk relating to the variation in the volume of electricity produced by the plants powered by wind or solar energy, whose production cannot be planned and depends on natural resources. In the same way, operating risk cannot be excluded relating to the adequacy of the technical and organisational measures put in place by the Group for performing electricity despatching on the market.

In order to mitigate these risks, a specific structure has been set up within the Energy Management department to carry out hedging (fixing prices for the physical volumes underlying the portfolio, in order to ensure at least the minimum revenues set out in the budget), trading (strategies aiming to earn margins by exploiting price volatility) and market analysis activities using statistical models. Risk management and control activities are governed by the Energy Risk Policy, which sets specific limits for risk in terms of risk capital and the use of financial derivatives that are commonly used on the market, in order to keep exposure within set limits.

- **Volume risk**

Exposure to volume risk can lead to over/under-hedging in relation to the amount of production forecast in the budget, and to differences between the binding day-ahead market program, which are then offset by other sessions on the intraday market, and the amount of energy actually fed into the network, with a potential impact in terms of increased balancing costs. Short-term volume risk management strategies involve daily optimisation of production programs on the day-ahead and intraday markets using hourly weather forecasting tools (wind, sun) to limit the differences between the feed-in programs and actual production levels. Other volume risk mitigation measures include prevention and protection strategies for plant downtime, planned or otherwise, in addition to a hedging policy with a coverage thresholder in order to limit over-hedging.

The Energy Management department is also considering taking out insurance for certain plants in order to make volume risk mitigation strategies more effective, including any financial losses from production short-falls.

- **Price risk**

To manage price risk, the Energy Management department uses financial swaps to set spot prices on the electricity markets, within the limits of the Energy Risk Policy and the PPA contracts with the third parties appointed to withdraw the energy, In order to improve the price risk mitigation process, in 2019 the Energy Management department will be launching a Hedging Policy calibrated to the technical characteristics and geographic location of the production plant, in order to minimise the variability of the group's financial results caused by electricity price volatility. The hedging operations will be governed by the Hedging Policy in line with the principles of the Energy Risk Policy.

- **Operating risk**

In order to manage and identify adequate measures to minimise operating risk in relation to the company's activities selling energy, the Energy Management department, supported by Operations and IT, performs regular assessments of corporate procedures, information flows (to and from plants), the IT infrastructure used for despatching and the quality of the data used in this activity. These activities ensure that despatching and plant operations take place in line with corporate procedures, and with sufficient levels of reliability and traceability.
Lastly, as part of a drive to constantly improve processes and market operations, the new Trading and Risk Management system is currently being introduced, and will be fully up and running from 2019.

b) Legal

***Sicilian Projects*:**

During the period, the liquidation process continued for these companies, along with the litigation in which they are involved. No significant changes occurred affecting the values shown in the previous reports, to which we refer for further information in addition to the figures shown below.

The parent company directors and the corporate bodies of the companies in question are therefore confident that there is no current reason to believe that there are any further costs for the Group or the Sicilian companies, in addition to those already indicated in the reports. To date, the claims presented by one of the minority shareholders of the companies have not led to any formal litigation.

- **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 €2,775 and €2,932 thousand and, (ii) alternatively, the termination of the agreements and payment of damages calculated at not less than €2,144 and €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 €730 and €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 €2,932 thousand plus interest 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 Caltanissetta 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. In the second instance before the Court of Siracusa, the Court declared the case ready for decision on 30 October 2017 and adjourned the hearing to 28 June while awaiting the outcome of negotiations between the parties. The parties signed a settlement on 27 June

2018. In exchange for a financial indemnity of €2.3 million, the parties terminated the contract for the purchase of the land, and both sides waived all claims. The settlement led to Tifeo receiving a total of €7.1 million before tax, net of the indemnity, which is posted in the interim reports.

- **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 €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 Produzione, 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. The case was postponed to 11 December 2018 while awaiting the outcome of negotiations between the parties.

- **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). The Judge again postponed the hearing to 12 July 2018 and then to 25 October 2018 to allow the parties to discuss the case.
Supported by legal advice, we believe the risk of losing the case is only possible, and no costs were therefore recorded in these reports.

- **Sicily Regional defence team in arbitration vs Tifeo - Elettroambiente - Zurich**

On 24 May 2018, during the arbitration hearing held in 2015 with the companies involved in the Sicilian projects, the defence team for the Sicily Region filed a claim under article 702 bis in the Italian Code of Civil Procedure, summoning Tifeo, Elettroambiente and Zurich Insurance Plc before the ordinary Court of Milan, claiming between €250 and €950 thousand in "fees for professional assistance and representation" provided to the Sicily Regional Administration in regional case no. 74223/2009. In particular, during the settlement of the case, the professionals in question refused to waive their rights under article 13, section 8 of Law 247/2012. The procedure is still in a preliminary phase, and a date for the hearing has not yet been set. Tifeo and Elettroambiente will ask permission to request that the Sicily Region indemnify them against the claim, in application of article 7 of the settlement. The procedure has only just begun, and is still being prepared. If the court does rule against the parties, even with external legal support, there is very little certainty regarding the outcome and time required to present a recourse by Tifeo and Elettroambiente against the Sicily Region and any other parties involved.

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 *financial* collateral up to a maximum of €3,621 thousand issued by Falck SpA in favour of GEO alone. The request concerns the payment of additional sums by way of compensation under the Contract (€536 thousand) and Settlement (for €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 €4,734 thousand and Falck SpA the sum of €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 €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. The Group has not recorded any contingent assets in relation to the above.
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 €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 subsequently set the date of the hearing for 18 April 2018 to discuss the claim by the court-appointed expert, requesting permission to examine additional documents to those previously filed by the parties. Following a partial acceptance of this claim, the Judge allowed extra time to perform the examination and set the next hearing for 15 November 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.

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 no. 481 dated 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 €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 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 €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 Regulatory Authority for Energy, Networks and Environment ("ARERA", ex-"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 €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 no. 481 dated 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 vs GSE**

With a letter dated 25/01/2016, the GSE began the procedure for an inspection under article 42 of Legislative Decree 28/2011 of the Buddusò e Alà dei Sardi wind farm, to check whether Geopower Sardegna Srl followed the correct authorisation procedure. On receiving the necessary clarifications, on 16 March 2018 the GSE notified Geopower Sardegna Srl of the closure of the procedure and the associated request to repay the incentives received in relation to the average hourly production in excess of 138 MW (so-called physiological "peaks" over normal production levels), for an estimated amount of €73 thousand, set aside in the accounts.

- **Geopower Sardegna Srl vs SA.CO.GE. Srl**

With a procedure under article 702 bis in the Italian Code of Civil Procedure (summary discovery procedure), notified by certified email dated 9 April 2018, SA.CO.GE. Srl (ex-Arca Gianuario & Figli SAS) claimed against Geopower Sardegna Srl (the "Company"): (i) the right to receive payment for the civil works performed on the Buddusò Alà dei Sardi wind farm, and therefore asked the court to rule that (ii) the Company must pay €169 thousand. At the first hearing, the parties both asked the court for a postponement in order to attempt negotiations to settle the matter. The next hearing has been set for Thursday 25 October 2018. The Company has drafted and filed its defence.

Companies consolidated at equity:

- **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 no. 481 dated 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 published 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 ARERA**

With appeal filed with the Regional Administrative Court of Lombardy, FEA challenged with suspension request, the Resolution no. 527/2016 by which the ARERA, ex-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 01 March 2017 from the Fund for energy and environmental services (CSEA) for €4,916 thousand for surplus incentives paid according to the ARERA 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. We are awaiting a ruling. 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 of 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 €1,134 thousand, requesting FEA return them.
The date of the hearing is pending. The company charged the amount requested by GSE.

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 ScpA in liquidation ("PEA")**

On 22 July 2011 the Tax Office enforced the 12 December 2007 performance bond for €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 €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 (€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 Inland Revenue Agency. 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 already 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 (€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. €710 thousand).

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

On 26 May 2016 the Tax Agency notified its refusal to the VAT credit refund claim for 2008 filed in 2009 for €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 €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 €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 €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 €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. €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 €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 (€243 thousand). On 23 November 2017, we presented briefs demonstrating that we acted correctly.

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 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. €29.2 million, of which €9.6 million for unpaid tax, €19.2 million for sanctions and €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 possible and have not recorded any expenses. Moreover, on 15 June 2018, the Company filed an appeal with the Emilia Romagna Regional Tax Tribunal to completely overturn these rulings.

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, and will be put to the vote during 2018.

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 of (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%[2].

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 08 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 so-called "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, along with the reform of energy-intensive use, 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.

Lastly, on 10 November 2017 the National Energy Strategy (SEN) was brought in with the signature of the Interministerial 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 and the new government.

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

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

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 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.

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 30 June 2018 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 €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 British referendum on remaining in the European Union ("Brexit")

At 30 June 2018, 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 44% of the Group's total productive installed capacity of 933 MW). The remaining installed capacity is situated in Italy (343 MW), the

US (113 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 result in June 2016, which resulted in a strong volatility and a reduction in the prices of European and above all Italian stocks (including Falck Renewables SpA stocks), prices in the European stock markets (including Falck Renewables SpA stock) and the pound sterling recovered in 2017, which however lost ground against the euro from the second half of 2017. This trend continued into the first half of 2018, mainly due to the ongoing uncertainty regarding the outcome of Brexit negotiations with the EU, and also affected by the negative results (for the Prime Minister) of the elections held on 8 June 2017, culminating in a cabinet reshuffle in January 2018 with the aim of strengthening her leadership and launching a new phase of negotiations.

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. The goal of the negotiations currently underway is to reach an agreement before the European Council meeting planned for October 2018, in time to allow the European and UK parliaments to ratify the agreements before the date set for the closure of negotiations in March 2019. If an agreement is reached, a transitory period has been set up until the end of 2020, during which the current regulations will continue to apply (the "status quo"), to allow the UK time to transpose European regulations within their own national context.

Doubts over the result of the negotiations with the EU are effectively preventing 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 after Brexit. 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 pound sterling, 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 specifically, with reference to the Falck Renewables Group's operating plants, the cash flows generated in British pounds are at the service of the portion of debt in the same currency and that the Group continued to have access to project financing at decidedly favourable conditions for the plants that entered 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.

4.1.11 Significant events after the balance sheet date

In July 2018, a tax equity partnership agreement was signed for a total of $4.5 million with one of our main US investors, who will indirectly contribute to the capital of the 6 MW HG Solar Development LLC plant in Massachusetts, US.

In July 2018, Falck Next Srl was founded as a start-up for energy efficiency activities.

On 25 July 2018, the Vector Cuatro Srl subsidiary signed an agreement to acquire 100% of Windfor Srl, a leading and well-known technical advisory firm in the Italian wind power sector.
The acquisition, which will be completed by the end of September 2018, was for a total of €0.625 million.

On 25 July 2018, Falck Renewables SpA signed a preliminary contract with Ascia Renovables SL for the acquisition of a wind farm project in the Spanish region of Castilla y Leon, composed of 4 turbines, for a total capacity of 10 MW. The acquisition is divided into several phases (with an initial acquisition of 49%) and is subject to suspensive conditions. Construction is scheduled to begin by the end of the year. The project has an acquisition price of €1.2 million, to be paid in instalments. The plant will become operational in the last quarter of 2019.

On 30 July 2018, Falck Renewables SpA signed a modification to the Corporate Loan contract worth €150 million, which is not currently used, extending the repayment date from 30 June 2020 to 31 December 2023, and increasing the amount available to €325 million with a pool of primary credit institutions composed of Banco BPM SpA, also as Agent Bank, Banca Popolare di Milano SpA, Banca Popolare di Sondrio Scpa, Crédit Agricole Cariparma SpA, Credito Valtellinese SpA, Intesa Sanpaolo SpA, Mediobanca SpA, Monte dei Paschi di Siena SpA, UBI BANCA SpA and UniCredit SpA.
The modifications to the Corporate Loan conditions, a "revolving" credit line available from today, were made in order to cover the financial requirements of the 2017-2021 business plan and to guarantee additional flexibility in terms of amount and expiry.
The Corporate Loan has the same favourable conditions as the existing contract: the Euribor margin (linked to the ratio between the net financial position and consolidated EBITDA) did not change, and the covenant levels remain in line with the best market standards.

4.1.12 Management outlook and going concern

The results of the Group in the 2018 financial year will benefit throughout the year from the Innovative Solar photovoltaic plant production (92 MW) in North Carolina and for the second half of the year from the recently acquired photovoltaic plants (20.5 MW) in Massachusetts.

The Business Plan, presented to the market on 14 November 2016 and updated on 12 December 2017, to which reference should be made for further information, provides (i) an important growth in assets combined with the policy focused on financial solidity, (ii) a renewed focus on Southern Europe and North America markets, and (iii) an increase in the volumes and objectives of the service business with focus on asset management of renewable energy plants, on energy management and on energy efficiency, enhancing the internal digital platform.

Some dossier investments in the geographical areas of interest included in the Business Plan are currently under evaluation.
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.

4.2 Operating and financial review of Falck Renewables SpA

4.2.1 Financial highlights

(€ thousands)

		30.6.2018	30.6.2017	31.12.2017
Revenue		80	98	138
Cost of sales				
Gross profit		**80**	**98**	**138**
Operating profit/(loss)		**(6,483)**	**(10,355)**	**(25,903)**
Profit/(loss)/profit before income tax		**10,117**	**(7,780)**	**22,278**
Profit/(loss) for the period		**12,995**	**(5,683)**	**27,850**
Net financial position - indebtedness/(asset)		**6,308**	**(224,319)**	**(54,904)**
Capital expenditure		**277**	**138**	**294**
Employees at period-end	(no.)	97	96	94
Ordinary shares	(no.)	291,413,891	291,413,891	291,413,891

4.2.2 Performance and review of business

The income statement of Falck Renewables SpA at 30 June 2018 recorded a net profit of €12,995 thousand (against a loss of €5,683 thousand in the first half of 2017).
The improvement was due to the dividends received from subsidiaries, which only took place in the second half of 2017.
Operating income rose by €3,872 thousand, due to increased risk fund releases.

The net financial position was a net liability of €6,308 thousand, compared to an asset of €54,904 thousand at 31 December 2017. The reduction in the credit balance was due to investments/capital injections in companies acquired in Norway, Sweden and the US, and the distribution of dividends to shareholders net of dividends received.

The financial position fell by €230,627 thousand from an initial position of €224,319 thousand on 30 June 2017, to a negative balance of €6,308 thousand. This variation was mainly due to the investments in Eolo 3W Minervino Murge Srl, Eolica Sud Srl, Geopower Sardegna Srl and Eolica Petralia Srl from Falck Renewables Wind Ltd following a corporate reorganisation within the Falck Renewables Group which involved a financial outlay of €147.8 million.

We remind you that on 12 June 2015, Falck Renewables SpA entered into a new Corporate Loan contract, subsequently modified on 30 July 2018, for €325 million maturing on 31 December 2023; as of 30 June 2018 the new loan has not yet been used.

The net financial position also includes the negative fair value of the derivatives to hedge interest rate and foreign exchange risks for €551 thousand.

4.2.3 Employees

The total number of Company employees at 30 June 2018 was 97, comprising 27 managers and 70 white collar workers, representing an increase of 3 compared to the total at 31 December 2017.

4.2.4 Capital expenditure

Capital expenditure for the period totalled €277 thousand, of which €273 thousand related to software licences and the development of management systems.

4.2.5 Corporate controls

Falck Renewables SpA continued to rationalise the organisational structure in order to ensure the transparency and efficiency of its corporate governance system.
The share capital is entirely formed of ordinary shares. The reference shareholder is Falck SpA, which holds 60% of capital directly, and a further 1.77% through its 100% subsidiary Falck Energy SpA. The remaining shares are held by shareholders with holdings worth less than 5% each.

The company has complied with all guidelines and indications from control and regulation bodies in the stock market. In particular, it has implemented:

- a Code of Self-Discipline
- a Code of Ethics
- an Internal Dealing procedure
- an Insider Register procedure
- a procedure for handling and disclosing privileged information to the public
- a related party transaction procedure

The company is governed by a Board of Directors.

The Chair of the board is the company's legal representative with powers of signature, along with the Deputy Chair and CEO within the limits of their mandates. The CEO has been granted powers of ordinary administration, and extraordinary administration for certain, defined activities.

The company follows the Code of Self-Discipline drafted by the Borsa Italiana SpA Corporate Governance Committee; the Board of Directors has therefore set up a Human Resources Committee and a Control and Risk Committee to advise the company and make proposals.
In compliance with Legislative Decree 231/01, the company has also brought in an organisation and management model and appointed a specific Supervision Body.
An Investor Relator has been appointed to periodically inform the market about the company and Group.

4.2.6 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 30 June 2018 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.

4.2.7 Direction and coordination activities

In accordance with article 2497 bis, paragraph 5 of the Italian Civil Code, it is noted that the holding company Falck SpA performs direction and coordination activities with respect to Falck Renewables SpA. The activities performed are of a commercial nature and resulted in €199 thousand in income, of which €92 thousand in revenues on management services, €5 thousand for directors' third party liability insurance, and €102 thousand in extraordinary income. Charges made by Falck SpA for a total of €383 thousand for the use of the Falck brand have negatively impacted the operating result.

4.2.8 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 30 June 2018 it held 2,179,000 own shares with a nominal value of €2,179,000 representing 0.7477% of share capital.
The carrying value is €2,860,405 corresponding to an average share price of €1.3127.

No subsidiaries held shares in Falck Renewables SpA at 30 June 2018, either through trust companies or third parties.

In July 2018, the Company purchased an additional 31,000 own shares for a face value of €31,000, representing 0.106% of total share capital. Including these shares, on the date of this interim report the Company holds 2,210,000 own shares for a total value of €2,924,247.

4.2.9 Purchase and sale of own shares or parent company shares during the first half

In accordance with Article 2428, paragraph 2, point 4 in the Italian Civil Code, we inform you that during the first six months of 2018 the company

- purchased 669,000 shares corresponding to 0.2296% of share capital;
- did not purchase or sell any shares or holdings in parent companies.

In July 2018, the Company purchased an additional 31,000 own shares for a face value of €31,000, representing 0.106% of total share capital, for a total value of €63,853.50 (average share value of €2.0598). The purchase order took place at the end of June 2018.

4.2.10 Stock option and stock grant plans

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[3] 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 of 2017, some Group managers were also granted a total of 478,986 shares.

On behalf of the board of directors
The Chairman
Enrico Falck

Milan, 31 July 2018

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

5. Abbreviated consolidated interim financial reports at 30 June 2018

5.1 Consolidated balance sheet

(€ thousands)

		Notes	30.6.2018	of which related parties	31.12.2017*	of which related parties
Assets						
A	**Non-current assets**					
	1 Intangible assets	(1)	107,155		107,135	
	2 Property, plant and equipment	(2)	1,059,656		1,021,616	
	3 Investments and securities	(3)	787		265	
	4 Investments accounted for using the equity method	(4)	22,873		21,865	
	5 Financial assets	(5)	12,568	10,482	12,251	11,239
	6 Trade receivables	(6)				
	7 Deferred income tax assets	(8)	22,742		28,038	
	8 Other receivables	(7)	1,463		1,081	
	Total		**1,227,244**		**1,192,251**	
B	**Current assets**					
	1 Inventories	(9)	4,770		4,932	
	2 Trade receivables	(6)	104,597	203	103,304	376
	3 Other receivables	(7)	34,304	13,235	25,561	9,304
	4 Financial receivables	(5)	1,748	1,544	1,720	1,542
	5 Securities					
	6 Cash and cash equivalents	(10)	220,505		261,517	
	Total		**365,924**		**397,034**	
C	**Non-current assets held for sale**					
Total assets			**1,593,168**		**1,589,285**	
Liabilities						
D	**Equity**					
	1 Ordinary shares		291,414		291,414	
	2 Reserves		161,177		138,024	
	3 Retained earnings					
	4 Profit for the period		27,702		19,788	
	Total Group equity	(11)	**480,293**		**449,226**	
	5 Third party equity		48,787		48,333	
	Total equity	(11)	**529,080**		**497,559**	
E	**Non-current liabilities**					
	1 Financial liabilities	(14)	733,951	2,539	770,776	1,309
	2 Trade payables	(15)	3,644		3,722	
	3 Other payables	(16)	58,510	2,989	45,599	2,930
	4 Deferred income tax liabilities	(8)	26,832		24,442	
	5 Provisions for other liabilities and charges	(12)	78,720		76,265	
	6 Staff leaving indemnity (TFR)	(13)	4,034		4,017	
	Total		**905,691**		**924,821**	
F	**Current liabilities**					
	1 Trade payables	(15)	40,287	376	43,142	499
	2 Other payables	(16)	37,158	16,015	34,323	12,732
	3 Financial liabilities	(14)	80,865	886	89,259	1,254
	4 Provisions for other liabilities and charges	(12)	87		181	
	Total		**158,397**		**166,905**	
G	**Liabilities attributable to non-current assets held for sale**					
Total liabilities			**1,593,168**		**1,589,285**	

*The figures at 31 December 2017 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of the NC 42 LLC group, Falck Renewables Vind AS, Åliden Vind AB and Brattmyrliden Vind AB.
To find out more, see the explanatory notes at 5.6.2 Consolidation area.

For details of related party transactions, see page 93.
Significant non-recurring transactions are disclosed on page 105.

5.2 Consolidated income statement

(€ thousands)

		Notes	30.6.2018	*of which related parties*	30.6.2017	*of which related parties*
A	Revenue	(17)	164,974		141,009	
	Direct labour costs	(18)	(7,471)		(6,336)	
	Direct costs	(19)	(79,646)		(74,533)	
B	Cost of sales		(87,117)		(80,869)	
C	**Gross profit**		**77,857**		**60,140**	
	Other income	(20)	10,348	277	3,617	297
	Other employee costs	(18)	(8,870)		(8,172)	
	Administrative expenses	(21)	(16,541)	(383)	(11,702)	(318)
D	**Operating profit**		**62,794**		**43,883**	
	Financial income/(expenses)	(22)	(19,563)	(56)	(19,591)	(163)
	Investment income/(expenses)	(23)			46	
	Share of profit of investments accounted for using the equity method	(24)	957	957	1,061	1,061
E	**Profit before income tax**		**44,188**		**25,399**	
	Income tax expense	(25)	(9,876)		(5,896)	
F	**Profit for the period**		**34,312**		**19,503**	
G	Third party		6,610		6,732	
H	**Group**		**27,702**		**12,771**	
	Earning per share attributable to the Group (€)	(11)	*0.096*		*0.044*	
	Diluted earning attributable to the Group (€)	(11)	*0.095*		*0.044*	

For details of "related party transactions", see page 106.
Significant non-recurring transactions are disclosed on page 105.

5.3 Consolidated statement of comprehensive income

(€ thousands)

		30.6.2018			30.6.2017		
		Gross	Tax	Net	Gross	Tax	Net
A	**Profit for the period**	**44,188**	**(9,876)**	**34,312**	**25,399**	**(5,896)**	**19,503**
	Other items of comprehensive income						
	Other items of comprehensive income that will be subsequently reclassified to profit/(loss) for the period net of tax						
	Foreign exchange differences on translation of overseas financial statements	1,877		1,877	(3,815)		(3,815)
	Fair value adjustment of available-for-sale financial assets	139	(34)	105	(78)	19	(59)
	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	58		58	79		79
	Fair value adjustments of derivatives designated as cash flow hedges	4,111	(665)	3,446	9,106	(2,119)	6,987
B	**Total other items of comprehensive income that will be subsequently reclassified to profit/(loss) for the period net of tax**	**6,185**	**(699)**	**5,486**	**5,292**	**(2,100)**	**3,192**
	Other items of comprehensive income that will not be subsequently reclassified to profit/(loss) for the period net of tax						
	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(6)		(6)	(11)		(11)
	Balance of actuarial gains/(losses) on employee defined benefit plans	(6)		(6)	(45)		(45)
C	**Total other items of comprehensive income that will not be subsequently reclassified to profit/(loss) for the period net of tax**	**(12)**		**(12)**	**(56)**		**(56)**
B+C	**Other comprehensive income**	**6,173**	**(699)**	**5,474**	**5,236**	**(2,100)**	**3,136**
A+B+C	**Total comprehensive income**	**50,361**	**(10,575)**	**39,786**	**30,635**	**(7,996)**	**22,639**
	Attributable to:						
	- Owners of the parent			32,234			16,451
	- Non-controlling interests			7,552			6,188

5.4 Consolidated statement of cash flows

(€ thousands)

	Note	30.6.2018	*di cui parti correlate*	30.6.2017	*di cui parti correlate*
Cash flow from operating activities					
Profit for the period		34,312		19,503	
Adjusted for:					
Amortisation of intangible assets	(19)-(21)	364		450	
Impairment/(revaluation) of intangible assets	(19)-(21)			379	
Depreciation of property, plant and equipment	(19)-(21)	31,778		28,640	
Impairment/(revaluation) of property, plant and equipment	(19)-(21)	68		14	
Staff leaving indemnity provision	(18)	430		431	
Stock grant plan costs	(18)-(21)			32	
Fair value of investments and other securities					
Financial income	(22)	(5,244)	(217)	(1,938)	(11)
Financial expenses	(22)	24,807	273	21,529	174
Dividends					
Share of profit of investments valued using equity method	(24)	(957)	(957)	(1,061)	(1,061)
(Gain)/loss on sale of intangibles	(20)				
(Gain)/loss on disposal of propoerty, plant and equipment	(20)	27			
(Gain)/loss on sale of investments				(46)	
Other changes		374		(156)	
Income tax expense (income statement)	(25)	9,876		5,896	
Operating profit before changes in net working capital and provisions		**95,835**		**73,673**	
Change in inventories	(9)	162		(492)	
Change in trade receivables	(6)	(484)		(11,313)	
Change in trade payables	(15)	(2,801)		(15,211)	
Change in other receivables/payables		(10,142)		5,423	
Net change in provisions	(12)	1,764		1,492	
Change in employee payables - staff leaving indemnity paid during the period	(13)	(442)		(257)	
Cash flow from operating activities		**83,892**		**53,315**	
Interest paid		(19,814)	(109)	(19,558)	(145)
Tax paid		(3,425)		(3,538)	
Net cash flow from operating activities (1)		**60,653**		**30,219**	
Cash flow from investing activities					
Dividends received					
Proceeds from sale of property, plant and equipment		136			
Proceeds from sale of intangible assets					
Purchase of own shares	(11)	(1,422)		(1,035)	
Purchases of intangible assets	(1)	(462)		(193)	
Purchases of property, plant and equipment	(2)	(26,499)		(10,475)	
Acquisition of investments		(522)		(110)	
Purchase of subsidiaries net of cash		(26,200)	(2,360)		
Interest received		5,092	217	1,447	11
Net cash flow from investing activities (2)		**(49,877)**		**(10,366)**	
Cash flow from financing activities					
Dividends paid	(11)	(20,367)	(14,490)	(15,124)	(9,739)
Proceeds from share capital increase and capital contribution net of expenses		3,492	3,492		
Net change in financial receivables					
Proceeds from borrowings		778	778	23,672	
Loans granted				(1,097)	(1,097)
New borrowings					
Change in scope of consolidation					
Repayment of borrowings		(35,864)		(36,004)	(1,861)
Net cash flow from financing activities (3)		**(51,961)**		**(28,553)**	
Net (decrease)/increase in cash and cash equivalents (1+2+3)		**(41,185)**		**(8,700)**	
Cash and cash equivalents at 1 January		261,517		256,611	
Translation gain/(loss) on cash and cash equivalents		173		(1,742)	
Cash and cash equivalents at the period-end	(10)	**220,505**		**246,169**	

5.5 Consolidated statement of changes in equity

(€ thousands)

	Share capital	Reserves	Profit/(loss) for the period	Total Group equity	Third party equity	Total equity
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)	(919)	(15,124)
Other comprehensive profit items included in equity		3,680		3,680	(544)	3,136
Purchase of own shares		(1,035)		(1,035)		(1,035)
Other movements		50		50	21	71
Profit for the half-year to 30 June 2017			12,771	12,771	6,732	19,503
At 30.6.2017	**291,414**	**137,070**	**12,771**	**441,255**	**41,155**	**482,410**
Increase in share capital						
Dividends paid					(6,618)	(6,618)
Other comprehensive profit items included in equity		(701)		(701)	(117)	(818)
Other movements		1,655		1,655	8,975	10,630
Profit for the half-year to 31 December 2017			7,017	7,017	4,938	11,955
At 31.12.2017*	**291,414**	**138,024**	**19,788**	**449,226**	**48,333**	**497,559**
Appropriation of 2017 profit		19,788	(19,788)			
First-time application of IFRS 9		13,367		13,367	(51)	13,316
Dividends paid		(15,365)		(15,365)	(4,886)	(20,251)
Other comprehensive profit items included in equity		4,532		4,532	942	5,474
Purchase of own shares		(1,422)		(1,422)		(1,422)
Other movements		2,253		2,253	(2,161)	92
Profit for the half-year to 30 June 2018			27,702	27,702	6,610	34,312
At 30.6.2018	**291,414**	**161,177**	**27,702**	**480,293**	**48,787**	**529,080**

*The figures at 31 December 2017 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of the NC 42 LLC group, Falck Renewables Vind AS, Åliden Vind AB and Brattmyrliden Vind AB.

5.6.1 Basis of preparation of the consolidated financial statements

The abbreviated consolidated interim financial statements for the period 1 January 2018 to 30 June 2018 were drafted in compliance with IAS 34 - Interim financial reporting.

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 accounting policies used for the preparation of the abbreviated consolidated interim reports are in line with those applied for the consolidated financial statements at 31 December 2017, with the exception of those that came into effect on 1 January 2018.

As they do not show all the information required for the annual consolidated reports, the interim reports should be read together with the consolidated financial statements at 31 December 2017.

With regard to the layout of the consolidated financial statements, the Group 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 statement of cash flows***
  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 consolidated 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 abbreviated consolidated interim reports are shown in EUR and the balances and notes are expressed in thousands of EUR, unless specifically indicated otherwise.

These abbreviated consolidated interim financial statements at 30 June 2018 were approved, and publication authorised, by the Board of Directors on 31 July 2018.

These abbreviated consolidated interim financial statements were audited by EY SpA under the terms of the engagement approved in the Meeting dated 6 May 2011.

5.6.2 Scope of consolidation

The consolidated, abbreviated interim financial statements for the year ended 30 June 2018 include the financial statements of the parent company Falck Renewables SpA and its subsidiaries.
Falck Renewables SpA 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 consolidated using the equity method.

The Falck Renewables Group consists of 80 companies, of which 75 are consolidated on a line-by-line basis, and 5 are consolidated applying the equity method.

During the first six months, the following companies were consolidated line-by-line:

- Falck Middleton LLC, 100% held by Falck Renewables North America Inc.;
- Falck Middleton Generation LLC, of which Falck Middleton LLC owns 100% of the Class B shares;
- Falck Renewables DLP MA LLC, 100% held by Falck Renewables North America Inc.

During the first six months, the following companies were acquired and consolidated line-by-line:

- HG Solar Development LLC, 100% owned by Falck Middleton Generation LLC;
- SPME Dartmouth Holdings LLC, of which Falck Renewables DLP MA LLC owns 100% of the Class B shares;
- SPME Holdings 2015 LLC, of which Falck Renewables DLP MA LLC owns 100% of the Class B shares;
- Fisher Road Solar I LLC, 100% owned by SPME Dartmouth Holdings LLC;
- Syncarpha Palmer LLC, 100% owned by SPME Holdings 2015 LLC;
- Syncarpha Massachusetts LLC, 100% owned by SPME Holdings 2015 LLC.

In the first half of the year, the Group completed the following PPAs, which were shown as provisional at 31 December 2017.

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

<u>*NC 42 LLC Group*</u>
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.
The total cost of the acquisition was of €36,339 thousand, paid in full on the acquisition date.
The total net equity on the date of acquisition was of €38,928 thousand.
The acquisition of the controlling share in the NC 42 group was recorded as per IFRS 3, applying the so-called purchase method, calculating the fair value of assets and liabilities acquired including third party shares.
Third party shares were evaluated at fair value by actualizing the future benefits, in terms of dividends and tax losses, that will be transferred to minority shareholders. The discounting rate used was the WACC on the closing date.
The difference between the price paid and the net equity for the period was allocated to the solar plant for -€3,277 thousand, and deferred tax assets for €688 thousand, as set out below:

NC 42, LLC Group (€/000)	Book values of the company purchased at the acquisition date (provisional allocation)	Adjustment on final allocation	Book values of the company purchased at the acquisition date (final allocation)
Property, plant and equipment	119,902		119,902
Trade receivables/(payables)	(963)		(963)
Other assets/(liabilities)	(40,784)	2,291	(38,493)
Net financial position	(31,354)	(840)	(32,194)
Third party equity	(10,462)	1,138	(9,324)
Total net assets acquired	**36,339**	**2,589**	**38,928**
Plant, property and equipment (allocation of lowest price paid)		(3,277)	(3,277)
Deferred assets		688	688
Total acquisition cost	**36,339**		**36,339**

The following table shows the total revenues and net profit of the NC 42 LLC group for 2017, from the date of its initial consolidate, and for the first half of 2018. The cumulative impact on net equity from the date of acquisition to the date of these interim reports is of €217 thousand, including the conversion reserves.

(€/000)	2017	2018
Revenues	318	3,304
Net profit/(loss)	(220)	415

Falck Renewables Vind AS
Following the acquisition of an 80% holding in the Norwegian company 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.
The total cost of the acquisition was of €6,176 thousand, €1,588 thousand of which was paid in 2017, €2,503 thousand in the first half of 2018, €357 thousand were withheld as security, and €1,728 thousand remain to be paid net of any claims that may arise.
The total net equity on the date of acquisition was of €1,931 thousand.
The acquisition of the controlling share in Falck Renewables Vind AS was recorded as per IFRS 3, applying the so-called purchase method, calculating the fair value of assets and liabilities acquired.
Third party shares were evaluated based on minority shareholders' holdings in net equity on the acquisition date.
The difference between the price paid and the net equity for the period, of €4,245 thousand, was allocated to concessions (Okla and Hennoy), under current intangible assets, for €5,888 thousand, and deferred tax assets for €1,643 thousand, as set out below:

Falck Renewables Vind AS (Euro/000)	Book values of the company purchased on the acquisition date (provisional allocation)	Adjustment on final allocation	Book values of the company purchased on the acquisition date (final allocation)
Intangible assets	2,271		2,271
Other assets/(liabilities)	143		143
Third party equity	(483)		(483)
Total net assets acquired	**1,931**		**1,931**
Concessions (allocated at highest price paid)	5,888		5,888
Deferred liabilities	(1,643)		(1,643)
Total acquisition cost	**6,176**		**6,176**

The audits performed for the final PPA did not change the conclusion found during the provisional PPA:

The company is under construction, and no income was therefore recorded at 30 June 2018. The following table shows the net profits of Falck Renewables Vind AS for 2017, from the date of its initial consolidation, and for the first half of 2018. The cumulative impact on net equity from the date of acquisition to the date of these interim reports is of -€161 thousand.

(€/000)	2017	2018
Revenues		
Profit/(loss) for the period	(141)	(20)

Åliden Vind AB and Brattmyrliden Vind AB

Lastly, following the acquisition of a 100% holding in Åliden Vind AB and Brattmyrliden Vind AB on 22 September 2017, the companies' financial positions were consolidated from 22 September 2017, and recorded on the consolidated income statement from 23 September 2017.

The total purchase cost of the company was calculated as €7,523 thousand, of which €5,365 thousand paid in 2017 and €2,158 thousand to be paid at a later date net of any claims that may arise.

The total net equity on the date of acquisition was of €5,106 thousand.

The acquisition was recorded as per IFRS 3, applying the so-called purchase method, calculating the fair value of assets and liabilities acquired.

The difference between the price paid and the net equity acquired, of €2,417 thousand, was allocated to concessions for both Åliden and Brattmyrliden, under current intangible assets, for €3,351 thousand, and deferred tax assets for €934 thousand, as set out below:

Åliden Vind AB (€/000)	Book values of the company purchased on the acquisition date (provisional allocation)	Adjustment on final allocation	Book values of the company purchased on the acquisition date (final allocation)
Intangible assets	2,424		2,424
Property, plant and equipment	49		49
Trade receivables/(payables)	(66)		(66)
Other assets/(liabilities)	(5)		(5)
Net financial position	1,925		1,925
Total net assets acquired	**4,327**		**4,327**
Concessions (allocated at highest price paid)	281		281
Deferred liabilities	(78)		(78)

Total acquisition cost	**4,530**		**4,530**
Brattmyrliden Vind AB (€/000)	Book values of the company purchased on the acquisition date (provisional allocation)	Adjustment on final allocation	Book values of the company purchased on the acquisition date (final allocation)
Intangible assets	2,173		2,173
Property, plant and equipment	82		82
Trade receivables/(payables)	(60)		(60)
Other assets/(liabilities)	(11)		(11)
Net financial position	(1,405)		(1,405)
Total net assets acquired	**779**		**779**
Concessions (allocated at highest price paid)	3,070		3,070
Deferred liabilities	(856)		(856)
Total acquisition cost	**2,993**		**2,993**

The audits performed for the final PPA did not change the conclusion found during the provisional PPA:

The companies are under construction, and no income was therefore recorded at 30 June 2018. The following table shows the net profits of the two companies for 2017, from the date of its initial consolidation, and for the first half of 2018. The cumulative impact on net equity from the date of acquisition to the date of these interim reports is of -€264 thousand for Åliden Vind AB, and -€97 thousand for Brattmyrliden Vind AB.

	Åliden Vind AB		Brattmyrliden Vind AB	
(€/000)	2017	2018	2017	2018
Revenues				
Profit/(loss) from the period	(142)	(122)	(27)	(70)

The following table shows the Balance Sheet at 1 January 2018 and the 2017 Income Statement with the final allocation:

(€ thousands)	Notes	31.12.2017 provisional allocation	IFRS 3	01.01.2018 final allocation
Assets				
A **Non-current assets**				
1 Intangible assets	(1)	107,135		107,135
2 Property, plant and equipment	(2)	1,024,885	(3,269)	1,021,616
3 Investments and securities	(3)	265		265
4 Investments accounted for using the equity method	(4)	21,865		21,865
5 Financial recivables	(5)	12,251		12,251
6 Trade receivables	(6)			0
7 Deferred income tax assets	(8)	27,352	686	28,038
8 Other receivables	(7)	1,081		1,081
Total		**1,194,834**	**(2,583)**	**1,192,251**
B **Current assets**				
1 Inventories	(9)	4,932		4,932
2 Trade receivables	(6)	103,304		103,304
3 Other receivables	(7)	25,561		25,561
4 Financial receivables	(5)	1,720		1,720
5 Securities				0
6 Cash and cash equivalents	(10)	261,517		261,517
Total		**397,034**	**0**	**397,034**
C **Non-current assets held for sale**				**0**
Total assets		**1,591,868**	**(2,583)**	**1,589,285**
Liabilities				
D **Equity**				
1 Share capital		291,414		291,414
2 Reserves		136,459	1,565	138,024
3 Retained earnings				0
4 Profit for the period		20,350	(562)	19,788
Total Group equity	(11)	**448,223**	**1,003**	**449,226**
5 Third party equity		49,514	(1,181)	48,333
Total equity	(11)	**497,737**	**(178)**	**497,559**
E **Non-current liabilities**				
1 Financial liabilities	(14)	769,946	830	770,776
2 Trade payables	(15)	3,722		3,722
3 Other non-current liabilities	(16)	45,556	43	45,599
4 Deferred tax liabilities	(8)	27,516	(3,074)	24,442
5 Provisions for other liabilities and charges	(12)	76,265		76,265
6 Staff leaving indemnity (TFR)	(13)	4,017		4,017
Total		**927,022**	**(2,201)**	**924,821**
F **Current liabilities**				
1 Trade payables	(15)	43,142		43,142
2 Other payables	(16)	34,527	(204)	34,323
3 Financial liabilities	(14)	89,259		89,259
4 Provisions for other liabilities and charges	(12)	181		181
Total		**167,109**	**(204)**	**166,905**
G **Liabilities attributable to non-current assets held for sale**				
Total liabilities		**1,591,868**	**(2,583)**	**1,589,285**

(€ thousands)

		Notes	2017 Provisional allocation	IFRS 3	2017 Final allocation
A	Revenues	(17)	288,619		288,619
	Direct labour costs	(18)	(12,693)		(12,693)
	Direct costs	(19)	(148,336)	8	(148,328)
B	Cost of sales		(161,029)	8	(161,021)
C	**Gross profit**		**127,590**	**8**	**127,598**
	Other income	(20)	4,524		4,524
	Other employee costs	(18)	(16,280)		(16,280)
	Administrative expenses	(21)	(40,470)		(40,470)
D	**Operating profit**		**75,364**	**8**	**75,372**
	Financial income/(expenses)	(22)	(35,265)	5	(35,260)
	Investment income/(expenses)	(23)	45		45
	Share of profit of investments accounted for using the equity method	(24)	2,284		2,284
E	**Profit before income tax**		**42,428**	**13**	**42,441**
	Income tax expense	(25)	(10,362)	(621)	(10,983)
F	**Net profit/(loss)**		**32,066**	**(608)**	**31,458**
G	Third party profit		11,716	(46)	11,670
H	**Group profit/(loss)**		**20,350**	**(562)**	**19,788**
	Diluted earnings per share attributable to owners of the parent	(11)	*0.070*	*(0.002)*	*0.068*

During the period, the Group completed the following acquisitions that are presented provisionally in the abbreviated interim reports:

Purchase Price Allocation of the acquisitions of HG Solar Development LLC, SPME Holdings 2015 LLC, and SPME Dartmouth Holdings LLC

On 14 February 2018, Falck Middleton LLC, founded in 2018 and entirely owned by Falck Renewables North America Inc., acquired 100% of the shares of HG Solar Development LLC, which owns the ready-to-build 6 MW solar project in Middleton, Massachusetts, US.
The company's financial position was entirely consolidated on 14 February 2018, and recorded on the income statement from 15 February 2018.

Subsequently, on 5 June 2018, Falck Renewables DLP MA LLC, founded in May 2018 and entirely owned by Falck Renewables North America Inc., acquired 100% of the Class B shares in SPME Holdings 2015 LLC and

SMPE Dartmouth Holdings LLC, which own two and one operating solar plants respectively in Massachusetts (US) for a total of 14.5 MW.
The companies' financial positions were entirely consolidated on 5 June 2018, and recorded on the income statement from 6 June 2018.

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.

<u>HG Solar Development LLC</u>
The acquisition cost €874 thousand, €349 thousand of which paid in the first half of 2018 and €525 thousand to be paid at a later date, when certain conditions occur.
On the acquisition date, the company had no accounting balances.
The price paid was provisionally recorded under current tangible assets.

<u>SPME Holdings 2015 LLC and SMPE Dartmouth Holdings LLC</u>
The acquisition cost €23,491 thousand, fully paid on the date of acquisition, €14,427 thousand for SPME Holdings 2015 LLC, and €9,064 thousand for SMPE Dartmouth Holdings LLC.
The net assets on the acquisition date amounted to €10,509 thousand for SPME Holdings 2015 LLC and €9,637 thousand for SMPE Dartmouth Holdings LLC.
The difference between the net assets acquired and the price paid for SPME Holdings 2015 LLC was provisionally allocated to the solar plant for €4,960 thousand and under deferred tax liabilities for €1,042 thousand. The difference between the net assets acquired and the price paid for SPME Dartmouth Holdings LLC was provisionally allocated to the solar plant for -€725 thousand and under deferred tax liabilities for €152 thousand.

The following table shows the contribution made by the companies acquired during the first half of 2018 in the consolidated financial statements:

(€/000)	HG Solar Development, LLC	SPME Holdings 2015, LLC	SPME Dartmouth Holdings, LLC
Property, plant and equipment		19,824	14,810
Temporary PPA (solar plant)		4,960	(725)
Temporary PPA (current tangible assets)	874		
Trade receivables/(payables)		465	239
Other assets/liabilities		(10,822)	(5,260)
Price	**874**	**14,427**	**9,064**
Acquisition cash flow analysis:			
Total acquisition cost	**874**	**14,582**	**9,135**
Acquired cash and cash equivalents		155	71
Contractual price	**874**	**14,427**	**9,064**
Debt for acquisitions at 30.06.2018	525		
Net financial cost of acquisitions	**349**	**14,427**	**9,064**

The revenues of the companies acquired at 30 June 2018 were as follows:
- HG Solar Development LLC: €120 thousand;

- SPME Holdings 2015 LLC: €251 thousand;
- SPME Dartmouth Holdings LLC: €237 thousand.

5.6.3 Accounting principles and method of consolidation

The accounting policies used for the preparation of the abbreviated consolidated interim reports are in line with those applied for the consolidated financial statements at 31 December 2017, with the exception of the policies applicable from 1 January 2018. The joint ventures were consolidated using the equity method.

The Group has not early adopted any other standards, interpretations or improvements issued but not yet effective.

New standards and amendments entered into force for the first time since 1 January 2018, as required by the EU during its approval

With reference to the accounting policies in force as of 1 January 2018 compared to those applicable to the 2017 financial year, the only significant effect concerns the adoption of IFRS 9 “Financial instruments”.

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 new standard was implemented by the Group from the date of entry into force, and the comparative data is not shown. The Group ran a detailed analysis of the impact of all aspects covered by IFRS 9. The Group was not affected by 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 also changed the classification of some financial instruments.

a) Classification and measurement
The Group performed an analytical analysis of all financial assets and liabilities, which did not find any significant impacts on its financial statements or net equity resulting from the application of the classification and measurement requirements introduced by IFRS 9.

The Group continues to measure at fair value all financial assets currently measured at fair value.
In accordance with IFRS 9, the classification of financial assets is based on two criteria: the Group’s business model for managing assets; and whether the cash flow from the contractual instruments represents “solely payment of principal and interest” (the “SPPI” criteria).
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 was not therefore necessary to reclassify these financial instruments. The Group applied the option to present the fair value variations between the other components of the comprehensive income statement, meaning that the IFRS 9 has not had any significant impact.

Financial liabilities mainly continue to be handled in line with IAS 39, as are the derivatives incorporated in the financial liabilities.

Based on the requirements of IFRS 9 and the analyses performed, the Group's financial assets and liabilities were classified and measured in the following three categories:

- Amortised cost;
- At fair value with variations shown on the income statement;
- At fair value with variations recorded under other items on the overall income statement.

This last category exclusively includes instruments that meet the criteria for classification by hedge accounting rules. Please also refer to paragraph 5.7 "Additional disclosures on financial instruments - 1. Balance sheet", for further details.

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 thus recalculated the effects of all loans subject to renegotiation. Since the Group benefited from renegotiations, the effect posted on 1 January 2018 concerned financial liabilities taking into account the original IRR (Internal rate of return), with a positive impact, net of taxes, for approximately €13 million, increasing net equity reserves as of 1 January 2018 but without being able to benefit from the lesser interest payable in the future due to renegotiations.
The application of this standard led, *ceteris paribus*, to an increase in financial charges in the first half of 2018 for €2 million.
For further details, please also see paragraph "5.7 Additional disclosures on financial instruments".

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 applies 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). There was therefore very little impact from the allocation of expected credit loss.
When evaluating its credit portfolio, the Group was already using a method that accounted for "credit expected losses"; the entry into force of IFRS 9 did not therefore lead to any significant changes to the model used to estimate the provision for doubtful accounts.

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 did 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 would be entitled to in exchange for the transfer of goods or services to the customer. The new standard has replaced 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. Application in advance was permitted.
The Group has applied the new standard from the mandatory effective date, using the method of full retrospective application.
IFRS 15 did not have any significant impact on the Group’s revenues or income statement.

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, the application of IFRS 15 did not have any significant impact.

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). The application of the standard did not have any significant impact on the Group’s revenues or income statement.

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 was not therefore affected by applying IFRS 15.

iv) Revenue from provision of services

The Group provides asset management, engineering and transaction services. 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 was not held to be significant.

v) Sales revenues from recycled products

Through Esposito Servizi Ecologici Srl, the Group recorded the revenues from the sale of recovered material such as plastic, wood, glass, paper, and ferrous material obtained by sorting, shredding and selecting them from the waste collected.
Our current contracts do not contain any clauses for variable fees, trade discounts or discounts on volume. The application of the standard did not therefore have any impact on the Group's revenues or income statement.

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 notes to the financial statements are much more extensive, to include the extra information required on any important estimates and variable fees.
Moreover, as required by IFRS 15, the Group has divided 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 tested the systems, internal control, policies and procedures needed to collect and present the information required.
When IFRS 15 was brought in, other headings in the main reports were also 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. The effect of these changes was defined as not significant for the Group on the transition date.

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.
This interpretation had no impact on the Group's consolidated financial statements.

Amendments to IAS 40 Transfers of investment property

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.
These amendments had no impact on the Group's consolidated financial statements.

Amendments to IFRS 2 Classification and measurement of share-based payment

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 Group records cash-settled share-based payments in line with the methods clarified by these amendments. Moreover, no share-based payment transactions with net settlement have taken place, and no modifications have been made to the terms and conditions of share-settled transactions. These amendments therefore had no impact on the Group's consolidated financial statements.

Amendments to IFRS 4 - Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts
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. These amendments are not relevant to the Group.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures - Clarification that an interest at fair value recorded under income/(loss) for the period is a choice that applies to individual interests
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 not qualified 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. These amendments had no impact on the Group's consolidated financial statements.

Amendments to IFRS 1 - First-time adoption of International Financial Reporting Standards - Cancellation 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. These amendments had no impact on the Group's 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 remeasure 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.

5.6.4 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.

In 2018 the "Other businesses" sector was introduced, made up of Falck Renewables SpA and Falck Renewables Energy Srl. Falck Renewables Energy Srl ("FRE"), until 31 December 2017, was part of the "WtE, biomass and photovoltaic" sector. This change was made since FRE began operating in the Energy Management field on 1 January 2018 (based on Group policies), including dispatching, management of imbalances, sale and commodity risk hedging, potentially for all Group sectors.
Although this new risk did not significantly impact the figures in the first half of 2017, we restated sector data at 30 June 2017 to make them comparable to those from the first half of 2018.

(€ thousands)

	WTE, biomass, photovoltaic		Wind		Services		Other businesses		Elimination		Consolidated	
Operations	30.6.2018	30.6.2017	30.6.2018	30.6.2017	30.6.2018	30.6.2017	30.6.2018	30.6.2017	30.6.2018	30.6.2017	30.6.2018	30.6.2017
Revenue	32,419	30,088	122,097	105,130	5,888	6,174	15,157	98	(10,587)	(481)	164,974	141,009
Cost of sales	(25,735)	(25,580)	(50,265)	(49,888)	(5,799)	(5,883)	(15,194)	(5)	9,876	487	(87,117)	(80,869)
Gross profit	**6,684**	**4,508**	**71,832**	**55,242**	**89**	**291**	**(37)**	**93**	**(711)**	**6**	**77,857**	**60,140**
Other income	8,710	789	597	2,187	480	150	3,492	5,985	(2,931)	(5,494)	10,348	3,617
Other employee costs	(552)	(178)	(2,063)	(1,793)			(6,255)	(6,201)			(8,870)	(8,172)
Administrative expenses	(8,043)	(3,063)	(3,780)	(4,025)	(513)	(133)	(3,856)	(10,278)	(349)	5,797	(16,541)	(11,702)
Operating profit/(loss)	**6,799**	**2,056**	**66,586**	**51,611**	**56**	**308**	**(6,656)**	**(10,401)**	**(3,991)**	**309**	**62,794**	**43,883**
Financial income/(expenses)	(2,492)	(1,710)	(18,271)	(19,798)	(1)	(73)	2,020	1,967	(819)	23	(19,563)	(19,591)
Investment income/(expenses)	946	1,042		46	11	19	14,504	607	(14,504)	(607)	957	1,107
Profit/(loss) before income tax	**5,253**	**1,388**	**48,315**	**31,859**	**66**	**254**	**9,868**	**(7,827)**	**(19,314)**	**(275)**	**44,188**	**25,399**
Income tax expense	(951)	(342)	(11,931)	(7,556)	(114)	(94)	2,906	2,107	214	(11)	(9,876)	(5,896)
Profit/(loss) for the period	**4,302**	**1,046**	**36,384**	**24,303**	**(48)**	**160**	**12,774**	**(5,720)**	**(19,100)**	**(286)**	**34,312**	**19,503**
Third party profit/(loss)	18	303	6,599	6,428					(7)	1	6,610	6,732
Group profit/(loss)	**4,284**	**743**	**29,785**	**17,875**	**(48)**	**160**	**12,774**	**(5,720)**	**(19,093)**	**(287)**	**27,702**	**12,771**
EBITDA	**16,816**	**10,256**	**92,377**	**76,161**	**388**	**1,276**	**(5,898)**	**(9,431)**	**(4,294)**	**(48)**	**99,389**	**78,214**

(€ thousands)

	WTE, biomass, photovoltaic		Wind		Services		Other businesses		Elimination		Consolidated	
Financial position	30.6.2018	30.6.2017	30.6.2018	30.6.2017	30.6.2018	30.6.2017	30.6.2018	30.6.2017	30.6.2018	30.6.2017	30.6.2018	30.6.2017
Intangible assets	7	1,247	96,384	80,261	9,254	10,953	1,531	1,542	(21)		107,155	94,003
Property, plant and equipment	247,764	86,102	813,276	842,153	614	716	216	298	(2,215)	(1,433)	1,059,655	927,836
Net financial position	162,808	131,445	497,504	717,815	(1,267)	(1,393)	2,168	(224,428)	(81,218)	(82,244)	579,995	541,195
Investments	13,566	346	19,048	10,070	100	119	277	138	(922)	(5)	32,069	10,668

5.6.5 Balance sheet contents and movements

Assets

A Non-current assets

1 Intangible assets

Movements in the period were as follows:

		At 31.12.2017	Additions	Foreign exchange differences	Reclassifications	Disposals	Other movements	(Impairment losses) Revaluations	Amortisation	At 30.6.2018
1.1	Industrial patent rights and intellectual property rights	1,283			2		(1)		(185)	1,099
1.2	Concessions, licences, trademarks and similar rights	2							(1)	1
1.3	Goodwill	85,663		66						85,729
1.4	Other intangibles	3,547	1	1					(178)	3,371
1.5	Assets under construction and advance payments	16,640	461	(144)	(2)					16,955
Total		**107,135**	**462**	**(77)**			**(1)**		**(364)**	**107,155**

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)
- Fisher Road Solar I LLC (solar plant in Dartmouth, Massachusetts)
- Frullo Energia Ambiente Srl (Granarolo dell'Emilia WtE plant)
- Geopower Sardegna Srl (Buddusò-Alà dei Sardi wind farm)
- Vector Cuatro group (services)
- HG Solar Development LLC (solar plant in Middleton, Massachusetts)
- 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)
- Syncarpha Massachusetts LLC (solar plant in Leominster, Massachusetts)
- Syncarpha Palmer LLC (solar plant in Palmer, Massachusetts)
- Ty Ru Sas (Plouigneau wind farm)
- West Browncastle Wind Energy Ltd (West Browncastle wind farm)

Goodwill at 30 June 2018 comprised:

Goodwill	(€ thousands)
	Book value at 30.06.2018
Geopower Sardegna Srl	16,246
Cambrian Wind Energy Ltd	12,530
Falck Renewables Wind Ltd	10,222
Ben Aketil Wind Energy Ltd	9,872
Earlsburn Wind Energy Ltd	9,722
Millennium Wind Energy Ltd	9,423
Vector Cuatro SLU	5,861
Boyndie Wind Energy Ltd	4,126
Kilbraur Wind Energy Ltd	3,751
Eolica Sud Srl	1,967
Eolo 3W Minervino Murge Srl	1,748
SE Ty Ru SAS	261
Total	**85,729**

No impairment issues were found, either regarding goodwill and other intangible assets or tangible assets.
In fact, there were no impairment issues at all during the first half of the year, from either an operational, regulatory, financial or market aspect.

Acquisitions principally relate to expenditure on software licenses and management system development by the parent company Falck Renewables SpA totalling €260 thousand, Vector Cuatro SLU for €22 thousand, and to technical consultancy and internal costs for the Okla project belonging to Falck Renewables Vind AS for €173 thousand.

2 Property, plant and equipment

Movements in the period were as follows:

(€ thousands)

	At 31.12.2017*	Acquisitions	Change in scope of consolid.n	Reclassifications	Foreign exchange differences	Disposals	Other movements	(Impairment losses) Revaluation	Depreciation	At 30.6.2018
Gross values										
2.1 Land	8,740						(280)			8,460
2.2 Buildings	1,831	26								1,857
2.3 Plants and machinery	1,420,968	4,641	41,440		4,320		(88)			1,471,281
2.4 Industrial and commercial equipment	2,926	4		2		(84)		(5)		2,843
2.5 Other assets	5,050	82		6	3	(52)				5,089
2.6 Assets operated under concession	93,143			142		(326)				92,959
2.7 Assets under construction and adv.	6,309	26,854		(150)	80		(26)	(63)		33,004
Total gross value	**1,538,967**	**31,607**	**41,440**		**4,403**	**(462)**	**(394)**	**(68)**		**1,615,493**
Accumulated depreciation										
2.1 Land										
2.2 Buildings	(1,035)								(27)	(1,062)
2.3 Plants and machinery	(440,302)		(6,806)		(263)				(29,406)	(476,777)
2.4 Industrial and commercial equipment	(2,579)				(1)	79			(63)	(2,564)
2.5 Other assets	(4,035)				(1)	50			(186)	(4,172)
2.6 Assets operated under concession	(69,400)					234			(2,096)	(71,262)
Total depreciation	**(517,351)**		**(6,806)**		**(265)**	**363**			**(31,778)**	**(555,837)**
Net book amounts										
2.1 Land	8,740						(280)			8,460
2.2 Buildings	796	26							(27)	795
2.3 Plants and machinery	980,666	4,641	34,634		4,057		(88)		(29,406)	994,504
2.4 Industrial and commercial equipment	347	4		2	(1)	(5)		(5)	(63)	279
2.5 Other assets	1,015	82		6	2	(2)			(186)	917
2.6 Assets operated under concession	23,743			142		(92)			(2,096)	21,697
2.7 Assets under construction and adv.	6,309	26,854		(150)	80		(26)	(63)		33,004
Total property, plant and equipment	**1,021,616**	**31,607**	**34,634**		**4,138**	**(99)**	**(394)**	**(68)**	**(31,778)**	**1,059,656**

* The figures at 31 December 2017 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of the NC 42 LLC group, Falck Renewables Vind AS, Åliden Vind AB and Brattmyrliden Vind AB.

Acquisitions - Acquisitions mainly concerned the construction of the Auchrobert wind farms in the UK (€401 thousand), the Brattmyrliden (€2,191 thousand) and Åliden (€3,315 thousand) wind parks in Sweden, Falck Renewables Vind (€12,018 thousand) in Norway, the construction and acquisition of the HG Solar LLC solar plants in the US (€9,162 thousand) and the Fisher Road Solar I LLC, Syncarpha Palmer LLC, and Syncarpha Massachusetts LLC solar plants in the US (€4,235 thousand), and other minor investments (€285 thousand).

Property, plant and equipment at 30 June 2018 did not include amounts relating to revaluations carried out in accordance with local monetary revaluation legislation or arising from economic revaluations.

Borrowing costs allocated during the year to property, plant and equipment amounted to €9 thousand entirely relating to wind farms under construction.

3 Investments and securities

This mainly refers to the 1.807% share in the Fondo Italiano per l'Efficienza Energetica SGR SpA.
During 2018, 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 on total investments, please see the section "Commitments and contingencies".

4 Investments accounted for using the equity method

(€ thousands)

	At 31.12.2017	Revaluation (Impairment)	Fair value adjustment to total equity	Dividends	Other movements	At 30.6.2018
Frullo Energia Ambiente Srl	21,783	946	52		(1)	22,780
Parque Eolico La Carracha Sl						
Parque Eolico Plana de Jarreta Sl						
Nuevos Parque Eolicos La Muela AIE						
Vector Cuatro Servicios SL	82	11				93
Total	**21,865**	**957**	**52**		**(1)**	**22,873**

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.

Details and figures of associated companies consolidated using the equity method are shown below, in compliance with IFRS 12:

				%	Indirect holding	
	Registered offices	Currency	Share capital	direct holding	%	Parent company
Frullo Energia Ambiente Srl	Bologna	Euro	17,139,100	49.000		
Nuevos Parque Eolico s La Muela AIE	Zaragoza (Spain)	Euro	10,000		50.000	Parque Eolico La Carracha SL
					50.000	Parque Eolico Plana de Jarreta SL
Parque Eolico La Carracha SI	Zaragoza (Spain)	Euro	100,000		26.000	Falck Renewables Wind Ltd
Parque Eolico Plana de Jarreta SI	Zaragoza (Spain)	Euro	100,000		26.000	Falck Renewables Wind Ltd
VectorCuatro Servicios SL	Madrid (Spain)	Euro	30,000		50.000	Vector Cuatro SLU

Main balance sheet information:

(€ thousands)

	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities
Frullo Energia Ambiente Srl	61,304	16,115	46,698	10,229	20,492
Nuevos Parque Eolicos La Muela AIE	2	47	38		11
Parque Eolico La Carracha Sl	12,501	4,159	3,037	12,464	1,159
Parque Eolico Plana de Jarreta Sl	12,433	4,262	1,924	12,947	1,824
Vector Cuatro Servicios SL	19	182	185		16

Main income statement information:

(€ thousands)

	Revenue	Cost of sales	Gross profit/(loss)	Operating profit/(loss)	Profit/(loss) before income tax	Profit/(loss) for the period
Frullo Energia Ambiente Srl	14,238	(11,607)	2,631	2,511	2,267	1,675
Nuevos Parque Eolicos La Muela AIE	294	(228)	66			
Parque Eolico La Carracha SI	2,668	(1,376)	1,292	1,119	965	723
Parque Eolico Plana de Jarreta SI	2,535	(1,328)	1,207	961	807	605
Vector Cuatro Servicios SL	85	(54)	31	28	28	21

5 Financial receivables

As at 30 June 2018, this item is broken down as follows:

(€ thousands)

	30.6.2018			31.12.2017			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	12,114	10,482	1,632	12,869	11,239	1,630	(755)	(757)	2
Amounts owed by associates									
Derivative financial instruments	2,202	2,086	116	1,102	1,012	90	1,100	1,074	26
Total	**14,316**	**12,568**	**1,748**	**13,971**	**12,251**	**1,720**	**345**	**317**	**28**

Financial receivables are disclosed net of the provision for doubtful accounts of €1,419 thousand.

Non-current amounts owed by third parties relate to the loan to Verus Energy Oak for €742 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 €231 thousand due from Parque Eolico La Carracha Sl and €446 thousand due from Parque Eolico Plana de Jarreta Sl, both of which have been written down to nil in previous years.

Third party derivative interest rate swaps, whose fair value at 30 June 2018 is positive for €2,086 thousand, were taken out to hedge project financing interest rate risks for Spaldington Airfield Wind Energy Ltd, Kingsburn Wind Energy Ltd, Kilbraur Wind Energy Ltd, Easrlsburn Mezzanine Ltd, Easrlsburn Wind Energy Ltd, Millennium Wind Energy Ltd, West Browncastle Wind Energy Ltd e Auchrobert Wind Energy Ltd.

Third party derivative contracts were taken out to hedge the foreign exchange risk associated with the foreign currency current accounts of the parent company and other subsidiaries and on certain exchange transactions, with a fair value of €116 thousand at 30 June 2018 (31 December 2017 – €90 thousand).

Please note that the fair value of non-current derivatives at 30 June 2018 has been adjusted for counterparty risk (CVA - Credit Value Adjustment) in line with IFRS 13. The following table shows the details of the credit valuation adjustments made, by rating and by sector:

(€ thousands)

	Fair value risk free	Fair value - Credit Valuation adjusted	Delta
Rating			
S&P A-	2,266	2,052	(214)
S&P BBB	42	34	(8)
Total	**2,308**	**2,086**	**(222)**
Sector			
Banks	2,308	2,086	(222)
Total	**2,308**	**2,086**	**(222)**

6 Trade receivables

As at 30 June 2018, this item is broken down as follows:

(€ thousands)

	30.6.2018			31.12.2017			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Trade receivables	104,412		104,412	102,928		102,928	1,484		1,484
Amounts owed by subsidiaries									
Amounts owed by associates	68		68	81		81	(13)		(13)
Amounts owed by parent company	97		97	241		241	(144)		(144)
Amounts owed by other Falck Group companies	20		20	54		54	(34)		(34)
Total	**104,597**		**104,597**	**103,304**		**103,304**	**1,293**		**1,293**

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

	30.06.2018
Italy	67,006
United Kingdom	25,844
Germany	6,179
Denmark	499
Switzerland	899
France	370
United States of America	2,522
Spain	551
Japan	612
Other	791
Bad debt provision	(861)
Total	**104,412**

These receivables are disclosed net of the provision for doubtful accounts of €861 thousand at 30 June 2018 recorded in order to adjust them to recoverable value.

7 Other receivables

As at 30 June 2018, this item is broken down as follows:

(€ thousands)

	30.6.2018			31.12.2017			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	2,303	277	2,026	2,117	277	1,840	186		186
Amounts owed by associates	980		980	980		980			
Amounts owed by parent companies	12,255		12,255	8,324		8,324	3,931		3,931
Advances	390		390	439		439	(49)		(49)
Tax credits	13,134		13,134	7,893		7,893	5,241		5,241
Guarantee deposits	763	677	86	663	581	82	100	96	4
Accrued income and prepayments	5,942	509	5,433	6,226	223	6,003	(284)	286	(570)
Total	**35,767**	**1,463**	**34,304**	**26,642**	**1,081**	**25,561**	**9,125**	**382**	**8,743**

Other receivables are disclosed net of the provision for doubtful accounts of €8,377 thousand at 30 June 2018 recorded in order to adjust them to recoverable value.

Other receivables increased mainly for receivables from subsidiaries and tax credits.

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 €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 €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.

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

8 Deferred income tax assets and liabilities

The deferred tax assets at 30 June 2018 amounted to €22,742 thousand, down by €5,296 thousand compared to the total at 31 December 2017.

Deferred tax liabilities, amounting to €26,832 thousand, rose by €2,390 thousand in comparison to 31 December 2017.

The figures at 31 December 2017 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of the NC 42 LLC group, Falck Renewables Vind AS, Åliden Vind AB and Brattmyrliden Vind AB.

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.

B Current assets

9 Inventories

Inventories at 30 June 2018 consisted of the following:

(€ thousands)

	30.6.2018	31.12.2017	Change
Raw materials and consumables	2,933	2,879	54
Semi-finished goods			
Work in progress			
Finished goods	1,837	2,053	(216)
Advances			
Total	**4,770**	**4,932**	**(162)**

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

10 Cash and cash equivalents

(€ thousands)

	30.6.2018	31.12.2017	Change
Short-term bank and post office deposits	220,490	261,499	(41,009)
Cash in hand	15	18	(3)
Total	**220,505**	**261,517**	**(41,012)**

Current account balances of the companies funded using project financing schemes are restricted by the obligations under the project financing contracts. These balances amount to €111,428 thousand, of which €104,434 thousand relating to the wind sector and €6,994 thousand relating to the WtE, biomass and photovoltaic sector.

The cash balances linked to project financing contracts analysed by company at 30 June 2018 were as follows:

(€ thousands)

Actelios Solar SpA	6,409
Innovative solar 42 LLC	585
Total WtE, biomass and photovoltaic sector	**6,994**
FRUK Holdings (no.1) Ltd	3,093
Cambrian Wind Energy Ltd	2,720
Boyndie Wind Energy Ltd	249
Earlsburn Mezzanine Ltd	113
Earlsburn Wind Energy Ltd	1,979
Ben Aketil Wind Energy Ltd	1,665
Millennium Wind Energy Ltd	2,549
Kilbraur Wind Energy Ltd	2,773
Nutberry Wind Energy Ltd	3,798
West Browncastle Wind Energy Ltd	3,482
Spaldington Wind Energy Ltd	1,515
Kingsburn Wind Energy Ltd	3,911
Assel Valley Wind Energy Ltd	3,318
Auchrobert Valley Wind Energy Ltd	8,192
Eolica Sud Srl	17,732
Eolo 3W Minervino Murge Srl	7,264
Geopower Sardegna Srl	29,602
Eolica Petralia Srl	2,931
SE Ty Ru Sas	4,207
Parc Eolien du Fouy Sas	976
Parc Eolien des Crêtes Sas	705
Esquennois Energie Sas	1,660
Total Wind sector	**104,434**
Total cash balances linked to project financing	**111,428**

Lastly, we note that the cash held by Falck Renewables SpA amounted to €87,293 thousand.

Liquidity fell due to dividend payouts and the investments made during the period, in addition to the acquisition of the solar plants in the US.

Liabilities

D Equity

11 Share capital

Share capital consists of 291,413,891 issued and fully paid ordinary shares, with a face value of €1 each.
At 30 June 2018, the parent company Falck Renewables SpA had 2,179,000 own shares for a face value of €2,179,000, representing 0.7477% of total share capital.
The carrying value of own shares held is €2,860,405 corresponding to an average share price of €1.3127.

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 31 July 2018, as part of this program a total of 1,750,000 shares were purchased, corresponding to 0.6001% of the share capital. In total, 2,210,000 shares are held, corresponding to 0.7584% of the share capital, for an average cost of €0.9524 per share.

Movements in equity during the 2017 period and the first half of 2018 were as follows:

(€ 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				(5,529)	8,660	(47)	(105)		**2,979**	(661)	**2,318**
Purchase of own shares							(1,035)		**(1,035)**		**(1,035)**
Stock grant plan fair value							220		**220**		**220**
Other movements							1,485		**1,485**	8,996	**10,481**
Profit for the year								19,788	**19,788**	11,670	**31,458**
31.12.2017*	**291,414**	**470,335**	**(371,598)**	**(2,338)**	**(40,754)**	**(693)**	**83,072**	**19,788**	**449,226**	**48,333**	**497,559**

(€ thousands)

	Share capital	Reserves							Profit for the period	Group equity	Third party equity	Total
		Share premium account	Demerger reserve under common control	Translation reserve	Cash flow hedge reserve	Actuarial gains/losses reserve	Other reserves					
31.12.2017*	**291,414**	**470,335**	**(371,598)**	**(2,338)**	**(40,754)**	**(693)**	**83,072**		**19,788**	**449,226**	**48,333**	**497,559**
2017 Holding profit allocation to reserves							19,788		(19,788)			
First-time application of IFRS 9							13,367			**13,367**	(51)	**13,316**
Dividends paid							(15,365)			**(15,365)**	(4,886)	**(20,251)**
Other comprehensive income items included in equity				1,612	2,827	(12)	105			**4,532**	942	**5,474**
Purchase of own shares							(1,422)			**(1,422)**		**(1,422)**
Stock grant plan fair value							220			**220**		**220**
Other movements							2,033			**2,033**	(2,161)	**(128)**
Profit for the period									27,702	**27,702**	6,610	**34,312**
30.06.2018	**291,414**	**470,335**	**(371,598)**	**(726)**	**(37,927)**	**(705)**	**101,798**		**27,702**	**480,293**	**48,787**	**529,080**

*The figures at 31 December 2017 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of the NC 42 LLC group, Falck Renewables Vind AS, Åliden Vind AB and Brattmyrliden Vind AB.

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 30 June 2018, 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.

	30.6.2018	31.12.2017*
Weighted average number of ordinary shares in issue (number)	289,846,482	289,963,261
Profit attributable to ordinary equity holders of the parent (€ thousands)	27,702	19,788
Basic earnings per share (€ per share)	**0.096**	**0.068**

	30.6.2018	31.12.2017*
Weighted average number of ordinary shares in issue (number)	289,846,482	289,963,261
Weighted average number of potential shares following the stock grant plan (number)	1,069,986	584,757
Weighted average number of ordinary shares in issue (number) following diluted profit	290,916,468	290,548,018
Profit attributable to ordinary equity holders of the parent (€ thousands)	27,702	19,788
Diluted earnings per share (€ per share)	**0.095**	**0.068**

*The figures at 31 December 2017 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of the NC 42 LLC group, Falck Renewables Vind AS, Åliden Vind AB and Brattmyrliden Vind AB.

12 Provisions for other liabilities and charges

(€ thousands)

	At 31.12.2017	Change in scope of consol.n	Charges	Utilisations/ payments	Other movements	Foreign exchange differences	At 30.6.2018
Non-current provisions for other liabilities and charges							
- litigation provision							
- environmental provision	54.914	612		(85)	464	90	55.995
- other risk provisions	21.351		3.990	(2.620)		4	22.725
Total non-current provisions for other liabilities and charges	**76.265**	**612**	**3.990**	**(2.705)**	**464**	**94**	**78.720**
Non-current provisions for other liabilities and charges							
- other risk provisions	181			(95)		1	87
Total current provisions for other liabilities and charges	**181**			**(95)**		**1**	**87**
Total provisions for other liabilities and charges	**76.446**	**612**	**3.990**	**(2.800)**	**464**	**95**	**78.807**

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 €612 thousand refers to the first-time consolidation of Ficher Road Solar I LLC, Syncarpha Palmer LLC and Syncarpha Massachusetts LLC.

Provisions of €3,990 thousand mainly refer to provisions for litigation regarding the Sicilian project companies in liquidation.
The amount of €2,620 thousand mainly refers to the release of a fund for litigation for the land in relation to the Sicilian project companies in liquidation.

13 Staff leaving indemnity (TFR)

(€ thousands)

	At 31.12.2017	Charges	Interest cost	Other movements	Actuarial (gains)/losses	Utilisations & payments	At 30.6.2018
Managers	737	140	8			(158)	727
White and blue collar staff	3,280	290	16	(1)	6	(284)	3,307
Total	**4,017**	**430**	**24**	**(1)**	**6**	**(442)**	**4,034**

The staff leaving indemnity (TFR) fund represents actualized debt to employees. At 30 June 2018, actuarial losses of €6 thousand were recorded under Net Equity and shown along with the other components of the global income statement, in line with IAS 19R.

14 Financial liabilities

As at 30 June 2018, this item is broken down as follows:

(€ thousands)

	30.6.2018			31.12.2017*			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Due to third parties	23,726	19,181	4,545	19,316	15,154	4,162	4,410	4,027	383
Project financing	746,034	673,148	72,886	793,138	710,304	82,834	(47,104)	(37,156)	(9,948)
Derivative financial instruments	45,056	41,622	3,434	47,581	45,318	2,263	(2,525)	(3,696)	1,171
Total	**814,816**	**733,951**	**80,865**	**860,035**	**770,776**	**89,259**	**(45,219)**	**(36,825)**	**(8,394)**

* The figures at 31 December 2017 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of the NC 42 LLC group, Falck Renewables Vind AS, Åliden Vind AB and Brattmyrliden Vind AB.

On 12 June 2015, a Corporate Loan contract was signed by Falck Renewables SpA and a pool of primary credit institutions. The contract was for a revolving credit line for €150 million, with expiry set on 30 June 2020.
On 30 July 2018, the Company signed a modification to the Corporate Loan agreement.
The following modifications were made:

- the revolving credit line was increased from €150 million to €325 million;
- the expiry was extended form 30 June 2020 to 31 December 2023.

The loan is aimed at supporting the Group’s financial requirements and business development activities. The loan had not been drawn down at 30 June 2018.
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 £ 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 as at 30 June 2018 based on these interim financial statements.

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

In order to hedge the interest rate risk on project financing and to convert the rate from variable to fixed, the companies in question have entered into interest rate swaps (IRS) for the portion of the interest linked to project financing, at conditions that are substantially in line with market rates.

The project financings “without recourse” granted to Group companies were backed by guarantees and limitations including, among others, the obligation to meet certain financial parameters, such as:

- to maintain a “reserve account” equal to one repayment, to guarantee that the debt is regularly serviced;
- to issue mortgages on properties or pledges on shares to the financial institutions that are party to the projects;
- the possibility of distributing dividends only on meeting specific financial parameters and after settling outstanding payments on the financial contracts;
- to meet certain financial parameters over the minimum default levels, calculated on a biannual basis, for the entire duration of the contracts.

At 30 June 2018, the financial parameters of all Group companies were over the minimum default level.

15 Trade payables

Trade payables at 30 June 2018 compared to the previous year are as follows:

(€ thousands)

	30.6.2018			31.12.2017			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Due to third parties	43,697	3,644	40,053	46,440	3,722	42,718	(2,743)	(78)	(2,665)
Due to parent company	234		234	424		424	(190)		(190)
Total	**43,931**	**3,644**	**40,287**	**46,864**	**3,722**	**43,142**	**(2,933)**	**(78)**	**(2,855)**

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 30 June 2018 compared to 31 December 2017 are as follows:

(€ thousands)

	30.6.2018			31.12.2017*			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Due to third parties	28,984	5,134	23,850	32,781	5,148	27,633	(3,797)	(14)	(3,783)
Due to parent company	10,741		10,741	4,560		4,560	6,181		6,181
Advances	188		188	192		192			
Accruals and deferred income	55,755	53,376	2,379	42,389	40,451	1,938	13,366	12,925	441
Total	**95,668**	**58,510**	**37,158**	**79,922**	**45,599**	**34,323**	**15,750**	**12,911**	**2,839**

* The figures at 31 December 2017 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of the NC 42 LLC group, Falck Renewables Vind AS, Åliden Vind AB and Brattmyrliden Vind AB.

Third party creditors may be detailed as follows:

(€ thousands)

	30.06.2018	31.12.2017
Tax payables	9,725	8,893
Debt for the acquisition of companies in Sweden, Norway and USA	4,822	6,746
Debts to partners and shareholders in the consolidated tax regime	6,176	6,514
Other amounts due to employees and holiday pay	3,946	4,578
Amounts due on court sentences		1,812
Dividends payable	1,183	1,050
Social security payables	1,123	697
Other minor amounts	2,009	2,491
Total	**28,984**	**32,781**

The debt for the acquisition of companies in Sweden and Norway refers to debts and interest payable to the previous shareholders of Åliden Vind AB, Brattmyrliden Vind AB, HG Solar Development LLC and Falck Renewables Vind AS.

Accruals and deferrals are mainly composed of capital contributions recorded using the indirect method.
The increase in this heading compared to 31 December 2017 is due to the contributions from HG Solar Development LLC in 2018, Fisher Road Solar I LLC in 2014, Syncarpha Palmer LLC in 2015, and Syncarpha Massachusetts LLC in 2015, following the acquisition of the solar plants in 2018. This amount refers to tax credits amounting to 30% of the investments (ITC - Investment Tax Credits) obtained by the companies and

assigned to shareholders based on the partnership contract. The contributions have been divided *pro rata temporis* over the useful life of the plants (35 years).
Therefore, accrued expenses and deferred income at 30 June 2018 consisted of €55,755 thousand were mainly composed of contributions under Law 488, and ITC contributions for a total of €55,159 thousand relating to the contribution accruable in future years, of which €53,294 thousand in other non-current payables and €1,865 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 30 June 2018 amounted to €209,476 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 €169,718 thousand and guarantees issued to the VAT authorities in relation to requests for repayment of VAT receivables for €5,126 thousand. Also included are €18,519 thousand of bank guarantees and other guarantees of €16,113 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 €3,000 thousand, at 30 June 2018, of which €2,175 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 communication 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.
The only relations with the Board and the auditors were in relation to their positions.
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.

(€ thousands)

	Trade		Financial		Other	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Parent company						
Falck SpA	97	234			12,255	10,741
Total parent company	**97**	**234**			**12,255**	**10,741**
Associates						
Frullo Energia Ambiente Srl	68				980	
Parque Eolico La Carracha Sl						
Parque Eolico Plana de Jarreta Sl						
Vector Cuatro Servicios Sl						
Total associates	**68**				**980**	
Other Group companies						
Sesto Siderservizi Srl	10					
Falck Energy SpA	10					
Total other Group companies	**20**					
Other related parties						
Svelgen Kraft Holding e consociate		**43**				2,087
Firstar Development, LLC				796		3,999
CII Holdco Ltd	18	99	12,026	2,629		2,177
Total other related parties	**18**	**142**	**12,026**	**3,425**		**8,263**
Total	**203**	**376**	**12,026**	**3,425**	**13,235**	**19,004**
% incidence on balance sheet heading	**0.2%**	**0.9%**	**84.0%**	**0.4%**	**37.0%**	**19.9%**

Net financial position

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

(€ thousands)

	30.6.2018	31.12.2017	Change
Short-term third party financial liabilities	(80,865)	(89,259)	8,394
Short-term third party financial receivables	1,748	1,720	28
Cash and cash equivalents	220,505	261,517	(41,012)
Short-term net financial position	**141,388**	**173,978**	**(32,590)**
Medium/long-term third party financial liabilities	(733,951)	(770,776)	36,825
Medium/long-term financial position	**(733,951)**	**(770,776)**	**36,825**
Net financial position pursuant to Consob circular N. DEM/6064293/2006	**(592,563)**	**(596,798)**	**4,235**
Medium/long-term third party financial receivables	12,568	12,251	317
Total net financial position	**(579,995)**	**(584,547)**	**4,552**
- of which “non-recourse” financing	**(746,034)**	**(793,138)**	**47,104**

Disclosures relating to electric power plants

The disclosures presented in accordance with CONSOB Recommendation dated 28 February 2013 in relation to information to be provided in financial reports and press releases of listed issuers in the renewable energy and real estate sectors are summarised below:

1. Disclosures relating to power plants in service at 30 June 2018

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 (€ thousands)
WtE plant Trezzo (MI) **	Prima Srl	85%	Sept. 2003	20.0	49	21,989
Biomass plant Rende (CS) ***	Ecosesto SpA	100%	revamping Jan. 2011	15.0	50	15,888
Photovoltaic Rende (CS)	Ecosesto SpA	100%	July 2007	1.0	1	2,944
Photovoltaic plants Sicily *	Actelios Solar SpA	100%	April 2011	13.1	9	33,196
Photovoltaic plant Mesagne (BR) *	Solar Mesagne Srl	100%	July 2009 May 2010	2.0	1	4,986
Photovoltaic plant North Carolina (USA)	Innovative Solar 42 LLC	99% class B	Sept 2017	92.0	77	121,285
Photovoltaic plant New York (USA)	HG Solar Development, LLC	100% class B	June 2018	6.0	1	9,215
Photovoltaic plant Delaware (USA)	Fisher Road Solar I, LLC	100% class B	June 2018	6.0	1	14,096
Photovoltaic plant Delaware (USA)	Syncarpha Palmer, LLC	100% class B	June 2018	6.0	1	17,639
Photovoltaic plant Delaware (USA)	Syncarpha Massachusetts, LLC	100% class B	June 2018	2.5	-	7,169
Wind farm Cefn Croes (Wales)	Cambrian Wind Energy Ltd	51%	April 2005	58.5	71	23,799
Wind farm Boyndie (Scotland)	Boyndie Wind Energy Ltd	51%	June 2006 June 2010	16.7	18	8,773
Wind farm Earlsburn (Scotland)	Earlsburn Wind Energy Ltd	51%	Dec. 2007	37.5	52	22,679
Wind farm Ben Aketil (Scotland)	Ben Aketil Wind Energy Ltd	51%	June 2008 Jan. 2011	27.6	24	17,157
Wind farm Millennium (Scotland)	Millennium Wind Energy Ltd	51%	March 2009 Feb. 2011	65.0	83	55,263
Wind farm Kilbraur (Scotland)	Kilbraur Wind Energy Ltd	51%	Feb. 2009 Sept. 2011	67.5	84	59,055
Wind farm Nutberry (Scotland)	Nutberry Wind Energy Ltd	100%	Oct. 2013	15.0	24	23,532
Wind farm West Browcastle (Scotland)	West Browcastle Wind Energy Ltd	100%	June 2014	30.0	38	44,797
Wind farm Spaldington (England)	Spaldington Airfield Wind Energy Ltd	100%	May 2016	11.8	13	20,711
Wind farm Kingsburn (Scotland)	Kingsburn Wind Energy Ltd	100%	May 2016	22.5	38	34,897
Wind farm Assel Valley (Scotland)	Assel Valley Wind Energy Ltd	100%	Oct. 2016	25.0	36	41,943
Wind farm di Auchrobert (Scotland)	Auchrobert Wind Energy Ltd	100%	April 2017	36.0	48	55,786
Wind farm San Sostene (CZ)	Eolica Sud Srl	100%	Oct. 2009 Oct. 2010	79.5	89	92,582
Wind farm Minervino Murge (BT) *	Eolo 3W Minervino Murge Srl	100%	Dec. 2008	52.0	50	60,743
Wind farm Buddusò - Alà dei Sardi (OT) ****	Geopower Sardegna Srl	100%	July 2011 Dec. 2011	138.0	173	152,577
Wind farm Petralia Sottana (PA) *	Eolica Petralia Srl	100%	April 2012	22.1	24	29,056
Wind farm Plouigneau (France)	SE Ty Ru Sas	100%	July 2012	10.0	11	12,979
Wind farm Maine et Loire (France)	Parc Eolien du Fouy Sas	100%	April 2009	10.0	10	7,506
Wind farm Maine et Loire (France)	Parc Eolien des Cretes Sas	100%	April 2009	10.0	10	7,956
Wind farm Oise (France)	Esquennois Energie Sas	100%	July 2009	12.0	12	10,643
Wind farm Zaragoza (Spain)	Eolica Cabezo San Roque Sau	100%	Jan. 2004	23.3	31	6,113
Total				**933.5**	**1,129**	**1,036,954**

* 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	(2,362)	Medium/long term loan	31/07/2014 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	(24,491)	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	(33,686)	Loan note***	28/02/2033	A	C
Photovoltaic plant Massachusetts (USA)	HG Solar Development, LLC	-	N.A.	N.A.	N.A.	N.A.
Photovoltaic plant Massachusetts (USA)	Fisher Road Solar I, LLC	(843)	Advance SRECs	31/12/2023	N.A.	E
Photovoltaic plant Massachusetts (USA)	Syncarpha Palmer, LLC	(2,396)	Advance SRECs	31/12/2025	N.A.	E
Photovoltaic plant Massachusetts (USA)	Syncarpha Massachusetts, LLC	(784)	Advance SRECs	31/03/2025	N.A.	E
Wind farm Cefn Croes (Wales) Wind farm Boyndie (Scotland)	FRUK Holdings (No.1) Ltd*	(35,437)	Project financing	31/12/2025	A	C
Wind farm Cefn Croes (Wales)	Cambrian Wind Energy Ltd*	(4,291)	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**	(22,680)	Project financing	31/03/2026	A	C
Wind farm Earlsburn (Scotland)	Earlsburn Wind Energy Ltd**	(10,755)	Project financing	15/04/2022	A	C
Wind farm Ben Aketil (Scotland)	Ben Aketil Wind Energy Ltd	(14,742)	Project financing	31/12/2024	A	C
Wind farm Millennium (Scotland)	Millennium Wind Energy Ltd	(35,875)	Project financing	15/04/2027	A	C
Wind farm Kilbraur (Scotland)	Kilbraur Wind Energy Ltd	(40,759)	Project financing	15/10/2027	A	C
Wind farm Nutberry (Scotland)	Nutberry Wind Energy Ltd	(19,607)	Project financing	31/03/2029	A	C
Wind farm West Browncastle (Scotland)	West Browncastle Wind Energy Ltd	(38,611)	Project financing	31/12/2033	A	C
Wind farm Spaldington (England)	Spaldington Airfield Wind Energy Ltd	(14,561)	Project financing	30/06/2034	A	C
Wind farm Kingsburn (Scotland)	Kingsburn Wind Energy Ltd	(31,476)	Project financing	30/06/2034	A	C
Wind farm Assel Valley (Scotland)	Assel Valley Wind Energy Ltd	(44,976)	Project financing	31/12/2034	A	C
Wind farm Auchrobert (Scotland)	Auchrobert Wind Energy Ltd	(53,614)	Project financing	31/12/2035	A	C
Wind farm San Sostene (CZ)	Eolica Sud Srl	(75,122)	Project financing	31/12/2025	A	C
Wind farm Minervino Murge (BT)	Eolo 3W Minervino Murge Srl	(39,737)	Project financing	31/12/2023	A	C
Wind farm Buddusò - Alà dei Sardi (OT)	Geopower Sardegna Srl	(161,362)	Project financing	30/06/2027 30/06/2024	A	C
Wind farm Petralia Sottana (PA)	Eolica Petralia Srl	(14,626)	Project financing	30/06/2027	A	C
Wind farm Plouigneau (France)	SE Ty Ru Sas	(9,087)	Project financing	31/03/2029 30/06/2030	A	C
Wind farm Maine et Loire (France)	Parc Eolien du Fouy Sas	(6,210)	Project financing	15/07/2026	A	C
Wind farm Maine et Loire (France)	Parc Eolien des Cretes Sas	(6,500)	Project financing	15/07/2026	A	C
Wind farm Oise (France)	Esquennois Energie Sas	(7,829)	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		**(746,034)**				
Total others		**(6,385)**				
Totale Financing		**(752,419)**				

* 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 € 4.173 thousand as at 30 June 2018
E Penalties for SRECs sold in advance and not transferred

The standard security package envisaged by the Falck Renewables Group’s project financing contracts is in line with market standards for this kind of transaction, and 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.

Lastly, 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 30 June 2018*

(€ thousands)

DISCLOSURES RELATING TO POWER PLANTS NOT YET IN SERVICE					
Plant	**Owner**	**Progress**	**Installed capacity (MW)**	**Estimated start date**	**NBV at 30.06.2018**
Wind farm Illois (France)	Parc Eolien d'Illois Sarl	Authorised	Up to 12	Subject to third party appeal	Not material
Wind farm Hennoy and Okla (Norway)	Falck Renewables Vind AS	Authorised	71.4	Third quarter 2019 and third quarter 2020 respectively	13,809
Wind farm Åliden (Sweden)	Åliden Vind AB	Construction start date	46.8	Fourth quarter of 2019	4,524
Wind farm Brattmyrliden (Sweden)	Brattmyrliden Vind AB	Construction start date	74.1	Fourth quarter of 2020	4,384

5.6.6 Income statement content and movements

17 Revenue

Revenue consisted of the following:

(€ thousands)

	30.6.2018	30.6.2017
Sale of goods	145,992	123,336
Sale of services	18,982	17,673
Total	**164,974**	**141,009**

Sales revenues, compared to the previous period, may be attributed to the following business segments:

(€ thousands)

	30.6.2018	30.6.2017
Sale of electricity and incentives	145,896	123,162
Sale of other goods	96	174
Total	**145,992**	**123,336**

Service revenues, compared to the previous period, may be attributed to the following business segments:

(€ thousands)

	30.6.2018	30.6.2017
Waste treatment and disposal	11,115	9,974
Renewable energy plant services and management	4,657	5,824
Other operating income	3,210	1,875
Total	**18,982**	**17,673**

Revenue analysed by geographical location is as follows:

(€ thousands)

	30.06.2018
Italy	72,660
United Kingdom	56,815
Germany	9,695
Denmark	8,078
Switzerland	4,795
France	4,164
United States of America	3,915
Spain	2,783
Japan	929
Other	1,140
Total	**164,974**

The following table shows a breakdown of revenues by sector at 30 June 2018 and 30 June 2017:

30 June 2018 (€ thousands)

Revenues by service type	WtE, biomass and photolvoltaic	Wind	Services	Other businesses	Elimination	Consolidated
Electricity sale revenues	12,696	54,125	0	15,077	(9,265)	**72,633**
Revenues from incentives/green certificates	8,424	64,839	0	0	0	**73,263**
Recycled products sales revenues	96	0	0	0	0	**96**
Total sales of electricity and other	**21,216**	**118,964**	**0**	**15,077**	**(9,265)**	**145,992**
Plant management and service revenues	17	0	5,547	0	(907)	**4,657**
Waste disposal and handling revenues	11,115	0	271	0	(271)	**11,115**
Other revenues	71	3,133	70	80	(144)	**3,210**
Total electricity and other sales	**11,203**	**3,133**	**5,888**	**80**	**(1,322)**	**18,982**
Total	**32,419**	**122,097**	**5,888**	**15,157**	**(10,587)**	**164,974**

30 June 2017 (€ thousands)

Revenues by service type	WtE, biomass and photolvoltaic	Wind	Services	Other businesses	Elimination	Consolidated
Electricity sale revenues	10,295	46,953	0	0	0	**57,248**
Revenues from incentives/green certificates	9,542	56,372	0	0	0	**65,914**
Recycled products sales revenues	174	0	0	0	0	**174**
Total sales of electricity and other	**20,011**	**103,325**	**0**	**0**	**0**	**123,336**
Plant management and service revenues	14	0	6,174	0	(364)	**5,824**
Waste disposal and handling revenues	9,974	0	0	0	0	**9,974**
Other revenues	89	1,805	0	98	(117)	**1,875**
Total electricity and other sales	**10,077**	**1,805**	**6,174**	**98**	**(481)**	**17,673**
Total	**30,088**	**105,130**	**6,174**	**98**	**(481)**	**141,009**

The following table shows revenues divided by their recognition date:

(€ thousands)

	30.6.2018	30.6.2017
Goods/services transferred on a specific date	160,640	136,002
Services provided over time	4,334	5,007
Total	**164,974**	**141,009**

18 Employee costs

Employee costs may be analysed as follows:

		(€ thousands)
	30.6.2018	30.6.2017
Cost of production employees	7,471	6,336
Cost of administrative staff	8,870	8,172
Total	**16,341**	**14,508**

Details of the employee costs heading:

		(€ thousands)
	30.6.2018	30.6.2017
Salaries and wages	11,989	10,390
Social security costs	3,096	2,899
Staff leaving indemnity (TFR)	430	431
Other costs	826	788
Total	**16,341**	**14,508**

The average number of employees was as follows:

		(number)
	30.6.2018	30.6.2017
Managers	39	35
White-collar staff	278	257
Blue-collar staff	48	50
Total average number of employees	**365**	**342**

The cost of employees increased by €1,833 thousand, mainly due to the increase in average headcount (+23) due to the rise in the average number of employees in all sectors, and the recording of the cost of the Long Term Incentive Plan during the period.

19 Direct costs

The following table shows the details of direct costs and expenses compared to the corresponding period of the prior year:

		(€ thousands)
	30.6.2018	30.6.2017
Materials	12,587	7,854
Services	21,873	19,597
Other costs	13,391	14,726
Change in inventories	162	(492)
Allocation/use of typical operating funds	(85)	3,807
Amortisation of intangible assets	178	289
Writedowns and reversals net of intangible assets		379
Depreciation of property, plant and equipment	31,679	28,560
Writedowns and reversals net of tangible assets	68	14
Costs capitalised on assets under construction	(207)	(201)
Total	**79,646**	**74,533**

Direct costs and expenses increased by €5,113 thousand mainly due to the purchase of energy from the market by Falck Renewables Energy Srl in order to mitigate the cost of imbalance and the optimisation of sales.

Note that in the 2017 interim reports this heading included the €379 thousand write-down of the Vector Cuatro portfolio following impairment tests run.
This result was also affected by the allocation of €3,800 thousand to reserves for future extraordinary maintenance costs for Ecosesto SpA.
Net of these write-downs and the energy acquisition costs, the increase is due to the increased production capacity in comparison to the first half of 2017, shown by the rise in services, and offset by the lower miscellaneous costs and the devaluation of the GBP against the EUR.

Operating leases
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, variable instalments and collections for subleases as at 30 June 2018:

	(€ thousands)
	30.06.2018
Minimum payments	3,191
Variable instalments	2,450
Sublease collections	(27)
Total	**5,614**

Below is the detail, by maturity, future minimum payment, at the current value, of operating leases updated as of 30 June 2018:

	(€ thousands)
	30.06.2018
Up to 12 months	6,783
1-2 years	6,584
2-5 years	17,619
over 5 years	98,014
Total	**129,000**

The table below provides details by future payment due date for subleases, the current value, as at 30 June 2018:

	(€ thousands)
	30.06.2018
Up to 12 months	3
1-2 years	2
2-5 years	
over 5 years	
Total	**5**

20 Other income

Other income may be analysed as follows:

		(€ thousands)
	30.6.2018	30.6.2017
Current operating income	936	590
Non-current operating income	9,412	3,027
Total	**10,348**	**3,617**

Income from other operating income can be further detailed as follows:

(€ thousands)

	30.6.2018	30.6.2017
Income from services	161	324
Capital grants	735	237
Other income	40	29
Total	**936**	**590**

Income from other non-current operating income can be further detailed as follows:

(€ thousands)

	30.6.2018	30.6.2017
Non-recurring income	3,145	2,033
Gains on disposal of property, plant and equipment	6	4
Insurance compensation	33	285
Contractual penalties	471	135
Compensation for damages		540
Other	5,757	30
Total	**9,412**	**3,027**

The Extraordinary income heading and Other items include part of the effects of the settlement of litigation relating to some of the land of the Sicilian companies in liquidation, for a value of €1,870 thousand, in exchange for the counterparty's waiver of interest set aside by the Company, and €5,727 thousand for the release of the asset adjustment fund.
Contractual penalties largely relate to the cancellation of a services contract.

21 Administrative expenses

Administrative expenses may be detailed as follows:

	30.6.2018	30.6.2017
Consumables	608	426
Services	8,864	7,252
Other costs	3,464	3,346
Non-operating expenses	2,600	2,049
Amortisation of intangible assets	186	161
Impairment of intangible assets		
Depreciation of property, plant and equipment	99	80
Impairment of property, plant and equipment		
Net allocations to risk provisions	1,206	(1,612)
Costs capitalised on assets under construction	(486)	
Total	**16,541**	**11,702**

The Contingency fund allocations and uses and Non-operating expenses headings include part of the effects of the settlement of litigation relating to some of the land of the Sicilian companies in liquidation, for a value of €1,801 thousand for the release of the litigation risk fund and €2,300 thousand in financial compensation.
The Contingency fund allocations and uses includes provisions for a total of €3,884 thousand for the Sicilian project companies.

In the first half of 2017, the amount of €1,896 thousand included under contingency fund allocations and uses mainly refers to the use of the Fund for covering transport and electricity distribution costs for Prima Srl. The relative cost was recorded under non-current operating expenses.

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 €186 thousand, of which €96 thousand with reference to the stock grant plan.

22 Financial income and expenses

Financial income and expenses comprised:

(€ thousands)

	30.6.2018	30.6.2017
Financial expenses	(20,532)	(19,477)
Foreign exchange losses	(4,275)	(2,057)
Financial income	600	209
Foreign exchange gains	4,635	1,729
Interests capitalised on assets under construction	9	5
Total	**(19,563)**	**(19,591)**

Financial expenses may be further analysed as follows:

(€ thousands)

	Debenture loans	Bank loans	Others	Total
Payable to others		22,740	2,067	24,807
Total		**22,740**	**2,067**	**24,807**

The table below shows financial income at 30 June 2018:

(€ thousands)

	30.6.2018	30.6.2017
Interest and commission - banks	320	150
Other	280	59
Total	**600**	**209**

Net financial expenses decreased by €28 thousand compared to the first half of 2017. Financial charges were affected by the entry into force, starting on 1 January 2018, of accounting standard IFRS 9 which entailed higher interest expense for the Group.
In fact, for outstanding loans that were renegotiated before 1 January 2018, the new IFRS 9 standard requires the effect of this operations to be calculated at the renegotiation date and thus the amortisation plan recalculated, starting from the renegotiation date, adjust the carrying value at that date to the net present value of the new conditions, balanced by a net equity reserve. For renegotiations after 1 January 2018, the effect of the renegotiation must be posted in the income statement.
The Group thus recalculated the effects of all loans subject to renegotiation. Since the Group benefited from renegotiations, the effect posted on 1 January 2018 concerned financial liabilities taking into account the original IRR (Internal rate of return), with a positive impact, net of taxes, for approximately €13 million, increasing net equity reserves as of 1 January 2018 but without being able to benefit from the lesser interest payable in the future due to renegotiations.
The application of this standard led, *ceteris paribus*, to an increase in financial charges in the first half of 2018 for €2 million.

This effect was almost entirely offset by (i) management's actions to manage debt more efficiently, (ii) positive net exchange differences and, to a lesser extent, (iii) increased interest assets, and (iv) lower interest on the fair value debt of royalty instruments.

23 Investment income/(costs)

This heading was zero at 30 June 2018. At 30 June 2017 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:

(€ thousands)

	30.6.2018	30.6.2017
Frullo Energia Ambiente Srl	946	1,042
Palermo Energia Ambiente ScpA in liquidation		
Parque Eolico La Carracha Sl		
Parque Eolico Plana de Jarreta Sl		
Vector Cuatro Servicios Sl	11	19
Total	**957**	**1,061**

25 Income tax expenses

Income tax as of 30 June 2018 totalled €9,876 thousand (€5,896 thousand the previous year).

Income tax in the first half of 2018 was positively affected by €1 million in consolidation income.
With reference to tax in the first half of 2017, the review of the useful life of the Italian wind and solar plants reduced our tax burden by €1.4 million.

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 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, calculated as the share price on the date of assignment net of forecast dividends during the vesting period, was of €0.9699. The fair value of the stock grants at 30 June 2018, worth €96 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	(€)	1.13
Exercise price	(€)	NA
Vesting period	(years)	3
Forecast dividends	(€)	0.16
Risk free interest rate	(%)	-0.08%

In the following months of 2017, some Group managers were also granted a total of 478,986 shares. The fair value per share assigned, calculated as the share price on the date of assignment net of forecast dividends during the vesting period, was of €1.2838. The fair value of the stock grants at 30 June 2018, worth €125 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	(€)	1.40
Exercise price	(€)	NA
Vesting period	(years)	3
Forecast dividends	(€)	0.11
Risk free interest rate	(%)	-0.18%

As the shares were assigned free of charge, the exercise price was zero.
At 30 June 2018, the following rights were held:

	Number of shares	Average exercise price
Rights at 01/01/2018	**1,069,986**	NA
New rights assigned during the period		NA
(Rights cancelled during the period)		
(Rights exercised during the period)		
(Rights expired during the period)		
Rights at 30/06/2018	**1,069,986**	NA
available for exercise at the end of the period	-	

27 Significant non-recurring events and transactions

In accordance with Consob communication DEM/6064293 of 28 July 2006, please note the significant non-recurring transactions which took place in the Falck Renewables Group SpA in the first half of 2018.

- Settlement between Tifeo Energia Ambiente Scpa in liquidation and Gulino Group SpA in relation to land, as described in detail on page 45 above.

This agreement generated approximately €7.1 million, following the return of the land and the release of the liabilities associated with the litigation, net of the amount paid for the settlement.
Information on the effects that the event has on the Group's financial position, results and cash flows are provided below.

(€ thousands)

	Net equity		Total net profit		Net profit for the period		Net financial debt		Cash flows *	
	Absolute value	% incid.	Absolute value	% incid.	Absolute value	% incid.	Absolute value	% incid.	Absolute value	% incid.
Balance sheet values	**529,080**		**34,312**		**27,702**		**(579,995)**		**(41,012)**	
Land transactions	(7,094)	-1.4%	(7,094)	-26.1%	(6,835)	-32.8%	2,000	-0.3%	2,000	-5.1%
Gross balance sheet value	**521,986**		**27,218**		**20,867**		**(577,995)**		**(39,012)**	

The incidence percentage is calcualted on the gross balance sheet value

* Cash flow refers to the increase (decrease) of cash and cash equivalents during the period

Related party transactions

(€ thousands)

	Revenue from sale of goods	Revenue from services	Other income	Direct costs	Admin. expenses	Financial expenses	Financial income	Income from investments
Parent company								
Falck SpA			199		(383)			
Total parent company			**199**		**(383)**			
Associates								
Frullo Energia Ambiente Srl			58					946
Parque Eolico La Carracha Sl								
Parque Eolico Plana de Jarreta Sl								
Vector Cuatro Servicios Sl								11
Total associates			**58**					**957**
Group companies								
Sesto Siderservizi Srl			10			27		
Falck Energy SpA			10					
Total Group companies			**20**			**27**		
Other related companies								
Firstar Development, LLC						**136**		
Svelgen Kraft Holding and associates						1		
CII Holdco Ltd						109	217	
Total other related companies						**246**	**217**	
Total			**277**		**(383)**	**273**	**217**	**957**
% incidence on income statement heading			**2.7%**		**-2.3%**	**1.1%**	**4.1%**	**100%**

5.7 Additional disclosures on financial instruments

IAS 34.16A(j), amended by IFRS 13, requires the Group to provide information on the fair value of the financial instruments indicated in IFRS 7 and IFRS 13. The information refers to 30 June 2018 and 31 December 2017.

In particular, it sets out detailed information regarding financial assets and liabilities concerning their classification in compliance with IFRS 9, the impact on the income statement for the year and their fair value.

IFRS 9 applies for annual periods beginning on or after 1 January 2018, date from which the Group began applying it. With the exception of hedge accounting, applied prospectively, the Group has applied IFRS 9 retrospectively, with an initial application date of 1 January 2018, but without restating the comparative balances for the 2017 period, as allowed by IFRS 9 and already anticipated in the financial reports for the period closed on 31 December 2017.

The impact of the transition to the new principle was reflected by an adjustment to the opening net equity reserves at 1 January 2018, for €13,316 thousand out of total net equity, with a positive effect of €17,439 thousand on the net financial position and a negative effect on taxation for €4,123 thousand.

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, resulting in an overall net indebtedness. Financial assets and liabilities are measured at cost and amortised cost in the financial statements, with the exception of the royalty instruments and certain derivative instruments, which 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, which although undertaken to hedge exposure, do not meet the requirements to be measured in accordance with hedge accounting.

The main impact of the financial instruments 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).

1. *Balance sheet*

The tables below illustrate the carrying values at 30 June 2018 and 31 December 2017 of the financial assets and liabilities classified in accordance with IFRS 9 and IAS 39 respectively. 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.

The figures at 31 December 2017 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations. To find out more, see the explanatory notes at 5.6.2 Consolidation area. Moreover, to make it easier to understand the first-time application of IFRS 9, a third table has been added showing the opening balances on 1 January 2018, classified and measured according to the new principle.

At 30 June 2018 the total financial assets of the Falck Renewables Group amounted to €341,715 thousand and financial liabilities totalled €867,001 thousand, compared to a total balance sheet value of €1,593,168 thousand. The financial assets and liabilities are almost entirely measured at cost or amortised cost. Moreover, the financial impact of financial assets and liabilities measured at fair value through profit or loss or equity is significant, and consists of derivative instruments.

5.7 Additional disclosures on financial instruments

(€ thousands)

30 June 2018	Amortised cost	Fair value and variations on the income statement	Fair value and variations in OCI	Total FA/FL within scope of IFRS7	A/L not within scope of IFRS7	Balance sheet total
Assets						
Property, plant and equipment and intangibles					1,166,811	1,166,811
Securities and investments		787		787	22,873	23,660
Financial receivables	12,114	116	2,086	14,316		14,316
Inventories					4,770	4,770
Trade receivables	104,597			104,597		104,597
Deferred income tax assets					22,742	22,742
Other receivables	1,510			1,510	34,257	35,767
Cash and cash equivalents	220,505			220,505		220,505
Total	**338,726**	**903**	**2,086**	**341,715**	**1,251,453**	**1,593,168**
Liabilities						
Total equity					529,080	529,080
Financial payables	759,553	11,425	43,838	814,816		814,816
Trade payables	43,931			43,931		43,931
Other payables	8,254			8,254	87,414	95,668
Deferred income tax liabilities					26,832	26,832
Provisions for other liabilities and charges					78,807	78,807
Staff leaving indemnity (TFR)					4,034	4,034
Total	**811,738**	**11,425**	**43,838**	**867,001**	**726,167**	**1,593,168**

(€ thousands)

1 January 2018	Amortised cost	Fair value and variations on the income statement	Fair value and variations in OCI	Total FA/FL within scope of IFRS7	A/L not within scope of IFRS7	Balance sheet total
Assets						
Property, plant and equipment and intangibles					1,128,751	1,128,751
Securities and investments		265		265	21,865	22,130
Financial receivables	12,869	90	1,012	13,971		13,971
Inventories					4,932	4,932
Trade receivables	103,304			103,304		103,304
Deferred income tax assets					28,038	28,038
Other receivables	1,602			1,602	25,040	26,642
Cash and cash equivalents	261,517			261,517		261,517
Total	**379,292**	**355**	**1,012**	**380,659**	**1,208,626**	**1,589,285**
Liabilities						
Total equity					510,875	510,875
Financial payables	784,880	10,502	47,214	842,596		842,596
Trade payables	46,864			46,864		46,864
Other payables	10,264			10,264	69,658	79,922
Deferred income tax liabilities					28,565	28,565
Provisions for other liabilities and charges					76,446	76,446
Staff leaving indemnity (TFR)					4,017	4,017
Total	**842,008**	**10,502**	**47,214**	**899,724**	**689,561**	**1,589,285**

5.7 Additional disclosures on financial instruments

(€ thousands)

31 December 2017 (*)	Amortised cost			Fair value on the income statement		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								1,128,751	1,128,751
Securities and investments						265	265	21,865	22,130
Financial receivables	12,869			90		1,012	13,971		13,971
Inventories								4,932	4,932
Trade receivables	103,304						103,304		103,304
Deferred income tax assets								28,038	28,038
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**		**90**		**1,277**	**380,659**	**1,208,626**	**1,589,285**
Liabilities									
Total equity								497,559	497,559
Financial payables			802,319	10,502		47,214	860,035		860,035
Trade payables			46,864				46,864		46,864
Other payables			10,264				10,264	69,658	79,922
Deferred income tax liabilities								24,442	24,442
Provisions for other liabilities and charges								76,446	76,446
Staff leaving indemnity (TFR)								4,017	4,017
Total			**859,447**	**10,502**		**47,214**	**917,163**	**672,122**	**1,589,285**

(*): The figures at 31 December 2017 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of the NC 42 LLC group, Falck Renewables Vind AS, Åliden Vind AB and Brattmyrliden Vind AB.
To find out more, see the explanatory notes at 5.6.2 *Consolidation area*.

2. Income statement and total equity

2.1 *Impact of financial assets and liabilities on the income statement and net equity*

The tables below illustrate the net gains or losses generated in the first half of 2018 and 2017 from the financial assets/liabilities reclassified according to IFRS 9, for both periods in question.

The main heading relates to the gains and losses arising on the variation in the value of derivative financial instruments.

(€ thousands)

30 June 2018				
	Gains/(losses) on the income statement	**Gains/(losses) recycled from equity on the income statement**	**Gains/(losses) recorded against equity**	**Total**
Financial assets at fair value	(79)		1,178	**1,099**
Financial assets at amortised cost				
Financial liabilities at fair value	(1,431)		3,250	**1,819**
Financial liabilities at amortised cost				
Total	**(1,510)**		**4,428**	**2,918**

(€ thousands)

31 December 2017				
	Gains/(losses) on the income statement	**Gains/(losses) recycled from equity on the income statement**	**Gains/(losses) recorded against equity**	**Total**
Financial assets at fair value	(70)			**(70)**
Financial assets at amortised cost				
Financial liabilities at fair value	(367)		12,015	**11,648**
Financial liabilities at amortised cost				
Total	**(437)**		**12,015**	**11,578**

The income (losses) shown directly under net equity refer to the change in fair value of derivative financial instruments measured applying hedge accounting. The net positive variation of €4,428 thousand includes a positive variation of €7,687 thousand relating to interest rate derivatives, a negative variation of €1,714 thousand relating to derivative contracts on exchange transactions, and a negative variation relating to hedging contracts on commodities of €1,545 thousand.

Losses shown on the income statement mainly include the negative variations on exchange rate derivatives, of €644 thousand, and €241 thousand on commodities. The heading also includes the negative variation in fair value of royalty instruments for €717 thousand, from the income statement.

2.2 *Provision for doubtful accounts*

During the first half of 2018, the provision for doubtful accounts was used for an amount of €69 thousand, comprising:

- an allocation of €19 thousand in relation to trade receivables of the Vector Cuatro group;
- €21 thousand used by Esposito Servizi Ecologici Srl and €67 thousand used by Vector Cuatro group.

The net amount was posted in the income statement under general and administrative expenses.

5.7 Additional disclosures on financial instruments

3 Further additional disclosures

3.1 *Accounting policies*

The accounting policies used to record and measure financial assets and liabilities included the first-time application of the new IFRS 9 principle; we refer to section 5.6.3 Accounting principles and consolidation techniques, in addition to the details set out in the first paragraph of this section 5.7.

3.2 *Risk management*

For details of Group risk management policies, please see the Interim financial report - point *4.1.10 a) Risks and uncertainties - financial*.

3.3 *Book value and fair value*

The tables below disclose the fair value of the financial assets/liabilities and the related carrying amount at 30 June 2018 and 31 December 2017.

For certain financial instruments (cash, trade receivables and payables and other receivables and payables), the book value is reasonably close to fair value, and no specific information has therefore been provided on these instruments, in compliance with IFRS 7.29(a).

(€ thousands)

30 June 2018		
	Carrying amount	Fair value
Financial assets		
Securities and investments	787	787
Financial receivables	14,316	14,316
Trade receivables	104,597	104,597
Other receivables	1,510	1,510
Cash and cash equivalents	220,505	220,505
Total	**341,715**	**341,715**
Financial liabilities		
Financial payables	814,816	814,816
Trade payables	43,931	43,931
Other payables	8,254	8,254
Total	**867,001**	**867,001**

(€ thousands)

31 December 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	860,035	860,035
Trade payables	46,864	46,864
Other payables	10,264	10,264
Total	**917,163**	**917,163**

At 30 June 2018, the heading "financial payables" was composed of €746,034 thousand in project financing debts, €45,056 thousand in derivatives with a negative fair value, and €23,726 thousand in other third party payables.

Loans due to third parties were composed of:

	30.6.2018	**31.12.2017**
Royalty instruments payables	10,207	10,136
Shareholders' loan - Wind sector	2,878	2,812
Mortgage from Banca Popolare di Sondrio	2,363	3,150
Shreholders' loan - Prima Srl	1,430	1,381
Payables for interest matured but not yet due on financings	1,192	1,084
Sicily Projects' loans	837	753
Payable for early sale of *SREC* certificates	4,023	
Payable for US company call options	796	
Total	**23,726**	**19,316**

For further details, please see the following composition of project financings at 30 June 2018.

30.06.2018 (€ thousands)

	Interest rate %	**Fair Value**	**Carrying amount**	**Current amount**	**Non-current amount**
Project financing Actelios Solar SpA	6-month Euribor + spread	24,491	24,491	20,575	3,916
Loan notes Innovative Solar 42 (*)	Fixed	33,686	33,686	31,622	2,064
Cambrian Project financing	6-month Libor + spread	4,291	4,291	1,122	3,169
FRUK Project financing	6-month Libor + spread	35,437	35,437	32,743	2,694
Earlsburn Mezzanine project financing	6-month Libor + spread	22,680	22,680	21,311	1,369
Earlsburn Project financing	6-month Libor + spread	10,755	10,755	8,351	2,404
Ben Aketil Project financing	6-month Libor + spread	14,742	14,742	12,682	2,060
Millennium Project financing	6-month Libor + spread	35,875	35,875	31,044	4,831
Kilbraur Project financing	6-month Libor + spread	40,759	40,759	36,642	4,117
Nutberry Project financing	6-month Libor + spread	19,607	19,607	18,943	664
West Browncastle Project financing	6-month Libor + spread	38,611	38,611	37,098	1,513
Kingsburn Project financing	6-month Libor + spread	31,476	31,476	30,251	1,225
Spaldington Project financing	6-month Libor + spread	14,561	14,561	13,990	571
Assel Valley Project financing	6-month Libor + spread	44,976	44,976	43,103	1,873
Auchrobert project financing	6-month Libor + spread	53,614	53,614	52,238	1,376
Eolica Sud Project financing	6-month Euribor + spread	75,122	75,122	65,872	9,250
Eolo 3W Project financing	6-month Euribor + spread	39,737	39,737	33,133	6,604
Geopower Project financing	6-month Euribor + spread	161,362	161,362	143,322	18,040
Eolica Petralia Project financing	6-month Euribor + spread	14,626	14,626	12,915	1,711
Ty Ru Project financing	Fixed/Euribor 3/6 m + spread	9,087	9,087	8,206	881
Fouy Project financing	6-month Euribor + spread	6,210	6,210	5,442	768
Crêtes Project financing	6-month Euribor + spread	6,500	6,500	5,703	797
Esquennois Project financing	6-month Euribor + spread	7,829	7,829	6,840	989
Total payables for project financing		**746,034**	**746,034**	**673,148**	**72,886**

In order to hedge the interest rate risk on project financing and to convert the rate from variable to fixed, the companies in question have entered into interest rate swaps (IRS) for the portion of the interest linked to project financing, at conditions that are substantially in line with market rates. Further details on these financial instruments are provided below.

The following table shows the reconciliation of financing liabilities for the first half of 2018:

Value at 31 December 2017	**860,035**
New borrowings	0
Repayments	(35,864)
Foreign exchange difference	1,528
Fair value variation	(1,819)
Change in the scope of consolidation	4,813
Other	(13,877)
Value at 30 June 2018	**814,816**

The heading "Other items" includes the benefits of the first-time application of IFRS 9, which led to an increase of €17,439 thousand in net financial position, without any impact on cash.

The table below lists the derivatives and financing contracts to which they relate:

- Instruments with a negative fair value at 30 June 2018:

(€ thousands)

Company	Type of derivative	Maturity	Original currency	Notional value	Fair value
Cambrian Wind Energy Ltd	Interest rate swap	31/12/2019	GBP	3,657	(8)
FRUK Holdings No. 1 Ltd	Interest rate swap	31/12/2025	GBP	30,650	(235)
Ben Aketil Wind Energy Ltd	Interest rate swap	31/12/2024	GBP	13,465	(1,851)
Millennium Wind Energy Ltd	Interest rate swap	15/04/2019	GBP	6,701	(169)
Kilbraur Wind Energy Ltd	Interest rate swap	15/10/2019	GBP	12,893	(389)
Nutberry Wind Energy Ltd	Interest rate swap	29/03/2029	GBP	18,797	(2,299)
Assel Valley Wind Energy Ltd	Interest rate swap	31/12/2034	GBP	34,745	(565)
Auchrobert Wind Energy Ltd	Interest rate swap	31/12/2035	GBP	27,502	(1)
Eolica Sud Srl	Interest rate swap	31/12/2024	EURO	62,354	(7,922)
Eolo 3W Minervino Murge Srl	Interest rate swap	31/12/2023	EURO	33,845	(4,022)
Geopower Sardegna Srl	Interest rate swap	30/06/2027	EURO	113,612	(15,962)
Geopower Sardegna Srl	Interest rate swap	30/06/2024	EURO	17,917	(324)
Eolica Petralia Srl	Interest rate swap	30/06/2027	EURO	12,374	(996)
Se Ty Ru Sas	Interest rate swap	30/09/2022	EURO	590	(17)
Se Ty Ru Sas	Interest rate swap	30/06/2028	EURO	3,582	(326)
Parc Eolien du Fouy Sas	Interest rate swap	15/07/2024	EURO	5,184	(769)
Parque Eolien des Cretes Sas	Interest rate swap	15/07/2024	EURO	5,385	(799)
Esquennois Energie Sas	Interest rate swap	15/07/2024	EURO	6,687	(979)
Actelios Solar SpA	Interest rate swap	30/06/2026	EURO	25,603	(3,188)
Total derivative financial instruments					**(40,821)**

- Embedded derivatives with a negative fair value at 30 June 2018:

(€ thousands)

Company	Type of derivative	Maturity	Original currency	Notional value	Fair value
Ecosesto SpA	Embedded derivative	31/12/2019	EURO	2,362	(6)
Total derivative financial instruments					**(6)**

- Instruments with a positive fair value at 30 June 2018:

(€ thousands)

Company	Type of derivative	Maturity	Original currency	Notional value	Fair value
Kingsburn Wind Energy Ltd	Interest rate swap	30/06/2034	GBP	24,647	1,088
Spaldington Airfiled Wind Energy Ltd	Interest rate swap	30/06/2034	GBP	11,567	503
Kilbraur Wind Energy Ltd	Interest rate swap	15/04/2024	GBP	19,409	180
Earlsburn Mezzanine Ltd	Interest rate swap	31/03/2026	GBP	20,044	53
Earlsburn Wind Energy Ltd	Interest rate swap	15/04/2022	GBP	9,371	5
Auchrobert Wind Energy Ltd	Interest rate swap	31/12/2035	GBP	13,751	7
Millennium Wind Energy Ltd	Interest rate swap	15/10/2024	GBP	23,491	62
West Browncastle Wind Energy Ltd	Interest rate swap	31/12/2033	GBP	31,691	188
Total derivative financial instruments					**2,086**

Analysis of interest rate, foreign exchange and commodity hedges of the Falck Renewables Group at 30 June 2018:

Derivative liabilities:

(€ thousands)

	31.12.2017	Change in the scope of consolidation	Change through equity	Change through income statement	Foreign exchange difference	30.06.2018
Cambrian Wind Energy Ltd	(25)		16	1		(8)
FRUK Holdings No. 1 Ltd	(569)		334	1	(1)	(235)
Earlsburn Mezzanine Ltd	(198)		194	4		
Earlsburn Wind Energy Ltd	(33)		33			
Ben Aketil Wind Energy Ltd	(2,263)		413	2	(3)	(1,851)
Millennium Wind Energy Ltd	(356)		190	(3)		(169)
Kilbraur Wind Energy Ltd	(584)		165	30		(389)
Nutberry Wind Energy Ltd	(2,513)		198	19	(3)	(2,299)
West Browncastle Wind Energy Ltd	(339)		338	2	(1)	
Assel Valley Wind Energy Ltd	(1,346)		781	2	(2)	(565)
Auchrobert Wind Energy Ltd	(911)		910	1	(1)	(1)
Eolica Sud Srl	(8,783)		853	8		(7,922)
Eolo 3W Minervino Murge Srl	(4,602)		575	5		(4,022)
Geopower Sardegna Srl	(17,426)		1,095	45		(16,286)
Eolica Petralia Srl	(1,042)		45	1		(996)
Se Ty Ru Sas	(334)		(10)	1		(343)
Parc Eolien du Fouy Sas	(849)		74	6		(769)
Parque Eolien des Cretes Sas	(882)		77	6		(799)
Esquennois Energie Sas	(1,079)		93	7		(979)
Actelios Solar SpA	(3,437)		220	29		(3,188)
Total IRS	**(47,571)**		**6,594**	**167**	**(11)**	**(40,821)**
Derivatives on Falck Renewables SpA exchange rates				(554)		(554)
Derivatives on Åliden Vind AB exchange rates			(516)	(10)		(526)
Derivatives on Brattmyrliden Vind AB exchange rates			(1,283)	14		(1,269)
Derivatives on Falck Renewables Wind exchange rates				(94)		(94)
Total derivatives on exchange rates			**(1,799)**	**(644)**		**(2,443)**
Derivatives on Falck Renewables Energy commodities			(1,545)	(241)		(1,786)
Total derivatives on commodities			**(1,545)**	**(241)**		**(1,786)**
Total	**(47,571)**		**3,250**	**(718)**	**(11)**	**(45,050)**

Embedded derivatives:

(€ thousands)

	31.12.2017	Change in the scope of consolidation	Change through equity	Change through income statement	Foreign exchange difference	30.06.2018
Ecosesto SpA	(10)		0	4		(6)
Total embedded derivatives	**(10)**			**4**		**(6)**

5.7 Additional disclosures on financial instruments

Derivative assets:

(€ thousands)

	31.12.2017	Change in scope of consolidation	Change through equity	Change through income statement	Foreign exchange difference	30.06.2018
Kingsburn Wind Energy Ltd	680		407		1	1,088
Spaldington Airfiled Wind Energy Ltd	315		188			503
Kilbraur Wind Energy Ltd	17		163			180
Earlsburn Mezzanine Ltd			69	(16)		53
Earlsburn Wind Energy Ltd			8	(3)		5
Auchrobert Wind Energy Ltd			7			7
Millennium Wind Energy Ltd			62			62
West Browncastle Wind Energy Ltd			189	(1)		188
Total IRS	**1,012**		**1,093**	**(20)**	**1**	**2,086**
Derivatives on Falck Renewables SpA exchange rates	90			(87)		3
Derivatives on Falck Renewables Vind AS exchange rates			85	28		113
Total derivatives on exchange rates	**90**		**85**	**(59)**		**116**
Total	**1,102**		**1,178**	**(79)**	**1**	**2,202**

3.4 *Fair value – hierarchy*

All financial instruments recorded at fair value were classified into the following three categories, based on the lowest level of input that is significant to the entire fair value measurement:

- 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 following tables show the financial instruments held by the Group at 30 June 2018 and 31 December 2017 at fair value:

(€ thousands)

30 June 2018	Level 1	Level 2	Level 3	Total
Financial assets measured at FV				
Forward transactions on foreign currency		116		116
Derivative contracts on interest rates		2,086		2,086
Derivative contracts on commodities		-		-
Financial assets at fair value on the income statement		687	100	787
Total assets		**2,889**	**100**	**2,989**
Financial liabilities measured at FV				
Forward transactions on foreign currency		2,443		2,443
Derivative contracts on interest rates		40,827		40,827
Derivative contracts on commodities		1,786		1,786
Financial liabilities at fair value on the income statement			10,207	10,207
Total liabilities		**45,056**	**10,207**	**55,263**

(€ thousands)

31 December 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
Derivative contracts on commodities				-
Financial assets at fair value on the income statement		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
Derivative contracts on commodities				-
Financial liabilities at fair value on the income statement			10,136	10,136
Total liabilities		**47,581**	**10,136**	**57,717**

At the closure of each period, the Group determines if any transfer between hierarchy levels has taken place and reviews their classification (based on the lowest level of input that is significant to the entire fair value measurement). No such transfers were made between levels during the first half of 2018.

3.3 *Fair value – calculation methods*

The fair value of derivative financial instruments on interest rates, calculated on the date of closure of the first half, is equal to the discounted future cash flows given the forward rates curve at 30 June 2018.

The fair value of forward exchange contracts is measured using the spot rate at the end of the period (June 2018), and forward rates and yield curves on foreign currencies.

The fair value of forward contracts on commodities is calculated monthly. It corresponds to the actualization of future cash flows, calculated according to Futures products listed on the last market day in the previous month. In particular, the reference prices used in the calculation are the daily Settlement Prices recorded at market closing on the last market day, published by EEX in “End-of-Day” figures.

The fair value of the other financial assets on the income statement was calculated using the figures provided by the entities themselves.

The fair value of royalty instruments included under financial liabilities at fair value on the income statement was calculated using internal measurement methods, based on forecast payments to the local communities, which in turn depend on the performance of the wind farms financed.

6. Supplementary information to the consolidated financial statements

6.1 *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	Euro	291,413,891			
Actelios Solar SpA	Catania	Euro	120,000	100.000		
Åliden Vind AB	Malmö (Sweden)	SEK	100,000	100.000		
Ambiente 2000 Srl	Milan	Euro	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)	Euro	5,120,000	100.000		
Elettroambiente SpA (in liquidation)	Sesto S. Giovanni (MI)	Euro	245,350	100.000		
Elektrownie Wiatrowe Bonwind Łyszkowice Sp.Z.o.o.	Łódz (Poland)	PLN	132,000		50.000	Falck Renewables Wind Ltd
Eolica Cabezo San Roque Sau	Madrid (Spain)	Euro	1,500,000		100.000	Falck Renewables Wind Ltd
Eolica Petralia Srl	Sesto S. Giovanni (MI)	Euro	2,000,000	100.000		
Eolica Sud Srl	Sesto S. Giovanni (MI)	Euro	5,000,000	100.000		
Eolo 3W Minervino Murge Srl	Sesto S. Giovanni (MI)	Euro	10,000	100.000		
Esposito Servizi Ecologici Srl	Sesto S. Giovanni (MI)	Euro	10,000	100.000		
Esquennois Energie Sas	Rennes (France)	Euro	37,000		100.000	Falck Renewables Wind Ltd
Falck Energies Renouvelables Sas	Rennes (France)	Euro	60,000		100.000	Falck Renewables Wind Ltd
Falck Middleton, LLC	Delaware (USA)	USD	-		100.000	Falck Renewables North America Inc
Falck Middleton Generation, LLC	Delaware (USA)	USD	-		100.000 class B*	Falck Middleton, LLC
Falck Renewables DLP MA, LLC	Delaware (USA)	USD	-		100.000	Falck Renewables North America Inc
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)	Euro	10,000	100.000		
Falck Renewables North America Inc	Delaware (USA)	USD	5	100.000		
Falck Renewables Vind AS	Sandane (Norway)	NOK	20,273,000	80.000		
Falck Renewables Wind Ltd	London (UK)	GBP	37,759,066	99.989		
Falck Renewables Energy Srl	Sesto S. Giovanni (MI)	Euro	10,000	100.000		
Falck Renewables Gmbh & co.KG	Nuremberg (Germany)	Euro	5,000		100.000	Falck Energies Renouvelables Sas
Falck Renewables Verwaltungs Gmbh	Nuremberg (Germany)	Euro	25,000		100.000	Falck Energies Renouvelables Sas
Fisher Road Solar I, LLC	Delaware (USA)	USD			100.000	SPME Dartmouth Holdings, LLC
FRUK Holdings (No.1) Ltd	London (UK)	GBP	1		51.000	Falck Renewables Finance Ltd
Geopower Sardegna Srl	Sesto S. Giovanni (MI)	Euro	2,000,000	100.000		
HG Solar Development, LLC	New York (USA)	USD	-		100.000	Falck Middleton Generation, LLC
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)	Euro	120,000	71.273		
Parc Eolien d'Illois Sarl	Rennes (France)	Euro	1,000		100.000	Falck Energies Renouvelables Sas
Parc Eolien des Cretes Sas	Rennes (France)	Euro	37,000		100.000	Falck Renewables Wind Ltd
Parc Eolien du Fouy Sas	Rennes (France)	Euro	37,000		100.000	Falck Renewables Wind Ltd
Platani Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (MI)	Euro	3,364,264		87.180	Elettro ambiente SpA
Prima Srl	Sesto S. Giovanni (MI)	Euro	5,430,000	85.000		
PV Diagnosis Fotovoltaica SLU	Madrid (Spain)	Euro	3,100		100.000	Vector Cuatro SLU
PV Diagnosis Srl (in liquidation)	Milan	Euro	10,000		100.000	Vector Cuatro SLU
SE Ty Ru Sas	Rennes (France)	Euro	1,009,003		100.000	Falck Renewables Gmbh and co.KG
Solar Mesagne Srl	Brindisi	Euro	50,000	100.000		
Spaldington Airfield Wind Energy Ltd	London (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
SPME Dartmouth Holdings, LLC	Delaware (USA)	USD			100.000 class B*	Falck Renewables DLP MA, LLC
SPME Holdings 2015, LLC	New Jersey (USA)	USD			100.000 class B*	Falck Renewables DLP MA, LLC
Syncarpha Massachusetts, LLC	Delaware (USA)	USD			100.000	SPME Holdings 2015, LLC
Syncarpha Palmer, LLC	Delaware (USA)	USD			100.000	SPME Holdings 2015, LLC
Tifeo Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (MI)	Euro	4,679,829		96.350	Elettro ambiente SpA
Vector Cuatro SLU	Madrid (Spain)	Euro	55,001	100.000		
Vector Cuatro Renewables FZE	Dubai (UAE)	AED	300,000		100.000	Vector Cuatro SLU
Vector Cuatro Srl	Turin	Euro	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)	Euro	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	2,066,000		99.95	Vector Cuatro SLU
					0.05	PVDiagnosis 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 guarantee 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	Euro	17,139,100	49.000		
Nuevos Parque Eolicos La Muela AIE	Zaragoza (Spain)	Euro	10,000		50.000	Parque Eolico La Carracha SL
					50.000	Parque Eolico Plana de Jarreta SL
Parque Eolico La Carracha Sl	Zaragoza (Spain)	Euro	100,000		26.000	Falck Renewables Wind Ltd
Parque Eolico Plana de Jarreta Sl	Zaragoza (Spain)	Euro	100,000		26.000	Falck Renewables Wind Ltd
Vector Cuatro Servicios SL	Madrid (Spain)	Euro	30,000		50.000	Vector Cuatro SLU

7. Certification of the abbreviated interim reports pursuant to article 81-ter of CONSOB Regulation no. 11971 dated 14 May 1999 as amended

7 Certification of the abbreviated interim reports as per Article 81-ter of CONSOB Regulation no. 11971 dated 14 May 1999 as amended and s.i.

1. The undersigned Toni Volpe as Chief Executive Officer and Paolo Rundeddu as Manager assigned to prepare the accounting documents 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

   the administrative and accounting procedures for the preparation of the 2018 abbreviated interim financial statements.
   In this respect, as described in the notes to the consolidated financial statements, due to the acquisition of control over some companies owning solar plants in the US for a total of 112.5 MW, in the next few months we will begin integrating and aligning corporate procedures with the rest of the Group, as per Law 262/05.

2. We further certify that:

   2.1 the abbreviated consolidated financial reports:

   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.

   2.2 The interim financial report offers a reliable analysis of the important events that took place in the first six months of the year and their impact on the abbreviated interim financial statements, along with a description of the main risks and uncertainties for the remaining six months.
   It also includes a reliable analysis of the information on related party transactions.

The Chief Executive Officer	Corporate Accounting Documents Officer
________________________	________________________

Milan, 31 July 2018

8. Independent Auditors’ Report

8 Independent Auditors' Report

Building a better working world

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Review report on the interim condensed consolidated financial statements

To the Shareholders of
Falck Renewables S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated balance sheet, the consolidated income statements, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity for the period then ended and the related explanatory notes of Falck Renewables S.p.A. and its subsidiaries (the "Falck Renewables Group") as of 30 June 2018. The Directors of Falck Renewables S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Falck Renewables Group as of June 30, 2018 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 1 August 2018

EY S.p.A.
Signed by: Massimiliano Vercellotti, Partner

This report has been translated into the English language solely for the convenience of international readers